



إتحاد الخليج الأهلية للتأمين التعاوني  
GULF UNION AL AHLIA COOPERATIVE INSURANCE

# Ordinary General Assembly Meeting

## Gulf Union Al Ahlia Cooperative Insurance

Tuesday 29/06/2021 - 19/11/1442 H

06:30 PM - Through Modern Technology



Gulf Union Al Ahlia Cooperative Insurance Co. invites its Shareholders to attend the Ordinary General Assembly Meeting (First Meeting)

<p>Board of Directors of Gulf Union Al Ahlia Cooperative Insurance Company is pleased to invite its shareholders to attend the Ordinary General Meeting (First Meeting), through modern technology. Using Tadawulaty Platform, to discuss the attached agenda.</p> <p>In order to support the preventive and precautionary efforts made by the competent and relevant authorities in Saudi Arabia to address the emerging Corona Virus (COVID-19), It has been decided to hold the Ordinary General Assembly meeting in the Head Office of the company in the city of Dammam - Al-Khalidiya Al-Janubiyah - Salman Al-Farsi Street - Unit 1,2,3 of Q2 in the Business District, Using Tadawulaty Platform only for electronic voting.</p> <p>On Tuesday 19 Thu Al Qaeda 1442 AH) According to the Umm Al-Qura calendar), corresponding to June 29, 2021 AD at 06:30 PM</p>	<p><b>Introduction</b></p>
<p>Head Office of the company in the city of Dammam - Al-Khalidiya Al-Janubiyah - Salman Al-Farsi Street - Unit 1,2,3 of Q2 in the Business District, through modern technology, Using Tadawulaty Platform only for electronic voting.</p>	<p><b>City and Location of the ordinary General Assembly's Meeting</b></p>
<p><a href="https://goo.gl/maps/FSnGoeczSGUBtPNy7">https://goo.gl/maps/FSnGoeczSGUBtPNy7</a></p>	<p><b>URL for the Meeting Location</b></p>
<p>Tuesday 19/11/ 1442 AH) According to the Umm Al-Qura calendar), corresponding to 29/06/2021 G</p>	<p><b>Date of the ordinary General Assembly's Meeting</b></p>
<p>06:30 PM</p>	<p><b>Time of the ordinary General Assembly's Meeting</b></p>
<p>Shareholders Registered in the Issuer's Shareholders Registry in the Depository Centre At the End of the Trading Session Preceding the General Assembly's Meeting as per Laws and Regulations Eligibility for Attendance Registering of the General Assembly's Meeting Ends upon the Convenience of the General Assembly's Meeting. Eligibility for Voting on the Meeting Agenda Ends upon the Counting Committee Concludes Counting the Votes</p>	<p><b>Attendance Eligibility</b></p>

<p>According to Article (33) of the Company's bylaw, the Ordinary General Assembly meeting is valid if it is attended by shareholders representing at least a quarter of the capital, and if the mandatory quorum is not available to hold this meeting, the second meeting will be held an hour after the end of the period specified for the first meeting, and the second meeting is valid whatever the number of shares represented in it.</p>	<p><b>Quorum for Convening the General Assembly's Meeting</b></p>
<p>Attached</p>	<p><b>Meeting Agenda</b></p>
<p>Attached</p>	<p><b>Proxy form</b></p>
<p>All shareholders registered in Tadawulaty will be able to remotely vote on the items of the Ordinary General Assembly Meeting starting at 10:00 AM on <b>Friday , 15 Thu Al Qaeda 1442h corresponding to 25 June 2021</b>, and until the end of the General assembly meeting <b>on Tuesday 29 June 2021</b>. The company urges the shareholders to register on Tadawulaty service, knowing that registration and voting are provided free of charge for all shareholders through the following link: <a href="http://www.tadawulaty.com.sa">www.tadawulaty.com.sa</a></p>	<p><b>E-Vote</b></p>
<p>the Ordinary General Assembly will only be conducted through modern technology means, to ensure the safety of dealers in Stock Exchange Market, in the context of supporting the preventive and precautionary efforts conducted by relevant authorities to address the new Corona Virus (COVID-19) The company urges the shareholders to register on Tadawulaty service, knowing that registration and voting are provided free of charge for all shareholders through the following link: <a href="http://www.tadawulaty.com.sa">www.tadawulaty.com.sa</a></p>	<p><b>Voting by Using Proxy</b></p>
<p>Attached</p>	<p><b>Proxy Form</b></p>
<p>Eligibility for Attendance Registering of the General Assembly's Meeting Ends upon the Convenience of the General Assembly's Meeting. Eligibility for Voting on the Meeting Agenda Ends upon the Counting Committee Concludes Counting the Votes</p>	<p><b>Eligibility for Attendance Registration and Voting</b></p>
<p>In case of any inquiry please contact the Investor Relations Department by the following email <a href="mailto:headoffice@gulfunion-saudi.com">headoffice@gulfunion-saudi.com</a> The unified number 920029926</p>	<p><b>Method of Communication</b></p>
<p>Documents</p>	<p><b>Attached Documents</b></p>

**Agenda - Ordinary General Assembly Meeting for Gulf Union Al Ahlia Cooperative Insurance**

**2021/06/29 - 18:30 PM**

1. Voting on the Board Annual Report for the fiscal year ended on 31 December 2020.
2. Voting on the Financial Statements for the fiscal year ended on 31 December 2020.
3. Voting on External Auditors Report for the fiscal year ended on 31 December 2020.
4. Voting on the discharging the Board members from any liabilities for the fiscal year ended on 31 December 2020.
5. Voting on the appointment of External Auditors among the nominated based on the recommendation of the Audit Committee to review and audit the financial statements of the second & third quarter and annual statements for the year 2021 and first quarter of 2022, and determination of their fees.
6. Voting on amending the Remuneration Policy for Board, Board Committees Members and Executive Management. (Attached).
7. Voting on payment of total SAR (2,265,000) as remuneration to the members of the Board of Directors for the fiscal year ended on 31 December 2020 (attached).
8. Voting on delegating the Board of Directors the vested powers of the general assembly meeting as per article (71/1) of the Companies Law for one year from the date of the Assembly approval or the end of the delegated Board term, which comes first. Such delegation shall be in accordance with the requirements stipulated in the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.
9. Voting on the business and contracts that were entered into between the company and Rawabi Holding Company, in which the Chairman of the Board of Directors - Mr. Abdulaziz Ali Al-Turki has a direct interest in (where he holds the position of Chairman of the Board of Directors), noting that the transactions that took place during the fiscal year 2020 are (insurance policies for one year with a value of 1,456,778 Saudi riyals), there are no preferential terms in these deals and contracts.
10. Voting on the business and contracts that were entered into between the company and Al Tamimi Group, which the Vice Chairman of the Board of Directors - Mr. Fawaz Talal Al Tamimi has an indirect interest in (where he holds the position of a member of the Board of Directors), noting that the transactions that took place during the fiscal year 2020 are (insurance policies for one year with a value of 7,098,298 SAR), and there are no preferential terms in these deals and contracts.
11. Voting on the business and contracts that were entered into between the company and Al Muhaidib Group, in which a member of the Board of Directors - Mr. Majid Shatti Al Dhafiri has an indirect interest in (where he holds an executive position), noting that the transactions that took place during the fiscal year 2020 are (insurance policies for one year with a value of 6,028,238 Saudi Riyals), and there are no preferential terms in these deals and contracts.
12. Voting on the business and contracts that were entered into between the company and Al Muhaidib Group, in which a member of the Board of Directors - Mr. Majid Shatti Al Dhafiri has an indirect interest in (where he holds an executive position), noting that the transactions that took place during the fiscal year 2020 are (Rent Contracts for the Company's offices for one year with a value of 2,897,306 Saudi Riyals), and there are no preferential terms in these deals and contracts.
13. Voting to use the entire balance of the share premium amounting to (89,488,445 Saudi Riyals) to reduce part of the accumulated losses of the company.



## Proxy Form

## نموذج التوكيل

### Dear Shareholders

### السادة المساهمين الكرام

The Proxy form is not available, as the Ordinary General Assembly will only be conducted through modern technology means, to ensure the safety of dealers in Stock Exchange Market, in the context of supporting the preventive and precautionary efforts conducted by relevant authorities to address the new Corona Virus (COVID-19)

نموذج التوكيل غير متاح حيث سيتم الاكتفاء بعقد الجمعية العامة العادية عبر وسائل التقنية الحديثة وذلك حرصاً على سلامة المتعاملين في السوق المالية ودعماً للجهود والإجراءات الوقائية والاحترازية من قبل الجهات المختصة وذات العلاقة للتصدي لفايروس كورونا المستجد (COVID-19)

The company urges the shareholders to register on Tadawulaty service, knowing that voting is provided free of charge for all shareholders through the following link:

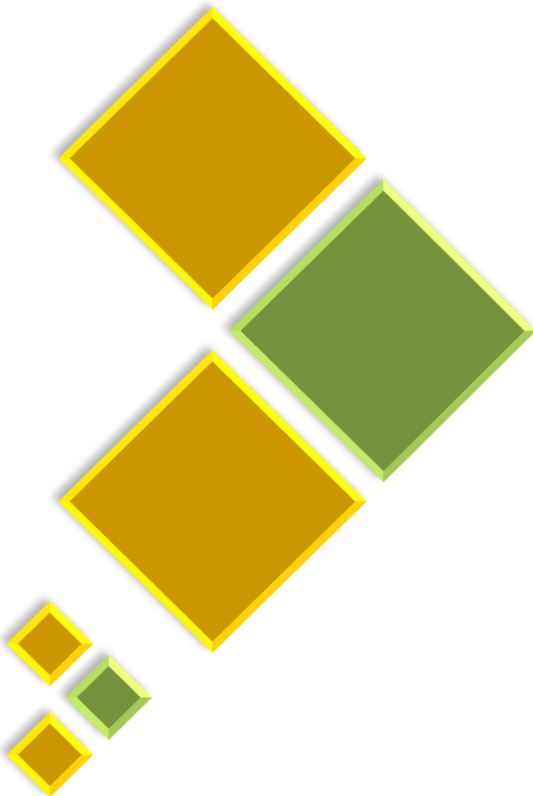
وتحث الشركة مساهميها بالتسجيل في موقع تداولاتي علماً بأن التسجيل والتصويت متاحاً ومجاناً لجميع المساهمين باستخدام الرابط التالي:

[www.tadawulaty.com.sa](http://www.tadawulaty.com.sa)

[www.tadawulaty.com.sa](http://www.tadawulaty.com.sa)



# Audit Committee Report to the General Assembly Meeting for the fiscal year 2020.





# تقرير لجنة المراجعة إلى الجمعية العامة للمساهمين عن العام المالي 2020





## السادة/ مساهمي شركة إتحاد الخليج الأهلية للتأمين التعاوني المحترمين السلام عليكم ورحمة الله وبركاته،،،

### مقدمة

تعد الرقابة من الوظائف المهمة جداً، حيث تتمثل أهدافها في عملية التقييم والمتابعة وتصحيح الأداء والكشف عن الإنحرافات وتحديد الفرص وإدارة العوائق أمام تحقيق أهداف الشركة. فالأنظمة الرقابية تزود الشركة بقوة التوجيه والتكامل والتحفيز، وبالتالي فإن الشركات التي تتمتع بإدارة جيدة هي تلك الشركات التي تمتلك أنظمة رقابية فعالة، والتي من شأنها أن تعزز قدرتها على تنفيذ استراتيجيتها، وتعد لجنة المراجعة هذا التقرير السنوي، الذي يهدف لتعريف المساهمين بمدى كفاية وفاعلية نظام الرقابة الداخلية بالشركة.

### أولاً: نطاق عمل اللجنة للعام المالي المنتهي في 2020/12/31:

إستناداً إلى لائحة حوكمة الشركات الصادرة عن مجلس هيئة السوق المالية، وإستناداً إلى لائحة عمل لجنة المراجعة المحدثة سنوياً، فقد اشتمل نطاق عمل اللجنة على عدة مواضيع ونقاط، من أهمها مايلي:

- 1- الإشراف على إدارة الرقابة الداخلية في الشركة، من أجل التحقق من مدى فاعليتها في تنفيذ الإلتزامات المنوطة بها.
- 2- مراجعة والموافقة على الخطة السنوية للمراجعة الداخلية.
- 3- مناقشة نظام الرقابة الداخلية والتأكد من فاعلية إجراءاته وإصدار التوصيات ذات العلاقة.
- 4- مناقشة تقارير المراجعة الداخلية ومتابعة تنفيذ الإجراءات التصحيحية للملاحظات الواردة فيها.
- 5- التوصية لمجلس الإدارة بتعيين المحاسبين القانونيين وتنحيتهم وتحديد أتعابهم والتأكد من استقلاليتهم.
- 6- متابعة أعمال المحاسبين القانونيين، واعتماد أية أعمال، إن وجدت، قد تكون خارج عن نطاق أعمال المراجعة التي يكلفون بها.
- 7- مناقشة خطة المراجعة السنوية مع المحاسب القانوني وإبداء الملاحظات عليها.
- 8- مناقشة ملاحظات المحاسب القانوني على القوائم المالية ومتابعة ما تم بشأنها.
- 9- مناقشة القوائم المالية الأولية والسنوية قبل عرضها على مجلس الإدارة، وإبداء الرأي والتوصية بشأن اعتمادها.
- 10- مناقشة السياسات المحاسبية المتبعة وإبداء الرأي والتوصية بشأنها لمجلس الإدارة.

### ثانياً: رأي اللجنة بشأن مدى كفاية نظام الرقابة الداخلية:

بناء على أعمال التدقيق والمراجعة التي تمت خلال عام 2020، فلا يوجد لدى لجنة المراجعة أي تحفظ جوهري على نظام الرقابة الداخلية، قد يؤثر سلباً على نتائج الشركة المعلنة، وذلك في نطاق عمل اللجنة المنصوص عليه من قبل الجهات الرقابية.

وقد أظهرت نتائج المراجعة السنوية مايلي:

- قناعة لجنة المراجعة بفاعلية نظام الرقابة الداخلية بالشركة، حيث لم يتضح وجود أي ضعف جوهري بنظام الرقابة الداخلية بالشركة.
- كما أن الأنظمة الرقابية تعمل بفاعلية وتمكن من وضع تصور عام عن المخاطر التي قد تواجه الشركة، ولم يحدث خرق جوهري لها خلال العام المالي 2020 يستدعي الإفصاح عنه.





- تم أخذ التدابير اللازمة لتصحيح الإجراءات وتقويمها بالشكل الصحيح والمتعلقة بلاحظات وتوصيات إدارة الرقابة الداخلية التي رفعت إلى لجنة المراجعة بعد مناقشتها.

وتفضلوا بقبول فائق التقدير

الدكتور/ إبراهيم عبدالله المطرف (رئيس اللجنة)

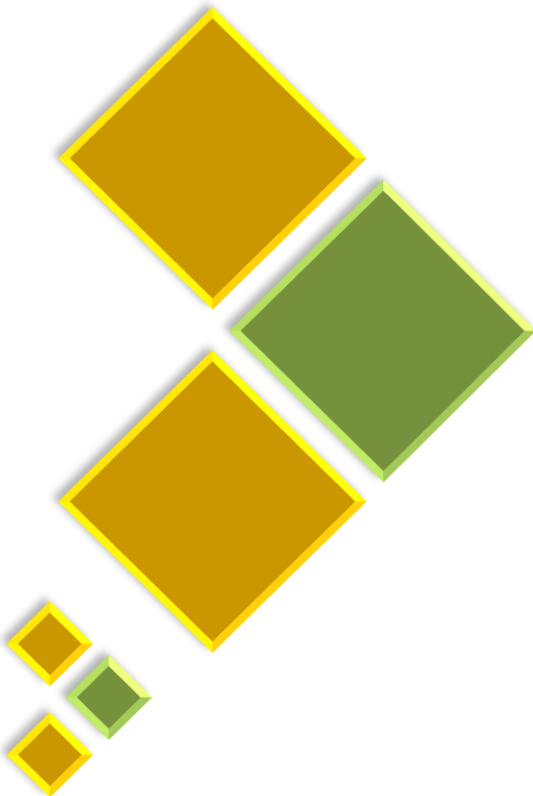
الاستاذ/ محمد عقيل الشائع (عضو اللجنة)

الاستاذ/ إبراهيم عبدالعزيز المقحم (عضو اللجنة)



## Agenda Item # 1

**Voting on the Board Annual Report for the fiscal year ended on 31 December 2020.**





إتحاد الخليج الأهلية للتأمين التعاوني  
GULF UNION AL AHLIA COOPERATIVE INSURANCE

# Board of Directors Annual Report

31/12/2020



**Speech of Mr. Abdulaziz Ali Al-Turki**  
**Chairman of Board of Directors**



**Gentlemen / shareholders of Gulf Union Cooperative Insurance Company**

Peace and mercy of Allah and his blessings may be upon you,

On my own behalf and on behalf of the Board of Directors of Gulf Union Alahlia Cooperative Insurance Company, I present to your Excellency the report of the Board of Directors for the year ending on 12/31/2020 AD, including a brief explanation of the company's activity, the nature of its business, its level of performance, and the audited financial statements for the fiscal year ending on 31 Dec 2020 AD (audited by the company external auditors PwC and Al-Kharashi & Co.), a summary of the most prominent strategic decisions during the year 2020 AD, and the company's compliance with the corporate governance regulation, in addition to the information on the company's board of directors and the committees emanating from the board, the disclosures of the members of the board of directors, as well as an account A summary of the most important developments and achievements, financial results as well as the company's prospects and future plans, risks related to the company and how to manage it, operating systems in accordance with the relevant regulations, and other information covering all the necessary aspects that need to be mentioned through this report.

## About the company

Gulf Union Alahlia Cooperative Insurance Company is proud of its position and reputation in the Saudi market since its inception in 1983 until this day. The company has been able to stand on its own feet and provide services to many segments of the Saudi society, and today it is one of the leading national companies in the Kingdom of Saudi Arabia.

## Our vision

To be one of the first leading insurance companies in the Kingdom, and a major contributor to social and economic development to achieve the Kingdom's Vision of 2030.

## Our message

Providing high-level insurance services and solutions at competitive prices and distinctive quality to the largest possible segment of customers.

## Our values and principles

We derive our values from the tolerant Islamic Sharia, the values and customs of the ancient Saudi society, and the application of high ethical standards characterized by honesty, honesty, transparency and mutual respect with employees, customers and stakeholders, and spreading the culture of social and environmental responsibility in society.

## Merge ..... a Vision..... a Reality

The company's Board of Directors and Executive Management always strive towards achieving the best for the company, its shareholders and its customers, and the company seeks to expand and spread, inflate the volume of business, improve the level of solvency, productivity and increase the percentage of its participation in the insurance sector in the Kingdom, and in order to achieve the vision of the Kingdom 2030, the company, represented by its Board of Directors and Executive Management take the first step towards merging with Al Ahlia for Cooperative Insurance company to form a strong new entity capable of meeting market requirements and meeting customers insurance desires and aspirations. The company through the merger aimed to achieve the following:

- Growth in market share.
- Wider geographic coverage.
- Diversified portfolio of insurance products and client base.
- Increase in Gross Written Premiums.
- Economies of scale

In fulfillment of the vision of the Board of Directors, Gulf Union Insurance Company (the "Company") has signed a merger agreement with Al Ahlia Cooperative Insurance Company ("Al Ahlia") on 04 June 2020, pursuant to which Gulf Union proposed to acquire all the shares issued by Al-Ahlia, and for all of Al-Ahlia's rights, obligations, assets and liabilities to be transferred to Gulf Union in return for which Gulf Union proposed to issue new shares in its share capital to all the shareholders of Al-Ahlia with a par value of SAR 10 per share.

The Company has obtained the regulatory approvals in relation to the merger from the Saudi Central Bank ("SAMA"), the General Authority of Competition ("GAC"), the Capital Market Authority ("CMA"), and Tadawul which constitute part of the conditions precedents ("CPs") in the merger agreement.

Gulf Union Company and Al-Ahlia Company have also get the extraordinary general assembly's approvals for the merger, it was announced that the creditors' objection period had ended by the end of 18/04/1442 (corresponding to 03/12/2020) and that the Al-Ahlia Company had not received any objections regarding fixed debts owed by the company as established by the creditors of the Al Ahlia Cooperative Insurance Company during the creditors' objection period.

Since the merger took effect on 06/12/2020 all of Al-Ahlia's rights, obligations, assets and liabilities to be transferred to Gulf Union.

Tadawul announced that the shares of Al-Ahlia Cooperative Insurance Company were canceled in the market by the end of Monday 22/04/1442 corresponding to 07/12/2020, and the new shares were issued to the shareholders of Al-Ahlia Company, and the shareholders of Al-Ahlia Company became shareholders in Gulf Union Cooperative Insurance Company. The name of the company has been changed to "Gulf Union Al Ahlia Cooperative Insurance"

As a result of merger, the company acquired net assets of SR 65,176,335 against swapping 7,947,464 ordinary shares with a nominal value of SR 79,474,640 at SR 10 each. On effective date of merger, the share price of the Company was SR 21.26 and accordingly, it resulted in goodwill of SR 103,786,75 and Share premium of SR 89,488,445. The Company has accounted for the merger using the acquisition method under IFRS 3- Business Combination ("IFRS 3") with the Company being the acquirer and Al Ahlia being the acquiree, based on the provisional fair values of the acquired assets and liabilities as at the Effective Date. The adjustments to the provisional values will be finalized within twelve months from the Effective Date as permitted by IFRS 3, as the Company will get a reasonable time to obtain the information necessary to identify and measure the net assets acquired.

Gulf Union Al Ahlia Cooperative Insurance Company, represented by its Board of Directors, Executive Management and all its employees, expresses sincere thanks and appreciation to the Saudi Central Bank (SAMA) for its continuous support to support the insurance sector and the economic sector of the Kingdom, as well as the company thanks to all relevant parties who support the company, this support resulted in the success of the merger project between Gulf Union Insurance Company and Al Ahlia Insurance Company and the formation of a new entity under the name of “Gulf Union Al Ahlia Cooperative Insurance”

**Paragraph (1) - A description of the important plans and decisions of the company during the year 2020 (structural changes to the company / expansion of its business / suspension of its operations) and future expectations of the company's business:**

#### **The most prominent decisions and events during the year 2020**

- On 04/03/2020, we received the approval from SAMA for the appointment of the Board Chairman, Vice Chairman, Secretary of the Board of Directors, Managing Director, heads and members of committees (except for the Audit Committee, which started its work on 17/12/2019 for a period of 3 years) for the session which started on 17/12/2019 and for three years ending on 16/12/2022
- Approval of the annual financial statements for the year ending 31/12/2019, by the general assembly of the company's shareholders on 23/06/2020.
- Approval of the annual report of the company's board of directors for the year ending on 12/31/2019 by the General Assembly on 23/06/2020.
- Recommending to the General Assembly to appoint external auditors for the company (Al-Kharrashi and PWC), to review the company's business for the second, third and fourth quarter of the year 2020 and the first quarter of the year 2021.
- The approval of the extraordinary general assembly of the shareholders of the company on 05/10/2020 to merge the Al-Ahlia company into the Gulf Union Company in accordance with the provisions of Articles (191), (192) and (193) of the Companies Law issued under Royal Decree No. M3 on 1/28 / 1437 AH (corresponding to 11/10/2015) ("Companies Law"), by issuing 0.64613528452846 shares in Gulf Union Company for every share in Al-Ahlia Company ("Merger Deal"), in accordance with the terms and conditions of the merger agreement between Gulf Union Company and the company The eligibility concluded on 10/12/1441 AH (corresponding to 06/04/2020 AD) (the "Merger Agreement"), as well as the approval of the following matters related to the merger deal, including the approval to increase the capital of the Gulf Union Company from (150,000,000) Saudi riyals to (229,474,640) SAR.
- The entry into force of the merger between the company and the Al Ahlia Cooperative Insurance Company on 06/12/2020
- Amending the company's name to the Gulf Union Al Ahlia Cooperative Insurance Company
- Amended the company's articles of association by changing the company's name and increasing the capital after the merger
- Amended the company's CR (the name of the new entity)
- Amended SAMA license with the new entity name "Gulf Union Al Ahlia Cooperative Insurance Co."

#### **Main developments in operational activities:**

- The company's qualification was renewed at the Council of Cooperative Health Insurance for a year ending on 02/15/2022.
- Pricing the company's products in accordance with the actuary's vision and the instructions of the SAMA.
- Developing the management of information systems and related electronic systems in line with business requirements.
- Take the necessary measures to apply the International Standard for Financial Reporting 17 (IFRS17) in accordance with the specified timeframe for that.
- Renewal of reinsurance agreements with a number of the best reinsurance companies.

#### **The company's strategy and future expectations**

The most prominent changes that occurred to the company in the year 2020 is the entry into force of the merger with the Al-Ahlia Company on 06/12/2020 and the formation of a new entity "Gulf Union Al-Ahlia Cooperative Insurance", which will be reflected in the company's future plans, the most important of which are as follows:

- Upgrading the company's services to better levels to reach a high rating within the insurance companies.
- Continuous upgrading and development of the Customer Care Department
- Developing the E-Business.
- Continuous upgrading and development of POS to be able to market all products and achieve the desired goals.
- Redistributing the existing POS and opening new ones according to the company's vision to achieve geographical spread.
- Developing the company's information technology system in a way that helps develop the business and serves all company departments.
- Continuous work to improve the level of the solvency margin.
- Achieving a good financial return that enables the company to distribute profits to shareholders.
- Developing the portfolios of some insurance products that characterize the company to achieve the highest possible profitability while preserving the diversification of the company's insurance portfolio.
- Maintaining the growth rates in the investment portfolios by applying the investment policy in terms of distributing these investments to achieve the highest possible return while maintaining the reduction of risks to the lowest level.



- Continuing with the plan to develop and train the employees internally and externally.
- Raise the Saudization rate according to the requirements of the regulatory authorities by employing a number of distinguished national cadres.

#### Saudization:

- The company sought during the year 2020 to increase the rate of Saudization by attracting Saudi professional competencies and qualifying and developing Saudi youth and preparing them for the insurance market
- It is committed to implementing the list of "requirements for appointment to leadership positions" issued in the month of 7/2013 by the SAMA, which was updated in September 2019.
- The Saudization rate in 2020 was 71.69%, and the number of company employees reached 484 employees as of 12/31/2020, including 348 Saudi employees. Work is underway to raise this percentage in line with the requirements of the regulatory authorities

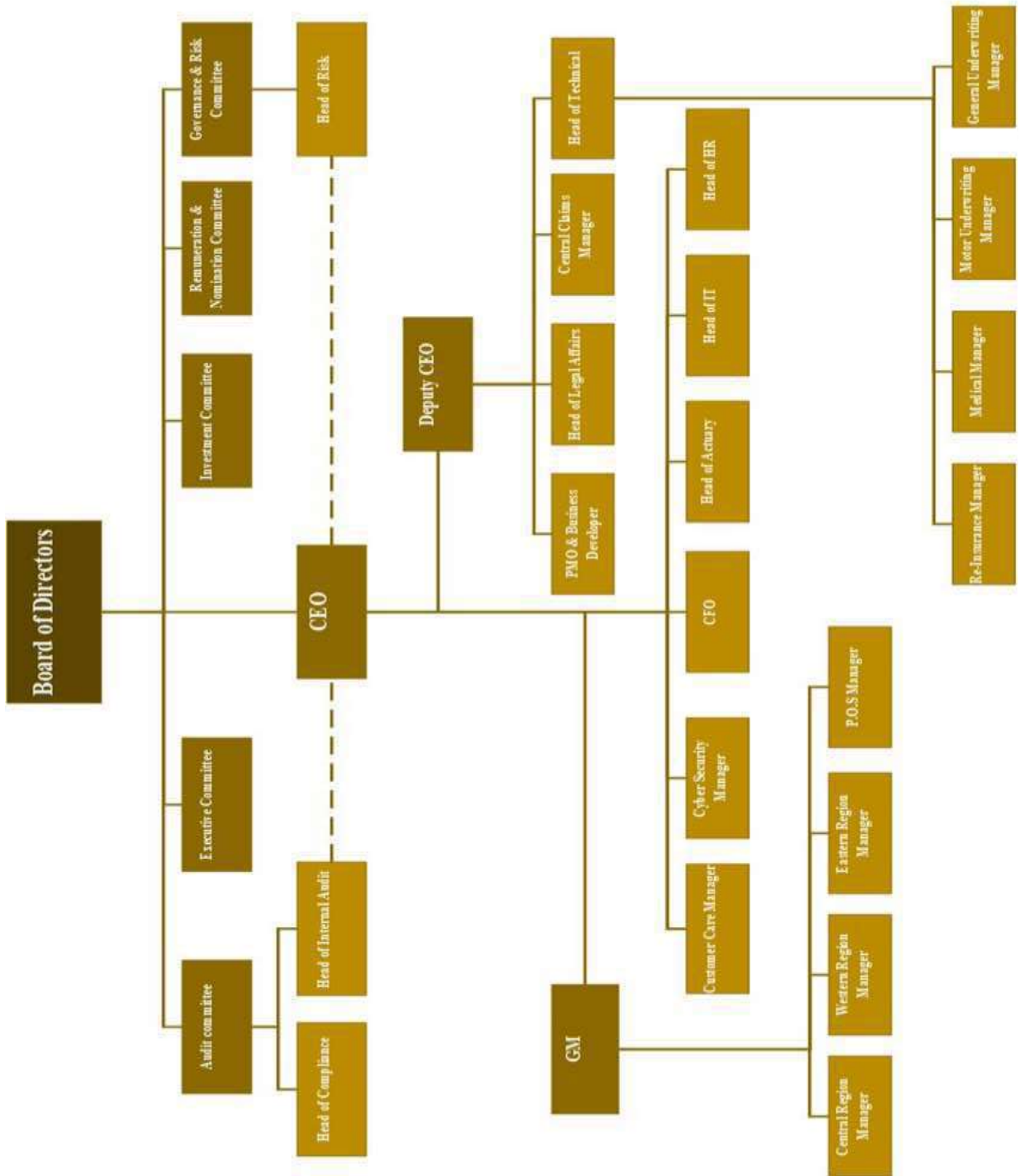
#### Training:

The company believes that training is an investment of guaranteed return, because the qualified human element is the basic capital for progress and success. Therefore, the company has put training at its top priority for all levels of its employees, and training includes on-the-job training programs in addition to continuous development by obtaining scientific qualifications from external bodies, for example but not limited to:

- **Fundamentals of insurance:** Learn about the concept of risk and the main principles that govern the relationship between risk and insurance, learn about insurance contracts, learn about practical insurance procedures and the most important insurance products for the protection of individuals and companies.
- **Insurance risk management:** risk management, risk culture and responsibilities related to risks, risk monitoring, risk culture, risk management manual (strategies and objectives).
- **Cooperative Training:** The company trained Saudi university students within the joint cooperative program with universities in the field of health informatics, finance and accounting.
- **Training through Tamheer Program:** Within the training programs, Saudi university graduates have been trained and prepared for the labor market in cooperation with the Human Resources Fund (Hadaf).
- **Combating money laundering and terrorist financing - combating insurance fraud:** The Thomson Reuters Institute was contracted to prepare the training program, which most of the company's employees joined, and the program includes an overview of the subject of money laundering and terrorist financing, the difference between money laundering and terrorist financing, the local regulatory environment and experiences International and best practices, the most important points of money laundering related to insurance, KYC procedures, penalties, suspicious activity detection and reporting. Insurance fraud, detection methods and reporting policy.
- Training plans for employees whose names are listed in the succession plan in order to prepare them to assume administrative positions in the future.
- **Specialized insurance programs:** some training programs in insurance underwriting, institutional risk management, excellence in customer service, and insurance contracts.
- **Disclosure - Capital Market Authority:** Some employees were enrolled in the qualifying training program to pass the CMA exam and passed successfully.
- **In addition to:** Programs that help develop skills in data analysis and report management.
- **Awareness programs:** The company has organized many awareness programs in the field of cybersecurity and compliance principles.
- The company has also encouraged employees during the Corona pandemic and the partial and total urban period to register for free training programs through electronic platforms to develop basic skills.



Company Structure:



## Paragraph (2) - Description of the main types of activity of the company and its subsidiaries:

The main activity of the company in the Kingdom is practicing insurance business against risks in general and everything related to it in accordance with the provisions of the Cooperative Insurance Companies Control Law, the implementing regulations and their amendments, and all relevant regulations, and it covers the following types:

- Medical insurance (individual / group / visitor visas / tourist visas / special residence / Hajj and Umrah visa insurance)
- Motor insurance (comprehensive vehicle insurance / third-party liability motor insurance, i.e. compulsory third-party insurance and cross-port vehicle insurance).
- Life protection for groups.
- Travel insurance.
- Other branches of insurance or general insurance, which are:
  - Transport insurance (includes air, sea and land transport insurance).
  - Marine insurance (includes hull and liability insurance)
  - Non-marine insurance (property insurance / personal accident insurance / employers liability insurance / professional liability insurance / general or product liability insurance / theft insurance / dishonesty insurance / money insurance / fire insurance / engineering insurance / terrorism and sabotage insurance).

Also, there are no subsidiary companies of the company inside or outside the Kingdom.

The company conducts its activities in the Kingdom through the following branches licensed by the relevant authorities:

- Headquarters - Dammam
- The regional branch of the Eastern Province - Dammam
- The regional branch for the Western Region - Jeddah
- The regional branch for the central region - Riyadh
- In addition to (30) points of sale distributed in most regions of the Kingdom.

**Paragraph (3) – Analysis of the company’s performance during 2020 (thousand Saudi Riyal):**

	Medical Insurance	Motor Insurance	Other Insurance	Total
Gross premiums written	391,351	99,231	66,541	557,123
Net premiums earned	340,797	74,564	19,523	434,884
Reinsurance commissions	-	8,453	15,869	24,322
Net claims and other benefits incurred	(306,572)	(57,829)	(5,746)	(370,147)
Net Underwriting Income	10,190	15,444	23,388	49,022

**Below is the performance of the operational sections during the past five years 2016 – 2020 (thousand Saudi Riyal)**

Segment	2020	2019	2018	2017	2016
Medical	391,351	311,195	120,347	132,848	59,285
Motor	99,231	177,972	156,424	159,048	128,489
Others	66,541	69,629	51,231	67,732	89,601
Total	557,123	558,796	328,002	359,628	277,375

**Below are the operational segments and their contributions for year 2020 (thousand Saudi Riyal):**

Segment	Gross Written Premiums	Percentage
Medical	391,351	<b>%70</b>
Motor	99,231	<b>%18</b>
Others	66,541	<b>%12</b>
Total	557,123	<b>% 100</b>

**Paragraph (4) – Summary of company assets, liabilities and financial results for the past five years:**

**Assets and liabilities for the years 2016 – 2020 (thousand Saudi Riyal)**

Item	2020	2019	2018	2017	2016
<b>Insurance Operations assets</b>					
Cash and equivalents	67,852	64,394	20,601	57,210	13,660
Premiums and debit insurance balances	214,880	192,173	130,076	101,977	133,732
Other assets	560,024	297,813	310,712	239,778	250,934
	842,756	554,381	461,389	398,965	398,326
<b>Liabilities and accumulated surplus of insurance operations</b>					
Accounts payable	87,488	51,005	52,917	46,249	91,094
Technical reserves	662,524	440,372	360,618	294,379	246,465
Other payable	92,744	63,004	47,854	58,436	60,767
	842,756	554,381	461,389	398,965	398,326
<b>Shareholders' operations assets</b>					
Cash and equivalents	111,656	2,468	1,524	61,095	37,950
Other assets	350,829	149,520	177,699	122,450	118,321
	462,485	151,989	179,223	183,545	156,271
<b>Shareholders' operations liabilities</b>	193,825	6,723	9,123	15,651	9,710
<b>Shareholders' equity</b>	268,660	145,265	170,099	167,894	146,561
<b>Total liabilities and shareholders' equity</b>	462,485	151,989	179,223	183,545	156,271
<b>Solvency ratio</b>	<b>108%</b>	80%	125%	114%	85.20%

**Summary of company results for the year 2020 with comparison to the prior four year 2016 – 2019 (thousand Saudi Riyal)**

	2020	2019	2018	2017	2016
Gross premiums written	557,123	558,796	328,002	359,627	277,376
Net premiums earned	434,884	326,855	167,996	209,183	102,871
Total revenues	459,429	353,815	196,846	260,138	133,995
Net claims and other benefits paid	(345,468)	(232,739)	(105,371)	(101,034)	(54,560)
Net claims and other benefits incurred	(370,147)	(293,649)	(99,660)	(125,695)	(54,900)
Total underwriting costs and expenses, net	(410,407)	(316,818)	(128,961)	(154,446)	(63,061)
Net Underwriting Income	49,022	36,997	67,885	105,691	70,934
Total other operating expenses, net	(88,386)	(67,735)	(61,553)	(75,115)	(43,904)
Surplus attributed to the insurance operations	-	-	5,821	33,989	27,030
Total loss for the year attributable to the shareholders	(45,577)	(29,143)	5,750	27,177	22,334

**Paragraph (5) – Geographical distribution of Written Premiums of the company and its subsidiaries:**

Below table shows insurance operations Gross Written Premium generated within the kingdom for the company during the year ended 31 December 2020 which amounted to SR 557,123. The company does not have any subsidiaries:

**Branch results (Thousand Saudi riyals)**

Year	Total Gross Premium Written for			Total
	Western Region	Central Region	Eastern Region	
2020	99,654	222,578	234,891	557,123
2019	97,107	167,160	294,529	558,796
2018	32,712	164,073	131,217	328,002
2017	50,577	125,784	183,266	359,627
2016	41,055	41,739	194,581	277,376

**Paragraph (6) – Whether external auditor report contains any Emphasis of Matter on the financial statements and the reason behind them:**

The company confirms that there has been no Emphasis of Mater on its 2020 financial statements by external auditors (PwC and Al Kharashi & Co.)

**Paragraph (7) – Summary of major differences in the operations results of the company as compared to last year or any forecast published (thousand Saudi Riyal):**

	2020	2019	Change in amount	Change %
Gross premiums written	557,123	558,796	(1,673)	-0.3%
Net premiums written	452,467	423,863	28,604	6.7%
Net claims and other benefits incurred	370,147	293,649	76,498	26.1%
Net Profit (loss) of Shareholders Capital Investment	7,650	8,651	(1,001)	-11.6%
Profit (Loss) Insurance Operations Minus Policy Holders Investments Revenues (Operations Results)	(47,230)	(40,626)	(6,604)	16.3%
Net Profit (loss) of Shareholders Capital Investment	4,622	5,226	(604)	-11.6%
Net Profit (Loss) before Zakat	(39,364)	(30,739)	(8,625)	28.1%
Total Comprehensive Income	(41,134)	(22,945)	(18,189)	79.3%
Total Share Holders Equity (after Deducting Minority Equity)	272,332	144,503	127,829	88.5%
Profit (Loss) per Share	(2.93)	(1.94)	(1.0)	

### **Paragraph (8) – Clarifying whether there are deviations from accounting standards endorsed by Saudi Organization for Certified Public Accountants**

Financial statements have been prepared in accordance with International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

### **Paragraph (9) - Company policy for dividend distribution:**

The company's policy of distributing profits is based on what is stipulated in Chapter 8 of the Company's Articles of Association, as follows:

- **Dividend distribution:**

The company's profits are distributed after deducting all general expenses and other costs, according to the following controls:

1. Deduction of zakat and income tax assessed from profits.
2. Deduction of (20%) from the net profits to form a statutory reserve. The Ordinary General Assembly may stop this deduction whenever the total reserve reaches (100%) of the paid capital.
3. When determining the share of shares in the net profits, the Ordinary General Assembly may decide to create other reserves, to the extent that it serves the interest of the company or guarantees the distribution of fixed profits as possible to the shareholders.
4. After the aforementioned, a percentage of the net profits shall be allocated to be distributed to the shareholders, provided that it is not less than 5% of the capital.
5. If the remuneration of the members of the board of directors is a certain percentage of the company's profits, then this percentage may not exceed 10% of the net profits, after deducting the reserves decided by the general assembly in implementation of the provisions of the statute and the company's articles of association, and after distributing a profit of no less than 5% of the paid-up capital of the company, provided that the entitlement to this bonus is in accordance with the regulations issued in this regard. The company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis in accordance with the regulations issued by the Capital Market Authority.

- **Entitlement of profit:**

The shareholder is entitled to his share in the profits in accordance with the General Assembly resolution issued regarding the distribution of profits to shareholders, or the decision of the Board of Directors to distribute profits, and the decision specifies the due date and the date of distribution, provided that the decision is implemented in accordance with what is stipulated in the regulations and regulatory procedures issued in implementation of the Companies Law Listed contribution, and eligibility for profits is for shareholders registered in the shareholders' records at the end of the day specified for entitlement, and the company informs the Capital Market Authority without delay of any dividend distribution decisions or recommendations, and the profits to be distributed to the shareholders are paid at the place and dates specified by the Board of Directors, in accordance with the instructions issued by it. The competent authority, subject to the prior written approval of the Saudi Arabian Central Bank.

- **Distribution of the surplus to policyholders:**

The company has adopted the policy issued by the Central Bank of Saudi Arabia to distribute the surplus to policyholders, and the company is obligated to inform the holders of its insurance policies of all matters related to the distribution of the surplus as required after obtaining the necessary approvals from the regulatory authorities.

- **Percentages of profits distributed to shareholders during the various periods of the fiscal year 2020 in addition to the percentage of profits proposed to be distributed at the end of the fiscal year and the total of these profits:**

No dividend was distributed to shareholders during the year 2020.



## Paragraph (10) - Board of Directors

The role of the Board of Directors is to set the plans, policies, strategies, and main objectives of the company, supervise their implementation and review them periodically, ensure the availability of the human and financial resources necessary to achieve them, establish systems and controls for internal control and general supervision over them, and prepare and approve the report of the Board of Directors before publication.

Without prejudice to the powers established for the General Assembly, the Board of Directors has been given in the articles of association of the company the broadest powers to manage the company in a way that achieves its objectives, and it also has the power, within the limits of its competence, to delegate one or more of its members or others to carry out a specific work or business - in a manner that does not conflict With the relevant laws and regulations - and here we explain the most important duties and responsibilities of the Board of Directors, which include, but are not limited to, the following:

- **Election and Supervision of Executive Management**
  - The Board will have the power to elect or appoint all necessary officers; to fix their compensation; to prescribe their duties; to dismiss any appointee and generally to exercise supervision over the management of the Company.
  - The Board will annually elect the Chairman, one or more Vice to Chairman, and the Secretary.
  - The Board will fix compensation for the aforementioned officers of the Company, upon the recommendation of the Nomination and Remuneration Committee, at the same meeting during which they were elected.
  - The Board shall also determine the appropriate level of remunerations of the remaining members of the Executive Management.
  - The Board shall express opinions as to the appointment and dismissal of members of the Executive Management.
- **Identification and Management of Principle Risks**
  - The Board will identify and review with management the principal business risks faced by the Company.
  - The Board will ensure the implementation of appropriate systems and take the necessary measures to manage these risks.
  - The Board may delegate one or more committees to receive Management's assessment and responses to these risks and make recommendations and reports to the Board.
- **Adoption of a Strategic Planning Process**
  - Each fiscal year the Board will meet with Management regarding the strategic planning for the Company in which future trends, opportunities and risks are jointly identified.
  - The Board will provide proposals to develop the strategy of the Company. The Board will review and approve the overall business strategy for the Company, which is developed by Management.
- **Evaluation and Approval of Financial Decisions**
  - The Board will review the financial and operating results of the Company. The Board will review, evaluate and approve major resource allocations and capital investments. The Board will review, evaluate and approve the Company's budget and forecasts.
- **Development of Corporate Governance Guidelines**
  - The Board will develop the Company's overall approach to corporate governance and review periodically the Company's corporate objectives and policies relating to social responsibility.
- **Executive Management Evaluation and Succession**
  - The Board shall monitor the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company.
  - The Board will conduct an annual review of the CEO's performance in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.
  - The Board should create an annual report on succession planning. Upon the recommendation of the Nomination and Remuneration Committee, the entire Board will nominate and evaluate potential successors to the CEO. The CEO should at all times make available his recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.
- **Oversight over the Executive Management**
  - The Board shall form the Executive Management of the Company, regulate its operating procedures, monitor and oversee it and ensure that it performs the duties assigned to it, and to achieve this, the Board shall:
    - Develop the necessary administrative and financial policies.
    - Ensure that the Executive Management operates in accordance with the policies approved by the Board.
    - Select and appoint the Chief Executive Officer of the Company, and oversee his/her work.

- Appoint the manager of the internal audit unit or department, or the internal auditor and dismiss him and determine his remuneration, if any.
- Convene periodic meetings with the Executive Management to explore the work progress and any obstacles and problems in connection therewith, and review and discuss the important information in respect of the Company's business.
- Develop standards for the performance of the Executive Management consistent with the objectives and strategy of the Company.
- Review and evaluate the performance of the Executive Management; and
- Develop succession plans for the management of the Company.

### Composition of the board of directors and classification of its members

The board of directors of the consists of seven (7) members.

The table below shows the names of the members, their membership, as well as the membership of the committees:

No.	Name	Membership (Executive / Non-Executive / Independent)	Committee membership
1	Abdulaziz Ali Al-Turki	• Chairman of the Board of Directors - Non-Executive	• Chairman of the Executive Committee
2	Fawaz Talal Al-Tamimi	• Vice Chairman - Non-Executive	• Member of the Executive Committee • Member of the Nomination and Remuneration Committee
3	Munir Hashem Al-Borno	• Board Member - Executive	• Member of the Executive Committee • Member of the Investment Committee
4	Dr Ibrahim Abdullah Al-Mutrif	• Board Member - independent	• Chairman of the Audit Committee • Chairman of the Nomination and Remuneration Committee
5	Ayham Muhammad Al-Youssef	• Board Member - non-executive	• Member of the Nomination and Remuneration Committee • Member of the Risk Committee
6	Majid Shatti Al Dhafiri	• Board Member - independent	• Chairman of the Risk Committee • Member of the Investment Committee
7	Ghassan Muhammad Kashmiri	• Board Member - independent	• Risk Committee member
8	Abdulaziz Al-Naim	Committee members from outside the board (independent)	• Chairman of the Investment Committee
9	Muhammad Aqeel Al-Shayea	Committee members from outside the board (independent)	• Member of the Audit Committee
10	Ibrahim Abdulaziz Al-Muqhem	Committee members from outside the board (independent)	• Member of the Audit Committee

### Board meetings held during the year 2020, their dates and attendance records for each meeting

NO	Name	Attendance				total	The number of meetings attended by the member from the date of the last general assembly meeting held on 05/10/2020
		1 <sup>st</sup> 2020/05/05	2 <sup>nd</sup> 2020/06/23	3 <sup>rd</sup> 2020/09/15	4 <sup>th</sup> 2020/12/29		
1	Abdulaziz Ali Al-Turki	✓	✓	✓	✓	4	1
2	Fawaz Talal Al-Tamimi	✓	✓	✓	✓	4	1
3	Munir Hashem Al-Borno	✓	✓	✓	✓	4	1
4	Dr Ibrahim Abdullah Al-Mutrif	✓	✓	✓	✓	4	1
5	Ayham Muhammad Al-Youssef	✓	✓	✓	✓	4	1
6	Majid Shatti Al Dhafiri	✓	✓	✓	✓	4	1
7	Ghassan Muhammad Kashmiri	✓	✓	✓	✓	4	1

### Names of board members, committee members, and executive management, and their current and previous positions, qualifications and experiences

No	Name	Membership in GUA	Current jobs	previous jobs	Qualifications	Experiences
1	Abdulaziz Ali Al-Turki	<ul style="list-style-type: none"> <li>Chairman of Board of Directors</li> <li>Chairman of the Executive Committee</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors of the Gulf Union Holding Company</li> <li>Chairman of the Board of Directors of RAWABI Holding Company.</li> <li>Chairman of the Board of Directors of NESMA &amp; Partners Contracting Company Ltd.</li> <li>Chairman of the Board of Directors of Nama Shipping Services Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Board of Trustees of the Lebanese American University</li> <li>Member of the Executive Committee of the Gulf Union Cooperative Insurance Company</li> <li>Member of the Board of Directors of Nama Shipping Services Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Honorary Doctorate in Humanitarian Literature - Lebanese American University in Lebanon</li> <li>Master of Business Administration from George Washington University - America</li> <li>BA in Business Administration from George Washington University - USA</li> </ul>	47 years
2	Fawaz Talal Al-Tamimi	<ul style="list-style-type: none"> <li>Deputy Chairman of the Board</li> <li>Member of the Executive Committee</li> <li>Member of the Nomination and Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Board of Directors of Anteli Group of Companies</li> <li>Member of the Board of Directors of the Saudi Indsor Steel Company</li> <li>Member of the Board of Directors of Tamimi and Sehati Transportation</li> <li>Member of the Board of Directors of Ali Abdullah Al-Tamimi Sons Holding Company</li> <li>Member of the Board of Directors of the Gulf Islamic Investment Company</li> <li>Member of the Board of Directors of GFH Financial Group</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of the Nomination and Remuneration Committee at the Gulf Union Cooperative Insurance Company</li> <li>Member of the Board of Directors of Al Salam Hospital</li> <li>Member of the Board of Directors of Anan Housing Company</li> </ul>	<ul style="list-style-type: none"> <li>BA in Management and Marketing from California State University - America</li> </ul>	11 years
3	Munir Hashem Al-Borno	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Managing Director</li> <li>Member of the Executive Committee</li> <li>Member of the Investment Committee</li> </ul>	<ul style="list-style-type: none"> <li>CEO of GUA</li> <li>Chairman of the Board of Directors of Gulf House Consulting</li> </ul>	<ul style="list-style-type: none"> <li>Partner and Director of Arthur Andersen - Bahrain and the Eastern Province.</li> <li>Member of the Board of Directors and Chairman of the Audit Committee and Chairman of the Nomination and</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Commerce from Al-Azhar University - Egypt</li> <li>Postgraduate AMP studies from Harford University - America</li> </ul>	49 years

No	Name	Membership in GUA	Current jobs	previous jobs	Qualifications	Experiences
				<ul style="list-style-type: none"> <li>Remuneration Committee of Abdullah Al-Khudary Sons Company</li> <li>Member of the Risk Committee of GU</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Arab Society of Certified Accountants</li> <li>Fellow of the Arab Society of Certified Accountants</li> </ul>	
4	<b>Dr Ibrahim Abdullah Al-Mutrif</b>	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Chairman of the Audit Committee</li> <li>Chairman of the Nomination and Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>President of the Bir al-Khair Center for Economic Consulting</li> <li>Member of the Board of Directors of the Development Committee for International Trade</li> </ul>	<ul style="list-style-type: none"> <li>Deputy Governor of the General Investment Authority for International Cooperation</li> <li>Secretary General of the Chamber of Commerce and Industry in the Eastern Province</li> <li>Teaching Assistant, Professor, Dean, and Director of Economic Studies at the Research Institute</li> <li>Member of the Audit Committee, Chairman of the Risk Committee, and a member of the Nomination and Remuneration Committee of GU</li> <li>Member of the Board of Directors and member of the Audit Committee of Abdullah Al-Khudary Sons Company</li> <li>CEO of the Saudi World Trade Center Holding Company</li> </ul>	<ul style="list-style-type: none"> <li>BA in Management at the University of Arizona - America</li> <li>MA in Economics from the University of Denver - America</li> <li>PhD in political science from the University of Northern Arizona - America</li> </ul>	41 years
5	<b>Ayham Muhammad Al-Youssef</b>	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Member of the Risk Committee</li> <li>Member of the Nomination and Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Board of Directors of the Saudi Marketing Company (Farm Markets)</li> <li>Member of the Board of Directors of the Saudi Home Finance Company.</li> </ul>	<ul style="list-style-type: none"> <li>General Supervisor of the Real Estate Development Fund</li> <li>CEO of Al-Bilal Company</li> <li>CEO of Ruya Capital</li> <li>General Manager at HSBC Fund</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Industrial Management from King Fahd University of Petroleum and Minerals</li> </ul>	26 years
6	<b>Majid Shatti Al Dhaifri</b>	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Chairman of the Risk Committee</li> <li>Member of the Investment Committee</li> </ul>	<ul style="list-style-type: none"> <li>Insurance Manager in Al Muhaiddib Group</li> </ul>	<ul style="list-style-type: none"> <li>Head of document issuance at Tawuniya Insurance Company</li> <li>Business Development Manager at SABB Bank</li> <li>Regional Director for the Eastern Province, Wafa Insurance Company</li> <li>Regional Director of Corporate Insurance at the Arab Bank</li> </ul>	<ul style="list-style-type: none"> <li>Insurance Diploma from the Institute of Public Administration in Riyadh</li> </ul>	19 years
7	<b>Ghassan Muhammad Kashmiri</b>	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Member of the Risk Committee</li> </ul>	<ul style="list-style-type: none"> <li>Founder and CEO of the Consulting Governance Expert Office</li> </ul>	<ul style="list-style-type: none"> <li>External auditing supervisor at PricewaterhouseCoopers</li> <li>Anti-money laundering specialist at Banque Saudi Fransi</li> <li>An executive advisor at the Corporate Governance Department at the Capital Market Authority</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Accounting from King Saud University</li> </ul>	23 years

### Committee members from outside the Board

No.	Name	Membership in GUA	Current jobs	previous jobs	Qualifications	Experiences
1	<b>Abdulaziz Al-Naim</b>	<ul style="list-style-type: none"> <li>Chairman of the Investment Committee</li> </ul>	<ul style="list-style-type: none"> <li>Managing Director of Mayar Capital</li> <li>Member of the Board of Directors in both: <ul style="list-style-type: none"> <li>Mayar Capital</li> <li>D3 Capital</li> <li>GIB Capital</li> </ul> </li> <li>Basic Chemical Industries Company</li> <li>Abdul Rahman Al-Turki Group ATCO</li> <li>Fund of Funds Company</li> <li>Vinella Investments Ltd.</li> <li>Caldera International Holdings Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Executive Director of Yarim Company Ltd.</li> <li>Member of the Investment Committee of the Gulf Union Cooperative Insurance Company</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Administrative Sciences with a major in Finance with an accompanying major in Economics from MIT University, USA.</li> <li>Certified Financial Analyst Certificate "CFA" in 2006.</li> </ul>	18 years
2	<b>Muhammad Aqeel Al-Shayea</b>	<ul style="list-style-type: none"> <li>Audit Committee Member</li> </ul>	<ul style="list-style-type: none"> <li>CEO of Al-Jabr Finance</li> <li>Member of the Credit and Risk Committee for Car Rentals</li> <li>Head of Credit Committee for Kia Algebra</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Audit Committee / CEO of Al Sagr Insurance Company</li> <li>Regional Director (companies) for the Eastern Province of Al-Rajhi Bank</li> <li>Member of the Board of Directors of Next CARE Company</li> <li>Regional Director (companies) for the Eastern Province of Alawwal Bank</li> <li>Member of the Board of Directors of Nama Petrochemical Company</li> </ul>	<ul style="list-style-type: none"> <li>Master of Business Administration (Finance and Marketing) from the American University in Cairo</li> <li>Postgraduate Diploma (Business Administration) from the American University in Cairo</li> <li>Bachelor of Science (Architecture) from King Fahd University of Petroleum and Minerals</li> </ul>	27 years
3	<b>Ibrahim Abdulaziz Al-Murgham</b>	<ul style="list-style-type: none"> <li>Audit Committee Member</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Audit Committee of the Agaseem Chemical Products Company</li> <li>Member of the review committee of CARE International</li> <li>The National Housing Company - the investment sector</li> </ul>	<ul style="list-style-type: none"> <li>Senior Relationship Manager at the Saudi Stock Exchange (Tadawul) - Financial Markets (Listing)</li> <li>Accountant at the Saudi Basic Industries Corporation (SABIC)</li> <li>Member of the Board of Directors of Hayam Company Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Master of Financial Management from the University of Scranton in the United States</li> <li>Bachelor's degree in Financial Management from King Saud University</li> </ul>	14 years

## Executive management

No.	Name	Current jobs	previous jobs	Qualifications	Experiences
1	<b>Munir Haabem Al-Borno</b>	<ul style="list-style-type: none"> <li>CEO of GUA</li> <li>Chairman of the Board of Directors of Gulf House Consulting</li> </ul>	<ul style="list-style-type: none"> <li>Partner and Director of Arthur Andersen - Bahrain and the Eastern Province.</li> <li>Member of the Board of Directors and Chairman of the Audit Committee and Chairman of the Nomination and Remuneration Committee of Abdullah Al-Khulayr Sons Company</li> <li>Member of the Risk Committee of GU</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Commerce from Al-Azhar University - Egypt</li> <li>Postgraduate AMP studies from Harford University - America</li> <li>Member of the Arab Society of Certified Accountants</li> <li>Fellow of the Arab Society of Certified Accountants</li> </ul>	49 years
2	<b>Meshaal Ibrahim Al-Shaya</b>	<ul style="list-style-type: none"> <li>Investment Committee Member - GUA</li> <li>Deputy CEO of GUA</li> </ul>	<ul style="list-style-type: none"> <li>CEO - Al-Ahlia Cooperative Insurance Company</li> <li>CEO - Salama Cooperative Insurance Company</li> <li>Head of Distribution Channels - Al Rajhi Cooperative Insurance</li> <li>Executive Vice President for Marketing and Sales - Al-Ahlia Insurance Company</li> <li>Director of the Regional Administration in the Central Region - Malath Cooperative Insurance Company</li> <li>Accounts Manager - Tawuniya Insurance Company</li> </ul>	<ul style="list-style-type: none"> <li>BA in Economics and Administrative Sciences - Imam Muhammad bin Saud Islamic University</li> <li>Certificate in Insurance Fundamentals from the Chartered Insurance Institute, London</li> </ul>	years 18
3	<b>Abdullah Saeed Al Al-Harith</b>	<ul style="list-style-type: none"> <li>General Manager - GUA</li> </ul>	<ul style="list-style-type: none"> <li>Regional Director for the Central and Eastern Region - Gulf Union Cooperative Insurance Company.</li> <li>Central Director of Claims - Gulf Union Cooperative Insurance Company</li> <li>Director of claims operations for all regions - Malath Insurance Company</li> <li>Motor Claims Manager - Malath Insurance Company</li> <li>Regional Director of Motor Claims - Malath Insurance Company</li> <li>Surveyors Supervisor - Tawuniya Insurance</li> </ul>	<ul style="list-style-type: none"> <li>ACII - Chartered Institute</li> <li>BA in Business Administration - King Faisal University</li> <li>Life insurance diploma - LUMA</li> <li>Diploma in Health Insurance - LUMA</li> <li>Diploma in Cars</li> </ul>	16 years
4	<b>Abdul Moneim Abdullah Al-Bu Ali</b>	<ul style="list-style-type: none"> <li>Technical Manager in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Underwriting manager for health and life insurance - MetLife</li> <li>Medical Underwriting Manager - Gulf Union</li> <li>Medical Director - Wala Cooperative Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Computer Engineering from King Fahd University of Petroleum and Minerals - 2005</li> </ul>	18 years
5	<b>Oasma Alawi Al-Hasbem</b>	<ul style="list-style-type: none"> <li>CFO in GUA</li> </ul>	<ul style="list-style-type: none"> <li>CFO - Al-Tayseer Arab Finance Company</li> <li>CFO - Al-Arabi Heavy Equipment Rental Company</li> </ul>	<ul style="list-style-type: none"> <li>MSC in Accounting - Case Western Reserve University 2009</li> <li>Bachelor's degree in Accounting from King Abdulaziz University 2003</li> <li>Fellow of the American Institute of Certified Public Accountants (CPA)</li> </ul>	13 years
6	<b>Ayed Al-Hazimi</b>	<ul style="list-style-type: none"> <li>Head of HR in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Human Resources Director and Deputy General Manager - XERVON</li> <li>A representative of human resources - NAS</li> <li>Human Resources Coordinator - NAS</li> </ul>	<ul style="list-style-type: none"> <li>BA in Business Administration with two majors in Management and Marketing - Mount Saint Vincent University, Canada</li> <li>Professional Association for Human Resource Management Professionals - CIPD</li> <li>Diploma in Human Resources, Chamber of Commerce and Industry in Riyadh</li> </ul>	10 years
7	<b>Muhammad Mabdi Al-Khater</b>	<ul style="list-style-type: none"> <li>IA Manager in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit Manager - Maadanya</li> <li>Director of Risk and Internal Audit Consulting - KPMG</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Accounting from the University of Sharjah, 2008</li> <li>CIA -1 Certified Internal Auditor Fellowship - Part 1</li> <li>CICA Certified Internal Controls Auditor</li> <li>IFCE General Certificate of Insurance Fundamentals</li> </ul>	13 years
8	<b>Mansour Jawad Al-Basher</b>	<ul style="list-style-type: none"> <li>Central of Claims in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Motor Insurance Operations Manager - Seiko</li> <li>Team Leader - Al-Tawuniya Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Electronics Engineering from the University of Oklahoma, 2001</li> </ul>	17 years
9	<b>Mamdouh Mobeen Al-Ibrahim</b>	<ul style="list-style-type: none"> <li>POS Manager in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Sales and Customer Service Officer - Medgulf</li> <li>Customer Service Officer - Al Ahli Bank</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Marketing, King Faisal University, 2008</li> </ul>	11 years
10	<b>Ahmed Majid Bouhlaq</b>	<ul style="list-style-type: none"> <li>Head of Compliance in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Anti-Money Laundering and Compliance Reports - Al-Tawuniya Company</li> <li>Compliance Manager - Saudi Marsh Company for Insurance and Reinsurance Brokerage</li> <li>Compliance Officer - Saudi Ion for Insurance and Reinsurance Brokerage</li> <li>Compliance Specialist - Medgulf Company</li> </ul>	<ul style="list-style-type: none"> <li>Master of Banking and Financial Systems and Regulations - Macquarie University - Sydney - Australia - Graduation year: 2012</li> <li>Bachelor of Financial and Banking Sciences - University of Kalamoun - Damascus - Syria - 2010</li> </ul>	10 years
11	<b>Khaled Al-Tom</b>	<ul style="list-style-type: none"> <li>Head of IT in GUA</li> </ul>	<ul style="list-style-type: none"> <li>IT manager - Al-Ahlia Insurance Company</li> <li>IT Infrastructure manager - DAAR</li> <li>Deputy IT manager - MSD-MODA</li> <li>Helpdesk and Technical Support - MSD-MODA</li> </ul>	<ul style="list-style-type: none"> <li>MSc in Software Engineering - Concordia University</li> <li>Bachelor's degree in Information Technology and Computing</li> <li>Diploma in Computer Programmers - Institute of Public Administration</li> <li>SAP Global Programming License</li> <li>Microsoft training for programmers</li> <li>Microsoft training to manage Microsoft product servers</li> <li>Windows Server Administration and Operation License</li> </ul>	18 years
12	<b>Hasan Al Dandan</b>	<ul style="list-style-type: none"> <li>Deputy Risk Manager in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Senior finance credit analyst</li> <li>An internal auditor of the GU</li> <li>Risk Management Supervisor, GU</li> <li>Risk Management Officer, GU</li> </ul>	<ul style="list-style-type: none"> <li>Master's in Risk management and Insurance. From University of Limerick in Ireland.</li> <li>Diploma in Risk Management, Internal Audit and Compliance from Institute of Chartered Accountants</li> <li>Bachelor of Business Administration, Major: Finance; from University of Portland, Portland</li> </ul>	6 years
13	<b>Fadel Abbas Al-Hasbem</b>	<ul style="list-style-type: none"> <li>RI Manager in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Senior Customer Accounts Officer at Reinsurance - ACE Insurance and Reinsurance Brokerage.</li> </ul>	<ul style="list-style-type: none"> <li>Master in Risk Management and Insurance - University of Limerick, Ireland.</li> </ul>	6 years

No.	Name	Current jobs	previous jobs	Qualifications	Experiences
			<ul style="list-style-type: none"> <li>Senior Reinsurance Broker - Shadid Reinsurance Brokerage.</li> <li>Accountant - ACE Insurance and Reinsurance Brokerage.</li> </ul>	<ul style="list-style-type: none"> <li>Higher Diploma in Business Administration and English as a Foreign Language - University of Limerick in Ireland.</li> <li>Bachelor's degree in Finance - King Fahd University of Petroleum and Minerals.</li> </ul>	
14	<b>Hamad Al Nasser</b>	<ul style="list-style-type: none"> <li>Head of legal in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Legal Manager - Al-Ahlia Cooperative Insurance Company</li> <li>Lawyer - Al Kanani Advocates and Consultants</li> <li>Legal representative - Aljomaih Automotive Company</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Law - King Saud University</li> </ul>	5 years
15	<b>Murtada Al Mohsen</b>	<ul style="list-style-type: none"> <li>Regional Manager of Eastern region in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Marketing Manager - GU</li> <li>Operations Manager - Medgulf Insurance Company</li> </ul>	<ul style="list-style-type: none"> <li>BA in Business Administration - King Faisal University</li> <li>Insurance Diploma - British Insurance Institute</li> <li>Certificate of Insurance Professional - BIBF</li> </ul>	15 years
16	<b>Othman Al Natheer</b>	<ul style="list-style-type: none"> <li>Regional Manager of Central region in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Regional Manager of Central region in, Al-Ahlia Insurance Company</li> <li>Al-Qassim Branch Manager - Al-Ahlia Insurance Company</li> <li>Customer Accounts Manager - Al-Ahlia Cooperative Insurance Company</li> <li>Client Account Manager - Malath Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Certificate of Educational Competence (State Board for Community and Technical College and superintendent of public instruction state of Washington)</li> </ul>	10 years
17	<b>Mohammed Al Talili</b>	<ul style="list-style-type: none"> <li>Regional Manager of Western region in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Administrative Clerk - Star Middle East Company</li> <li>Director of Personnel Affairs - Al-Atlal Al-Fideh Foundation for General Contracting</li> <li>Administrative Director - Abdullah Abdul Mohsen Al-Khodari Sons Company</li> <li>Supervisor of POS for the western and southern regions - GU</li> <li>Deputy Regional Director in the Western Region - GU</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Public Administration from Najran University 2013</li> </ul>	11 years
18	<b>Njood Al Tubaishi</b>	<ul style="list-style-type: none"> <li>Acting CC Manager in GUA</li> </ul>	<ul style="list-style-type: none"> <li>Cost Management Manager - HSBC Saudi Arabia</li> <li>Director of Operations and Finance Department - El Seif Contracting Engineers Company</li> <li>Administrative Operations Manager - El Seif Contracting Engineers Company</li> <li>Supervisor of Customer Service Department - El Seif Contracting Engineers Company</li> <li>Customer Service Department employee - El Seif Contracting Engineers Company</li> </ul>	<ul style="list-style-type: none"> <li>BA in Languages and Translation - King Saud University 2011</li> <li>Financial Statement Analysis - Virginia Financial Institute 2018</li> <li>Introduction to Derivatives - Saudi Governance Center 2019</li> <li>PMI - RMP Professional Risk Management Course from the Project Champions Academy 2020</li> </ul>	9 years

### Names of companies inside or outside the Kingdom of which a member of the company's board of directors is a member of its current and previous boards of directors or of its managers

Name	Names of companies for which a member of the board of directors is a member of their current boards of directors or of their managers	Inside / Outside the Kingdom	Legal Entity (Listed Shareholding / Unlisted Shareholding / Limited Liability / ...)	Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside / Outside the Kingdom	Legal Entity (Listed Shareholding / Unlisted Shareholding / Limited Liability / ...)
Abdulaziz Ali Al-Turki	<ul style="list-style-type: none"> <li>Chairman of Board of Directors - GUA</li> <li>Chairman of Board of Directors - Gulf Union Holding Company</li> <li>Chairman of Board of Directors - Rawabi Holding Company.</li> <li>Chairman of Board of Directors - Nesma &amp; Partners Contracting Company Ltd.</li> <li>Chairman of Board of Directors - Nama Shipping Services Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>In</li> <li>Out</li> <li>In</li> <li>In</li> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> <li>Closed</li> <li>Private</li> <li>Ltd.</li> <li>Private</li> </ul>	<ul style="list-style-type: none"> <li>Board member - Nama Shipping Services Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Private</li> </ul>
Fawaz Talal Al-Tamimi	<ul style="list-style-type: none"> <li>Board Member - GUA</li> <li>Board Member - Anteli Group of Companies</li> <li>Board Member - Saudi Indsor Steel Co</li> <li>Board Member - Tamimi and Sehati Transportation</li> <li>Board Member - Ali Abdullah Al-Tamimi Sons Holding Company</li> <li>Board Member - Gulf Islamic Investment Co</li> <li>Board Member - GFH Financial Group</li> </ul>	<ul style="list-style-type: none"> <li>In</li> <li>In</li> <li>In</li> <li>In</li> <li>In</li> <li>In</li> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> <li>Ltd.</li> <li>Ltd.</li> <li>Ltd.</li> <li>Ltd.</li> <li>Ltd.</li> <li>Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Board member - Al Salam Hospital</li> <li>Board member - Anan Housing Company</li> </ul>	<ul style="list-style-type: none"> <li>In</li> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Ltd.</li> <li>Ltd.</li> </ul>
Munir Hashem Al-Borno	<ul style="list-style-type: none"> <li>Board Member - GUA</li> <li>Chairman of Board of Directors of Gulf House Consulting</li> </ul>	<ul style="list-style-type: none"> <li>In</li> <li>Out</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> <li>Private</li> </ul>	<ul style="list-style-type: none"> <li>Board member - Abdullah Al-Khudary Sons Company</li> </ul>	<ul style="list-style-type: none"> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> </ul>
Dr Ibrahim Al-Mutrif	<ul style="list-style-type: none"> <li>Board Member - GUA</li> </ul>	<ul style="list-style-type: none"> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> </ul>	<ul style="list-style-type: none"> <li>Board member - Abdullah Al-Khudary Sons Company</li> </ul>	<ul style="list-style-type: none"> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> </ul>
Ayham Al-Youssef	<ul style="list-style-type: none"> <li>Board Member - GUA</li> <li>Board Member - Saudi Marketing Company (Farm Markets)</li> <li>Board Member - Saudi Home Finance Company.</li> </ul>	<ul style="list-style-type: none"> <li>In</li> <li>In</li> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> <li>Public</li> <li>Closed</li> </ul>	-	-	-
Majid Shatti Al Dhafiri	<ul style="list-style-type: none"> <li>Board Member - GUA</li> </ul>	<ul style="list-style-type: none"> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> </ul>	-	-	-
Ghassan Kashmiri	<ul style="list-style-type: none"> <li>Board Member - GUA</li> </ul>	<ul style="list-style-type: none"> <li>In</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> </ul>	-	-	-

## Paragraph (11) - Board Committees:

There are five committees emanated from BOD, and the following is a brief description of the functions, tasks, meetings and rewards of each committee:

### Audit Committee:

No.	Name	Membership	Classification
1	Dr Ibrahim Al-Mutrif	Chairman	independent
2	Muhammad Al-Shayea	Member	Independent (from outside the Board)
3	Ibrahim Al-Muqhem	Member	Independent (from outside the Board)

#### A brief description:

Audit Committee assists the Board of Directors in its supervisory role with regard to the external accounting and auditing systems (the external auditor) and the internal (the internal audit and compliance departments) and the financial reporting systems in general, in addition to ensuring compliance with the laws and regulations applicable to the Gulf Union Cooperative Insurance Company and adherence to the internal systems and regulations. The committee also assists the Board of Directors in determining the acceptability of the permissible risks in the management of the company and in determining and monitoring the management of the main risks of the company on a regular basis.

#### Committee meetings during 2020:

The committee held (10) meetings during 2020

No.	Name	Membership	1 <sup>st</sup> 2020/01/23	2 <sup>nd</sup> 2020/02/13	3 <sup>rd</sup> 2020/03/17	4 <sup>th</sup> 2020/04/28	5 <sup>th</sup> 2020/06/11	6 <sup>th</sup> 2020/07/09	7 <sup>th</sup> 2020/08/17	8 <sup>th</sup> 2020/10/19	9 <sup>th</sup> 2020/11/03	10 <sup>th</sup> 2020/11/22	Total
1	Dr Ibrahim Al-Mutrif	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
2	Muhammad Al-Shayea	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
3	Ibrahim Al-Muqhem	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10

There are no recommendations issued by the audit committee which conflicted between it and the decisions of the board of directors, and there are no recommendations issued by the audit committee, which the Board of Directors refused to take into account during the year ending 12/31/2020.

### Executive Committee

No.	Name	Membership	Classification
1	Abdulaziz Al Turki	Chairman	Non-Executive
2	Munir Al Borno	Member	Executive
3	Fawaz Al Tamimi	Member	Non-Executive

#### A brief description:

The main purpose of the Executive Committee is to assist the Board of Directors in implementing the strategic plans, policies and decisions of the Board in line with the company's vision, mission and guidelines. It is responsible for implementing the will of the board, with an appropriate level of input from the board before decisions are made, appropriate representation of the speech to the board, voting by the board when required.

#### Committee meetings during 2020:

The committee held (6) meetings during 2020

No.	Name	Membership	1 <sup>st</sup> 2020/05/05	2 <sup>nd</sup> 2020/06/23	3 <sup>rd</sup> 2020/08/11	4 <sup>th</sup> 2020/09/15	5 <sup>th</sup> 2020/10/26	6 <sup>th</sup> 2020/12/29	Total
1	Abdulaziz Al Turki	Chairman	✓	✓	✓	✓	✓	✓	6
2	Munir Al Borno	Member	✓	✓	✓	✓	✓	✓	6
4	Fawaz Al Tamimi	Member	✓	✓	✓	✓	✓	✓	6

### Nomination and Remuneration Committee

No.	Name	Membership	Classification
1	Dr Ibrahim Al-Mutrif	Chairman	independent
2	Fawaz Al Tamimi	Member	Non-Executive
3	Ayham Al Yousef	Member	independent

#### A brief description:

The Nomination and Remuneration Committee assists the Board of Directors in its supervisory role in identifying qualified individuals to become Board members and submits its recommendations to the Board on nominations by stakeholders, in addition to its recommendations to the Board of Directors for the candidates of each Board Committee. The committee also supervises all matters related to the remuneration of every board member and executive. The committee will also have a role in improving the governance framework of the Gulf Union Cooperative Insurance Company, reviewing the organizational structure, annual verification of the independence of board members, approving job descriptions for them, and proposing compensation policies and board membership.

#### Committee meetings during 2020:

The committee held (5) meetings during 2020

No.	Name	Membership	1 <sup>st</sup> 2020/03/29	2 <sup>nd</sup> 2020/06/18	3 <sup>rd</sup> 2020/11/12	4 <sup>th</sup> 2020/12/03	5 <sup>th</sup> 2020/12/27	Total
1	Dr Ibrahim Al-Mutrif	Chairman	✓	✓	✓	✓	-	4
2	Fawaz Al Tamimi	Member	✓	✓	✓	✓	✓	5
3	Ayham Al Yousef	Member	✓	✓	✓	✓	✓	5

### Risk Committee

No.	Name	Membership	Classification
1	Majid Al Dhafiri	Chairman	Non-Executive
2	Ayham Al Yousef	Member	independent
3	Ghassan Kashmiri	Member	independent



A brief description:

The main objective of the Risk Management Committee is to assist the Board of Directors in identifying risks that may expose the company to risk, maintaining acceptable risk data for the company, supervising the risk management system, evaluating its effectiveness, defining a comprehensive strategy for managing the company's risks, and reviewing risk management policies.

Committee meetings during 2020:

The committee held (3) meetings during 2020

No.	Name	Membership	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	Total
			2020/04/21	2020/07/21	2020/09/14	
1	Majid Al Dhafiri	Chairman	✓	✓	✓	3
2	Ayham Al Yousef	Member	✓	✓	✓	3
3	Ghassan Kashmiri	Member	✓	✓	✓	3

**Investment Committee**

No.	Name	Membership	Classification
1	Abdulaziz Al-Naim	Chairman	Independent (from outside the Board)
2	Munir Al Borno	Member	Executive
3	Majid Al Dhafiri	Member	Non-Executive

A brief description:

The main purpose of the Investment Committee is to assist the Board of Directors in formulating the investment and reviewing its implementation on a quarterly basis, reviewing the performance of each asset class, monitoring the overall risks of the investment policy and submitting a performance review report to the Board of Directors. In addition, the Investment Committee assists the Board of Directors in ensuring Compliance of the overall investment activities with the requirements of the "Investment Regulations" issued by SAMA and any other applicable laws and regulations.

Committee meetings during 2020:

The committee held (4) meetings during 2020

No.	Name	Membership	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Total
			2020/06/16	2020/10/19	2020/11/23	2020/12/24	
1	Abdulaziz Al-Naim	Chairman	✓	✓	✓	✓	4
2	Munir Al Borno	Member	✓	✓	✓	✓	4
3	Majid Al Dhafiri	Member	✓	✓	✓	-	3

**Paragraph (12) - Where applicable, the means adopted by the Board of Directors in evaluating its performance and the performance of its committees and members, and the external body that carried out the evaluation and its relationship to the company, if any:**

The Board of Directors approved in its meeting on 29/12/2020 based on the recommendation of the Nomination and Remuneration Committee in its meeting on 27/12/2020 to appoint an independent professional body - the Company (Protiviti) - to create a general framework and criteria for evaluating performance and determining the remuneration of members of the Board of Directors, committees and senior management of the company. , And be consistent with the company's policy of remuneration for members of the Board, Committees and Executive Management approved by the General Assembly of shareholders on 06/23/2020, which clarifies the mechanism for determining and approving remuneration for members of the Board, committees and executive management of the company, as the company in charge of applying these standards for the fiscal year 2020, As part of the mission of the company in charge of this work, knowing (personal information) about the heads of the main departments and sections of the company in order to determine the remuneration according to the evaluation of the performance of the top management by the end of 2020, and reviewing salaries compared to the state of the labor market at that time.

Based on the results of the performance evaluation, the Nomination and Remuneration Committee, in its meeting on 14/03/2021, recommended to the Board to propose annual remuneration for members of the Board of Directors and committees for the year 2020 (subject to the approval of the company's shareholders in the General Assembly of shareholders).

**Paragraph (13) - Remuneration Policy for Board Members, Committees and Executive Management:**

In determining the remuneration of board members, committees and executive management, the Board of Directors approved the company's policy of remuneration for board members, committees and executive management, approved by the General Assembly of shareholders on 23/06/2020. This policy included the following rules and criteria for awarding rewards:

**Remuneration policy**

**Article four of the policy: rules and criteria for awarding rewards**

**A- General rules and standards:**

Without prejudice to the provisions of the Companies Law, the Financial Market Law and their implementing regulations, and the Company's Articles of Association, the following rules and standards are taken into consideration when determining the remuneration of members of the Board of Directors, committees and executive management:

1. That the remuneration be based on the recommendation of the Nomination and Remuneration Committee.



2. That the remuneration be fair and commensurate with the terms of reference of the board member, committee member, or executive, and the works and responsibilities that he performs and bears, in addition to the goals set by the board of directors to be achieved during the fiscal year, in a manner that achieves consistency with the company's strategy and goals.
3. Linking the variable portion of remuneration to long-term performance in order to motivate members of the board of directors, committees and executive management to make the company successful in the long run.
4. Remuneration is determined based on the level of the position, the duties and responsibilities of the occupant, academic qualifications, work experience, skills and level of performance.
5. Harmony with the size and nature of risks with the company.
6. If it appears that the remuneration has been decided based on inaccurate information provided by a member of the board of directors or any of the committees or executive management, then its disbursement will be suspended or legal measures taken towards its recovery if it is disbursed.
7. That the remuneration is consistent with the activity of the company and the skill required to manage it.
8. Take into consideration the sector in which the company operates, its size, and the experience of the members of the board of directors.
9. The remuneration is reasonably sufficient to attract, motivate and retain board members, committees, and executives with appropriate experience and competence.
10. Remuneration is determined in coordination with the Nomination and Remuneration Committee upon new appointments.
11. Take into account the practices of other companies in determining rewards.

**B- Remuneration of members of the Board of Directors and Committees:**

1. The company's articles of association determine the remuneration of the chairman and members of the board of directors, whereby the board of directors proposes the remuneration of the members based on the recommendation of the nomination and remuneration committee, and then the remuneration is approved after approval by the general assembly.
2. Board members' remuneration consists of a certain amount, attendance allowance for sessions, financial or in-kind benefits, or a certain percentage of net profits, and it is permissible to combine two or more of these benefits.
3. The minimum annual remuneration for the Chairman and members of the Board of Directors shall be (100,000) one hundred thousand Saudi riyals, and the maximum limit for the total remuneration and financial or in-kind benefits the member receives is (500,000 riyals) five hundred thousand Saudi riyals annually for his membership in the Board of Directors, including additional bonuses. In the event that the member participates in any of the committees emanating from the Board of Directors, in accordance with the controls set by the competent authorities.
4. The remuneration of the Chairman of the Board of Directors exceeds the remuneration of the member by an amount of (100,000) one hundred thousand Saudi riyals.
5. The remuneration of the independent members of the board of directors should not be a percentage of the profits achieved by the company or be based directly or indirectly on the profitability of the company.
6. Committee members who are not members of the Board of Directors are granted an annual remuneration as follows:

Position	Bonus amount
Chairman of Committee	An annual bonus, with a maximum amount of (75,000) seventy five thousand Saudi riyals.
Committee member	Annual reward, with a maximum amount of (50,000) fifty thousand Saudi riyals.

7. Allowances for attending the meetings of the Board of Directors and the subsidiary committees are determined as follows:

Category	Allowance
Allowance for attending the Board of Directors meeting	3000 SAR
Allowance for attending committees (for board members)	1500 SAR
Allowance for attending committees (non-members of the Board)	3000 SAR

8. Each member of the board and the emanating committees (from the board members or from outside), including the council chairman, shall be paid the value of the actual expenditures they incur in order to attend the meetings of the board or the committees emanating from the board of directors, including travel, accommodation and subsistence expenses.
9. Remuneration may be granted to members of the board of directors and committees in the form of shares, after fulfilling all the legal controls established in this regard, and in this case, the entered value of the shares shall be the market value at the maturity date.
10. The remuneration of members of the board of directors and committees may be of varying amounts to reflect the member's experience, competencies, tasks assigned to him, his independence, and the number of sessions attended by other considerations.
11. If the General Assembly decides to terminate the membership of a member of the Board of Directors who is absent from attending three consecutive meetings of the Board without a legitimate excuse, this member is not entitled to any remuneration for the period following the last meeting he attended, and he must return all the remuneration that was paid to him for that period.
12. If the audit committee or the Capital Market Authority finds that the remuneration paid to any of the members of the board of directors is based on incorrect or misleading information that was presented to the general assembly or included in the annual report of the board of directors, he must return them to the company, and the company has the right to ask him to return them.

**C- Rewards for senior executives:**

1. The Board of Directors - based on the recommendation of the Nomination and Remuneration Committee - determines the types of remuneration granted to the company's senior executives, such as fixed bonuses or performance-related bonuses.
2. Senior executives are awarded annual bonuses based on performance evaluation, in addition to compensation and fixed bonuses according to their employment contracts.
3. Remuneration may be granted to senior executives in the form of shares, after fulfilling all the statutory controls established in this regard, and in this case the entered value of the shares shall be the market value at the maturity date.
4. The performance evaluation of the senior executives is based mainly on their professional performance during the year and the extent of their professional interaction in achieving the company's strategic goals.

#### **Paragraph (14) - Relationship between Rewards Awarded and Remuneration Policy:**

The remuneration granted to members of the Board of Directors, committees and executive management during the year 2020 is consistent with the remuneration policy approved by the association on 23/06/2020, and there is no deviation from this policy.

#### **Paragraph (15) - Statement of necessary details regarding remunerations and compensations paid:**

In determining the remuneration of members of the Board, committees and executive management, the Board of Directors adopted the performance evaluation from an independent professional entity - the company (Protiviti) - which created a general framework and criteria for evaluating performance in addition to its reliance on the company's policy of remuneration for Board members, committees and executive management, approved by the General Assembly of shareholders On 23/06/2020.

a - Board members' remuneration on 2020: (Thousand Saudi riyals)

	Fixed remunerations							Variable remunerations						Indemnity	Total	Expense allowance
	A certain amount	attendance Allowance of board meetings	attendance Allowance of Committees meetings	Benefits	remunerations for technical, administrative and advisory work	Remuneration for Chairman, Managing Director or Board Secretary, if he is a member	Total	percentage of profits	Annual Remuneration (for the year 2019 but received in 2020)	Short-term incentive plans	Long-term incentive plans	Shares awarded (by value)	Total			
<b>First: Independent members</b>																
1- Dr. Ibrahim Al-Mutrif	-	12	21	-	-	-	33	-	100	-	-	-	100	-	133	-
2- Ayham Al-Youssef	-	12	12	-	-	-	24	-	100	-	-	-	100	-	124	-
3- Ghassan Kashmiri	-	12	4.5	-	-	-	16.5	-	25	-	-	-	25	-	41.5	-
<b>Second: Non-executive members</b>																
4- Abdulaziz Ali Al-Turki	-	12	9	-	-	-	21	-	200	-	-	-	200	-	221	-
5- Fawaz Al-Tamimi	-	12	16.5	-	-	-	28.5	-	100	-	-	-	100	-	128.5	-
6- Majid Al Dhafiri	-	12	9	-	-	-	21	-	25	-	-	-	25	-	46	-
<b>Second: Executive members</b>																
7- Munir Al Borno	-	12	15	-	**2,625	-	2,652	-	100	-	-	-	100	-	2,752	-
<b>Total</b>	-	<b>84</b>	<b>87</b>	-	<b>2,625</b>	-	<b>2,796</b>	-	<b>650</b>	-	-	-	<b>650</b>	-	<b>3,446</b>	-

\*\* The total amounts paid to him in terms of salaries, allowances and compensation in his capacity as CEO of the company during the year 2020.

b - Compensation and bonuses for five senior executives for the fiscal year 2020: (thousand Saudi riyals)

##	Fixed remunerations				Variable remunerations						Indemnity	Total executive remuneration for the board, if any	Total
	Basic Salaries	Allowances	Benefits	Total	Annual Remunerations	profits	Short-term incentive plans	Long-term incentive plans	Shares awarded (by value)	Total			
1- CEO	2,100	525	-	2,625	-	-	-	-	-	-	-	100	2,725
2- Deputy CEO	1,560	546	-	2,106	-	-	-	-	-	-	-	-	2,106
3- General Manager	540	179.4	-	719.4	-	-	-	-	-	-	-	-	719.4
4- Technical Manager	489.6	158.4	-	648	-	-	-	-	-	-	-	-	648
5- CFO	444	155.4	-	599.4	-	-	-	-	-	-	-	-	599.4
<b>Total</b>	<b>5,133.6</b>	<b>1564.2</b>	-	<b>6697.8</b>	-	-	-	-	-	-	-	-	<b>6797.8</b>

c - Remuneration for committees' members: (Thousand Saudi riyals)

##	Fixed remuneration paid o 2019 and received in 2020 (except attendance allowance of meetings)	attendance Allowance of meetings	Total
<b>Audit committee members</b>			
1- Dr. Ibrahim Al-Mutrif - Chairman	-	15	15
2- Muhammad al-Shayea - Member	16.7	30	46.7
3- Ibrahim Al-Muqhem - Member	16.7	30	46.7
<b>Executive committee members</b>			
1- Abdulaziz Al-Turki - Chairman	-	9	9
2- Mounir Hashem Al-Borno - Member	-	9	9
3- Fawaz Talal Al-Tamimi - Member	-	9	9

# #	Fixed remuneration paid o 2019 and received in 2020 (except attendance allowance of meetings)	attendance Allowance of meetings	Total
<b>NRC members</b>			
1- Dr. Ibrahim Al-Mutrif - Chairman	-	6	6
2- Fawaz Al-Tamimi - Member	-	7.5	7.5
3- Ayham Al-Youssef - Member	-	7.5	7.5
<b>Risk committee members</b>			
1- Majid Al Dhafiri - Chairman	-	4.5	4.5
2- Ayham Al-Youssef	-	4.5	4.5
3- Ghassan Kashmiri	-	4.5	4.5
<b>Investment committee members</b>			
1- Abdulaziz Al-Naim - Chairman	50	12	62
2- Mounir Hashem Al-Borno	-	6	6
3- Majid Al Dhafiri	-	4.5	4.5
<b>Total</b>	83.4	159	242.4

**d - The annual remuneration that has been monitored and related to the performance evaluation of each member of the board of directors and committees for the year 2020:**

In determining the remuneration of Board and Committee members, the Board of Directors approved the recommendations of Nomination and Remuneration Committee (Paragraph 12, 13, and 14 of this report), and it was as follows: (**Total remuneration 1,500 thousand Saudi riyals**)

- An amount of 1,200,000 riyals for board members 'remuneration for the year 2020 (300,000 riyals for the chairman and 150,000 riyals for each board member).
- An amount of 225,000 riyals in remuneration for the members of the Audit Committee (75,000 riyals for each member).
- An amount of 75 thousand riyals as a remuneration for the Chairman of the Investment Committee (Mr. Abdulaziz Al-Naim)

**All these bonuses are subject to the approval and approval of the annual general assembly of the shareholders of the company.**

**Paragraph (16) - Procedures taken by the Board of Directors to inform its members - especially non-executives - of shareholders 'proposals and comments about the company and its performance:**

There are no comments or suggestions received from the shareholders regarding the company and its performance, and in the event of receiving any suggestions or remarks from the shareholders, the Board of Directors informs its members, especially the non-executives, by putting them on the agenda of the first meeting of the Board to be discussed and to take the necessary recommendations or decisions towards it.

**Paragraph (17) - General Assemblies of Shareholders held during the fiscal year 2020:**

The following table includes a statement of the dates of the general assemblies of shareholders that took place during the fiscal year 2020, as follows:

NO.	Name	Attendance		Total
		The Extraordinary General Assembly meeting 06/23/2020	The extraordinary general assembly meeting 05/10/2020	
1	Abdulaziz Ali Al-Turki	✓	✓	2
2	Fawaz Talal Al-Tamimi	✓	✓	2
3	Munir Hashem Al-Borno	✓	✓	2
4	Dr Ibrahim Abdullah Al-Mutrif	✓	✓	2
5	Ayham Muhammad Al-Youssef	✓	✓	2
6	Majid Shatti Al Dhafiri	✓	✓	2
7	Ghassan Muhammad Kashmiri	✓	✓	2

**Paragraph (18) - A description of any deal between the company and a related party, or any business or contracts in which the company is a party, or in which there was an interest for one of the members of the board of directors, the CEO, the CFO, the senior executives, or any person related to any of them, including the names of those involved in the business Or contracts, the nature of these works or contracts and their terms, duration and amount, and if there are no such works or contracts, the company must submit a declaration of that:**

**The process for approving transactions with related parties**

The member of the board of directors shall inform the chairman of the board of directors of his personal interest in any business or contracts related to the company. Then, these dealings with related parties shall be sent to the Board of Directors for approval for a duration of one-year. The member to whom the transaction is related is not entitled to vote on the decision of the Board of Directors. Then the transactions are presented before the general assembly for approval and authorization for a calendar year (renewable). The chairman of the board shall inform the general assembly, when it convenes, about the members' personal interests in any business or contracts related to the company, and the member is not entitled to vote on this item in the general assembly.

**Related parties work and contracts during the year 2020 were as follows:**

- The business and contracts that were entered into between the company and **Rawabi Holding Company**, in which the Chairman of the Board of Directors - **Mr. Abdulaziz Ali Al-Turki** has a direct interest in (where he holds the position of Chairman of the Board of Directors), noting that the transactions that took place during the fiscal year 2020 are (insurance policies for one year with a value of 1,456,777.95 Saudi riyals), there are no preferential terms in these deals and contracts.
- The business and contracts that were entered into between the company and **Al Tamimi Group**, which the Vice Chairman of the Board of Directors - **Mr. Fawaz Talal Al Tamimi** has an indirect interest in (where he holds the position of a member of the Board of Directors), noting that the transactions that took place during the fiscal year 2020 are (insurance policies for one year with a value of 7,098,298.03 SAR), and there are no preferential terms in these deals and contracts.
- The business and contracts that were entered into between the company and **Al Muhaidib Group**, in which a member of the Board of Directors - **Mr. Majid Shatti Al Dhafiri** has an indirect interest in (where he holds an executive position), noting that the transactions that took place during the fiscal year 2020 are (insurance policies for one year with a value of 6,028,238.00 Saudi Riyals), and there are no preferential terms in these deals and contracts.

**\* Note:**

There are some deals and contracts (insurance policies) that have been entered into between the company and some members of the board of directors to meet their personal needs. All of them were made with the same conditions that the company follows with all customers, and they fall within the company's usual activity. There is also a liability insurance policy for members of the Board of Directors, amounting to 63,000 Saudi riyals.

**Paragraph (19) - A description of any interest, contractual financial papers and subscription rights of the members of the company's board of directors, senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries and any change in that interest or those rights during the fiscal year 2020**

Related party	Type of ownership	Beginning of Year		End of Year		Net Change	Change %
		# of shares	Debt instruments	# of shares	Debt instruments		
<b>Members of Board of Directors</b>							
Abdulaziz Ali Al-Turki	Direct	227,454	0	227,454	0	0	0%
Fawaz Talal Al Tamimi	Direct	681	0	681	0	0	0%
Al Tamimi Company	Indirect	481,499	0	481,499	0	0	0%
Ibrahim Abdullah Al Mutrif	Direct	681	0	681	0	0	0%
Munir Hashim Al Borno	Direct	681	0	681	0	0	0%
Ayham Mohammed Al Yousef	Direct	100	0	100	0	0	0%
<b>Executives</b>							
Munir Hashim Al Borno	Direct	681	0	681	0	0	0%

### Paragraph (20) - Major shareholders and the percentage of ownership of each of them

Gulf Union Holding Co. (strategic shareholder) is the only shareholder owning more than 5% of company's shares (ownership is 10.87%). No other shareholders own 5% or more of company shares. Public owns the rest of the shares.

### Paragraph (21) – Regulatory payments

Description	Year 2020		Reason for payment
	Paid	Due but not paid	
Zakat and income tax	4,645,003	1,886,010	Per the regulation of General Authority of Zakat & Income Tax
Value added tax	46,484,631	2,654,370	Per the regulation of General Authority of Zakat & Income Tax
Social insurance	5,116,224	474,064	Per the regulation of General Organization of Social Insurance
Withholding tax	11,419,137	1,931,616	Per the regulation of General Authority of Zakat & Income Tax
Government payments	1,163,199	-	Various types of government fees and charges
Supervision fees of Central Bank	2,254,149	853,718	Per Central Bank Implementation Regulations
Supervision fees of Council of Cooperative Health Insurance	2,107,024	1,340,277	Per the regulation of Council of Cooperative Health Insurance
Tadaawl	26,755	-	Managing shareholders' register
Edaa	654,374	-	Fees
<b>Total</b>	<b>73,870,497</b>	<b>9,140,055</b>	



**Paragraph (22) - Any penalty, sanction, precautionary measure or precautionary restriction imposed on the company by CMA or any regulators, or judicial authority, with an explanation of the causes of the violation, the signatory to it, and the means of remedying and avoiding it in the future:**

Penalty/ Sanction	Reason of violation	Regulators	Ways to remedy the violation and avoid its occurrence in the future
10000 SR	Violating the Central Bank's instructions based on the precautionary measures set by the Ministry of Health regarding combating Corona virus	SAMA	The deficiency that occurred regarding the precautionary measures related to the Corona virus, Covid19, has been corrected, and internal departments have been instructed to follow up the implementation of the precautionary measures related to the Coronavirus pandemic.
10000 SR	Non-compliance with the implementation of the Ministry's regulations and decisions issued in the organization for exceptional circumstances	Ministry Of Labor	The deficiency was corrected and clarifying that the updated Article 41 of the Labor Law does not include companies excluded from the royal decree and which were not affected by the repercussions of the COVID-19
20000 SR	The labor office visited Hafar Al-Batin Point of Sale during the Saudi employee permission period, and the violation of employing non-Saudi workers was detected	Ministry Of Labor	The deficiency was corrected in coordination with the Sales Department. In the event of a Saudi employee at the point of sale, permission or leave is requested, an alternative is provided to avoid the violation
10000 SR	Amending the reason for excluding a Saudi subscriber based on a judgment issued by the court to amend the reason for exclusion	GOSI	The reason for exclusion has been amended in the General Organization for social insurance regulation based on Article 77
10000 SR	Continuing to register a Saudi subscriber in the system despite leaving work, due to financial matters	GOSI	Deficiencies were corrected, the employee excluded, and receivables were liquidated
10000 SR	Continuing to register a Saudi subscriber in the system despite leaving work, due to financial matters	GOSI	Deficiencies were corrected, the employee excluded, and receivables were liquidated
5000 SR	Failure to issue a municipality license	AlRiyadh Municipality	The deficiency is corrected and the municipal and civil defense license procedures were processed

**Paragraph (23) - The company's requests for the shareholders' register, the dates of those requests and the reasons for them during the year 2020:**

No	Date of Request	Reason	No	Date of Request	Reason
1	31/03/2020	Company Procedures	10	20/08/2020	Company Procedures
2	28/04/2020	Company Procedures	11	27/08/2020	Company Procedures
3	18/06/2020	Company Procedures	12	03/09/2020	Company Procedures
4	23/06/2020	General Assembly	13	10/09/2020	Company Procedures
5	08/07/2020	Company Procedures	14	15/09/2020	Company Procedures
6	16/07/2020	Company Procedures	15	24/09/2020	Company Procedures
7	23/07/2020	Company Procedures	16	01/10/2020	Company Procedures
8	06/08/2020	Company Procedures	17	05/10/2020	General Assembly
9	13/08/2020	Company Procedures	18	29/12/2020	Company Procedures

**Paragraph (24) - Social Responsibility:**

The company realizes the importance of its commitment to its role towards society, considering it an integral part of it, and the company also realizes the importance of its social role in a manner that achieves solidarity among members of society in implementation of principles derived from the tolerant Islamic Sharia that urged righteousness, piety and cooperation among all members of society, and work is underway to develop a policy Related to this.

The company has undertaken some initiatives that focus on social responsibility, as follows:

#	Subject of social initiative	Related Party for the Social Responsibility	City	Period
1	Take care of children's drawings and creations	Disabled Children's Association	KSA	Second half of 2020



#	Subject of social initiative	Related Party for the Social Responsibility	City	Period
2	Covering an insurance policy of one charity.	Ekhaa Charity Association	KSA	15/09/2020
3	10% discount on compulsory Motor insurance and 20% on comprehensive Motor insurance - National Day	Customers	KSA	20/20/2020
4	Donate 1,500,000 to the MOH to combat the emerging coronavirus pandemic	MOH	KSA	02/04/2020
5	Providing a 30% discount for all individual insurance policies for the health sector employees.	Customers	KSA	31/03/2020

## Paragraph (25) - Internal control and risk management:

Below is a brief of the Company's risk governance and various risk being faced by the Company and how these are being mitigated for perusal of Risk Management Committee and Board of Directors.

During June 2019 SAMA visited GUACIC to review Company's mitigation of Oversight risk, Counterparty risk and Operational risk relating to Motor Claims & Complaints handling. SAMA team also evaluated the performance of control functions in connection with the key risks. SAMA team expressed satisfactory compliments for Risk Management performance and appreciated that no exception was noted for Risk Management Function in discharging its responsibilities.

### Risk Governance

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

### Risk management structure

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

### Board of Directors

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

### Senior management

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

### Risk Management Committee and Risk Management Department

Risk Management Department is an independent internal control function that supplements the overall governance by keeping a watch on the external and internal factors and continuously coordinates with departments within the Company to create a culture of risk awareness, supporting and monitoring the implementation of approved risk mitigation policies and procedures to achieve an acceptable risk profile for the Company.

### Audit Committee and Internal Audit Department

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

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

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

### Strategic Risks

Strategic risk is the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals and the quality of implementation. The Company defines mission and vision statements and periodically deliberates the strategic business plan to convert the strategic objectives into operational goals ensuring the appropriate resources availability. Periodic review is conducted to evaluate and monitor the performance against the predefined goals.

### Financial Risk

Commission / interest rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company invests in securities and has deposits that are subject to commission rate risk. The Company limits commission rate risk by monitoring changes in commission rates and by investing in floating rate instruments. The Company does not have any interest bearing liabilities. The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2020

Commission / interest bearing investments of GUACIC less than 1 year amounts to SAR 348 million, from 1 to 5 years amounts to SAR 31 million and more than five years amounts to 157 million. Non commission / interest bearing investments amounts to SAR 80 million.

There is no significant difference between contractual re-pricing and maturity dates, except for certain held-to-maturity investments, which are subject to variable commission rates based on SIBOR.

Total investment amount as at December 31, 2020 amounts to SAR 616 million which varied throughout the year. The total income generated from the investment for the year 2020 amounts to SAR 12.2 million and unrealized fair value change amounts to SAR 4.8 million.

### 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. 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 all of the Company's underwriting activities are carried out in Saudi Arabia. The Company only enters into insurance and reinsurance contracts with recognized and credit worthy parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts. The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. The Company limits its credit risk with regard to time deposits and current accounts by dealing with reputed banks and financial institutions only.

The Company seeks to limit credit risk by continuously monitoring outstanding receivables. There are no significant concentrations of credit risk within the Company. The Company maintains its bank balances, short term and long term investments with banks which have investment grade credit ratings. The Company deals with reinsurers with international reputation and having credit ratings above BBB. The Company is also a member of SIMAH (Saudi Credit Bureau), and at the time of entering into an insurance contract, the insured's consent is obtained, in case of violating the terms of credit, the Company has the right to report the insured to SIMAH.

The Company's maximum exposure to credit risk on its financial assets at Dec 31, 2020 is SAR 970 million

There was an amount of SAR 31.4 million receivable from related party, a shareholder holding 23.5% share of the Company, on account of current account receivables while SAR 16.7 million is payable against the Portfolio Purchase Consideration. Accordingly, the net credit risk exposure is SAR 14.76 million. Total exposure of Sukuks SAR 208 million of which more than 80% are rated BBB and above. These include both local and foreign securities. The majority of local Sukuks are rated BBB and above and the remaining pertains to securities issued by government related entities.

The management attributed overdue receivables balances to two reasons a) long outstanding receivables received from the previous company as part of portfolio transfer and b) the slow collection from the existing account due to general market condition.

The Company also monitors the credit rating of the Reinsurance counterparties to evaluate the strength of reinsurance securities and take appropriate risk mitigating measures to avoid any future loss by not dealing with such company or by applying other controls. As at December 31, 2020 and 2019, there is no significant concentration of reinsurance balances.

### Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that Company will encounter difficulty in raising funds to meet commitments associated with insurance contracts and other financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets. Further, the Company manages liquidity risk as follows:

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

Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise. The Company has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business. The maturity of assets of company less than one year amounts to SAR 835 million and more than one year amounts to SAR 86 million

Significantly all the financial liabilities of the Company are due within one year of the date of the statement of financial position. Company does not have any commission bearing liabilities. The maturities of the Company's undiscounted contractual obligations less than 12 months as at December 31, 2020 amounts to SAR 428 million. The maturities of the Company's undiscounted contractual obligations more than 12 months as at December 31, 2020 are SAR 27 million.

The above indicates that the Company is in a good position to match the maturity profiles of its assets and liabilities. The Company also considers the same while taking any equity or debt security positions to avoid negative impact on its liquidity and solvency margin positions.

#### **Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's principal transactions are carried out in Saudi Riyals. The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against Saudi Riyals. There is low risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

All insurance operations' liabilities and shareholders' liabilities were in Saudi Riyals as at Dec 31, 2020 and December 31, 2019 and, therefore, are not exposed to currency risk.

All investments are denominated in Saudi Riyals and United States Dollars. As at the reporting date investments amounting to Saudi Riyals 21.5 million were denominated in United States Dollars

The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against Saudi Riyals. There is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

#### **Market Price Risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company limits market risk by diversifying its investment portfolio and by actively monitoring the developments in equity and money markets.

The Company has an unquoted equity investment carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired and then the income statement will be impacted.

The Company's investments amounting to Saudi Riyals 224 million (2019: Saudi Riyals 139.5 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 a hypothetical change of a 5% increase and 5% decrease in the market prices of investments on comprehensive income would be 11 million and – 11 million respectively (% change in equity price 2020)

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2020, 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.

#### **Operational Risk**

#### **Insurance Risk**

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the

objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies and procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local market are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

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

The primary risk control/mitigating measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having credit ratings not less than BBB, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

- Property

Property insurance contracts, with the main peril being fire damage and other allied perils resulting there from, are underwritten either on replacement value or an indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims. In respect of accumulation of the retentions under the property business, this is covered by proportional and excess of loss treaties and facultative arrangements.

- Motor

For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by quota share, per occurrence excess of loss treaties and facultative arrangements that also covers involvement of more than one vehicle in an accident.

- General Accident and Workmen's Compensation

For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims. An arrangement has been made with reinsurers through proportional treaties to minimize the risk according to the Company's appetite.

- Marine

In marine insurance the main risk elements are loss or damage to insured cargo by sea or road and marine hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims. The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional treaties and excess of loss reinsurance to minimize the risk according to the Company's appetite.

- Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The risk is covered by excess of loss (on risk attaching basis) and capping of claims for an insured at SAR 500,000 during a year. The Company has abounded the medical quota share protection to have more flexibility and extended retention, on one hand, it is an opportunity to expand the retention of medical business and on other hand it may impact negatively if the quality and pricing of business written is not up to mark.

- Engineering

The engineering business includes long term Erecting All Risks and Contractor All Risk policies and annual policies for Machinery Break Down ("MBD"), Machinery All Risk, Business Interruption in conjunction with MBD. Selection of the risks and proper underwriting are the criteria for this line of business. These are adequately covered under the Engineering proportional and non-proportional treaties.

### Reinsurance Risk

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. 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. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract. 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.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. 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 agencies that is not lower than prescribed in the Regulations;
- Reputation of particular reinsurance companies; and
- 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 reinsurance business. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. As at December 31, 2020, there is no significant concentration of reinsurance balances.

### Claims handling and reserving

Claim handling risk is the risk associated with paying claims to policyholders based on the policy coverage. The Company mitigates the risk by closely reviewing the decisions and through implementation of an authority matrix to deal with various type and amount of claims. The claims related policies and procedures are subject to review on periodic basis. Reinsurers are also involved to seek their concurrence for the claims of sizeable amounts. To mitigate high frequency, severity and concentration risk the Company carefully underwrites the risks and acquires appropriate level of reinsurance coverage.

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 has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management.

The Company has policies and procedures for catering to mitigate the risk of inadequate level of claims reserving, quantitative assessments are made in the light of qualitative judgments to determine the estimated ultimate claims liability for claims reported as well as for 'incurred but not reported'. The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio



mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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 main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Further, independent external actuary also evaluates the adequacy of the Company's technical reserves and the Company adjust the level of reserve per Actuary recommendations. The Company also carried out the stress testing on level of reserve and monitors the claims development patterns particularly for the line of business with pattern of relatively low frequency and relatively high value.

### **Process technology and infrastructure risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors 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 yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

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

### **People Risk**

People are the critical component of any system and hence the operations. Saudization is the vital components being pursued by the regulators and accordingly the Management has a plan to improve the level of Saudization across the Company. HR department is regularly monitoring and reporting Saudization level to the senior management. The risk related to deficient level of Saudization is considered to be high and accordingly on our watch list.

As at the end of the year, there is one key vacant position not filled were by the Company is currently looking for an appropriate candidate to lead such position.

### **Information Technology Risk**

The Company's business depends heavily on the ability of IT systems to handle a large number of operations at a specific time without interruption, especially when transactions processing becomes more complicated due to the size of the Company's portfolio and significant increasing rate of operations. There is risk that systems may face failures, deficiencies, complete outage, system viruses, penetration, or any type of electronic crimes that would affect the security of Company's information, data and communications, or occurrence of any defect in the systems of Company's branches or other associated entities. In case of occurrence of any these risks, the Company's business would be adversely and materially affected, and its reputation might be harmed. The Company mitigates the risk by devising the administrative policies and procedures, building efficient and effective system, network and communication infrastructure, maintaining appropriate level of securities to avoid such attacks. The Company also implemented the backup and disaster recovery techniques to ensure the availability and recoverability of data, had the preventive actions fail.



### Regulatory risk

The company received some observations from the Central Bank of Saudi Arabia regarding operational matters, including pricing and underwriting. The company has taken necessary corrective actions to improve the situation and mitigate the regulatory risks.

### Coronavirus outbreak risks

On March 11, 2020, the World Health Organization (“WHO”) declared the Coronavirus (“Covid-19”) outbreak as a pandemic in recognition of its rapid spread globally. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world have taken steps to contain the spread of Covid-19. The Kingdom of Saudi Arabia has implemented closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews. In response to the spread of Covid-19 in the Kingdom of Saudi Arabia and its consequential disruption to social and economic activities, the company’s management has assessed its impact on the Company’s operations and has taken a series of proactive and preventive measures to ensure:

- The health and safety of its employees and the wider community where it is operating.
- The continuity of its business throughout the Kingdom of Saudi Arabia is protected and remains intact.
- Established a Crisis Management Team (CMT)
- Ensure maintaining customer services in all kinds of circumstances.

### Financial assets - investments and loans and receivables

With respect to held-to-maturity investments and financial assets designated as loans and receivables, the Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. These include 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. For available-for-sale investments, the Company has performed an assessment to determine whether there is a significant decline in the fair value of available-for-sale investments to below cost along with other qualitative factors such as prolonged decline in the value of investments for equity instruments and / or occurrence of a credit default event in case of debt instruments. Based on these assessments, the Company believes that the Covid-19 pandemic has had no material effect on the Company’s reported results for the year end, 2020. The Company continues to monitor the situation closely.

COVID-19 outbreak has persuasive impact on majority factors of the organizations including Gulf Union, Risk Function would keep in its watch list credit risk, liquidity risk, solvency margin risk, underwriting risks, claims risk, operational risks and Cyber Security risk pertaining to COVID-19 impact.

### Capital Risk

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

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

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

- Minimum Capital Requirement of Saudi Riyals 100 million
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2020 the Company’s solvency level is higher than the minimum solvency required by the Central Bank of Saudi Arabia.

### Risks related to the adoption of new financial reporting Standards

The Company required to adopt the new financial reporting standards, IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” for the financial statements issued after January 1, 2022 along with comparatives of 2021). Implementation of IFRS 17 & 9 will revamp the entire way of carrying out insurance business and financial reporting. Following areas would be highly impacted by these standards:

- Financial results of the company
- Valuation of assets and liabilities

- Presentation of the financial statements would change drastically
- Accounting policies for revenue recognition, valuation of investments, recognition of contractual liabilities and assets
- Pricing of products

Furthermore, these new standards expose the company with following risks:

- Financial Risks Valuation of assets & liabilities
- Operational Risks Resources and infrastructure
- Information Technology Risks Software, data management and equipment)
- Code of Conduct Risks Way of doing business
- Regulatory and Compliance Risks Regulations from SAMA, CMA and SOCPA
- Competitive Market Risks Pricing of products, selling methodologies, etc.)

The project is at its final stages, the expected Implementation and Dry- Run completion is in the first quarter of 2022.

Considering the quantum of probable impact and scope of work the risk associated with implementation of IFRS 17 & 9 is classified as High. Risk management would keep in its watch list the developments regarding implementation of IFRS 17 & IFRS 9 to reassess the related risks.

Subsequent to Q2 2020 SAMA has issued a report on the industry performance concerning IFRS 17 implementation project and report of status of Gulf Union compared to overall industry. Indicating a healthy position of IFRS17 implementation project compared to overall industry and as a standalone company.

**Paragraph (26) - Results of the annual review of the effectiveness of the company's internal control procedures and the audit committee's opinion on the adequacy of internal control in the company:**

The results of the annual review confirmed the effectiveness of the company's internal control procedures, and that they are based on sound foundations and are implemented in an efficient and organized manner, that serves the interest of the shareholders and is in line with the applicable rules, laws and regulations in the Kingdom of Saudi Arabia.

**Paragraph (27) - Recommendation of the Audit Committee regarding the need to appoint an internal auditor in the company:**

There is an independent internal audit department in the company, and there were no recommendations from the committee in this regard.

**Paragraph (28) - Recommendations of the Audit Committee that there are no contradictions between and the decisions of the Board of Directors or the Board refuses to take it regarding the appointment of the company auditor, its dismissal, the determination of his fees, the evaluation of his performance, the appointment of the internal auditor, the rationale for those recommendations and the reasons for not taking them.:**

None

**Paragraph (29) - In the event that the Board of Directors recommends changing the auditor before the end of the period for which he is appointed, the report must contain that, along with the reasons for the recommendation to change:**

There was no recommendation from the Board of Directors to replace the auditors during the year 2020.

**Paragraph (30) - What has been applied of the provisions of the Corporate Governance Regulations and what has not been implemented, and the reasons for that:**

The company has implemented all the mandatory provisions contained in the Corporate Governance Regulations in the Kingdom of Saudi Arabia issued by the Board of the Capital Market Authority. With the exception of some of the following guiding provisions that were not applied during the year 2020:

Subject	Text of the article	Reasons for not applying
85	<b>Motivating employees:</b> The company sets up programs to develop and stimulate the participation and performance of the company's employees.	Guidance article
87	<b>Social Responsibility:</b> The Ordinary General Assembly - based on a proposal from the Board of Directors - shall set a policy that ensures a balance between its objectives that society aspires to achieve with the aim of developing the socio-economic conditions of the society..	Guidance article
88	<b>Social Work Initiative:</b>	Guidance article

Subject	Text of the article	Reasons for not applying
	The Board of Directors establishes the programs and identifies the means to implement the company's initiatives in the field of social work..	
95	<b>Formation of the Corporate Governance Committee:</b> In the event that the Board of Directors establishes a committee specialized in corporate governance, then it must delegate to it the competencies established under Article 94 of these regulations, and this committee must follow up on any issues related to governance applications, and provide the Board of Directors, at least annually, with the reports and recommendations it arrives at.	Guidance article

The company gives top priority and great interest in implementing all the requirements imposed by governance and related systems, and the Board of Directors has the primary and pivotal role in this. The company also emphasizes its great interest in the continuous review of the practices and activities implemented in the company to ensure the implementation of all the standards, procedures, prevailing systems and legal requirements imposed by the system. Particularly related to governance.

**Paragraph (31) - the name of the subsidiary company, its capital, the percentage of ownership of the company in it and its activity, the head, the state, the main location of its operations, and the country of its incorporation:**

None

**Paragraph (32) - Details of shares and debt instruments issued for each subsidiary :**

None

**Paragraph (33) - An interest in the category of shares eligible to vote belongs to persons (other than members of the board of directors and senior executives and their relatives) who informed the company of those rights under Article 45 of the registration and listing rules, and any change in those rights during the last fiscal year:**

There has been some change in the ownership ratios of major shareholders who own 5% or more, as a result of the merger of the Gulf Union Company with the Al-Ahlia Insurance Company and the formation of a new entity "Gulf Union Ahlia Insurance Company", which was reflected in the ownership and ratios of shares.

Company	Before the merger		After the merger	
	Number of Shares	Ratio	Number of Shares	Ratio
<b>Gulf Union Holding Company</b>	2475000	16.5% In Gulf Union company	2475000	10.78551% In the Gulf Union National Company
<b>Misr Life Insurance Company</b>	691,859	5.625% In Al-Ahlia Company	447034	1.948076% In the Gulf Union National Company

**Paragraph (34) - Information related to the approval of the position of the company (whether due to be paid upon request or otherwise), and the disclosure of the total debt of the company and its subsidiary companies and the payment of the company to repay the loans during the year 2020, the original amount of the loan, the shares of the donor to it, its duration, and the remaining amount**

The National Gulf Union Company acknowledges that there are no loans on the company during the year 2020, whether they are due upon request or otherwise.

**Paragraph (35) - A description of the categories and numbers of any convertible debt instruments, any contractual securities, subscription right notes or similar rights issued or granted by the company during the 2020 fiscal year, with an explanation of any details that the company has connected to in return..**

The National Gulf Union Company acknowledges that there are no convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company during the fiscal year 2020, and there is no compensation obtained by the company for that.

**Paragraph (36) - A description of any transfer or subscription rights under convertible debt instruments, contractual securities, subscription notes, or similar rights issued or granted by the company during the fiscal year 2020.**

The National Gulf Union Company acknowledges that there are no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or prohibited by the company during the fiscal year ending on December 31, 2020.

**Paragraph (37) - A description of any redemption, purchase or cancellation on the part of the company for any recoverable debt instruments, and the value of the remaining securities, with a distinction between the listed securities purchased by the company and those purchased by its subsidiaries:**

Gulf Union Ahlia Company acknowledges that there is no refund, purchase or cancellation by the company for any redeemable debt instruments during the fiscal year ending on December 31, 2020 .

**Paragraph (38) - A statement of any arrangements or assignment agreements according to which a member of the company's board of directors or one of the chief executives of any remuneration:**

The National Gulf Union Company acknowledges that there are no arrangements or agreements whereby a member of the company's board of directors or a senior executive waived any remuneration.

**Paragraph (39) - A statement of any arrangements or agreements under which one of the shareholders of the company will assign any rights to dividends:**

The National Gulf Union Company acknowledges that there is no statement, arrangement or agreement whereby one of the shareholders of the company waived any rights to profits.

**Paragraph (40) - Statement of the value of any investments or reserves established for the benefit of the company's employees:**

There are no investments or reserves established for the benefit of the company's employees.

**Paragraph (41) - Disclosure of details of treasury shares held by the company and details of the uses of these shares:**

Not Applicable.

**Paragraph (42) - Declarations:**

From the responsibility of the Board of Directors and its cares on the continuity and preservation of the company for the purpose for which it was established, and in light of the information provided to him by the company's management, he confirms the following:

#	Kind of acknowledge	Company & BOD confirmation
1	Accounts records	The account records have been properly prepared.
2	Internal Control system	The internal control system prepared on a sound basis and was implemented effectively
3	Sustainability	There is no doubt about the company's ability to continue its activity.
4	Information regarding any loans on the company	There are no loans on the company during the year 2020

**Conclusion:**

In conclusion, the Board of Directors, after success from God, extends thanks to the Custodian of the Two Holy Mosques and his Crown Prince - may God preserve them - and to the supervisory and supervisory authorities, praising the support and care the company receives in its endeavor to develop its performance and improve its services. The employees of the company for their dedication and devotion to work, and the Board of Directors confirms the company's continuous endeavor to develop its business in a way that meets the needs of customers and achieves the aspirations of the shareholders and serves the community and confirms the company's leadership in the insurance sector.

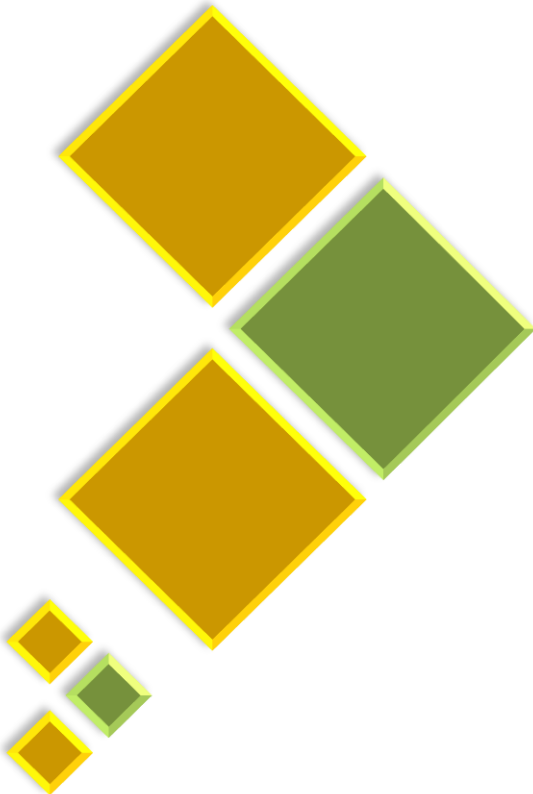
Good Luck,

**Abdulaziz bin Ali Al-Turki**  
Chairman of Board of Directors



## Agenda Item # 2

**Voting on the Financial Statements for the fiscal year ended on 31 December 2020.**



**GULF UNION ALAHLIA COOPERATIVE  
INSURANCE COMPANY (FORMERLY “GULF  
UNION COOPERATIVE INSURANCE  
COMPANY”)  
(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
AND INDEPENDENT AUDITORS' REPORT**



**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Report on the audit of the financial statements*

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#### *Opinion*

We have audited the financial statements of Gulf Union Alahlia Cooperative Insurance Company (formerly "Gulf Union Cooperative Insurance Company"), a Saudi Joint Stock Company, (the "Company"), which comprise the statement of financial position as at December 31, 2020, the statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

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#### *Basis for opinion*

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p><i>Valuation of ultimate claim liabilities arising from insurance contracts</i></p> <p>As at December 31, 2020, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves and other technical reserves amounted to Saudi Riyals 104.7 million, Saudi Riyals 170.9 million, Saudi Riyals 11.3 million and Saudi Riyals 11.2 million, respectively.</p> <p>The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates.</p> <p>Refer to Note 3.9 to the accompanying financial statements for the accounting policy relating to insurance contract liabilities, Note 6 for the disclosure of significant accounting estimates and judgements and Notes 11 and 28.1 for the disclosures of matters related to insurance contract liabilities.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Understood, evaluated and tested key controls around the claims handling and provision setting processes;</li> <li>• Tested the amounts recorded for a sample of claims notified and paid. On a sample basis, we also compared the outstanding claims amounts to the appropriate source documentation to evaluate the valuation of outstanding claims;</li> <li>• Evaluated the competence, capabilities and objectivity of the management's expert based on its professional qualifications and experience and assessed its independence;</li> <li>• Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy and completeness of underlying claims data utilised by the management's expert in estimating the IBNR, additional premium reserves and other technical reserves by verifying it with the underlying accounting and other records;</li> <li>• Involved our internal experts to evaluate the Company's actuarial practices and related provisions established and gained comfort over the actuarial report issued by management's expert. We also performed the following procedures: <ul style="list-style-type: none"> <li>(i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;</li> </ul> </li> </ul>

*Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

*Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
	<p>(ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and</p> <p>(iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.</p> <ul style="list-style-type: none"> <li>• Involved our internal experts to perform independent re-projections on IBNR, additional premium reserves, and other technical reserves, for significant operating segments to compare them with the amounts recorded by management and sought to understand any significant differences; and</li> <li>• Assessed the adequacy and appropriateness of the disclosures in the accompanying financial statements related to the ultimate claim liabilities arising from insurance contracts.</li> </ul>



## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p><i>Accounting for the merger of Al Ahlia Cooperative Insurance Company ("Al Ahlia"), and impairment assessment of the carrying value of the resultant goodwill</i></p> <p>During 2020, the Company signed a binding merger agreement (the "Agreement") with Al Ahlia. Under the terms of the Agreement, the Company acquired all the issued shares of Al Ahlia by issuing one share in the Company for every 1.54766350624551 shares in Al Ahlia on December 6, 2020 (the "effective date of merger"). This resulted in issuance of 7,947,464 new shares of the Company to the shareholders of Al Ahlia at fair value, amounting to Saudi Riyals 168,963,085, as the purchase consideration. The provisional fair value of Al Ahlia's net identifiable assets as at the effective date of merger amounted to Saudi Riyals 65,176,335, resulting in a recognition of goodwill amounting to Saudi Riyals 103,786,750.</p> <p>The Purchase Price Allocation exercise for acquisition of Al Ahlia was in progress as of the date of the issuance of this auditors' report and management plans to complete the exercise within one year from the effective date of merger as permitted in IFRS 3 "Business Combinations" ("IFRS 3"). Accordingly, management has reported the provisional amounts for the merger in the accompanying financial statements.</p> <p>Management has accounted for the merger in the accompanying financial statements under the requirements of IFRS 3 which requires management to exercise significant judgement in determining certain estimates. The most significant judgements in the initial accounting of an acquisition include the determination of the valuation of the identifiable net assets acquired.</p>	<p>With respect to the merger of Al Ahlia, our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Reviewed the Agreement and tested the purchase consideration in accordance with the terms and conditions of the Agreement;</li> <li>• Tested the provisional fair valuation of the identifiable net assets acquired as at the effective date of merger; and</li> <li>• Assessed the adequacy and appropriateness of the disclosures in the accompanying financial statements related to the merger of Al Ahlia.</li> </ul>

## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p>In accordance with the International Accounting Standard 36 ("IAS 36"), "Impairment of assets", an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether or not there is any indication of impairment.</p> <p>Goodwill is monitored by management at the level of cash generating units ("CGUs"), which are the primary operating elements of the business concerned. Management carried out an impairment test in respect of goodwill allocated to the combined entity as a single CGU, by determining the recoverable amount based on value-in-use discounted cash flow model, which utilized the most recent five years' approved business plan. The outcome of this exercise did not result in any impairment loss to be recognised.</p> <p>We considered accounting for merger of Al Ahlia and impairment assessment of carrying value of goodwill as a key audit matter due to the following:</p> <p><i>Accounting for merger of Al Ahlia</i></p> <p>The complexity of accounting for business combination and the provisional fair valuation of the identifiable net assets acquired.</p> <p><i>Impairment assessment of carrying value of the Company's goodwill</i></p> <p>The assessment of the recoverable amount of goodwill under the value-in-use method is complex and requires considerable judgment on part of the management.</p>	<p>With respect to impairment assessment of the carrying value of goodwill, our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Understood and evaluated the appropriateness of management's identification of the CGUs;</li> <li>• Assessed the methodology used by management to determine the recoverable value of the goodwill based on the value-in-use method and compared it to the requirements of IAS 36;</li> <li>• Tested the arithmetical accuracy and logical integrity of the underlying calculations in the model;</li> <li>• Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved business plan, and considered the reasonableness of approved business plan by comparison to the Company's historical results and performance against budgets;</li> <li>• Engaged our internal valuation experts to assist us in the review of the methodology of the value-in-use calculation and to assess the reasonableness of discount rate and long-term growth rate;</li> <li>• Performed sensitivity analyses over key assumptions in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes; and</li> <li>• Assessed the adequacy and appropriateness of the disclosures in the accompanying financial statements related to the carrying value of goodwill.</li> </ul>



## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p>The critical judgmental elements of management's assessment included:</p> <ul style="list-style-type: none"> <li>• Identification of CGUs for allocation of goodwill;</li> <li>• assumptions concerning the expected synergies, especially through expanded market base in which the Company operates; and</li> <li>• discount and long-term growth rates used in the value-in-use calculation.</li> </ul> <p>Refer to Notes 3.31 and 3.26 to the financial statements for the accounting policies relating to the business combinations and impairment of goodwill, respectively. Also refer to Note 6 for the disclosure of significant accounting estimates, assumptions and judgements made in applying the above accounting policies and Notes 4 and 5 for related disclosures.</p>	

### *Other information*

The Board of Directors of the Company (the "Directors") is responsible for the other information. The other information comprises information included in the Company's 2020 annual report, but does not include the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Company's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Responsibilities of the Directors and those charged with governance for the financial statements*

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

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

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

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### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

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



## Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company

### Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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**  
P.O. Box 467  
Dhahran Airport 31932  
Kingdom of Saudi Arabia



Ali H. Al Basri  
License Number 409

28 March 2021

**Al Kharashi & Co. Certified  
Accountants and Auditors**  
P.O. Box 7274  
Dammam 31538  
Kingdom of Saudi Arabia



Sulieman A. Alkharashi  
License Number 91



**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)


**STATEMENT OF FINANCIAL POSITION**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2020	As at December 31, 2019
<b>ASSETS</b>			
Cash and cash equivalents	8	179,508,029	66,862,753
Short-term deposits	13	126,570,741	90,322,280
Premiums and reinsurers' receivable - net	9	206,568,729	182,355,653
Premiums receivable - related parties - net	10,20	8,311,277	9,817,345
Reinsurers' share of unearned premiums	11	36,474,798	39,619,088
Reinsurers' share of outstanding claims	11	48,489,107	26,723,121
Reinsurers' share of claims incurred but not reported	11	20,062,991	23,288,842
Deferred policy acquisition costs	11	29,474,599	19,545,335
Investments	12	257,059,214	166,095,425
Prepaid expenses and other assets	14	30,821,365	18,630,181
Long-term deposits	13	-	20,159,854
Property and equipment	15	10,770,393	6,213,198
Right-of-use assets	17	9,278,773	7,231,063
Intangible assets	16	12,106,745	3,091,854
Goodwill	4,5	103,786,750	-
Statutory deposit	31	52,871,196	22,500,000
Accrued income on statutory deposit	31	7,562,956	3,665,934
<b>TOTAL ASSETS</b>		<b>1,139,717,663</b>	<b>706,121,926</b>
<b>LIABILITIES</b>			
Accounts payable		72,108,216	47,065,209
Accrued and other liabilities	30	27,905,430	19,335,651
Reinsurers' balances payable		15,379,852	3,939,293
Unearned premiums	11	375,588,801	257,512,800
Unearned reinsurance commission	11	8,825,885	9,680,379
Outstanding claims	11	104,742,560	75,084,698
Claims incurred but not reported	11	170,897,914	97,301,085
Additional premium reserves	11	11,295,391	5,493,312
Other technical reserves	11	11,211,593	4,979,928
Lease liabilities	17	7,500,772	7,852,336
Employee benefit obligations	22	20,659,103	15,595,370
Zakat and income tax	21	19,958,958	2,769,769
Surplus distribution payable	24	13,748,722	11,343,469
Accrued commission income payable to SAMA	31	7,562,956	3,665,934
<b>TOTAL LIABILITIES</b>		<b>867,386,153</b>	<b>561,619,233</b>
<b>EQUITY</b>			
Share capital	23	229,474,640	150,000,000
Share premium	4	89,488,445	-
Statutory reserve	18	4,885,691	4,885,691
Accumulated losses		(59,541,995)	(13,964,902)
Remeasurement reserve of employee benefit obligations	22	(2,203,061)	(3,105,460)
Fair value reserve on investments	12	10,227,790	6,687,364
<b>TOTAL EQUITY</b>		<b>272,331,510</b>	<b>144,502,693</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,139,717,663</b>	<b>706,121,926</b>

The accompanying notes from 1 to 34 form an integral part of these financial statements

  
 Chairman of the Board  
 of Directors

  
 Chief Financial Officer

  
 Chief Executive Officer

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**STATEMENT OF INCOME**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2020	2019
<b>REVENUES</b>			
Gross premiums written	7	<b>557,123,448</b>	558,796,291
Reinsurance premiums ceded:			
- Foreign	7	<b>(74,022,314)</b>	(110,330,017)
- Local	7	<b>(11,768,967)</b>	(10,769,657)
Excess of loss premiums:			
- Foreign	7	<b>(18,324,130)</b>	(13,513,794)
- Local	7	<b>(541,159)</b>	(319,909)
<b>Net premiums written</b>		<b>452,466,878</b>	423,862,914
Changes in unearned premiums	7,11	<b>(10,100,450)</b>	(74,087,856)
Changes in reinsurers' share of unearned premiums	7,11	<b>(7,482,291)</b>	(22,919,591)
<b>Net premiums earned</b>		<b>434,884,137</b>	326,855,467
Reinsurance commissions	11	<b>24,321,796</b>	26,758,412
Fee income from insurance		<b>223,292</b>	200,811
<b>Total revenues</b>		<b>459,429,225</b>	353,814,690
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	7	<b>(400,562,089)</b>	(375,808,869)
Reinsurers' share of gross claims paid	7	<b>60,988,058</b>	146,729,553
Expenses incurred related to claims		<b>(5,894,252)</b>	(3,659,276)
<b>Net claims and other benefits paid</b>		<b>(345,468,283)</b>	(232,738,592)
Changes in outstanding claims	4,11	<b>7,135,094</b>	16,269,751
Changes in reinsurers' share of outstanding claims	4,11	<b>5,785,459</b>	(37,971,285)
Changes in claims incurred but not reported	4,11	<b>(32,845,218)</b>	(29,327,727)
Changes in reinsurers' share of claims incurred but not reported	4,11	<b>(4,754,324)</b>	(9,881,559)
<b>Net claims and other benefits incurred</b>		<b>(370,147,272)</b>	(293,649,412)
Policy acquisition costs	4,11	<b>(41,894,747)</b>	(28,829,036)
Changes in additional premium reserves	4,11	<b>8,445,579</b>	8,111,032
Changes in other technical reserves	4,11	<b>(4,014,927)</b>	(719,388)
Other underwriting expenses		<b>(2,795,926)</b>	(1,731,232)
<b>Total underwriting costs and expenses, net</b>		<b>(410,407,293)</b>	(316,818,036)
<b>NET UNDERWRITING INCOME</b>		<b>49,021,932</b>	36,996,654

(Continued)

The accompanying notes from 1 to 34 form an integral part of these financial statements.

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**STATEMENT OF INCOME** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

		<b>Year ended December 31,</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>OTHER OPERATING (EXPENSES) INCOME</b>			
Allowance for doubtful debts	9,10	<b>(8,952,215)</b>	(4,388,459)
General and administrative expenses	25	<b>(102,073,877)</b>	(83,364,115)
Investment and commission income	26	<b>12,273,029</b>	13,877,620
Finance costs - lease liabilities	17	<b>(254,600)</b>	(216,403)
Other income		<b>10,621,610</b>	6,356,122
<b>Total other operating expenses, net</b>		<b>(88,386,053)</b>	(67,735,235)
<b>Total loss for the year before surplus attribution, zakat and income tax</b>		<b>(39,364,121)</b>	(30,738,581)
<b>Surplus attributed to the insurance operations</b>		-	-
<b>Total loss for the year before zakat and income tax</b>		<b>(39,364,121)</b>	(30,738,581)
Zakat expense	21	<b>(6,212,972)</b>	1,649,590
Income tax expense	21	-	(54,167)
<b>Total loss for the year attributable to the shareholders</b>		<b>(45,577,093)</b>	(29,143,158)
<b>Weighted average number of outstanding shares</b>		<b>15,566,121</b>	15,000,000
<b>Loss per share (expressed in Saudi Riyals per share)</b>			
Basic losses per share	19	<b>(2.93)</b>	(1.94)
Diluted losses per share	19	<b>(2.93)</b>	(1.94)

The accompanying notes from 1 to 34 form an integral part of these financial statements.

  
**Chairman of the Board  
of Directors**  
**Chief Financial Officer**  
**Chief Executive Officer**

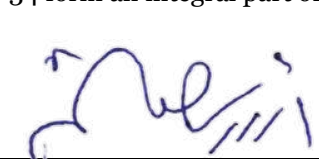


**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF COMPREHENSIVE INCOME**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2020	2019
Total loss for the year attributable to the shareholders		<b>(45,577,093)</b>	(29,143,158)
<b>Other comprehensive income (loss):</b>			
<i>Items that will not be reclassified to the statement of income in subsequent years</i>			
Re-measurement gain (loss) on employee benefit obligations	22	<b>902,399</b>	(2,072,923)
<i>Items that will be reclassified to the statement of income in subsequent years</i>			
Realised gain reclassified to statement of income	12	<b>(1,304,345)</b>	-
Net change in fair value of available-for-sale investments	12	<b>4,844,771</b>	8,270,809
<b>Total other comprehensive income</b>		<b>4,442,825</b>	6,197,886
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(41,134,268)</b>	<b>(22,945,272)</b>

The accompanying notes from 1 to 34 form an integral part of these financial statements.

  
\_\_\_\_\_  
**Chairman of the Board  
of Directors**

  
\_\_\_\_\_  
**Chief Financial Officer**

  
\_\_\_\_\_  
**Chief Executive Officer**

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**STATEMENT OF CHANGES IN EQUITY**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	Accumulated losses	Remeasurement reserve of employee benefit obligations	Fair value reserve on investments	Total
<b>At January 1, 2020</b>		<b>150,000,000</b>	-	<b>4,885,691</b>	<b>(13,964,902)</b>	<b>(3,105,460)</b>	<b>6,687,364</b>	<b>144,502,693</b>
<b>Total comprehensive (loss) income for the year</b>								
Total loss for the year attributable to the shareholders		-	-	-	<b>(45,577,093)</b>	-	-	<b>(45,577,093)</b>
Realised gain reclassified to statement of income		-	-	-	-	-	<b>(1,304,345)</b>	<b>(1,304,345)</b>
Re-measurement gain on employee benefit obligations	22	-	-	-	-	<b>902,399</b>	-	<b>902,399</b>
Net change in fair value of available-for-sale investments	12	-	-	-	-	-	<b>4,844,771</b>	<b>4,844,771</b>
Total comprehensive (loss) income for the year		-	-	-	<b>(45,577,093)</b>	<b>902,399</b>	<b>3,540,426</b>	<b>(41,134,268)</b>
Issue of ordinary shares as purchase consideration for a business combination	4	<b>79,474,640</b>	-	-	-	-	-	<b>79,474,640</b>
Share premium	4	-	<b>89,488,445</b>	-	-	-	-	<b>89,488,445</b>
<b>At December 31, 2020</b>		<b>229,474,640</b>	<b>89,488,445</b>	<b>4,885,691</b>	<b>(59,541,995)</b>	<b>(2,203,061)</b>	<b>10,227,790</b>	<b>272,331,510</b>
<b>At January 1, 2019</b>		150,000,000	-	4,885,691	15,178,256	(1,032,537)	(1,583,445)	167,447,965
<b>Total comprehensive (loss) income for the year</b>								
Total loss for the year attributable to the shareholders		-	-	-	(29,143,158)	-	-	(29,143,158)
Re-measurement loss on employee benefit obligations	20	-	-	-	-	(2,072,923)	-	(2,072,923)
Net change in fair value of available-for-sale investments		-	-	-	-	-	8,270,809	8,270,809
Total comprehensive (loss) income for the year		-	-	-	(29,143,158)	(2,072,923)	8,270,809	(22,945,272)
<b>At December 31, 2019</b>		<b>150,000,000</b>	-	<b>4,885,691</b>	<b>(13,964,902)</b>	<b>(3,105,460)</b>	<b>6,687,364</b>	<b>144,502,693</b>

The accompanying notes from 1 to 34 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Financial Officer

Chief Executive Officer

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total loss for the year before surplus attribution, zakat and income tax		<b>(39,364,121)</b>	(30,738,581)
<u>Adjustments for non-cash items:</u>			
Depreciation of property and equipment	15	<b>1,392,991</b>	1,351,151
Amortisation of intangible assets	16	<b>1,908,012</b>	2,155,380
Depreciation for right-of-use assets	17	<b>1,116,214</b>	1,325,371
Finance cost on leases liabilities	17	<b>254,600</b>	216,403
Investment and commission income	26	<b>(11,061,522)</b>	(13,877,620)
Allowance for doubtful debts	9,10	<b>8,952,215</b>	4,388,459
Provision for employee benefit obligations	22	<b>2,433,351</b>	2,587,572
Loss (gain) on termination of lease liability	17	<b>772</b>	(35,377)
Loss on disposal of property and equipment - net	15	<b>-</b>	22,911
Realised gain on disposal of available-for-sale investments	12	<b>(1,211,507)</b>	-
<u>Changes in operating assets and liabilities:</u>			
Premiums and reinsurers' receivable	9	<b>12,741,313</b>	(74,152,893)
Premium receivables - related parties	10	<b>1,506,068</b>	(7,094,535)
Reinsurers' share of unearned premiums	11	<b>7,482,291</b>	22,919,591
Reinsurers' share of outstanding claims	11	<b>(5,785,459)</b>	37,971,285
Reinsurers' share of claims incurred but not reported	11	<b>4,754,324</b>	9,881,559
Deferred policy acquisition costs	11	<b>(2,388,883)</b>	(8,829,022)
Prepaid expenses and other assets	14	<b>4,507,416</b>	(3,560,411)
Accounts payable		<b>6,341,847</b>	12,665,752
Accrued and other liabilities	30	<b>(5,347,065)</b>	6,920,189
Reinsurers' balances payable		<b>7,521,114</b>	(14,577,936)
Unearned premiums	11	<b>10,100,450</b>	74,087,856
Unearned reinsurance commission	11	<b>(1,938,258)</b>	(1,338,432)
Outstanding claims	11	<b>(7,135,094)</b>	(16,269,751)
Claims incurred but not reported	11	<b>32,845,218</b>	29,327,727
Additional premium reserves	11	<b>(8,445,579)</b>	(8,111,032)
Other technical reserves	11	<b>4,014,927</b>	719,388
Employee benefit obligations paid	22	<b>(3,053,109)</b>	(3,228,450)
Zakat and income tax paid	21	<b>(4,645,002)</b>	(1,686,051)
Surplus distribution paid	24	<b>-</b>	(7,935)
<b>Net cash generated from operating activities</b>		<b>17,497,524</b>	23,032,568

(Continued)

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**STATEMENT OF CASH FLOWS** (continued)

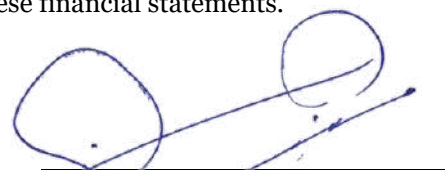
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2020	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in short-term deposits		<b>(217,489,709)</b>	(422,342,230)
Liquidation of short-term deposits		<b>245,468,948</b>	499,729,349
Liquidation of long-term deposits		-	15,352,021
Cash and cash equivalents acquired through business combination		<b>147,359,189</b>	-
Purchase of available-for-sale investments	12	<b>(90,728,131)</b>	(108,599,898)
Purchase of held-to-maturity investments	12	<b>(5,000,000)</b>	(5,000,000)
Proceeds from disposal of available-for-sale investments	12	<b>12,638,483</b>	-
Proceeds from disposal of held-to-maturity investments	12	<b>11,291,665</b>	20,605,092
Investment and commission income received		<b>6,426,825</b>	12,029,055
Purchases of property and equipment	15	<b>(2,276,995)</b>	(1,743,693)
Proceeds from disposal of property and equipment	15	-	5,002
Addition to intangible assets	16	<b>(3,870,327)</b>	(2,390,861)
Addition to statutory deposit - net	31	<b>(6,371,196)</b>	-
<b>Net cash generated from investing activities</b>		<b>97,448,752</b>	7,643,837
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal elements of lease payments	17	<b>(2,244,614)</b>	(695,854)
Finance cost paid		<b>(56,386)</b>	(4,896)
Due from a related party - net	20	-	14,762,146
<b>Net cash (used in) generated from financing activities</b>		<b>(2,301,000)</b>	14,061,396
<b>Net change in cash and cash equivalents</b>		<b>112,645,276</b>	44,737,801
Cash and cash equivalents at the beginning of the year		<b>66,862,753</b>	22,124,952
Cash and cash equivalents at end of the year	8	<b>179,508,029</b>	66,862,753
<b>Supplemental non-cash information:</b>			
Net change in fair value reserve for available-for-sale investments	12	<b>3,579,883</b>	8,270,809
Re-measurement (gain) loss on employee benefit obligations	22	<b>(902,399)</b>	2,072,923
Business combination (Note 4)			
Right-of-use assets and lease liabilities (Note 17)			

The accompanying notes from 1 to 34 form an integral part of these financial statements.

  
**Chairman of the Board  
of Directors**

  
**Chief Financial Officer**

  
**Chief Executive Officer**

## **GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **1. General information - legal status and principal activities**

Gulf Union Alahlia Cooperative Insurance Company formerly known as Gulf Union Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company, registered on 13 Sha’aban 1428H (corresponding to August 26, 2007) under Commercial Registration (“CR”) number 2050056228. The Company’s principal place of business is in Dammam, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities. Its principal lines of business include medical, motor, marine, fire and engineering insurance.

On 2 Jumada II 1424H, (corresponding to July 31, 2003), the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 29 Shaban 1428 H, (corresponding to September 11, 2007), the Saudi Central Bank, formerly known as (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 the Kingdom of Saudi Arabia.

On 27 Jumada II 1435H, (corresponding to April 27, 2014), the Company received SAMA’s approval of its request to change its license of transacting insurance and reinsurance business to insurance business.

During 2020, the Company signed a binding merger agreement (the “Agreement”) with Al Ahlia Cooperative Insurance Company (“Al Ahlia”). The merger was made effective on December 6, 2020 upon receipt of all required regulatory and shareholders’ approvals. See Note 4.

The Company operates through six main branches and various point-of-sale stores located in the Kingdom of Saudi Arabia. Following are the CR numbers of the six branches:

<b>Branch type</b>	<b>Location</b>	<b>CR number</b>
Regional branch	Dammam	2050118944
Regional branch	Riyadh	1010247518
Regional branch	Jeddah	4030177933
Regional branch	Riyadh	1010238441
Regional branch	Al Khobar	2051048012
Regional branch	Jeddah	4030224075

#### **Shareholding percentage**

The shareholding percentage of the Company at December 31, 2020 and December 31, 2019 was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Shareholding percentage subject to zakat	<b>95%</b>	96%
Shareholding percentage subject to income tax	<b>5%</b>	4%
	<b>100%</b>	<b>100%</b>

#### **2. Basis of preparation**

##### *(a) Statement of compliance*

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the financial statements accordingly. 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 of the Company.

## **GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

#### **2. Basis of preparation** (continued)

##### *(a) Statement of compliance (continued)*

In accordance with the requirements of Implementing Regulation for Co-operative Insurance Companies (the “Regulations”) issued by SAMA and as per by-laws of the Company, 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 from insurance operations is transferred to the shareholders’ operations in full.

The statements of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in Note 29 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders’ operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders’ operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company’s financial statements in compliance with IFRS that are endorsed in the Kingdom of Saudi Arabia, 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*

The financial statements are prepared under the going concern basis and the historical cost convention, except as described in Note 3.

##### *(c) Basis of presentation*

The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short-term deposits, premiums and reinsurers’ receivable - net, premiums receivable - related parties - net, due from a related party - net, prepaid expenses and other assets, accrued income on statutory deposit, accounts payable, accrued and other liabilities, reinsurers’ balances payable, zakat and income tax, surplus distribution payable, accrued commission income payable to SAMA, reinsurers’ share of outstanding claims, outstanding claims, claims incurred but not reported, additional premium reserves, other technical reserves and reinsurers’ share of claims incurred but not reported. The following balances would generally be classified as non-current: investments, long-term deposits, property and equipment, right-of-use assets, intangible assets, statutory deposit, and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include reinsurers’ share of unearned premiums, deferred policy acquisition costs, unearned premiums, unearned reinsurance commission and lease liabilities.

##### *(d) Functional and presentation currency*

These financial statements are expressed in Saudi Arabian Riyals (“Saudi Riyals”), which is the functional and presentation currency of the Company.

##### *(e) Seasonality of operations*

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



**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)  
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**3. Summary of significant accounting policies**

The significant accounting policies used in the preparation of these financial statements are consistently applied for all years presented, except for the adoption of certain new standards, interpretations and amendments to existing standards as mentioned below, which are effective for period beginning on or after January 1, 2020:

**3.1 New and amended standards adopted by the Company**

The Company has applied the following standards and amendments for the first time for the reporting period commenced on January 1, 2020:

**Amendments to IFRS 16 'Leases' - COVID-19 - Related Rent Concessions**

The amendment was issued as a clarification on the accounting treatment for rent concessions which have been granted to entities as a result of the coronavirus COVID-19. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. The amendment 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. This will result in accounting for the concession as variable lease payments in the period in which the event or condition that triggers the reduced payment occurs.

**- Amendments to IAS 1 and IAS 8 on the definition of material**

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments clarify the definition of material and make IFRSs more consistent

**- Amendments to IFRS 3, Business combinations - Definition of a business**

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets

The adoption of above amendments did not have any material impact on the accompanying financial statements.

**3.2 New standards, amendments and interpretations not yet applied by the Company**

The Company has chosen not to early adopt the following new standards, interpretations and amendments to existing standards which have been issued but not yet effective and is currently assessing their impact. Following is the brief on the new IFRS, interpretations and amendments to existing IFRS, effective for annual periods beginning on or after January 1, 2020:

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Summary of significant accounting policies** (continued)

- **IFRS 17 - Insurance Contracts (“IFRS 17”)**

Overview

This standard has been published in May 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - Insurance contracts.

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

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

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

Measurement

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

**The General Measurement Model (“GMM”)**

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.
- b) the 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 profit or loss immediately.

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

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

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognised in profit or loss.

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

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
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**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)  
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**3. Summary of significant accounting policies** (continued)

**3.2 New standards, amendments and interpretations not yet applied by the Company**  
(continued)

- **IFRS 17 - Insurance Contracts** (continued)

Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

**The Variable Fee Approach (“VFA”)**

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to the adjustment under GMM, 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.

**Premium Allocation Approach (“PAA”)**

PAA, a simplified approach, is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially difference from the GMM for a group of contracts or of 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 GMM 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 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is January 1, 2023. This is a deferral of 2 years compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments have also been applied. The Company intends to apply the standard on its effective date.

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**3. Summary of significant accounting policies** (continued)

**3.2 New standards, amendments and interpretations not yet applied by the Company**  
(continued)

- **IFRS 17 - Insurance Contracts** (continued)

Transition

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

Presentation and Disclosures

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

Impact

The Company is currently in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company is in progress of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also, the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and currently working on vendor selection while finalizing various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

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**3. Summary of significant accounting policies** (continued)

**3.2 New standards, amendments and interpretations not yet applied by the Company**  
(continued)

**IFRS 17 - Insurance Contracts** (continued)

Impact area	Summary of impact
Process impact	The Company is currently undergoing an operational impact assessment exercise to assess the operational impact of implementing IFRS 17.  Since the majority of the Company's contracts would be measured under the premium allocation approach, the process impact is expected to be moderate.  In case few contracts fail to pass the eligibility test for the premium allocation approach, the process impact is expected to be high.
Impact on Reinsurance ("RI") arrangements	The reinsurance contracts held by the Company are under review and are being assessed to determine the applicable measurement model under IFRS 17.
Impact on policies & control frameworks	The Company has hired an external consultant to modify its current policies and control framework to be in line with IFRS 17 requirements.

- **IFRS 9 - Financial Instruments ("IFRS 9")**

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

a) Classification and measurement:

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

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

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

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

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

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)  
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**3. Summary of significant accounting policies** (continued)

**3.2 New standards, amendments and interpretations not yet applied by the Company**  
(continued)

- **IFRS 9 - Financial Instruments** (continued)

a) Classification and measurement (continued)

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 realised gains and losses), dividends being recognised in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that 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.

b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are 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.

c) Hedge accounting:

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

Effective date

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

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of:
  - a. the effective date of a new insurance contract standard; or
  - b. annual reporting periods beginning on or after January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or



**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
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- 3. Summary of significant accounting policies** (continued)
- 3.2 New standards, amendments and interpretations not yet applied by the Company**  
(continued)
- **IFRS 9 - Financial Instruments** (continued)
- b) *Hedge accounting (continued):*
2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company had performed a detailed assessment during 2019:

- i) 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
- ii) the total carrying amount of the Company's liabilities connected with insurance were compared to the carrying amount of all its liabilities as of April 1, 2016. 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 IFRS 17. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment

As at December 31, 2020, the Company has total financial assets amounting Saudi Riyals 971.4 million including insurance related assets amounting to Saudi Riyals 334.1 million, respectively. Currently, financial assets held at amortised cost consist of cash and cash equivalents, deposits, premium and reinsurer's receivable - net, premiums receivable - related parties - net, reinsurers' share of outstanding claims, investments held-to-maturity and certain other assets amounting to Saudi Riyals 644.2 million (2019: Saudi Riyals 480.2 million).

Other financial assets consist of available-for-sale investments amounting to Saudi Riyals 224 million (2019: Saudi Riyals 138.8 million) with net increase in fair value during the year of Saudi Riyals 3.5 million (2019: net increase of Saudi Riyals 8.3 million). The Company expect to use the FVOCI classification of these 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.

Management expects that investments in funds classified under available-for-sale investments will be at FVTPL under IFRS 9.

Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in Note 28.4. The Company's financial assets have low credit risk as at 31 December 2020 and 2019. The above is based on a 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 impairment requirements of IFRS 9 are not expected to be significant. At present, it is not possible to provide a reasonable estimate of the effects of application of IFRS 9 as the Company is yet to perform a detailed review.

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. Summary of significant accounting policies** (continued)

**3.3 Insurance Contracts**

Insurance contracts are contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits that would be paid if the insured event arose, with benefits payable if the insured event did not occur.

**3.4 Revenue recognition**

**3.4.1 Recognition of premium and reinsurance commissions**

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

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

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

**3.4.2 Commission, dividend income and other income**

Commission income on short-term deposits and long-term deposits is recognised on a time proportion basis using the effective interest rate method and are disclosed under 'Investment and commission income' in statement of income. Dividend income is recognised when the right to receive a dividend is established, and is included under realised gain on available-for-sale investments in the statement of income. Income from Al Manafeth third party liability insurance fund and Umrah product medical, general and accident insurance fund, is recognised as other income on the basis of quarterly financial statements released by their Fund Manager i.e. The Company for Cooperative Insurance.

**3.5 Claims**

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as at the reporting 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 reporting date. The ultimate liability maybe in excess of or less than the amount provided.

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 reporting date.

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(A Saudi Joint Stock Company)  
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**3. Summary of significant accounting policies** (continued)

**3.6 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 liable third party.

**3.7 Reinsurance**

The Company's reinsurance program is affected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks. The Company cedes insurance risk in the normal course of business for all of its products. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with reinsurance contracts.

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 obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are determined in a manner consistent with the associated reinsurance contract.

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

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

**3.8 Liability adequacy test**

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

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**3. Summary of significant accounting policies** (continued)

**3.9 Insurance contract liabilities**

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

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision for premium deficiency. Other technical reserve comprise of unallocated loss adjustment expense reserve and proportional and non-proportional reinsurance accrual reserve. Unallocated loss adjustment expense reserve is determined at the end of each reporting period and represents the estimated cost of claims processing that the Company would incur at the time of claims payout. Reinsurance accrual reserve (proportional and non-proportional) are reserves measured as the amount of reinsurance premiums, reinsurance commissions or any loss participations that have not been fully accrued.

**3.10 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 year and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realised, the 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.

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**3. Summary of significant accounting policies** (continued)

**3.11 Premiums and reinsurers' receivable (including premium receivables from related parties)**

Premiums and reinsurers' receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable and are stated at gross less an allowance for any uncollectible amounts. The carrying value of premiums and reinsurers' 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 the statement of income. Premiums and reinsurers' receivable are derecognised when the de-recognition criteria for financial assets have been met.

**3.12 Investments**

**3.12.1 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as available-for-sale investments. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

**3.12.2 Available-for-sale investments**

Available-for-sale investments are those investments that are neither held-to-maturity nor held for trading. Investments which are classified as "available for sale" are subsequently measured at fair value. For an available-for-sale investment where the fair value has not been hedged, any unrealised gain or loss arising from a change in its fair value is recognised directly in the statement of comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be included in the statement of income for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at amortised cost less impairment provision.

**3.12.3 Held-to-maturity investments**

Investments, which have fixed or determined payments and the Company has the positive intention and ability to hold to maturity are classified under this category. These investments are 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. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

**3.12.4 Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are those investments that are bought with the intention of resale in the short term and are classified as trading investments. Such investments are measured and carried at fair value. Unrealised gains and losses are included in the statement of income.

**3.13 Recognition, measurement and de-recognition**

Purchase and sale of available-for-sale investments is recognised on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value.

Financial assets at fair value through profit or loss are measured and carried at fair value. Unrealised gains and losses are included in the statement of income.

Changes in the fair value of available-for-sale investments are recognised in statement of comprehensive income.

Loans and receivables and held-to-maturity investments are carried at amortised costs less provision for impairment in value.



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**3. Summary of significant accounting policies** (continued)

**3.13 Recognition, measurement and de-recognition** (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Financial assets are derecognised when the rights to receive cash flows from those assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statements of income as 'gains and losses from available-for-sale investments'. Commission and investment income on available-for-sale investments calculated using the effective interest rate method is recognised in the statement of income.

**3.14 Offsetting**

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

**3.15 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.

**3.16 Determination of fair values**

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Dividends on available-for-sale investments are recognised in the statement of income, when the Company's right to receive payments is established.

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**3. Summary of significant accounting policies** (continued)

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

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

- For assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
- For assets 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 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 statement of income, the impairment loss is reversed through the 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 determination of what is significant or prolonged requires judgment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under "Realised gain (loss) on available-for-sale investments".

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**3. Summary of significant accounting policies** (continued)

**3.17 Impairment of financial assets** (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 statement of income.

**3.18 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective commission rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statements of income.

**3.19 Impairment of non-financial assets**

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

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

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

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**3 Summary of significant accounting policies** (continued)

**3.20 Dividend distribution**

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

**3.21 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with less than three months maturity from the date of acquisition.

**3.22 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 reporting date. All differences are taken to the 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 the statement of income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

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

For any inter-segment transactions, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders' operations is a non-operating segment, where, income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis

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.

**3.24 Short-term and long-term deposits**

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement.

Long-term deposit represents deposit with maturity of more than one year from the date of placement and is placed with a financial institution carrying commission income.

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**3. Summary of significant accounting policies** (continued)

**3.25 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 statement of income during the financial year in which they are incurred.

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 the statement of income.

**3.26 Intangible assets and Goodwill**

Intangible assets represent computer software and are measured at cost. Intangible assets with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits. Intangible assets with an infinite useful life are not subject to amortisation but are tested for impairment at each statement of financial position date or more often if there is an indication of impairment. Intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill arising on acquisition of a business is presented as a separate financial statement line item on the statement of financial position.

Goodwill arising on acquisition of a business is carried at cost as at the acquisition date. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the merger date, allocated to the cash-generating units ("CGU") that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on pro-rata based on the carrying amount of each asset in the CGU.

Any impairment loss is recognised immediately in the statement of income. Impairment of goodwill is not subsequently reversed.

Intangible assets acquired separately are initially recognised and measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, where applicable.



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**3. Summary of significant accounting policies** (continued)

**3.27 Leases**

***Lease liabilities***

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

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**3 Summary of significant accounting policies** (continued)

**3.27 Leases** (continued)

***Right-of-use assets (RoU)***

The RoU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provisions, contingent liabilities and contingent assets”. The costs are included in the related RoU asset, unless those costs are incurred to produce inventories.

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

The RoU assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 “Impairment of Assets” to determine whether a RoU asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the RoU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

**3.28 Provisions and other liabilities**

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

**3.29 Employee benefit obligations**

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of income and while unwinding of the liability at discount rates used are recorded in the statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the statement of comprehensive income.

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**3 Summary of significant accounting policies** (continued)

**3.29 Employee benefit obligations** (continued)

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in the statement of comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in statement of income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

**3.30 Zakat and income tax**

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of adjusted net income for the year. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

*a) Zakat*

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

*b) Income tax*

The income tax expense or credit for the period is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, and is charged to the statement of income.

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

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

*c) Deferred tax*

Deferred income tax is recognised using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, and for the carry forward losses in the financial statements, if any. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

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**3 Summary of significant accounting policies** (continued)

**3.30 Zakat and income tax** (continued)

Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit

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

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

**3.31 Business combination**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of an entity comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Company;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the entity acquired.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration, if any, is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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**3 Summary of significant accounting policies** (continued)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value as of the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in general and administrative expenses in the statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities incurred and / or assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

**4. Business combination**

On 12 Shawwal 1441H (corresponding to June 4, 2020), the Company signed a binding merger agreement (the "Agreement") with Al Ahlia Cooperative Insurance Company ("Al Ahlia"), operating as a Saudi joint stock company (licensed to transact cooperative insurance business across the Kingdom of Saudi Arabia). On 20 Dhul Hijja 1441H (August 10, 2020), the Company received SAMA's approval for the merger with Al Ahlia. On 22 Muharram 1442H (September 10, 2020), the Company obtained the approval from the Capital Market Authority. Further, the Company's and Al Ahlia's shareholders approved the merger on 18 Safar 1442H (October 5, 2020) and 16 Rabi' I 1442H (November 2, 2020), respectively. As per the Agreement, the effective date of the merger was 21 Rabi' I 1442H (December 6, 2020) (the "Effective Date"). As at the Effective Date, the Company acquired all the issued shares of Al Ahlia by virtue of a share exchange offer by issuing one share in the Company for every 1.54766350624551 shares in Al Ahlia. This resulted in issuance of 7,947,464 new ordinary shares with a par value of Saudi Riyals 10 per share. The Company issued new shares by increasing its share capital from Saudi Riyals 150,000,000 to Saudi Riyals 229,474,640.

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#### **4. Business combination** (continued)

The Company has accounted for the merger using the acquisition method under IFRS 3- Business Combination ("IFRS 3") with the Company being the acquirer and Al Ahlia being the acquiree, based on the provisional fair values of the acquired net assets as at the Effective Date. The adjustments to the provisional values will be finalized within twelve months from the Effective Date as permitted by IFRS 3, as the Company will get a reasonable time to obtain the information necessary to identify and measure the net assets acquired. Subsequent to the Effective Date, Al Ahlia has been delisted from Tadawul, Saudi Stock Exchange and other legal formalities, including cancellation of the Al Ahlia's CR, are currently in progress.

These financial statements include the results of Al Ahlia from the Effective Date. If the acquisition had occurred on January 1, 2020, the gross written premium of the Company would have increased by Saudi Riyals 181 million and the loss for the year attributable to the shareholders would have increased by Saudi Riyals 10.1 million for the year ended December 31, 2020. The merger related costs for the year ended December 31, 2020 amounted to Saudi Riyals 3.2 million (December 31, 2019: Saudi Riyals Nil) were recognised as an expense in the statement of income and included in general and administrative expenses.

#### **Purchase consideration**

The Company acquired all the issued shares of Al Ahlia by issuing one share in the Company for every 1.54766350624551 shares in Al Ahlia on the Effective Date. This resulted in issuance of 7,947,464 new shares of the Company to the shareholders of Al Ahlia at fair value (Saudi Riyal 21.26 per share), amounting to Saudi Riyals 168,963,085, as the purchase consideration.

#### **Share capital and share premium**

The issuance of new shares, as mentioned in the preceding paragraph, resulted in an increase in the share capital of the Company by Saudi Riyals 79,474,640 (7,947,464 shares at par value of Saudi Riyals 10 per share) and recognition of share premium of Saudi Riyals 89,488,445, as at the Effective Date.



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**4. Business combination** (continued)

The provisional fair values of net assets acquired as at the Effective Date are as follows:

	<b>Total</b>
<b>ASSETS</b>	
Cash and cash equivalents	147,359,189
Short-term deposits	40,368,219
Premiums and reinsurers' receivable - net	45,906,604
Reinsurers' share of unearned premiums	4,338,001
Reinsurers' share of outstanding claims	15,980,527
Reinsurers' share of claims incurred but not reported	1,528,473
Deferred policy acquisition costs	7,540,381
Investments	14,413,873
Due from related parties	2,394,461
Prepaid expenses and other assets	13,369,069
Property and equipment	3,673,191
Right-of-use assets	2,791,322
Intangible assets	7,052,576
Statutory deposit	24,000,000
Accrued income on statutory deposit	3,515,288
<b>TOTAL ASSETS</b>	<b>334,231,174</b>
<b>LIABILITIES</b>	
Accounts payable	18,701,160
Accrued and other liabilities	14,851,401
Reinsurers' balances payable	3,919,445
Unearned premiums	107,975,551
Unearned reinsurance commission	1,083,764
Outstanding claims	36,792,956
Claims incurred but not reported	40,751,611
Additional premium reserves	14,247,658
Other technical reserves	2,216,738
Lease liabilities	1,321,462
Employee benefit obligations	6,585,890
Zakat and income tax	15,621,219
Surplus distribution payable	1,470,696
Accrued commission income payable to SAMA	3,515,288
<b>TOTAL LIABILITIES</b>	<b>269,054,839</b>
Net identifiable assets	<b>65,176,335</b>
<b>4.1 Goodwill recognised as at the Effective Date</b>	
Purchase consideration	168,963,085
Less: net identifiable assets acquired	(65,176,335)
Goodwill	<b>103,786,750</b>

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**5 Goodwill**

The goodwill arising from the merger is attributable to the expected synergies from combining the operations of the Company and Al Ahlia and cannot be assigned to any other determinable and separate provisional intangible asset. Goodwill is allocated to the Company as a single cash generating unit (“CGU”), being the combined operations of the Company and Al Ahlia. Management’s judgment to allocate goodwill to the Company considered the broader reason for which acquisition was made, i.e. synergies from combining the operations. The Company tests the goodwill for impairment on an annual basis. For the impairment testing, management determines the recoverable amount of the CGU based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows, based on the most recent five years’ approved business plan, and use of an appropriate discount rate applicable to the circumstances of the Company. Cash flows beyond the five-years period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with the forecasts included in industry reports specific to the industry in which the CGU operates. The calculation of value in use is most sensitive to the assumptions of gross premiums written growth and average claims ratio. Key assumptions underlying the projections are:

<b>Key assumptions</b>	<b>%</b>
Gross premiums written growth	11.2
Average claims ratio	69.0
Discount rate	13.5
Terminal growth rate	2.0

**Sensitivity to the changes in assumptions**

**Gross premiums written growth**

The gross premiums written growth in the forecast period has been estimated to be compound annual growth rate of 11.2%. If all other assumptions kept the same, a reduction of this growth rate from 11.2% to 6.8% would give a value in use equal to the current carrying amount.

**Average claims ratio**

The average claims ratio in the forecast period has been estimated to be 69%. If all other assumptions kept the same, a reduction of this growth rate from 69.0% to 72.7% would give a value in use equal to the current carrying amount.

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the other key assumptions above would cause the carrying value of CGU including goodwill to materially exceed its recoverable amount.

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**6. Critical accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

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

In response to the spread of Covid-19 in the Kingdom of Saudi Arabia and its consequential disruption to social and economic activities, the Company’s management has assessed its impact on the Company’s operations and has taken a series of proactive and preventive measures to ensure:

- the health and safety of its employees and the wider community where it is operating; and
- the continuity of its business throughout the Kingdom of Saudi Arabia is protected and remains intact.

(i) Impact of Covid-19

Medical technical reserves

The Company’s management believes that the Saudi Arabian government initiative of providing free healthcare to infected and suspected patients has helped in reducing any unfavourable impact. During the period of lockdowns and curfews as implemented by the Saudi Arabian government, the Company experienced a decline in medical reported claims (mainly elective and non-chronic treatment claims) which resulted in a decrease in claims experience which could have resulted from the deferral of certain medical treatments. Accordingly, the Company’s management has duly considered the impact of such deferral of medical claims in the current estimate of future contractual cashflows of the insurance contracts in force as at December 31, 2020 for its liability adequacy test. Based on the results, no additional reserves were recognised by the Company as of December 31, 2020 (December 31, 2019: Nil) for the issued medical policies to account for the above explained deferral.

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 the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing two months of additional coverage for all new retail motor insurance policies written within one month of the date of the Circular.

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**6. Critical accounting judgments, estimates and assumptions (Continued)**

*Motor technical reserves (continued)*

Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and the Company prospectively assessed the sufficiency of its unexpired risk reserves in relation to those existing retail Motor policies impacted by the Circular. For new retail motor policies issued as per above circular, the premium is earned over the period of twelve months. The Company's management has duly considered the impact of such existing and new retail motor policies impacted by the Circular in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at December 31, 2020 for its liability adequacy test. Based on the assessment of the in-force policies as at December 31, 2020, management, in conjunction with its appointed actuary, believes that the Company has sufficient unearned premium reserves to cover the potential claims costs. Accordingly, additional premium deficiency reserves amounting to Saudi Riyals 4.5 million were recognised as at December 31, 2020 (December 31, 2019: Nil).

*Financial assets - investments and loans and receivables*

For held-to-maturity investments and financial assets designated as loans and receivables, the Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. These include 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. For available-for-sale investments, the Company has performed an assessment to determine whether there is a significant decline in the fair value of available-for-sale investments to below cost along with other qualitative factors such as prolonged decline in the value of investments for equity instruments and / or occurrence of a credit default event in case of debt instruments. Based on these assessments, the Company believes that the Covid-19 pandemic has had no material effect on the Company's reported results for the year ended December 31, 2020. The Company continues to monitor the situation closely.

ii) *Liability arising from claims made under insurance contracts*

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. Refer to Note 28.1 for a sensitivity analysis in relation to significant assumptions.

Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis. The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

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**6. Critical accounting judgments, estimates and assumptions (Continued)**

*Financial assets - investments and loans and receivables (continued)*

*iii) Impairment of premiums and reinsurers' receivable*

An estimate of the uncollectible amount of premiums receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company's past experience.

*iv) Fair value of financial instruments*

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

*v) Right-of-use assets and lease liability*

Extension and termination options are included in leases of the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

*vi) Impairment testing of goodwill*

The Company's management tests, on an annual basis, whether goodwill arising on merger has suffered any impairment. This requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The key assumptions used in determining the recoverable amounts are set out in Note 5.

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**7. Segmental information**

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

Segment results for property, marine, engineering, and general accident have been aggregated as property and casualty and all other lines have been aggregated as protection and savings line of business respectively. There was no change in the basis of segmentation during the year ended December 31, 2020.

Segment results do not include general and administration expenses, (allowance) reversal of allowance for doubtful debts, investment and commission income, realised gain (loss) on investments, finance cost on lease liabilities and other income.

Segment assets do not include cash and cash equivalents, short-term deposits, premiums and reinsurers' receivable - net, premiums receivable - related parties - net, investments, due from a related party - net, prepaid expenses and other assets, long-term deposits, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accounts payable, accrued and other liabilities, reinsurer's balances payable, lease liabilities, employee benefit obligations, zakat and income tax, surplus distribution payable and accrued commission income payable to SAMA. Accordingly, they are included in unallocated liabilities.

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

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

- Medical;
- Motor;
- Property and casualty; and
- Protections and savings.



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**7. Segmental information** (continued)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2020 and December 31, 2019, its total revenues, expenses, and net (loss) income for the years then ended, are as follows:

	Insurance operations					Shareholders' operations	Total
	Medical	Motor	Property and Casualty	Protection and Savings	Total		
<b>December 31, 2020</b>							
<b>Assets</b>							
Reinsurers' share of unearned premiums	-	16,855,455	19,619,343	-	36,474,798	-	36,474,798
Reinsurers' share of outstanding claims	557,911	14,849,485	33,081,711	-	48,489,107	-	48,489,107
Reinsurers' share of claims incurred but not reported	6,500,809	5,034,535	8,527,647	-	20,062,991	-	20,062,991
Deferred policy acquisition costs	17,797,650	7,239,163	4,437,786	-	29,474,599	-	29,474,599
Segment assets	24,856,370	43,978,638	65,666,487	-	134,501,495	-	134,501,495
Unallocated assets					541,950,312	463,265,856	1,005,216,168
<b>Total assets</b>					<b>677,232,399</b>	<b>462,485,264</b>	<b>1,139,717,663</b>
<b>Total liabilities</b>							
Unearned premiums	225,562,240	107,129,290	42,897,271	-	375,588,801	-	375,588,801
Unearned reinsurance commission	-	3,082,613	5,743,272	-	8,825,885	-	8,825,885
Outstanding claims	14,488,827	33,803,393	56,450,340	-	104,742,560	-	104,742,560
Claims incurred but not reported	115,591,905	39,869,734	15,436,275	-	170,897,914	-	170,897,914
Additional premium reserves	796,813	10,498,578	-	-	11,295,391	-	11,295,391
Other technical reserves	6,761,159	3,140,591	1,309,843	-	11,211,593	-	11,211,593
Segment liabilities				-	682,562,144	-	682,562,144
Unallocated liabilities and equity					160,193,697	296,961,822	457,155,519
<b>Total liabilities and equity</b>					<b>842,755,841</b>	<b>296,961,822</b>	<b>1,139,717,663</b>

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**7. Segmental information** (continued)

	<b>Insurance operations</b>				<b>Total</b>	<b>Shareholders' operations</b>	<b>Total</b>
	<b>Medical</b>	<b>Motor</b>	<b>Property and Casualty</b>	<b>Protection and Savings</b>			
<b>December 31, 2019</b>							
<b>Assets</b>							
Reinsurers' share of unearned premiums	-	21,786,861	17,832,227	-	39,619,088	-	39,619,088
Reinsurers' share of outstanding claims	1,495,821	13,208,774	12,018,526	-	26,723,121	-	26,723,121
Reinsurers' share of claims incurred but not reported	2,393,015	10,809,660	10,086,167	-	23,288,842	-	23,288,842
Deferred policy acquisition costs	12,864,195	4,900,038	1,781,102	-	19,545,335	-	19,545,335
Segment assets	16,753,031	50,705,333	41,718,022	-	109,176,386	-	109,176,386
Unallocated assets					444,956,945	151,988,595	596,945,540
<b>Total assets</b>					<b>554,133,331</b>	<b>151,988,595</b>	<b>706,121,926</b>
<b>Total liabilities</b>							
Unearned premiums	178,171,411	53,935,958	25,405,431	-	257,512,800	-	257,512,800
Unearned reinsurance commission	-	4,169,353	5,511,026	-	9,680,379	-	9,680,379
Outstanding claims	26,708,662	32,454,402	15,921,634	-	75,084,698	-	75,084,698
Claims incurred but not reported	57,515,188	26,416,080	13,369,817	-	97,301,085	-	97,301,085
Additional premium reserves	2,953,139	2,540,173	-	-	5,493,312	-	5,493,312
Other technical reserves	3,225,092	1,515,253	239,583	-	4,979,928	-	4,979,928
Segment liabilities	268,573,492	121,031,219	60,447,491	-	450,052,202	-	450,052,202
Unallocated liabilities and equity					104,328,560	151,741,164	256,069,724
<b>Total liabilities and equity</b>					<b>554,380,762</b>	<b>151,741,164</b>	<b>706,121,926</b>

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**7. Segmental information** (continued)

For the year ended December 31, 2020	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property and Casualty	Protection and Savings		
<b>REVENUES</b>						
Gross premiums written	391,350,710	99,230,577	66,542,161	-	557,123,448	- 557,123,448
Reinsurance premiums ceded:						
- Foreign	-	(33,082,088)	(40,940,226)	-	(74,022,314)	- (74,022,314)
- Local	-	(5,770,119)	(5,998,848)	-	(11,768,967)	- (11,768,967)
Excess of loss expenses:						
- Foreign	(15,646,492)	(1,592,828)	(1,084,810)	-	(18,324,130)	- (18,324,130)
- Local		(296,990)	(244,169)	-	(541,159)	- (541,159)
<b>Net premiums written</b>	<b>375,704,218</b>	<b>58,488,552</b>	<b>18,274,108</b>	<b>-</b>	<b>452,466,878</b>	<b>- 452,466,878</b>
Changes in unearned premiums	(34,906,994)	21,007,056	3,799,488	-	(10,100,450)	- (10,100,450)
Changes in reinsurers' share of unearned premiums	-	(4,931,405)	(2,550,886)	-	(7,482,291)	- (7,482,291)
<b>Net premiums earned</b>	<b>340,797,224</b>	<b>74,564,203</b>	<b>19,522,710</b>	<b>-</b>	<b>434,884,137</b>	<b>- 434,884,137</b>
Reinsurance commissions	-	8,452,766	15,869,030	-	24,321,796	- 24,321,796
Fee income from insurance	38,050	47,276	137,966	-	223,292	- 223,292
<b>Total revenues</b>	<b>340,835,274</b>	<b>83,064,245</b>	<b>35,529,706</b>	<b>-</b>	<b>459,429,225</b>	<b>- 459,429,225</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(293,030,692)	(98,615,301)	(8,916,096)	-	(400,562,089)	- (400,562,089)
Reinsurers' share of gross claims paid	18,467,190	37,106,145	5,414,723	-	60,988,058	- 60,988,058
Expenses incurred related to claims	(5,176,628)	(717,624)	-	-	(5,894,252)	- (5,894,252)
<b>Net claims and other benefits paid</b>	<b>(279,740,130)</b>	<b>(62,226,780)</b>	<b>(3,501,373)</b>	<b>-</b>	<b>(345,468,283)</b>	<b>- (345,468,283)</b>
Changes in outstanding claims	16,590,613	(2,790,709)	(6,664,810)	-	7,135,094	- 7,135,094
Changes in reinsurers' share of outstanding claims	(1,176,546)	2,175,211	4,786,794	-	5,785,459	- 5,785,459
Changes in claims incurred but not reported	(46,354,318)	10,788,720	2,720,380	-	(32,845,218)	- (32,845,218)
Changes in reinsurers' share of claims incurred but not reported	4,107,794	(5,775,125)	(3,086,993)	-	(4,754,324)	- (4,754,324)
<b>Net claims and other benefits incurred</b>	<b>(306,572,587)</b>	<b>(57,828,683)</b>	<b>(5,746,002)</b>	<b>-</b>	<b>(370,147,272)</b>	<b>- (370,147,272)</b>

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(A Saudi Joint Stock Company)

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**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

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**7. Segmental information** (continued)

	Insurance operations				Total	Shareholders' operations	Total
	Medical	Motor	Property and Casualty	Protection and Savings			
Policy acquisition costs	(27,322,000)	(9,992,826)	(4,579,921)	-	(41,894,747)	-	(41,894,747)
Changes in additional premium reserves	7,646,172	799,407	-	-	8,445,579	-	8,445,579
Changes in other technical reserves	(3,400,177)	(197,180)	(417,570)	-	(4,014,927)	-	(4,014,927)
Other underwriting expenses	(997,146)	(401,445)	(1,397,335)	-	(2,795,926)	-	(2,795,926)
<b>Total underwriting costs and expenses, net</b>	<b>(330,645,738)</b>	<b>(67,620,727)</b>	<b>(12,140,828)</b>	<b>-</b>	<b>(410,407,293)</b>	<b>-</b>	<b>(410,407,293)</b>
<b>NET UNDERWRITING INCOME</b>	<b>10,189,536</b>	<b>15,443,518</b>	<b>23,388,878</b>	<b>-</b>	<b>49,021,932</b>	<b>-</b>	<b>49,021,932</b>
<b>OTHER OPERATING (EXPENSES) INCOME</b>							
Allowance for doubtful debts					(8,952,215)	-	(8,952,215)
General and administrative expenses					(97,666,738)	(4,407,139)	(102,073,877)
Investment and commission income					7,650,197	4,622,832	12,273,029
Finance costs - lease liabilities					(254,600)	-	(254,600)
Other income					10,621,610	-	10,621,610
<b>Total other operating (expenses) income, net</b>					<b>(88,601,746)</b>	<b>215,693</b>	<b>(88,386,053)</b>
<b>Total (loss) income for the year before surplus attribution, zakat and income tax</b>					<b>(39,579,814)</b>	<b>215,693</b>	<b>(39,364,121)</b>
<b>Surplus attributed to the insurance operations</b>					-	-	-
<b>Total (loss) income for the year before zakat and income tax</b>					<b>(39,579,814)</b>	<b>215,693</b>	<b>(39,364,121)</b>
Zakat expense					-	(6,212,972)	(6,212,972)
Income tax expense					-	-	-
<b>Total loss for the year attributable to the shareholders</b>					<b>(39,579,814)</b>	<b>(5,997,279)</b>	<b>(45,577,093)</b>

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**7. Segmental information** (continued)

	<b>Insurance operations</b>				<b>Total</b>	<b>Shareholders' operations</b>	<b>Total</b>
	<b>Medical</b>	<b>Motor</b>	<b>Property and Casualty</b>	<b>Protection and Savings</b>			
<b>For the year ended December 31, 2019</b>							
<b>REVENUES</b>							
Gross premiums written	311,195,458	177,971,678	69,629,155	-	558,796,291	-	558,796,291
Reinsurance premiums ceded:							
- Foreign	(1,633,521)	(64,034,828)	(44,661,668)	-	(110,330,017)	-	(110,330,017)
- Local	-	(7,152,901)	(3,616,756)	-	(10,769,657)	-	(10,769,657)
Excess of loss expenses:							
- Foreign	(11,047,523)	(1,482,165)	(984,106)	-	(13,513,794)	-	(13,513,794)
- Local	-	(222,875)	(97,034)	-	(319,909)	-	(319,909)
<b>Net premiums written</b>	<b>298,514,414</b>	<b>105,078,909</b>	<b>20,269,591</b>	<b>-</b>	<b>423,862,914</b>	<b>-</b>	<b>423,862,914</b>
Changes in unearned premiums	(111,647,222)	47,068,929	(9,509,563)	-	(74,087,856)	-	(74,087,856)
Changes in reinsurers' share of unearned premiums	(10,386,294)	(18,762,023)	6,228,726	-	(22,919,591)	-	(22,919,591)
<b>Net premiums earned</b>	<b>176,480,898</b>	<b>133,385,815</b>	<b>16,988,754</b>	<b>-</b>	<b>326,855,467</b>	<b>-</b>	<b>326,855,467</b>
Reinsurance commissions	-	16,631,617	10,126,795	-	26,758,412	-	26,758,412
Fee income from insurance	17,369	51,862	131,580	-	200,811	-	200,811
<b>Total revenues</b>	<b>176,498,267</b>	<b>150,069,294</b>	<b>27,247,129</b>	<b>-</b>	<b>353,814,690</b>	<b>-</b>	<b>353,814,690</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>							
Gross claims paid	(137,677,000)	(195,279,559)	(42,852,310)	-	(375,808,869)	-	(375,808,869)
Reinsurers' share of gross claims paid	31,271,751	76,656,478	38,801,324	-	146,729,553	-	146,729,553
Expenses incurred related to claims	(3,659,276)	-	-	-	(3,659,276)	-	(3,659,276)
<b>Net claims and other benefits paid</b>	<b>(110,064,525)</b>	<b>(118,623,081)</b>	<b>(4,050,986)</b>	<b>-</b>	<b>(232,738,592)</b>	<b>-</b>	<b>(232,738,592)</b>
Changes in outstanding claims	(17,990,315)	(13,232,714)	47,492,780	-	16,269,751	-	16,269,751
Changes in reinsurers' share of outstanding claims	(1,018,152)	5,552,230	(42,505,363)	-	(37,971,285)	-	(37,971,285)
Changes in claims incurred but not reported	(38,813,603)	(137,930)	9,623,806	-	(29,327,727)	-	(29,327,727)
Changes in reinsurers' share of claims incurred but not reported	(3,235,903)	154,443	(6,800,099)	-	(9,881,559)	-	(9,881,559)
<b>Net claims and other benefits incurred</b>	<b>(171,122,498)</b>	<b>(126,287,052)</b>	<b>3,760,138</b>	<b>-</b>	<b>(293,649,412)</b>	<b>-</b>	<b>(293,649,412)</b>

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(All amounts expressed in Saudi Riyals unless otherwise stated)

**7. Segmental information** (continued)

	Insurance operations					Shareholders' operations	Total
	Medical	Motor	Property and Casualty	Protection and Savings	Total		
Policy acquisition costs	(12,323,434)	(13,061,212)	(3,444,390)	-	(28,829,036)	-	(28,829,036)
Changes in additional premium reserves	(2,953,139)	10,800,082	264,089	-	8,111,032	-	8,111,032
Changes in other technical reserves	(798,094)	(297,888)	376,594	-	(719,388)	-	(719,388)
Other underwriting expenses	(859,515)	(654,371)	(217,346)	-	(1,731,232)	-	(1,731,232)
<b>Total underwriting costs and (expenses) income, net</b>	<b>(188,056,680)</b>	<b>(129,500,441)</b>	<b>739,085</b>	<b>-</b>	<b>(316,818,036)</b>	<b>-</b>	<b>(316,818,036)</b>
<b>NET UNDERWRITING (LOSS) INCOME</b>	<b>(11,558,413)</b>	<b>20,568,853</b>	<b>27,986,214</b>	<b>-</b>	<b>36,996,654</b>	<b>-</b>	<b>36,996,654</b>
<b>OTHER OPERATING (EXPENSES) INCOME</b>							
Allowance for doubtful debts					(4,388,459)	-	(4,388,459)
General and administrative expenses					(79,374,013)	(3,990,102)	(83,364,115)
Investment and commission income					8,651,454	5,226,166	13,877,620
Finance costs - lease liabilities					(216,403)	-	(216,403)
Other income					6,356,122	-	6,356,122
<b>Total other operating (expenses) income, net</b>					<b>(68,971,299)</b>	<b>1,236,064</b>	<b>(67,735,235)</b>
<b>Total (loss) income for the year before surplus attribution, zakat and income tax</b>					<b>(31,974,645)</b>	<b>1,236,064</b>	<b>(30,738,581)</b>
<b>Surplus attributed to the insurance operations</b>					<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (loss) income for the year before zakat and income tax</b>					<b>(31,974,645)</b>	<b>1,236,064</b>	<b>(30,738,581)</b>
Zakat expense					-	1,649,590	1,649,590
Income tax expense					-	(54,167)	(54,167)
<b>Total (loss) income for the year attributable to the shareholders</b>					<b>(31,974,645)</b>	<b>2,831,487</b>	<b>(29,143,158)</b>



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**7. Segmental information** (continued)

**Gross written premium for the year ended December 31, 2020 can be categorized in following client categories:**

	<b>Medical</b>	<b>Motor</b>	<b>Property and Casualty</b>	<b>Protection and Savings</b>	<b>Total</b>
Large corporates	34,434,141	39,878,984	41,473,168	-	115,786,293
Medium corporates	55,533,940	34,659,617	17,303,275	-	107,496,832
Small enterprises	22,804,522	10,202,381	6,186,233	-	39,193,136
Micro enterprises	65,172,163	7,343,618	1,027,551	-	73,543,332
Retail	213,405,944	7,145,977	551,934	-	221,103,855
	<b>391,350,710</b>	<b>99,230,577</b>	<b>66,542,161</b>	-	<b>557,123,448</b>

**Gross written premium for the year ended December 31, 2019 can be categorized in following client categories:**

	<b>Medical</b>	<b>Motor</b>	<b>Property and Casualty</b>	<b>Protection and Savings</b>	<b>Total</b>
Large corporates	118,944,679	44,775,736	51,180,310	-	214,900,725
Medium corporates	24,843,842	35,779,160	10,469,785	-	71,092,787
Small enterprises	7,527,686	8,759,906	1,870,918	-	18,158,510
Micro enterprises	495,879	18,412,796	6,105,422	-	25,014,097
Retail	159,383,372	70,244,080	2,720	-	229,630,172
	<b>311,195,458</b>	<b>177,971,678</b>	<b>69,629,155</b>	-	<b>558,796,291</b>

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**8. Cash and cash equivalents**

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

	<b>Insurance operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	20,190	31,919
Cash at banks - current accounts	36,768,829	8,575,785
Time deposits	31,063,175	55,786,674
	<b>67,852,194</b>	<b>64,394,378</b>
	<b>Shareholders' operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	-	-
Cash at banks - current accounts	5,152,503	314,475
Time deposits	106,503,332	2,153,900
	<b>111,655,835</b>	<b>2,468,375</b>
<b>Total cash and cash equivalents</b>	<b>179,508,029</b>	<b>66,862,753</b>

Cash at banks is placed with counterparties with sound credit ratings. As at December 31, 2020, deposits were placed with local banks and financial institutions with original maturities of less than three months from the date of placement and earned commission income at an average rate of 1.6% to 6% per annum (December 31, 2019: 2.67% to 3.05%) per annum.

**9. Premiums and reinsurers' receivable - net**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Premiums receivable from policyholders	197,986,057	149,499,342
Premiums receivable from brokers	36,557,633	27,654,261
Receivable from reinsurance companies	20,987,428	48,989,355
	<b>255,531,118</b>	<b>226,142,958</b>
Allowance for doubtful debts:		
Receivable from policyholders	(37,890,232)	(35,107,857)
Receivable from brokers	(5,593,981)	(3,826,398)
Receivable from reinsurance companies	(5,478,176)	(4,853,050)
	<b>(48,962,389)</b>	<b>(43,787,305)</b>
	<b>206,568,729</b>	<b>182,355,653</b>

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
At January 1	43,787,305	39,312,210
Charge for the year, net	7,618,928	4,475,095
Written-off during the year	(2,443,844)	-
At December 31	<b>48,962,389</b>	<b>43,787,305</b>

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**9. Premiums and reinsurers' receivable - net** (continued)

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

<b>2020</b> <b>Premium and reinsurers' receivables</b>	<b>Total</b>	<b>Neither impaired nor past due</b>	<b>Past due and impaired</b>		
			<b>91-180 days</b>	<b>181-360 days</b>	<b>More than 360 days</b>
Policyholders	<b>197,986,057</b>	<b>94,061,751</b>	<b>41,237,061</b>	<b>19,141,327</b>	<b>43,545,918</b>
Brokers	<b>36,557,633</b>	<b>14,266,353</b>	<b>12,413,736</b>	<b>2,600,363</b>	<b>7,277,181</b>
Reinsurance companies	<b>20,987,428</b>	<b>7,328,411</b>	<b>4,397,432</b>	<b>2,389,090</b>	<b>6,872,495</b>
	<b>255,531,118</b>	<b>115,656,515</b>	<b>58,048,229</b>	<b>24,130,780</b>	<b>57,695,594</b>

<b>2019</b> <b>Premium and reinsurers' receivables</b>	<b>Total</b>	<b>Neither impaired nor past due</b>	<b>Past due and impaired</b>		
			<b>91-180 days</b>	<b>181-360 days</b>	<b>More than 360 days</b>
Policyholders	149,499,342	73,054,572	24,628,091	16,592,641	35,224,038
Brokers	27,654,261	13,725,397	6,900,045	3,935,249	3,093,570
Reinsurance companies	48,989,355	15,631,203	19,647,114	7,887,297	5,823,741
	226,142,958	102,411,172	51,175,250	28,415,187	44,141,349

Premium and reinsurers' receivable outstanding above 90 days amounted to Saudi Riyals 139.8 (2019: Saudi Riyals 123.7 million) against which a provision of Saudi Riyals 48.9 million (2019: Saudi Riyals 43.8 million) was established.

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, intermediaries and reinsurance companies mainly within the Kingdom of Saudi Arabia and reinsurance companies both in Middle East and Europe. All receivables are in Saudi Riyals. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount.

**10. Premiums receivable - related parties - net**

	<b>2020</b>	<b>2019</b>
Receivables from related parties	<b>10,038,075</b>	10,210,756
Less: provision for doubtful receivables	<b>(1,726,798)</b>	(393,411)
	<b>8,311,277</b>	9,817,345

Movement in provision for doubtful receivables is as follows:

	<b>2020</b>	<b>2019</b>
At January 1	<b>393,411</b>	480,047
Charge (reversal) for the year	<b>1,333,287</b>	(86,636)
At December 31	<b>1,726,798</b>	393,411

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**10. Premiums receivable - related parties - net** (continued)

The aging analysis of premiums receivable from related parties is set out below:

	Total	Neither impaired nor past due	Past due and impaired		
			91-180 days	181-360 days	More than 360 days
December 31, 2020	<b>10,038,075</b>	<b>3,952,253</b>	<b>1,507,374</b>	<b>3,082,569</b>	<b>1,495,879</b>
December 31, 2019	10,210,756	8,364,403	443,483	918,811	484,059

Premium receivable from related parties above 90 days amounted to Saudi Riyals 6.1 million (2019: Saudi Riyals 1.8 million) against which a provision of Saudi Riyals 1.7 million (2019: Saudi Riyals 0.4 million) was established.

The Company's terms of business generally require premiums to be settled within 90 days. As at December 31, 2020, approximately 57% of receivables from related parties was due from two parties (December 31, 2019: 94% due from two parties).

On the basis of past experience unimpaired premiums receivable from related parties are expected to be fully recoverable. The Company does not obtain collateral over these receivables and all receivables are, therefore, unsecured.

**11. Technical reserves**

**11.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise the following:

	December 31, 2020	December 31, 2019
Gross outstanding claims	<b>126,139,520</b>	79,691,967
Less: realizable value of salvage and subrogation	<b>(21,396,960)</b>	(4,607,269)
	<b>104,742,560</b>	75,084,698
Gross claims incurred but not reported	<b>170,897,914</b>	97,301,085
Less:		
Reinsurers' share of outstanding claims	<b>(48,489,107)</b>	(26,723,121)
Reinsurers' share of claims incurred but not reported	<b>(20,062,991)</b>	(23,288,842)
Net outstanding claims and claims incurred but not reported	<b>207,088,376</b>	122,373,820
Additional premium reserves - premium deficiency reserve	<b>11,295,391</b>	5,493,312
Other technical reserves	<b>11,211,593</b>	4,979,928
	<b>22,506,984</b>	10,473,240
Net outstanding claims and reserves	<b>229,595,360</b>	132,847,060

Also see Note 28.7 for the claims development disclosure.

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**11. Technical reserves** (continued)

**11.2 Movement in net unearned premiums**

Movement in unearned premiums comprise of the following:

	<b>December 31, 2020</b>		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
Balance as at the beginning of the year	257,512,800	(39,619,088)	217,893,712
Additions from merger (Note 4)	107,975,551	(4,338,001)	103,637,550
Balance as at the end of the year	<u>(375,588,801)</u>	<u>36,474,798</u>	<u>(339,114,003)</u>
Changes in unearned premiums	(10,100,450)	(7,482,291)	(17,582,741)
Premium written during the year	557,123,448	(85,791,281)	471,332,167
Excess of loss premiums	-	(18,865,289)	(18,865,289)
Net premium earned	<u>547,022,998</u>	<u>(112,138,861)</u>	<u>434,884,137</u>
	<b>December 31, 2019</b>		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
Balance as at the beginning of the year	183,424,944	(62,538,679)	120,886,265
Balance as at the end of the year	<u>(257,512,800)</u>	<u>39,619,088</u>	<u>(217,893,712)</u>
Changes in unearned premiums	(74,087,856)	(22,919,591)	(97,007,447)
Premium written during the year	558,796,291	(121,099,674)	437,696,617
Excess of loss premiums	-	(13,833,703)	(13,833,703)
Net premium earned	<u>484,708,435</u>	<u>(157,852,968)</u>	<u>326,855,467</u>

**11.3 Movement in deferred policy acquisition costs and unearned reinsurance commission**

	<b>December 31, 2020</b>	
	<b>Deferred policy acquisition cost</b>	<b>Unearned reinsurance commission</b>
Opening	19,545,335	9,680,379
Incurred during the year	44,283,630	22,383,538
Additions from merger (Note 4)	7,540,381	1,083,764
Amortised / earned during the year	<u>(41,894,747)</u>	<u>(24,321,796)</u>
Closing	<u>29,474,599</u>	<u>8,825,885</u>
	<b>December 31, 2019</b>	
	<b>Deferred policy acquisition cost</b>	<b>Unearned reinsurance commission</b>
Opening	10,716,313	11,018,811
Incurred during the year	37,658,058	25,419,980
Amortised / earned during the year	<u>(28,829,036)</u>	<u>(26,758,412)</u>
Closing	<u>19,545,335</u>	<u>9,680,379</u>

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**12. Investments**

a) *Investments are classified as follows:*

	<b>Insurance operations</b>		<b>Shareholders' operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Available-for-sale	<b>109,187,954</b>	34,425,766	<b>114,817,528</b>	104,417,562
Held-to-maturity	<b>5,002,013</b>	11,250,084	<b>28,051,719</b>	16,002,013
	<b>114,189,967</b>	45,675,850	<b>142,869,247</b>	120,419,575

b) *Category wise investment analysis is as follows:*

	<b>Insurance operations</b>		<b>Shareholders' operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Quoted	<b>112,266,889</b>	32,502,688	<b>119,894,450</b>	120,419,575
Unquoted	<b>1,923,078</b>	13,173,162	<b>22,974,797</b>	-
	<b>114,189,967</b>	45,675,850	<b>142,869,247</b>	120,419,575

c) *The analysis of the composition of investments is as follows:*

	<b>Insurance operations</b>		<b>Shareholders' operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mutual funds	<b>19,138,912</b>	17,958,137	<b>25,365,082</b>	22,980,481
Ordinary shares	<b>1,923,078</b>	1,923,078	<b>1,923,078</b>	-
Sukuks	<b>93,127,977</b>	25,794,635	<b>115,581,087</b>	97,439,094
	<b>114,189,967</b>	45,675,850	<b>142,869,247</b>	120,419,575

Management has performed a review of the impairment indicators for available-for-sale investments and based on specific information, management did not identify any impairment indicators in respect of the available-for-sale investments.

All investments are denominated in Saudi Riyals and United States Dollars. As at the reporting date investments amounting to Saudi Riyals 21.5 million were denominated in United States Dollars (December 31, 2019: Saudi Riyals 29 million).

d) *Movement in available-for-sale investments is as follows:*

	<b>Insurance operations</b>		<b>Shareholders' operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
At the beginning of the year	<b>34,425,766</b>	15,872,701	<b>104,417,562</b>	6,099,920
Acquisitions during the year	<b>75,291,548</b>	14,591,473	<b>15,436,583</b>	94,008,425
Additions from merger	-	-	<b>2,320,573</b>	-
Disposals during the year	<b>(5,325,983)</b>	-	<b>(7,312,500)</b>	-
Unrealised gains	<b>4,796,623</b>	3,961,592	<b>48,148</b>	4,309,217
Realised gains (loss) on disposal	<b>1,264,888</b>	-	<b>(53,381)</b>	-
Reclassified from equity to statement of income	<b>(1,264,888)</b>	-	<b>(39,457)</b>	-
At the end of year	<b>109,187,954</b>	34,425,766	<b>114,817,528</b>	104,417,562



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**12. Investments** (continued)

e) *Movement in held-to-maturity investments is as follows:*

	<b>Insurance operations</b>		<b>Shareholders' operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
At the beginning of the year	<b>11,250,084</b>	10,000,000	<b>16,002,013</b>	32,857,189
Transfer / acquisitions during the year	<b>12,002,013</b>	5,000,000	<b>14,708,419</b>	-
Additions from merger	-	-	<b>12,093,300</b>	-
Redemption / disposals / transfer during the year	<b>(18,250,084)</b>	(3,749,916)	<b>(14,752,013)</b>	(16,855,176)
At the end of year	<b>5,002,013</b>	11,250,084	<b>28,051,719</b>	16,002,013

f) *Held-to-maturity investments are as follows:*

Insurance operations

<b>Security</b>	<b>Issuer</b>	<b>Maturity</b>	<b>Location</b>	<b>Profit margin</b>	<b>Amortised cost</b>	
					<b>December 31, 2020</b>	<b>December 31, 2019</b>
Sukuk	Saudi Kuwait Finance House	December 2021	Saudi Arabia	6 months SIBOR plus 7.50%	-	11,250,084
Sukuk	Saudi Electricity Company	May 2022	Saudi Arabia	3.15%	<b>5,002,013</b>	-
					<b>5,002,013</b>	11,250,084

Shareholders' operations

<b>Security</b>	<b>Issuer</b>	<b>Maturity</b>	<b>Location</b>	<b>Profit margin</b>	<b>Amortised cost</b>	
					<b>December 31, 2020</b>	<b>December 31, 2019</b>
STC Sukuk	STC	September 2024	Saudi Arabia	2.49%	<b>2,000,000</b>	2,000,000
RIBL Float	RIBL	September 2025	Saudi Arabia	3.18%	-	4,000,000
SEC - Sukuk	SEC	May 2022	Saudi Arabia	3.15%	-	5,002,013
MPC - Sukuk	MPC	February 2025	Saudi Arabia	3.44%	<b>5,000,000</b>	5,000,000
Sukuk	Saudi Kuwait Finance House	December 2021	Saudi Arabia	6 months SIBOR plus 7.50%	<b>8,958,419</b>	-
Sukuk	ALAwwal energy Fund	2028	Saudi Arabia	SIBOR plus 8.2%	<b>12,093,300</b>	-
					<b>28,051,719</b>	16,002,013

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**12. Investments** (continued)

*h) Geographical concentration:*

The maximum exposure to credit and price risk for available-for-sale and held-to-maturity investments at the reporting date by geographic region is as follows:

	<b>Insurance operations</b>		<b>Shareholders' operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Kingdom of Saudi Arabia	<b>114,189,967</b>	45,675,850	<b>121,359,120</b>	91,243,693
United Arab Emirates	-	-	<b>10,906,559</b>	18,488,150
France	-	-	<b>7,184,046</b>	7,308,213
Switzerland	-	-	<b>3,419,522</b>	3,379,519
	<b>114,189,967</b>	45,675,850	<b>142,869,247</b>	120,419,575

**13. Short-term and long-term deposits**

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earn commission income at an average rate of 1.10% to 6% (December 31, 2019: 2.18% to 3.05%) per annum.

**14. Prepaid expenses and other assets**

	<b>Insurance operations</b>		<b>Shareholders' operations</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Receivable from Manafeth Fund	<b>575,362</b>	3,169,327	-	-
VAT receivable	<b>2,964,607</b>	2,361,323	-	-
Hospital deposits and bank Guarantee	<b>5,336,500</b>	2,258,500	-	-
Deferred supervision fees	<b>7,762,631</b>	4,035,677	-	-
Employees' receivable	<b>1,757,143</b>	1,703,957	<b>1,676,566</b>	-
Prepaid subscription fee	<b>1,704,094</b>	649,128	-	-
Prepaid rent	<b>529,813</b>	356,102	-	-
Other	<b>5,725,122</b>	2,221,057	<b>2,789,527</b>	1,875,110
	<b>26,355,272</b>	16,755,071	<b>4,466,093</b>	1,875,110

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**15. Property and equipment**

	<b>Furniture and office equipment</b>	<b>Computer equipment</b>	<b>Vehicles</b>	<b>Leasehold improvements</b>	<b>Total 2020</b>	<b>Total 2019</b>
<b>Cost:</b>						
<b>At January 1</b>	12,260,309	5,087,076	475,308	-	<b>17,822,693</b>	17,406,280
Additions	1,311,623	965,372	-	-	<b>2,276,995</b>	1,743,693
Additions from merger	1,247,299	353,455	-	2,072,437	<b>3,673,191</b>	-
Disposals	-	-	-	-	-	(1,327,280)
<b>At December 31</b>	<b>14,819,231</b>	<b>6,405,903</b>	<b>475,308</b>	<b>2,072,437</b>	<b>23,772,879</b>	<b>17,822,693</b>
<b>Accumulated depreciation:</b>						
<b>At January 1</b>	(7,536,788)	(3,597,399)	(475,308)	-	<b>(11,609,495)</b>	(11,557,711)
Charge for the year	(344,269)	(1,048,722)	-	-	<b>(1,392,991)</b>	(1,351,151)
Disposals	-	-	-	-	-	(1,299,367)
<b>At December 31</b>	<b>(7,881,057)</b>	<b>(4,646,121)</b>	<b>(475,308)</b>	<b>-</b>	<b>(13,002,486)</b>	<b>11,609,495</b>
<b>Net book value</b>						
<b>At December 31, 2020</b>	<b>6,938,174</b>	<b>1,759,782</b>	<b>-</b>	<b>2,072,437</b>	<b>10,770,393</b>	
<b>At December 31, 2019</b>	<b>4,723,521</b>	<b>1,489,677</b>	<b>-</b>	<b>-</b>		<b>6,213,198</b>

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:

	<b>No. of years</b>
Furniture, fixture and office equipment	4-10
Computer equipment	4
Vehicles	4
Leasehold improvements	5

**16. Intangible assets**

<b>Cost:</b>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	<b>9,952,133</b>	7,561,272
Additions	<b>3,870,327</b>	2,390,861
Additions from merger	<b>7,052,576</b>	-
<b>At December 31</b>	<b>20,875,036</b>	<b>9,952,133</b>
<b>Amortisation:</b>		
<b>At January 1</b>	<b>(6,860,279)</b>	(4,704,899)
Charge for the year	<b>(1,908,012)</b>	(2,155,380)
<b>At December 31</b>	<b>(8,768,291)</b>	(6,860,279)
<b>Net book Value:</b>		
<b>At December 31</b>	<b>12,106,745</b>	<b>3,091,854</b>

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**16. Intangible assets** (continued)

Intangible assets represent computer software, and are measured at cost. Estimated useful life of software is 5 years.

**17. Right-of-use assets and lease liability**

a) *Amounts recognised in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

**Right-of-use assets**

<b>Cost</b>	<b>2020</b>		<b>Total</b>
	<b>Office premises</b>	<b>Point-of-sale stores</b>	
At January 1	7,616,668	825,743	<b>8,442,411</b>
Additions during the year	-	373,089	<b>373,089</b>
Additions from merger	2,232,713	558,609	<b>2,791,322</b>
Termination during the year	-	(42,598)	<b>(42,598)</b>
At December 31	<b>9,849,381</b>	<b>1,714,843</b>	<b>11,564,224</b>
<b>Accumulated depreciation</b>			
At January 1	(924,481)	(286,867)	<b>(1,211,348)</b>
Charge for the year	(775,167)	(341,047)	<b>(1,116,214)</b>
Termination during the year	-	42,111	<b>42,111</b>
At December 31	<b>(1,699,648)</b>	<b>(585,803)</b>	<b>(2,285,451)</b>
<b>Net book value</b>			
<b>At December 31</b>	<b>8,149,733</b>	<b>1,129,040</b>	<b>9,278,773</b>
<b>Cost</b>	<b>2019</b>		<b>Total</b>
	<b>Office premises</b>	<b>Point-of-sale stores</b>	
At January 1	4,144,450	1,294,570	<b>5,439,020</b>
Additions during the year	-	128,273	<b>128,273</b>
Modification during the year	3,472,218	-	<b>3,472,218</b>
Termination during the year	-	(597,100)	<b>(597,100)</b>
At December 31	<b>7,616,668</b>	<b>825,743</b>	<b>8,442,411</b>
<b>Accumulated depreciation</b>			
At January 1	-	-	-
Charge for the year	(924,481)	(400,890)	<b>(1,325,371)</b>
Termination during the year	-	114,023	<b>114,023</b>
At December 31	<b>(924,481)</b>	<b>(286,867)</b>	<b>(1,211,348)</b>
<b>Net book value</b>			
<b>At December 31</b>	<b>6,692,187</b>	<b>538,876</b>	<b>7,231,063</b>

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**17. Right-of-use assets and lease liability** (continued)

**Lease liability**

Commitments in relation to lease obligations are payable as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Within one year	<b>2,105,500</b>	2,360,800
Later than one year but not later than five years	<b>4,677,799</b>	4,747,300
Later than five years	<b>1,883,200</b>	1,883,200
	<b>8,666,499</b>	8,991,300
Future finance costs	<b>(1,165,727)</b>	(1,138,964)
Total lease liabilities	<b>7,500,772</b>	7,852,336
Current	<b>1,822,290</b>	2,299,973
Non-current	<b>5,678,482</b>	5,552,363
	<b>7,500,772</b>	7,852,336

Movement in lease liabilities is as follows:

	<b>2020</b>	<b>2019</b>
January 1 - IFRS 16 adjustment (initial recognition)	<b>7,852,336</b>	5,254,646
Addition during the year	<b>373,089</b>	128,273
Additions from merger	<b>1,321,462</b>	-
Modification during the year	-	3,472,218
Termination during the year	<b>285</b>	(518,454)
Accretion of interest during the year	<b>254,600</b>	216,403
	<b>9,801,203</b>	8,553,086
Payments during the year	<b>(2,301,000)</b>	(700,750)
At December 31	<b>7,500,772</b>	7,852,336

*b) Amounts recognised in the statement of income*

Total finance costs recognised in the statement of income pertaining to lease liabilities amounted to Saudi Riyals 0.3 million for the year ended December 31, 2020. Expenses relating to short-term leases amounted to Saudi Riyals 2.5 million for the year ended December 31, 2020 (December 31, 2019: Saudi Riyals 4.5 million).

*c) Details for leasing activities of the Company*

The Company leases office premises and various point-of-sale stores across the Kingdom of Saudi Arabia. Rental contracts are typically made for a period of 6 months to 10 years, but may have extension options. During the year 2019, the Company office premises lease was modified and such modification resulted in extending the contractual lease term. The weighted average incremental borrowing rate applied to the modified lease liability was 4%. During the year the Company has recognised three additional rental contracts as a right-of-use assets and lease liability resulting from business combination. These rental contracts are typically made for a period not more than 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes.

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**18. Statutory reserve**

In accordance with By-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. No such transfer was made for the year ended December 31, 2020 due to accumulated deficit (December 31, 2019: No such transfer). This reserve is not available for distribution to the shareholders until the liquidation of the Company.

**19. Basic and diluted losses per share**

Basic and diluted (losses) earnings per share is calculated by dividing total (loss) income for the year attributable to the shareholders by the weighted average number of outstanding shares during the year.

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Total loss for the year attributable to the shareholders	<b>(45,577,093)</b>	(29,143,158)
Weighted average number of ordinary shares for basic and diluted earnings per share	<b>15,566,121</b>	15,000,000
Basic and diluted losses per share	<b>(2.93)</b>	(1.94)

**20. Related party transactions and balances**

Related parties represent major shareholders, directors and key management personnel of the Company, 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 Company's management and Board of Directors.

<b>Nature of transactions</b>	<b>Transactions for the year ended</b>		<b>Balance receivable / (payable) as at</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Major shareholders</b>				
Insurance premium written	<b>14,596,545</b>	17,379,699	-	-
Claims paid	<b>(3,214,010)</b>	(6,848,838)	-	-
Premium receivable from related parties	-	-	<b>10,038,075</b>	10,210,756
<b>Others</b>				
Rent expense	<b>(2,242,463)</b>	(2,343,606)	-	-
Services	<b>(654,843)</b>	(457,368)	-	-
Directors' remuneration and meeting fee	<b>(1,446,000)</b>	(330,186)	-	-

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**20. Related party transactions and balances** (continued)

a) *Compensation of key management personnel*

The compensation of key management personnel during the period is as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Salaries and benefits	<b>5,250,183</b>	5,092,729
Employee benefit obligations	<b>311,876</b>	330,186
	<b><u>5,562,059</u></b>	<u>5,422,915</u>

**21. Zakat and income tax**

a) *Zakat*

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

	<b>2020</b>	<b>2019</b>
Share capital	<b>150,000,000</b>	150,000,000
Reserves, opening provisions and other adjustments	<b>43,095,376</b>	47,430,159
Provisions	<b>55,612,823</b>	53,955,582
Book value of long-term assets	<b>(16,536,115)</b>	(16,905,477)
Investments	<b>(105,721,142)</b>	(94,745,748)
Adjusted net (loss) income for the year	<b>(31,337,223)</b>	(27,543,442)
Zakat base	<b><u>95,113,719</u></b>	<u>112,191,074</u>
Zakat due at 2.578% (Saudi Shareholders' share of zakat base @ 95.42%)	<b><u>2,451,731</u></b>	<u>2,769,670</u>

The differences between the financial and results subject to zakat are mainly due to provisions, which are not allowed in the calculation of adjusted income. The movement in the zakat provision for the year was as follows:

	<b>2020</b>	<b>2019</b>
At January 1	<b>2,769,769</b>	6,079,432
Provided during the year	<b>2,451,731</b>	2,769,769
Additions from merger	<b>15,621,219</b>	-
Adjustments related to prior years	<b>3,761,241</b>	(4,419,359)
Payments during the year	<b>(4,645,002)</b>	(1,660,073)
At December 31	<b><u>19,958,958</u></b>	<u>2,769,769</u>



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**21. Zakat and income tax** (continued)

c) *Income tax*

	<u>2020</u>	<u>2019</u>
Total loss for the year before surplus attribution, zakat and income tax	<b>(39,364,121)</b>	(30,738,581)
Accounting depreciation	<b>3,301,003</b>	3,506,531
Provisions for employee benefit obligations	<b>2,433,351</b>	2,587,570
Provision for doubtful debts, net	<b>9,080,666</b>	4,388,459
Tax depreciation	<b>(3,735,013)</b>	(4,058,971)
Payments of end of service benefits	<b>(3,053,109)</b>	(3,228,450)
Adjusted net loss for the year	<b>(31,337,223)</b>	(27,543,442)
Tax at 20% (Foreign Shareholders' share @ 4.58%)	-	-

Income tax charge for the current year is calculated at 20% of the adjusted taxable income on the portion of equity owned by the foreign shareholders. The movement in the tax provision for the year was as follows:

	<u>2020</u>	<u>2019</u>
At January 1	-	(28,189)
Adjustments related to prior years	-	54,167
Payments during the year	-	(25,978)
At December 31	-	-

Combined movement of zakat and income tax for the year was as follows:

	<u>2020</u>	<u>2019</u>
At January 1	<b>2,769,769</b>	6,051,243
Adjustments related to prior years	<b>3,761,241</b>	(4,365,192)
Provided during the year	<b>2,451,731</b>	2,769,769
Additions from merger	<b>15,621,219</b>	-
Payments during the year	<b>(4,645,002)</b>	(1,686,051)
At December 31	<b>19,958,958</b>	2,769,769

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**21. Zakat and income tax** (continued)

*d) Status of assessment*

The Company has obtained zakat and income tax certificates from the GAZT for the years through 2019. In July 2020, the Company received zakat and income tax assessment for the year 2014 amounting to Saudi Riyals 7.1 million. The zakat differences as per the initial assessments were mainly due to the disallowances by GAZT of certain balances related to outstanding claims, IBNR, accounts and reinsurance payable and amounts due to related parties from the zakat base. The Company filed an appeal against the GAZT's initial assessment and received an updated assessment amounting to Saudi Riyals 3.3 million. The Company has further filed an appeal to the Committee for Resolution of Tax Violations and Disputes and believes that the outcome of such appeal will be in favor of the Company. During 2020, the Company also received zakat and income tax assessment for the year 2015 through 2018 amounting to Saudi Riyals 10.25 million. The zakat differences as per the initial assessments were mainly due to the disallowances by GAZT of certain balances related to term deposits and investments from the zakat base. The Company has recognised an additional provision amounting to Saudi Riyals 1.9 million under protest and paid such amount to GAZT, and in parallel filed an appeal against the GAZT's initial assessment. Subsequent to year-end, the Company received revised assessments for the years 2015 through 2018 with additional zakat liability of Saudi Riyals 8.36 million. The Company is in the process of filing an appeal with the Tax Violations and Disputes Resolution Committees against GAZT's revised assessment and believes that the outcome of such appeal will be in favor of the Company. and believes that the outcome of such appeal will be in favor of the Company. Accordingly, no further provision for such additional assessments has been made in the accompanying financial statements.

The Company's zakat and income tax assessment for the year 2019 is currently under review by the GAZT. The zakat and income tax liability as computed by the Company could be different from zakat and income tax liability as assessed by the GAZT for years for which assessments have not yet been raised by the GAZT.

In 2018, Al Ahlia received zakat and income tax assessments for the years 2011 and 2012 amounting to Saudi Riyals 2.1 million. Al Ahlia filed an appeal against the GAZT's assessment to General Secretariat of the Tax Committees ("Higher Committee") for which the outcome is pending. Further, during 2020, Al Ahlia received zakat and income tax assessments for the years 2015 through 2018 amounting to Saudi Riyals 9.5 against which Al Ahlia filed an appeal to the Higher Committee and the outcome is pending. The zakat differences as per the initial assessments for the years 2011, 2012 and 2015 through 2018 were mainly due to the disallowances by GAZT of certain balances related to investments, statutory deposit and adjusted accumulated losses from the zakat base. Management believes that GAZT will reconsider the initial assessments and will allow certain deductions from the zakat base in the final assessments. However, Al Ahlia's management has submitted a settlement request to the GAZT for all pending assessments with an amount of Saudi Riyals 7.8 million and is of the view that the level of the existing provisions for zakat is presently sufficient. Al Ahlia had obtained zakat and income tax certificates from the GAZT for the years through 2019 and it's zakat and income tax assessment for the year 2019 is currently under review by the GAZT.

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**22. Employee benefit obligations**

**22.1 General description of the plan**

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

	<b>2020</b>	<b>2019</b>
January 1	<b>15,595,370</b>	14,163,325
Additions from merger	<b>6,585,890</b>	-
Current service cost	<b>2,012,810</b>	1,986,468
Interest expense	<b>420,541</b>	601,104
Payments	<b>(3,053,109)</b>	(3,228,450)
Remeasurement	<b>(902,399)</b>	2,072,923
December 31	<b>20,659,103</b>	15,595,370

**22.2 Amounts recognised in the statements of income and comprehensive income**

The amounts recognised in the statements of income and comprehensive income related to employee benefit obligations are as follows:

	<b>2020</b>	<b>2019</b>
Current service cost	<b>2,012,810</b>	1,986,468
Interest expense	<b>420,541</b>	601,104
<b>Total amount recognised in the statement of income</b>	<b>2,433,351</b>	2,587,572
<u>Remeasurements</u>		
(Gain) loss from change in experience adjustments	<b>(902,399)</b>	2,072,923
<b>Total amount recognised in the statement of comprehensive income</b>	<b>(902,399)</b>	2,072,923

**22.3 Principal actuarial assumptions**

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

	<b>2020</b>	<b>2019</b>
Discount rate	<b>1.65%</b>	2.60%
Salary growth rate	<b>1.65%</b>	2%

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**22. Employee benefit obligations** (continued)

**22.4 Sensitivity analysis for actuarial assumptions**

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

	<b>Change in assumption</b>		<b>Impact on employee benefit obligations</b>	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	+5%	-5%	(636,776)	680,126
Salary growth rate	+5%	-5%	676,685	(639,822)

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

**22.5 Expected maturity analysis**

The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	<b>Less than a year</b>	<b>Between 1 - 2 years</b>	<b>Between 2 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
December 31, 2020	<b>1,854,079</b>	<b>6,857,593</b>	<b>6,140,962</b>	<b>9,894,761</b>	<b>24,747,395</b>
December 31, 2019	1,822,668	6,349,867	4,552,721	6,422,161	19,147,417

**23. Share capital**

The authorized, issued and paid-up capital of the Company was Saudi Riyals 229.4 million at December 31, 2020 (December 31, 2019: Saudi Riyals 150 million ) consisting of 22.9 million shares (December 31, 2019: 15 million shares) of Saudi Riyals 10 each. Also see Note 4.

Shareholding structure of the Company is as below.

	<b>Authorized and issued</b>		<b>Paid up</b>
	<b>No. of shares</b>		<b>Saudi Riyals</b>
<b>December 31, 2020</b>			
Gulf Union insurance and project management holding company BSC	2,475,000	24,750,000	24,750,000
Others	20,472,464	204,724,640	204,724,640
<b>Total</b>	<b>22,947,464</b>	<b>229,474,640</b>	<b>229,474,640</b>
<b>December 31, 2019</b>			
Gulf Union insurance and project management holding company BSC	2,475,000	24,750,000	24,750,000
Others	12,525,000	125,250,000	125,250,000
<b>Total</b>	<b>15,000,000</b>	<b>150,000,000</b>	<b>150,000,000</b>

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**24. Surplus distribution payable**

	<b>2020</b>	<b>2019</b>
At January 1	<b>11,343,469</b>	11,351,404
Additions from merger	<b>1,470,696</b>	-
Total of unclaimed surplus distribution payable from accrued expenses	<b>934,557</b>	-
Paid during the year	-	(7,935)
At December 31	<b>13,748,722</b>	11,343,469

**25. General and administrative expenses**

	<b>2020</b>	<b>2019</b>
Salaries and benefits	<b>44,075,363</b>	41,772,860
Professional fee	<b>10,184,725</b>	6,708,849
Supervision and inspection fee	<b>5,278,129</b>	4,398,435
Insurance expense	<b>4,573,268</b>	6,019,220
Information technology	<b>4,522,647</b>	4,318,124
Depreciation and amortisation (Notes 15, 16 and 17)	<b>4,417,217</b>	4,831,902
Travelling	<b>3,929,403</b>	1,556,705
Rent	<b>2,447,686</b>	4,542,142
Employee benefit obligations (Note 22)	<b>2,433,351</b>	2,587,572
Repair and maintenance	<b>1,229,479</b>	862,706
Stationary, periodicals and subscription	<b>133,269</b>	716,195
Promotion and advertising	<b>1,887,757</b>	80,944
Telephone and postage	<b>734,492</b>	649,067
Other	<b>16,227,091</b>	4,319,394
	<b>102,073,877</b>	83,364,115

**26. Investment and commission income**

	<b>2020</b>	<b>2019</b>
<b>Available-for-sale financial assets</b>		
Investment and dividend income	<b>7,591,653</b>	4,633,551
<b>Deposits</b>		
Commission income	<b>4,681,376</b>	9,244,069
	<b>12,273,029</b>	13,877,620

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**27. Fair value of financial instruments**

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

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

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

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

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

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

*(a) Carrying amounts and fair value*

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. As at December 31, 2020 and 2019, the face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair values of the non-current financial liabilities are considered to approximate to their carrying amounts as these carry interest rates which are based on market interest rates.

	<b>December 31, 2020</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>				
Mutual funds - available-for-sale	<b>44,503,994</b>	-	-	<b>44,503,994</b>
Sukuks - available-for-sale	<b>175,655,332</b>	-	-	<b>175,655,332</b>
Ordinary shares - available-for-sale	-	-	<b>3,846,156</b>	<b>3,846,156</b>
<b>Financial assets not measured at fair value</b>				
Held-to-maturity	<b>12,002,013</b>	<b>21,051,719</b>	-	<b>33,053,732</b>
<b>Total investments</b>	<b>232,161,339</b>	<b>21,051,719</b>	<b>3,846,156</b>	<b>257,059,214</b>

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**27. Fair value of financial instruments** (continued)

(b) *Measurement of fair values*

	<b>December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value</b>				
Mutual funds - available-for-sale	40,938,618	-	-	40,938,618
Sukuks - available-for-sale	95,981,632	-	-	95,981,632
Ordinary shares - available-for-sale	-	-	1,923,078	1,923,078
<b>Financial assets not measured at fair value</b>				
Held-to-maturity	16,002,013	11,250,084	-	27,252,097
<b>Total investments</b>	<b>152,922,263</b>	<b>11,250,084</b>	<b>1,923,078</b>	<b>166,095,425</b>

During the year, there have been no transfers between level 1, level 2 and level 3.

The valuation of publicly traded investments classified under level 1 is based upon the closing market price of that security as of the valuation date, less a discount if the security is restricted. The fair value of Level 2 fixed income investments and funds are taken from reliable and third party sources. Fair values of other investments classified in Level 3 are, where applicable, determined based on discounted cash flows, which incorporate assumptions regarding an appropriate credit spread. Level 3 available-for-sale investment comprises equity investment of 384,616 of Najm for Insurance Services (Najm) (2019: 192,308 shares). As at December 31, 2020 and 2019, the investment is carried at cost as management considers that the recent available information is insufficient to determine fair value and the cost represents the best estimate of fair value in the current circumstances.

Cash and cash equivalents, short-term deposits, premiums and reinsurer's balances receivable - net, premium receivable - related parties - net, reinsurers' share of outstanding claims, statutory deposit, accrued income on statutory deposits and the financial liabilities except employee benefit obligations are measured at amortised cost.

**28. Risk management**

**28.1 Insurance risk**

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

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

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

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**28. Risk management** (continue)

**28.1 Insurance risk** (continue)

**Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at the statement of financial position date:

	2020				2019			
	Gross Outstanding claims	Net Outstanding claims	Gross Unearned premiums	Net Unearned premiums	Gross Outstanding claims	Net Outstanding claims	Gross Unearned premiums	Net Unearned Premiums
Medical	14%	25%	60%	67%	36%	52%	69%	82%
Motor	32%	34%	29%	27%	43%	40%	21%	15%
Property and casualty	54%	41%	11%	6%	21%	8%	10%	3%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Concentration of insurance risk**

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

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.

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.



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#### **28. Risk management** (continue)

##### **28.1 Insurance risk** (continue)

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 reporting date and for the expected ultimate cost of claims incurred but not reported at the reporting date.

#### **Process used to decide on assumptions**

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

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

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

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

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

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**28. Risk management** (continue)

**28.1 Insurance risk** (continue)

**Sensitivity analysis**

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact net underwriting income as follows:

	<b>Income from insurance operations</b>	
	<b>2020</b>	<b>2019</b>
<b>Impact of change in claim ratio by + 10%</b>		
Medical	<b>(12,302,201)</b>	(8,033,501)
Motor	<b>(5,378,911)</b>	(3,485,205)
Property and casualty	<b>(3,027,726)</b>	(718,676)
	<b>(20,708,838)</b>	(12,237,382)
<b>Impact of change in average claim cost + 10%</b>		
Medical	<b>(517,663)</b>	(365,928)
Motor	<b>(71,762)</b>	-
	<b>(589,425)</b>	(365,928)

A hypothetical 10% decrease in claim ratio, net of reinsurance, would have almost equal but opposite impact on net underwriting income.

The sensitivity to changes in the most significant assumption, on claim liabilities while keeping all other assumptions constant, on the Motor and Health segments is as follows:

<b>Segment</b>	<b>Change in current year ultimate loss ratio</b>	<b>Impact on claim liabilities</b>	
		<b>2020</b>	<b>2019</b>
Medical	Increase by 0.5%	<b>17,039,861</b>	2,792,740
Medical	Decrease by 0.5%	<b>(17,039,861)</b>	(2,792,740)
Motor	Increase by 0.5%	<b>3,728,210</b>	3,567,429
Motor	Decrease by 0.5%	<b>(3,728,210)</b>	(3,567,429)

**28.2 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.

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**28. Risk management** (continued)

**28.2 Reinsurance risk** (continued)

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 agencies that is not lower than prescribed in the Regulations;
- Reputation of particular reinsurance companies; and
- 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 reinsurance business. As at December 31, 2020 and 2019, there is no significant concentration of reinsurance balances.

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

**26.3 Market risk**

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

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

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

*a) Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against Saudi Riyals. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

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**28. Risk management** (continued)

**28.3 Market risk** (continued)

*b) 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 0.50 basis points in interest yields would result in an increase or decrease in the total (loss) income for the year before surplus attribution, zakat and income tax of Saudi Riyals 0.5 million (2019: Saudi Riyals 1.67 million).

Commission and non-commission bearing investments of the Company and their maturities as at December 31, 2020 and 2019 are as follows:

	<b>Commission bearing</b>			<b>Non-commission bearing</b>	<b>Total</b>
	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>		
<b>2020</b>					
<b>Insurance operations</b>					
<b>Loans and receivables</b>					
Cash and cash equivalents	<b>31,063,175</b>	-	-	<b>36,768,829</b>	<b>67,832,004</b>
Short-term deposits	<b>86,516,962</b>	-	-	-	<b>86,516,962</b>
	<b>117,580,137</b>	-	-	<b>36,768,829</b>	<b>154,348,966</b>
Available-for-sale investments	-	<b>9,914,000</b>	<b>78,962,264</b>	<b>20,311,690</b>	<b>109,187,954</b>
Held-to-maturity investments	-	<b>5,002,013</b>	-	-	<b>5,002,013</b>
December 31, 2020	<b>117,580,137</b>	<b>14,916,013</b>	<b>78,962,264</b>	<b>57,080,519</b>	<b>268,538,933</b>
<b>Shareholders' operations</b>					
<b>Loans and receivables</b>					
Cash and cash equivalents	<b>106,503,332</b>	-	-	<b>5,152,503</b>	<b>111,655,835</b>
Short-term deposits	<b>40,053,779</b>	-	-	-	<b>40,053,779</b>
Statutory deposit	<b>52,871,196</b>	-	-	-	<b>52,871,196</b>
	<b>199,428,307</b>	-	-	<b>5,152,503</b>	<b>204,580,810</b>
Available-for-sale investments	<b>31,108,625</b>	-	<b>66,019,241</b>	<b>17,689,662</b>	<b>114,817,528</b>
Held-to-maturity investments	-	<b>15,958,419</b>	<b>12,093,300</b>	-	<b>28,051,719</b>
December 31, 2020	<b>230,536,932</b>	<b>15,958,419</b>	<b>78,112,541</b>	<b>22,842,165</b>	<b>347,450,057</b>

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**28. Risk management** (continued)

**28.3 Market risk** (continued)

*b) Commission Rate Risk* (continued)

2019	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	More than 5 years		
<b>Insurance operations</b>					
<b>Loans and receivables</b>					
Cash and cash equivalents	55,786,674	-	-	8,575,785	64,362,459
Short-term deposits	89,262,679	-	-	-	89,262,679
Long-term deposits	-	20,159,854	-	-	20,159,854
	145,049,353	20,159,854		8,575,785	173,784,992
Available-for-sale investments	14,544,551	-	-	19,881,215	34,425,766
Held-to-maturity investments	-	11,250,084	-	-	11,250,084
December 31, 2019	159,593,904	31,409,938	-	28,457,000	219,460,842
<b>Shareholders' operations</b>					
<b>Loans and receivables</b>					
Cash and cash equivalents	2,153,900	-	-	314,475	2,468,375
Short-term deposits	1,059,601	-	-	-	1,059,601
Statutory deposit	22,500,000	-	-	-	22,500,000
	25,713,501	-	-	314,475	26,027,976
Available-for-sale investments	81,437,081	-	-	22,980,481	104,417,562
Held-to-maturity investments	-	16,002,013	-	-	16,002,013
December 31, 2019	107,150,582	16,002,013	-	23,294,956	146,447,551

*c) Price Risk*

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.

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**28. Risk management** (continued)

**28.3 Market risk** (continued)

*c) Price Risk (continued)*

The Company's investments amounting to Saudi Riyals 224 million (2019: Saudi Riyals 139.5 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 a hypothetical change of a 5% increase and 5% decrease in the market prices of investments on comprehensive income would be as follows:

<b>% change in equity price</b>	<b>2020</b>	<b>2019</b>
+5	<b>11,007,966</b>	6,976,680
-5	<b>(11,007,966)</b>	(6,976,680)

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2020 and 2019. 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.

**28.4 Credit risk**

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

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

	<b>2020</b>	<b>2019</b>
<b>Insurance operations' assets</b>		
Cash and cash equivalents	<b>67,832,004</b>	64,362,459
Short-term deposits	<b>86,516,962</b>	89,262,679
Premium and reinsurer's receivable	<b>255,531,118</b>	226,142,958
Premiums receivable - related parties	<b>10,038,075</b>	10,210,756
Reinsurers' share of outstanding claims	<b>48,489,107</b>	26,723,121
Reinsurers' share of claims incurred but not reported	<b>20,062,991</b>	23,288,842
Investments	<b>114,189,967</b>	45,675,850
Long-term deposits	-	20,159,854
Prepaid expenses and other assets	<b>8,156,104</b>	5,427,827
	<b>610,816,328</b>	511,254,346
<b>Shareholders' assets</b>		
Cash and cash equivalents	<b>111,655,835</b>	2,468,375
Short-term deposits	<b>40,053,779</b>	1,059,601
Prepaid expenses and other assets	<b>5,550,000</b>	1,849,565
Investments	<b>142,869,247</b>	120,419,575
Statutory deposits	<b>52,871,196</b>	22,500,000
Accrued commission on statutory deposit	<b>7,562,956</b>	3,665,934
	<b>360,563,013</b>	151,963,050
<b>Total</b>	<b>971,379,341</b>	663,217,396

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**28. Risk management** (continued)

**28.4 Credit risk** (continued)

**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 all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

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 is considered the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

<b>Insurance operations</b>	<b>2020</b>		<b>2019</b>		<b>2020</b>		<b>2019</b>	
	<b>Investment grade</b>		<b>Satisfactory</b>		<b>Past due and impaired</b>			
Cash and cash equivalents	<b>67,832,004</b>	64,362,459	-	-	-	-	-	-
Short-term deposits	<b>86,516,962</b>	89,262,679	-	-	-	-	-	-
Long-term deposits	-	20,159,854	-	-	-	-	-	-
Premiums and reinsurers' receivable	<b>20,987,428</b>	48,989,355	<b>108,328,104</b>	86,779,969	<b>126,215,586</b>	90,373,634		
Premiums receivable - related parties	-	-	<b>3,952,253</b>	8,364,403	<b>6,085,822</b>	1,452,942		
Reinsurers' share of outstanding claims	<b>48,489,107</b>	26,723,121	-	-	-	-	-	-
Reinsurers' share of claims incurred but not reported	<b>20,062,991</b>	23,288,842	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	<b>8,156,104</b>	5,427,827	-	-	-	-
Investments	<b>112,266,889</b>	43,752,772	<b>1,923,078</b>	1,923,078	-	-	-	-
<b>Total</b>	<b>356,155,381</b>	316,539,082	<b>122,359,539</b>	102,495,277	<b>132,301,408</b>	91,826,576		

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**28. Risk management** (continued)

**28.4 Credit risk** (continued)

**Concentration of credit risk** (continued)

Shareholders' operations	2020	2019	2020	2019	2020	2019
	Investment grade		Satisfactory		Past due and impaired	
Cash and cash equivalents	<b>111,655,835</b>	2,468,375	-	-	-	-
Short-term deposits	<b>40,053,779</b>	1,059,601	-	-	-	-
Prepaid expenses and other assets	-	-	<b>5,550,000</b>	1,849,565	-	-
Investments	<b>140,946,169</b>	110,417,563	<b>1,923,078</b>	10,002,012	-	-
Statutory deposits	<b>52,871,196</b>	22,500,000	-	-	-	-
Accrued commission on statutory deposits	<b>7,562,956</b>	3,665,934	-	-	-	-
<b>Total</b>	<b>353,089,935</b>	140,111,473	<b>7,473,078</b>	11,851,577	-	-

**Credit quality of investments as at December 31:**

	2020		2019	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
A and above	<b>110,751,889</b>	<b>109,290,252</b>	32,502,688	61,773,050
B	-	<b>31,655,287</b>	11,250,084	48,644,513
Not rated but considered satisfactory	<b>3,438,078</b>	<b>1,923,708</b>	1,923,078	10,002,012
	<b>114,189,967</b>	<b>142,869,247</b>	45,675,850	120,419,575

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.



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**28.5 Liquidity Risk**

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

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

The table below summarizes the maturities of the Company's undiscounted contractual obligations at December 31, 2020 and 2019. As the Company does not have any commission bearing liabilities, contractual cash flow of financial liabilities approximates their carrying value.

Insurance operations' assets	2020			2019		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Cash and cash equivalents	67,852,194	-	67,852,194	64,362,459	-	64,362,459
Short-term deposits	86,516,962	-	86,516,962	89,262,679	-	89,262,679
Long-term deposits	-	-	-	-	20,159,854	20,159,854
Premiums and reinsurers' receivable - net	206,568,729	-	206,568,729	182,355,653	-	182,355,653
Premiums receivable - related parties - net	8,311,277	-	8,311,277	9,817,345	-	9,817,345
Reinsurers' share of outstanding claims	48,489,107	-	48,489,107	26,723,121	-	26,723,121
Reinsurers' share of claims incurred but not reported	20,062,991	-	20,062,991	23,288,842	-	23,288,842
Prepaid expenses and other assets	8,156,104	-	8,156,104	5,427,827	-	5,427,827
Investments	109,187,954	5,002,013	114,189,967	32,502,688	13,173,162	45,675,850
<b>Total</b>	<b>555,145,318</b>	<b>5,002,013</b>	<b>560,147,331</b>	<b>433,740,614</b>	<b>33,333,016</b>	<b>467,073,630</b>

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**28. Risk management** (continued)

**28.5 Liquidity Risk** (continued)

Insurance operations' liabilities	2020			2019		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Accounts payable	72,108,216	-	72,108,216	47,065,209	-	47,065,209
Accrued and other liabilities	32,675,666	-	32,675,666	19,295,651	-	19,295,651
Reinsurer's balances payable	15,379,852	-	15,379,852	3,939,293	-	3,939,293
Outstanding claims	104,742,560	-	104,742,560	75,084,698	-	75,084,698
Claims incurred but not reported	170,897,914	-	170,897,914	97,301,085	-	97,301,085
Additional premium reserves	11,295,391	-	11,295,391	5,493,312	-	5,493,312
Other technical Reserves	11,211,593	-	11,211,593	4,979,928	-	4,979,928
Lease liabilities	2,105,500	6,560,999	8,666,499	2,360,800	6,630,500	8,991,300
Employee benefit obligations	-	20,659,103	20,659,103	-	15,595,370	15,595,370
<b>Total</b>	<b>420,416,692</b>	<b>27,220,102</b>	<b>447,636,794</b>	<b>255,519,976</b>	<b>22,225,870</b>	<b>277,745,846</b>

<b>Total liquidity gap</b>	<b>134,728,626</b>	<b>(22,218,089)</b>	<b>112,510,537</b>	<b>178,220,638</b>	<b>11,107,146</b>	<b>189,327,784</b>
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Shareholders' operations' assets	2020			2019		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Cash and cash equivalents	111,655,835	-	111,655,835	2,468,375	-	2,468,375
Short-term deposits	40,053,779	-	40,053,779	1,059,601	-	1,059,601
Prepaid expenses and other assets	5,550,000	-	5,550,000	1,875,110	-	1,875,110
Investments	114,817,528	28,051,719	142,869,247	104,417,562	16,002,013	120,419,575
Statutory deposit	-	52,871,196	52,871,196	-	22,500,000	22,500,000
Accrued income on statutory deposit	7,562,956	-	7,562,956	3,665,934	-	3,665,934
<b>Total</b>	<b>279,640,098</b>	<b>80,922,915</b>	<b>360,563,013</b>	<b>113,486,582</b>	<b>38,502,013</b>	<b>151,988,595</b>

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**28. Risk management** (continued)

**28.5 Liquidity Risk** (continued)

Shareholders' operations' liabilities	2020			2019		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Accrued and other liabilities	779,764	-	779,764	40,000	-	40,000
Accrued commission income payable to SAMA	7,652,956	-	7,652,956	3,665,934	-	3,665,934
<b>Total</b>	<b>8,432,720</b>	<b>-</b>	<b>8,432,720</b>	<b>3,705,934</b>	<b>-</b>	<b>3,705,934</b>
<b>Total liquidity gap</b>	<b>271,207,378</b>	<b>80,922,915</b>	<b>352,130,293</b>	109,780,648	38,502,013	148,282,661

**28.6 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 loss for the year for the year ended December 31, 2020 is mainly attributable to the increase in allowance for doubtful debts and general and administrative expenses resulting from recognition of expenses related to merger and provisions against legal cases. Management believes that such expenses are non-recurring and based on certain operational and collections improvement measures, the Company's results will improve from the first quarter of year 2021.

The operations of the Company are subject to regulatory requirements in Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In management's opinion, the Company has substantially complied with such regulatory requirements.

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

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

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

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**28. Risk management** (continued)

**28.7 Claims development**

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

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years spanning a number of financial years.

**Claims development table gross of reinsurance:**

<b>Accident year</b>							
<b>Estimate of ultimate claims as at December 31, 2020:</b>	<b>2015 &amp; earlier</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
At the end of accident year	<b>1,102,856,469</b>	<b>126,614,153</b>	<b>233,617,530</b>	<b>213,002,984</b>	<b>438,596,441</b>	<b>571,906,481</b>	-
One year later	<b>1,036,275,943</b>	<b>109,048,762</b>	<b>218,679,449</b>	<b>212,549,612</b>	<b>614,650,320</b>	-	-
Two years later	<b>1,614,530,830</b>	<b>101,084,360</b>	<b>193,979,220</b>	<b>327,502,575</b>	-	-	-
Three years later	<b>1,959,163,068</b>	<b>93,194,437</b>	<b>287,261,193</b>	-	-	-	-
Four years later	<b>1,950,605,856</b>	<b>218,251,440</b>	-	-	-	-	-
Five years later	<b>2,815,779,777</b>	-	-	-	-	-	-
Current estimate of cumulative claims	<b>2,815,779,777</b>	<b>218,251,440</b>	<b>287,261,193</b>	<b>327,502,575</b>	<b>614,650,320</b>	<b>571,906,481</b>	<b>4,835,351,786</b>
Cumulative payments to date	<b>(2,807,292,650)</b>	<b>(214,378,392)</b>	<b>(282,749,241)</b>	<b>(318,115,489)</b>	<b>(569,326,090)</b>	<b>(344,327,525)</b>	<b>(4,536,189,387)</b>
Liability recognised in statement of financial position	<b>8,487,127</b>	<b>3,873,048</b>	<b>4,511,952</b>	<b>9,387,086</b>	<b>45,324,230</b>	<b>227,578,956</b>	<b>299,162,399</b>
Salvage and subrogation							<b>(23,521,925)</b>
Premium deficiency reserve							<b>11,295,391</b>
Other technical reserves							<b>11,211,593</b>
Outstanding claims and reserves							<b>298,147,458</b>

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**28. Risk management** (continued)

**28.7 Claims development** (continued)

**Claims development table gross of reinsurance:**

<u>Accident year</u>							
<b>Estimate of ultimate claims as at December 31, 2019:</b>	<b>2014 &amp; earlier</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
At the end of accident year	967,712,589	162,488,427	126,614,153	233,617,530	213,002,984	438,596,441	-
One year later	940,368,042	123,721,178	109,048,762	218,679,449	212,549,612	-	-
Two years later	912,554,765	134,557,244	101,084,360	193,979,220	-	-	-
Three years later	1,479,973,586	128,694,457	93,194,437	-	-	-	-
Four years later	1,830,468,611	126,505,606	-	-	-	-	-
Five years later	1,824,100,250	-	-	-	-	-	-
Current estimate of cumulative claims	1,824,100,250	126,505,606	93,194,437	193,979,220	212,549,612	438,596,441	2,888,925,566
Cumulative payments to date	(1,823,105,631)	(122,930,103)	(90,492,968)	(189,644,180)	(202,857,608)	(279,830,515)	(2,708,861,005)
Liability recognised in statement of financial position	994,619	3,575,503	2,701,469	4,335,040	9,692,004	158,765,926	180,064,561
Salvage and subrogation							(7,678,778)
Premium deficiency reserve							5,493,312
Other technical reserves							4,979,928
Outstanding claims and reserves							<u>182,859,023</u>

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**28. Risk management** (continued)

**28.7 Claims development** (continued)

**Claims development table net of reinsurance:**

<u>Accident year</u>							
<b>Estimate of ultimate claims as at December 31, 2020:</b>	<b>2015 &amp; earlier</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
At the end of accident year	617,717,306	67,087,167	124,678,068	111,629,600	312,428,907	504,828,898	-
One year later	600,915,903	57,685,438	124,642,361	118,514,302	487,046,104	-	-
Two years later	1,012,092,154	56,802,356	115,879,647	235,166,893	-	-	-
Three years later	1,006,700,737	54,735,854	209,964,590	-	-	-	-
Four years later	1,001,570,871	178,678,700	-	-	-	-	-
Five years later	1,840,547,110	-	-	-	-	-	-
Current estimate of cumulative claims	1,840,547,110	178,678,700	209,964,590	235,166,893	487,046,104	504,828,898	3,456,232,295
Cumulative payments to date	(1,835,785,101)	(175,520,115)	(206,028,808)	(228,852,554)	(463,713,834)	(317,846,547)	(3,227,746,959)
Liability recognised in statement of financial position	4,762,009	3,158,585	3,935,782	6,314,339	23,332,270	186,982,351	228,485,336
Salvage and subrogation							(21,396,960)
Premium deficiency reserve							11,295,391
Other technical reserves							11,211,593
Outstanding claims and reserves							<u>229,595,360</u>

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**28. Risk management** (continued)

**28.7 Claims development** (continued)

**Claims development table net of reinsurance:**

<u>Accident year</u>							
<b>Estimate of ultimate claims as at December 31, 2019:</b>	<b>2014 &amp; earlier</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
At the end of accident year	535,654,074	90,437,274	67,087,167	124,678,068	111,629,600	312,428,907	-
One year later	527,280,032	77,369,044	57,685,438	124,642,361	118,514,302	-	-
Two years later	523,546,859	78,097,953	56,802,356	115,879,647	-	-	-
Three years later	933,994,201	76,208,025	54,735,854	-	-	-	-
Four years later	930,492,712	74,995,835	-	-	-	-	-
Five years later	926,575,036	-	-	-	-	-	-
Current estimate of cumulative claims	926,575,036	74,995,835	54,735,854	115,879,647	118,514,302	312,428,907	1,603,129,581
Cumulative payments to date	(926,504,341)	(74,638,668)	(53,407,436)	(113,673,210)	(114,410,632)	(193,514,205)	(1,476,148,492)
Liability recognised in statement of financial position	70,695	357,167	1,328,418	2,206,437	4,103,670	118,914,702	126,981,089
Salvage and subrogation							(4,607,269)
Premium deficiency reserve							5,493,312
Other technical reserves							4,979,928
Outstanding claims and reserves							<u>132,847,060</u>

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(All amounts expressed in Saudi Riyals unless otherwise stated)

**28. Risk management** (continued)

**28.8 Capital management risk**

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

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

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

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

- Minimum Capital Requirement of Saudi Riyals 100 million
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2020, the Company's solvency margin is in line with the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law.

The Company's management, through various scenario analyses as required by SAMA, has assessed the potential impact of Covid-19 on the Company's solvency margin by performing stress testing for various variables such as gross premium growth, increase in employee cost, year-to-date loss ratios, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratios and solvency ratios. The Company's management has concluded that, based on the stress testing performed, the solvency margin of the Company has no material changes as at December 31, 2020. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

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



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**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

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**29. Supplementary information**

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

**STATEMENT OF FINANCIAL POSITION**

	December 31, 2020			December 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	67,852,194	111,655,835	179,508,029	64,394,378	2,468,375	66,862,753
Short-term deposits	86,516,962	40,053,779	126,570,741	89,262,679	1,059,601	90,322,280
Premiums and reinsurers' receivable - net	206,568,729	-	206,568,729	182,355,653	-	182,355,653
Premiums receivable - related parties - net	8,311,277	-	8,311,277	9,817,345	-	9,817,345
Reinsurers' share of unearned premiums	36,474,798	-	36,474,798	39,619,088	-	39,619,088
Reinsurers' share of outstanding claims	48,489,107	-	48,489,107	26,723,121	-	26,723,121
Reinsurers' share of claims incurred but not reported	20,062,991	-	20,062,991	23,288,842	-	23,288,842
Deferred policy acquisition costs	29,474,599	-	29,474,599	19,545,335	-	19,545,335
Investments	114,189,967	142,869,247	257,059,214	45,675,850	120,419,575	166,095,425
Prepaid expenses and other assets	26,355,272	4,466,093	30,821,365	16,755,071	1,875,110	18,630,181
Long-term deposits	-	-	-	20,159,854	-	20,159,854
Property and equipment	10,770,393	-	10,770,393	6,213,198	-	6,213,198
Right-of-use assets	9,278,773	-	9,278,773	7,231,063	-	7,231,063
Intangible assets	12,106,745	-	12,106,745	3,091,854	-	3,091,854
Goodwill	-	103,786,750	103,786,750	-	-	-
Statutory deposit	-	52,871,196	52,871,196	-	22,500,000	22,500,000
Accrued income on statutory deposit	-	7,562,956	7,562,956	-	3,665,934	3,665,934
Due from insurance / shareholders' operations	166,304,034	-	166,304,034	247,431	-	247,431
<b>TOTAL ASSETS</b>	<b>842,755,841</b>	<b>463,265,856</b>	<b>1,306,021,697</b>	554,380,762	151,988,595	706,369,357
<b>Less: inter-operations elimination</b>	<b>(166,304,034)</b>	<b>-</b>	<b>(166,304,034)</b>	(247,431)	-	(247,431)
<b>TOTAL ASSETS</b>	<b>676,451,807</b>	<b>463,265,856</b>	<b>1,139,717,663</b>	554,133,331	151,988,595	706,121,926

(continued)

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Supplementary information** (continued)

**STATEMENT OF FINANCIAL POSITION** (continued)

	December 31, 2020			December 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>LIABILITIES</b>						
Accounts payable	72,108,216	-	72,108,216	47,065,209	-	47,065,209
Accrued and other liabilities	27,125,666	779,764	27,905,430	19,295,651	40,000	19,335,651
Reinsurers' balances payable	15,379,852	-	15,379,852	3,939,293	-	3,939,293
Unearned premiums	375,588,801	-	375,588,801	257,512,800	-	257,512,800
Unearned reinsurance commission	8,825,885	-	8,825,885	9,680,379	-	9,680,379
Outstanding claims	104,742,560	-	104,742,560	75,084,698	-	75,084,698
Claims incurred but not reported	170,897,914	-	170,897,914	97,301,085	-	97,301,085
Additional premium reserves	11,295,391	-	11,295,391	5,493,312	-	5,493,312
Other technical reserves	11,211,593	-	11,211,593	4,979,928	-	4,979,928
Lease liabilities	7,500,772	-	7,500,772	7,852,336	-	7,852,336
Employee benefit obligations	20,659,103	-	20,659,103	15,595,370	-	15,595,370
Zakat and income tax	-	19,958,958	19,958,958	-	2,769,769	2,769,769
Surplus distribution payable	13,748,722	-	13,748,722	11,343,469	-	11,343,469
Accrued commission income payable to SAMA	-	7,562,956	7,562,956	-	3,665,934	3,665,934
Due to insurance / shareholders operations	-	166,304,034	166,304,034	-	247,431	247,431
<b>TOTAL LIABILITIES</b>	<b>839,084,475</b>	<b>194,605,712</b>	<b>1,033,690,187</b>	<b>555,143,530</b>	<b>6,723,134</b>	<b>561,866,664</b>
<b>Less: inter-operations elimination</b>	<b>-</b>	<b>(166,304,034)</b>	<b>(166,304,034)</b>	<b>-</b>	<b>(247,431)</b>	<b>(247,431)</b>
<b>TOTAL LIABILITIES</b>	<b>839,084,475</b>	<b>28,301,678</b>	<b>867,386,153</b>	<b>555,143,530</b>	<b>6,475,703</b>	<b>561,619,233</b>

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**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

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**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Supplementary information** (continued)**STATEMENT OF FINANCIAL POSITION** (continued)

	December 31, 2020			December 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>EQUITY</b>						
Share capital	-	229,474,640	229,474,640	-	150,000,000	150,000,000
Share premium	-	89,488,445	89,488,445	-	-	-
Statutory reserve	-	4,885,691	4,885,691	-	4,885,691	4,885,691
Accumulated losses	-	(59,541,995)	(59,541,995)	-	(13,964,902)	(13,964,902)
Remeasurement reserve of employee benefit obligations	(2,203,061)	-	(2,203,061)	(3,105,460)	-	(3,105,460)
Fair value reserve on investments	5,874,427	4,353,363	10,227,790	2,342,692	4,344,672	6,687,364
<b>TOTAL EQUITY</b>	<b>3,671,366</b>	<b>268,660,144</b>	<b>272,331,510</b>	<b>(762,768)</b>	<b>145,265,461</b>	<b>144,502,693</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>842,755,841</b>	<b>296,961,822</b>	<b>1,139,717,663</b>	<b>554,380,762</b>	<b>151,741,164</b>	<b>706,121,926</b>

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**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Supplementary information** (continued)

**STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31,**

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written	557,123,448	-	557,123,448	558,796,291	-	558,796,291
Reinsurance premiums ceded:						
- Foreign	(74,022,314)	-	(74,022,314)	(110,330,017)	-	(110,330,017)
- Local	(11,768,967)	-	(11,768,967)	(10,769,657)	-	(10,769,657)
Excess of loss premiums:						
- Foreign	(18,324,130)	-	(18,324,130)	(13,513,794)	-	(13,513,794)
- Local	(541,159)	-	(541,159)	(319,909)	-	(319,909)
<b>Net premiums written</b>	<b>452,466,878</b>	<b>-</b>	<b>452,466,878</b>	<b>423,862,914</b>	<b>-</b>	<b>423,862,914</b>
Changes in unearned premiums	(10,100,450)	-	(10,100,450)	(74,087,856)	-	(74,087,856)
Changes in reinsurers' share of unearned premiums	(7,482,291)	-	(7,482,291)	(22,919,591)	-	(22,919,591)
<b>Net premiums earned</b>	<b>434,884,137</b>	<b>-</b>	<b>434,884,137</b>	<b>326,855,467</b>	<b>-</b>	<b>326,855,467</b>
Reinsurance commissions	24,321,796	-	24,321,796	26,758,412	-	26,758,412
Fee income from insurance	223,292	-	223,292	200,811	-	200,811
<b>Total revenues</b>	<b>459,429,225</b>	<b>-</b>	<b>459,429,225</b>	<b>353,814,690</b>	<b>-</b>	<b>353,814,690</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(400,562,089)	-	(400,562,089)	(375,808,869)	-	(375,808,869)
Reinsurers' share of gross claims paid	60,988,058	-	60,988,058	146,729,553	-	146,729,553
Expenses incurred related to claims	(5,894,252)	-	(5,894,252)	(3,659,276)	-	(3,659,276)
<b>Net claims and other benefits paid</b>	<b>(345,468,283)</b>	<b>-</b>	<b>(345,468,283)</b>	<b>(232,738,592)</b>	<b>-</b>	<b>(232,738,592)</b>
Changes in outstanding claims	7,135,094	-	7,135,094	16,269,751	-	16,269,751
Changes in reinsurers' share of outstanding claims	5,785,459	-	5,785,459	(37,971,285)	-	(37,971,285)
Changes in claims incurred but not reported	(32,845,218)	-	(32,845,218)	(29,327,727)	-	(29,327,727)
Changes in reinsurers' share of claims incurred but not reported	(4,754,324)	-	(4,754,324)	(9,881,559)	-	(9,881,559)
<b>Net claims and other benefits incurred</b>	<b>(370,147,272)</b>	<b>-</b>	<b>(370,147,272)</b>	<b>(293,649,412)</b>	<b>-</b>	<b>(293,649,412)</b>

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(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Supplementary information** (continued)

**STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, (continued)**

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Policy acquisition costs	(41,894,747)	-	(41,894,747)	(28,829,036)	-	(28,829,036)
Changes in additional premium reserves	8,445,579	-	8,445,579	8,111,032	-	8,111,032
Changes in other technical reserves	(4,014,927)	-	(4,014,927)	(719,388)	-	(719,388)
Other underwriting expenses	(2,795,926)	-	(2,795,926)	(1,731,232)	-	(1,731,232)
<b>Total underwriting costs and expenses, net</b>	<b>(410,407,293)</b>	<b>-</b>	<b>(410,407,293)</b>	<b>(316,818,036)</b>	<b>-</b>	<b>(316,818,036)</b>
<b>NET UNDERWRITING INCOME</b>	<b>49,021,932</b>	<b>-</b>	<b>49,021,932</b>	<b>36,996,654</b>	<b>-</b>	<b>36,996,654</b>
<b>OTHER OPERATING (EXPENSES) INCOME</b>						
Allowance for doubtful debts	(8,952,215)	-	(8,952,215)	(4,388,459)	-	(4,388,459)
General and administrative expenses	(97,666,738)	(4,407,139)	(102,073,877)	(79,374,013)	(3,990,102)	(83,364,115)
Investment and commission income	7,650,197	4,622,832	12,273,029	8,651,454	5,226,166	13,877,620
Finance costs - lease liabilities	(254,600)	-	(254,600)	(216,403)	-	(216,403)
Other income	10,621,610	-	10,621,610	6,356,122	-	6,356,122
<b>Total other operating (expenses) income, net</b>	<b>(88,601,746)</b>	<b>215,693</b>	<b>(88,386,053)</b>	<b>(68,971,299)</b>	<b>1,236,064</b>	<b>(67,735,235)</b>
<b>Total (loss) income for the year before surplus attribution, zakat and income tax</b>	<b>(39,579,814)</b>	<b>215,693</b>	<b>(39,364,121)</b>	<b>(31,974,645)</b>	<b>1,236,064</b>	<b>(30,738,581)</b>
Zakat expense	-	(6,212,972)	(6,212,972)	-	1,649,590	1,649,590
Income tax expense	-	-	-	-	(54,167)	(54,167)
<b>Total (loss) income for the year attributable to the shareholders</b>	<b>(39,579,814)</b>	<b>(5,997,279)</b>	<b>(45,577,093)</b>	<b>(31,974,645)</b>	<b>2,831,487</b>	<b>(29,143,158)</b>

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**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

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**29. Supplementary information** (continued)**STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, (continued)**

	<b>2020</b>			<b>2019</b>		
	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>
<b>Deficit transferred to the shareholders' operations</b>	-	<b>(39,579,814)</b>	<b>(39,579,814)</b>	-	(31,974,645)	(31,974,645)
<b>Total loss for the year after transfer of deficit</b>	-	<b>(45,577,093)</b>	<b>(45,577,093)</b>	-	(29,143,158)	(29,143,158)
<b>Weighted average number of outstanding shares</b>		<b>15,566,121</b>			15,000,000	
<b>Loss per share (expressed in Saudi Riyals per share)</b>						
Basic losses per share		<b>(2.93)</b>			(1.94)	
Diluted losses per share		<b>(2.93)</b>			(1.94)	

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**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

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**29. Supplementary information (continued)**

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

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total loss for the year attributable to the shareholders	-	(45,577,093)	(45,577,093)	-	(29,143,158)	(29,143,158)
<b>Other comprehensive income (loss):</b>						
<i>Items that will not be reclassified to the statement of income in subsequent years</i>						
Re-measurement gain (loss) on employee benefit obligations	902,399		902,399	(2,072,923)	-	(2,072,923)
<i>Items that will be reclassified to statement of income in subsequent years</i>						
Realised gain reclassified to statement of income	(1,264,888)	(39,457)	(1,304,345)	-	-	-
Net change in fair value of available-for-sale investments	4,796,623	48,148	4,844,771	3,961,592	4,309,217	8,270,809
<b>Total other comprehensive income</b>	<b>4,434,134</b>	<b>8,691</b>	<b>4,442,825</b>	<b>1,888,669</b>	<b>4,309,217</b>	<b>6,197,886</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>4,434,134</b>	<b>(45,568,402)</b>	<b>(41,134,268)</b>	<b>1,888,669</b>	<b>(24,833,941)</b>	<b>(22,945,272)</b>

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Supplementary information** (continued)**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,**

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Total loss for the year before surplus attribution, zakat and income tax	-	(39,364,121)	(39,364,121)	-	(30,738,581)	(30,738,581)
<u>Adjustments for non-cash items:</u>						
Depreciation of property and equipment	1,392,991	-	1,392,991	1,351,151	-	1,351,151
Amortisation of intangible assets	1,908,012	-	1,908,012	2,155,380	-	2,155,380
Depreciation for right-of-use assets	1,116,214	-	1,116,214	1,325,371	-	1,325,371
Finance cost on leases liabilities	254,600	-	254,600	216,403	-	216,403
Investment and commission income	(6,385,309)	(4,676,213)	(11,061,522)	(8,651,454)	(5,226,166)	(13,877,620)
Allowance for doubtful debts	8,952,215	-	8,952,215	4,388,459	-	4,388,459
Provision for employee benefit obligations	2,433,351	-	2,433,351	2,587,572	-	2,587,572
Loss (gain) on termination of lease liability	772	-	772	(35,377)	-	(35,377)
Loss on disposal of property and equipment - net	-	-	-	22,911	-	22,911
Realised (gain) loss on disposal of available-for-sale investments	(1,264,888)	53,381	(1,211,507)	-	-	-

(continued)



**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Supplementary information** (continued)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, (continued)**

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b><u>Changes in operating assets and liabilities:</u></b>						
Premiums and reinsurers' receivable	12,741,313	-	12,741,313	(74,152,893)	-	(74,152,893)
Premium receivables - related parties	1,506,068	-	1,506,068	(7,094,535)	-	(7,094,535)
Reinsurers' share of unearned premiums	7,482,291	-	7,482,291	22,919,591	-	22,919,591
Reinsurers' share of outstanding claims	(5,785,459)	-	(5,785,459)	37,971,285	-	37,971,285
Reinsurers' share of claims incurred but not reported	4,754,324	-	4,754,324	9,881,559	-	9,881,559
Deferred policy acquisition costs	(2,388,883)	-	(2,388,883)	(8,829,022)	-	(8,829,022)
Prepaid expenses and other assets	3,770,269	737,147	4,507,416	(3,556,318)	(4,093)	(3,560,411)
Accounts payable	6,341,847	-	6,341,847	12,665,752	-	12,665,752
Accrued and other liabilities	(5,452,003)	104,938	(5,347,065)	6,979,171	(58,982)	6,920,189
Reinsurers' balances payable	7,521,114	-	7,521,114	(14,577,936)	-	(14,577,936)
Unearned premiums	10,100,450	-	10,100,450	74,087,856	-	74,087,856
Unearned reinsurance commission	(1,938,258)	-	(1,938,258)	(1,338,432)	-	(1,338,432)
Outstanding claims	(7,135,094)	-	(7,135,094)	(16,269,751)	-	(16,269,751)
Claims incurred but not reported	32,845,218	-	32,845,218	29,327,727	-	29,327,727
Additional premium reserves	(8,445,579)	-	(8,445,579)	(8,111,032)	-	(8,111,032)
Other technical reserves	4,014,927	-	4,014,927	719,388	-	719,388
Employee benefit obligations paid	(3,053,109)	-	(3,053,109)	(3,228,450)	-	(3,228,450)
Zakat and income tax paid	-	(4,645,002)	(4,645,002)	-	(1,686,051)	(1,686,051)
Surplus distribution paid	-	-	-	(7,935)	-	(7,935)
<b>Net cash generated from (used in) operating activities</b>	<b>65,287,394</b>	<b>(47,789,870)</b>	<b>17,497,524</b>	<b>60,746,441</b>	<b>(37,713,873)</b>	<b>23,032,568</b>

(continued)

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Supplementary information (continued)**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, (continued)**

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Placement in short-term deposits	(209,033,459)	(8,456,250)	(217,489,709)	(409,212,662)	(13,129,568)	(422,342,230)
Liquidation of short-term deposits	215,464,574	9,844,520	225,309,094	376,069,123	123,660,226	499,729,349
Liquidation of long-term deposits	20,159,854	-	20,159,854	15,352,021	-	15,352,021
Cash and cash equivalents through business combination	37,769,327	109,589,862	147,359,189	-	-	-
Purchase of available-for-sale investments	(75,291,548)	(15,436,583)	(90,728,131)	(14,591,473)	(94,008,425)	(108,599,898)
Purchase of held-to-maturity investments	(5,000,000)	-	(5,000,000)	(5,000,000)	-	(5,000,000)
Proceeds from disposal of available-for-sale investments	5,325,983	7,312,500	12,638,483	-	-	-
Proceeds from disposal of held-to-maturity investments	3,541,665	7,750,000	11,291,665	3,749,916	16,855,176	20,605,092
Investment and commission income received	1,510,364	4,916,461	6,426,825	8,651,454	3,377,601	12,029,055
Purchases of property and equipment	(2,276,995)	-	(2,276,995)	(1,743,693)	-	(1,743,693)
Proceeds from disposal of property and equipment	-	-	-	5,002	-	5,002
Addition to intangible assets	(3,870,327)	-	(3,870,327)	(2,390,861)	-	(2,390,861)
Addition to statutory deposit - net	-	(6,371,196)	(6,371,196)	-	-	-
<b>Net cash (used in) generated from investing activities</b>	<b>(11,700,562)</b>	<b>109,149,314</b>	<b>97,448,752</b>	<b>(29,111,173)</b>	<b>36,755,010</b>	<b>7,643,837</b>

(continued)

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

**29. Supplementary information (continued)**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, (continued)**

	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Principal elements of lease payments	(2,244,614)	-	(2,244,614)	(695,854)	-	(695,854)
Finance cost paid	(56,386)	-	(56,386)	(4,896)	-	(4,896)
Due from a related party - net	-	-	-	14,762,146	-	14,762,146
Due from / to shareholders' operations	(47,828,016)	47,828,016	-	(1,903,088)	1,903,088	-
<b>Net cash (used in) generated from financing activities</b>	<b>(50,129,016)</b>	<b>47,828,016</b>	<b>(2,301,000)</b>	<b>12,158,308</b>	<b>1,903,088</b>	<b>14,061,396</b>
<b>Net change in cash and cash equivalents</b>	<b>3,457,816</b>	<b>109,187,460</b>	<b>112,645,276</b>	<b>43,793,576</b>	<b>944,225</b>	<b>44,737,801</b>
Cash and cash equivalents, beginning of the year	64,394,378	2,468,375	66,862,753	20,600,802	1,524,150	22,124,952
<b>Cash and cash equivalents at end of the year</b>	<b>67,852,194</b>	<b>111,655,835</b>	<b>179,508,029</b>	<b>64,394,378</b>	<b>2,468,375</b>	<b>66,862,753</b>
<b>Supplemental non-cash information:</b>						
Net change in fair value reserve for available-for-sale investments	3,531,735	48,818	3,579,883	3,961,592	4,309,217	8,270,809
Re-measurement (gain) loss on employee benefit obligations	-	-	(902,399)	2,072,923	-	2,072,923
Business combination (Note 4)						
Right-of-use assets and lease liabilities (Notes 17)						

**GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020** (continued)  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**30. Accrued and other liabilities**

	<b>2020</b>	<b>2019</b>
Accrued expenses	<b>12,470,668</b>	12,840,154
Withholding tax payable	<b>7,222,979</b>	4,086,689
Accrued supervision fee	<b>7,014,715</b>	2,091,635
Accrued employee benefits	<b>1,197,068</b>	317,173
	<b>27,905,430</b>	19,335,651

**31. Statutory deposit**

In accordance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA.

In accordance with the instruction received from SAMA vide their circular dated March 1, 2016, the Company has disclosed the commission due on the statutory deposit as at December 31, 2020 as an asset and a liability in these financial statements.

**32. Subsequent event**

Subsequent to the reporting date, the Company received revised zakat and income tax assessments for the years 2015 through 2018. Also see Note 21. No other events have arisen subsequent to December 31, 2020 and before the date of signing the independent auditors' audit report, that could have a significant effect on the financial statements as at December 31, 2020.

**33. Commitments and contingencies**

- i) As at December 31, 2020, the Company does not have any capital commitments (2019: Nil).
- ii) The Company operates in the insurance industry and is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings. The Company, based on in-house legal advice, does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

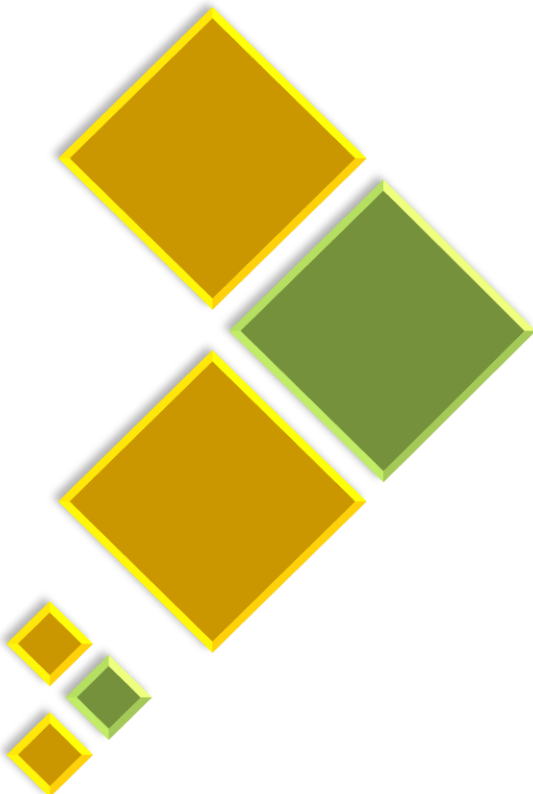
**34. Approval of the financial statements**

The financial statements have been approved by the Board of Directors on Shaban 8, 1442H (corresponding to March 21, 2021).



## Agenda Item # 3

**Voting on External Auditors Report for the fiscal year ended on 31 December 2020.**



## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Report on the audit of the financial statements*

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#### *Opinion*

We have audited the financial statements of Gulf Union Alahlia Cooperative Insurance Company (formerly "Gulf Union Cooperative Insurance Company"), a Saudi Joint Stock Company, (the "Company"), which comprise the statement of financial position as at December 31, 2020, the statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

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#### *Basis for opinion*

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p><i>Valuation of ultimate claim liabilities arising from insurance contracts</i></p> <p>As at December 31, 2020, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves and other technical reserves amounted to Saudi Riyals 104.7 million, Saudi Riyals 170.9 million, Saudi Riyals 11.3 million and Saudi Riyals 11.2 million, respectively.</p> <p>The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates.</p> <p>Refer to Note 3.9 to the accompanying financial statements for the accounting policy relating to insurance contract liabilities, Note 6 for the disclosure of significant accounting estimates and judgements and Notes 11 and 28.1 for the disclosures of matters related to insurance contract liabilities.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Understood, evaluated and tested key controls around the claims handling and provision setting processes;</li> <li>• Tested the amounts recorded for a sample of claims notified and paid. On a sample basis, we also compared the outstanding claims amounts to the appropriate source documentation to evaluate the valuation of outstanding claims;</li> <li>• Evaluated the competence, capabilities and objectivity of the management's expert based on its professional qualifications and experience and assessed its independence;</li> <li>• Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy and completeness of underlying claims data utilised by the management's expert in estimating the IBNR, additional premium reserves and other technical reserves by verifying it with the underlying accounting and other records;</li> <li>• Involved our internal experts to evaluate the Company's actuarial practices and related provisions established and gained comfort over the actuarial report issued by management's expert. We also performed the following procedures: <ul style="list-style-type: none"> <li>(i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;</li> </ul> </li> </ul>

*Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

*Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
	<p>(ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and</p> <p>(iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.</p> <ul style="list-style-type: none"> <li>• Involved our internal experts to perform independent re-projections on IBNR, additional premium reserves, and other technical reserves, for significant operating segments to compare them with the amounts recorded by management and sought to understand any significant differences; and</li> <li>• Assessed the adequacy and appropriateness of the disclosures in the accompanying financial statements related to the ultimate claim liabilities arising from insurance contracts.</li> </ul>



## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p><i>Accounting for the merger of Al Ahlia Cooperative Insurance Company ("Al Ahlia"), and impairment assessment of the carrying value of the resultant goodwill</i></p> <p>During 2020, the Company signed a binding merger agreement (the "Agreement") with Al Ahlia. Under the terms of the Agreement, the Company acquired all the issued shares of Al Ahlia by issuing one share in the Company for every 1.54766350624551 shares in Al Ahlia on December 6, 2020 (the "effective date of merger"). This resulted in issuance of 7,947,464 new shares of the Company to the shareholders of Al Ahlia at fair value, amounting to Saudi Riyals 168,963,085, as the purchase consideration. The provisional fair value of Al Ahlia's net identifiable assets as at the effective date of merger amounted to Saudi Riyals 65,176,335, resulting in a recognition of goodwill amounting to Saudi Riyals 103,786,750.</p> <p>The Purchase Price Allocation exercise for acquisition of Al Ahlia was in progress as of the date of the issuance of this auditors' report and management plans to complete the exercise within one year from the effective date of merger as permitted in IFRS 3 "Business Combinations" ("IFRS 3"). Accordingly, management has reported the provisional amounts for the merger in the accompanying financial statements.</p> <p>Management has accounted for the merger in the accompanying financial statements under the requirements of IFRS 3 which requires management to exercise significant judgement in determining certain estimates. The most significant judgements in the initial accounting of an acquisition include the determination of the valuation of the identifiable net assets acquired.</p>	<p>With respect to the merger of Al Ahlia, our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Reviewed the Agreement and tested the purchase consideration in accordance with the terms and conditions of the Agreement;</li> <li>• Tested the provisional fair valuation of the identifiable net assets acquired as at the effective date of merger; and</li> <li>• Assessed the adequacy and appropriateness of the disclosures in the accompanying financial statements related to the merger of Al Ahlia.</li> </ul>

## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p>In accordance with the International Accounting Standard 36 ("IAS 36"), "Impairment of assets", an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether or not there is any indication of impairment.</p> <p>Goodwill is monitored by management at the level of cash generating units ("CGUs"), which are the primary operating elements of the business concerned. Management carried out an impairment test in respect of goodwill allocated to the combined entity as a single CGU, by determining the recoverable amount based on value-in-use discounted cash flow model, which utilized the most recent five years' approved business plan. The outcome of this exercise did not result in any impairment loss to be recognised.</p> <p>We considered accounting for merger of Al Ahlia and impairment assessment of carrying value of goodwill as a key audit matter due to the following:</p> <p><i>Accounting for merger of Al Ahlia</i></p> <p>The complexity of accounting for business combination and the provisional fair valuation of the identifiable net assets acquired.</p> <p><i>Impairment assessment of carrying value of the Company's goodwill</i></p> <p>The assessment of the recoverable amount of goodwill under the value-in-use method is complex and requires considerable judgment on part of the management.</p>	<p>With respect to impairment assessment of the carrying value of goodwill, our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Understood and evaluated the appropriateness of management's identification of the CGUs;</li> <li>• Assessed the methodology used by management to determine the recoverable value of the goodwill based on the value-in-use method and compared it to the requirements of IAS 36;</li> <li>• Tested the arithmetical accuracy and logical integrity of the underlying calculations in the model;</li> <li>• Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved business plan, and considered the reasonableness of approved business plan by comparison to the Company's historical results and performance against budgets;</li> <li>• Engaged our internal valuation experts to assist us in the review of the methodology of the value-in-use calculation and to assess the reasonableness of discount rate and long-term growth rate;</li> <li>• Performed sensitivity analyses over key assumptions in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes; and</li> <li>• Assessed the adequacy and appropriateness of the disclosures in the accompanying financial statements related to the carrying value of goodwill.</li> </ul>



## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Key audit matters (continued)*

Key audit matter	How our audit addressed the Key audit matter
<p>The critical judgmental elements of management's assessment included:</p> <ul style="list-style-type: none"> <li>• Identification of CGUs for allocation of goodwill;</li> <li>• assumptions concerning the expected synergies, especially through expanded market base in which the Company operates; and</li> <li>• discount and long-term growth rates used in the value-in-use calculation.</li> </ul> <p>Refer to Notes 3.31 and 3.26 to the financial statements for the accounting policies relating to the business combinations and impairment of goodwill, respectively. Also refer to Note 6 for the disclosure of significant accounting estimates, assumptions and judgements made in applying the above accounting policies and Notes 4 and 5 for related disclosures.</p>	

### *Other information*

The Board of Directors of the Company (the "Directors") is responsible for the other information. The other information comprises information included in the Company's 2020 annual report, but does not include the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Company's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## *Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company*

### *Responsibilities of the Directors and those charged with governance for the financial statements*

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

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

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

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### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

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



## Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company

### Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

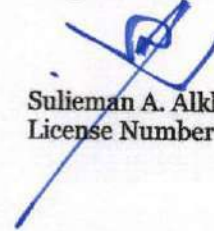
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation 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.

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License Number 91

28 March 2021





## Agenda Item # 4

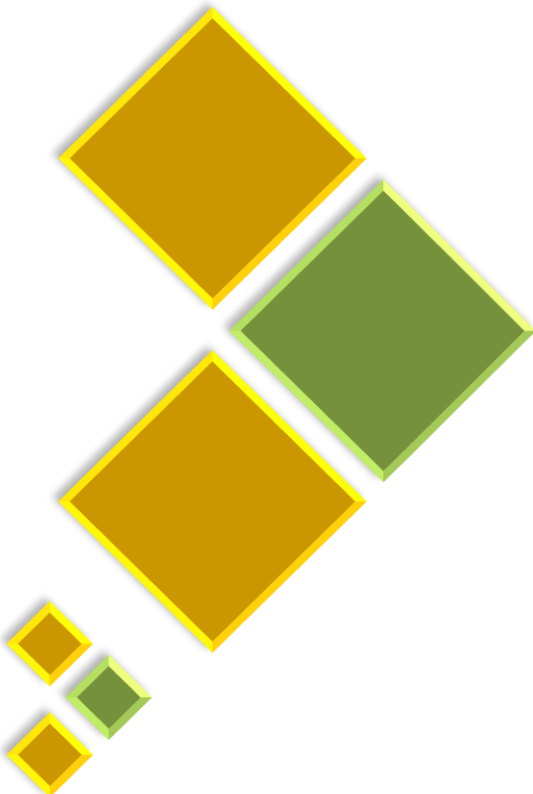
**Voting on the discharging the Board members from any liabilities for the fiscal year ended on 31 December 2020.**





## Agenda Item # 5

**Voting on the appointment of External Auditors among the nominated based on the recommendation of the Audit Committee to review and audit the financial statements of the second & third quarter and annual statements for the year 2021 and first quarter of 2022, and determination of their fees.2020.**







توصية مجلس الإدارة

التاريخ: 2021/05/25م

الموافق: 1442/10/13هـ

المحترمين

السادة / مساهمي شركة إتحاد الخليج الأهلية للتأمين التعاوني

السلام عليكم ورحمة الله وبركاته،،

### توصية مجلس الإدارة / تعيين وإعادة تعيين مراجعي الحسابات الخارجيين

بالإشارة إلى رغبة الشركة في تعيين مراجعي الحسابات الخارجيين لأعمال المراجعة المالية لحسابات الشركة وفحص ومراجعة وتدقيق القوائم المالية عن الربع الثاني والثالث والسنوي من العام 2021م، والربع الأول من العام 2022م، فإننا نتشرف بأن نعرض على سعادتكم الآتي:

1- طلبت الشركة الحصول على عروض أسعار من عدة مراجعين وقد تم تزويدها بالفعل بالعروض الآتية:

إسم الشركة	PwC	Alkharashi	KPMG	RSM	PKF Albassam
الأتعاب	750,000	330,000	700,000	299,000	475,000

2- قامت لجنة المراجعة بدراسة العروض المقدمة من مراجعي الحسابات ومناقشتهم بالأتعاب المقدمة واطاعة نصب أعينها الأمور الآتية:

- الإحتفاظ بأحد مراجعي الحسابات الحاليين - وجود خبرة للمراجعين في أعمال التأمين - الحصول على أفضل الأسعار الممكنة

وبناءً على ما تقدم فإن مجلس إدارة الشركة يتقدم لسعادتكم ببناءً على توصية لجنة المراجعة، بالتوصية بتعيين شركة الدكتور عبدالقادر بانقا وشركاه المحاسبون المتحدون (RSM) وإعادة تعيين شركة برايس وترهاوس كوبرز محاسبون قانونيون (PwC) لأعمال المراجعة المالية لحسابات الشركة وفحص ومراجعة وتدقيق القوائم المالية عن الربع الثاني والثالث والسنوي من عام 2021م والربع الأول لعام 2022م، وفقاً للأتعاب الموضحة أدناه:

الشركة	الأتعاب
شركة برايس وترهاوس كوبرز محاسبون قانونيون (PwC)	750,000 ريال سعودي
شركة الدكتور عبدالقادر بانقا وشركاه المحاسبون المتحدون (RSM)	299,000 ريال سعودي

وتفضلوا بقبول وافر التحية والإحترام.

عبد العزيز بن علي التركي  
رئيس مجلس الإدارة



التاريخ: 2021/05/23م

الموافق: 1442/10/11هـ

المحترمين

السادة / أعضاء مجلس إدارة شركة إتحاد الخليج الأهلية للتأمين التعاوني

السلام عليكم ورحمة الله وبركاته،،،

### توصية لجنة المراجعة بتعيين وإعادة تعيين مراجعي الحسابات الخارجيين

بالإشارة إلى رغبة الشركة في تعيين مراجعي الحسابات الخارجيين لأعمال المراجعة المالية لحسابات الشركة وفحص ومراجعة وتدقيق القوائم المالية عن الربع الثاني والثالث والسنتوي من العام 2021م، والربع الأول من العام 2022م، نفيديكم بأن لجنة المراجعة قد اجتمعت بعون من الله وتوفيقه، عبر اتصال مرئي في تمام الساعة السادسة من مساء يوم الأحد 23 مايو 2021م. حيث قامت بدراسة العروض التالية المقدمة من مراجعي الحسابات ومناقشة خبرتهم في المراجعة المالية لشركات التأمين.

اسم الشركة	PWC	Alkharashi	KPMG	RSM	PKF Albassam
المبلغ	750,000	330,000	700,000	299,000	475,000

وبناءً على ما تقدم، فإن لجنة المراجعة توصي بتعيين شركة الدكتور عبدالقادر بانقا وشركاه المحاسبون المتحدون (RSM) وإعادة تعيين شركة برايس وترهاوس كوبرز محاسبون قانونيون (PWC) لأعمال المراجعة المالية لحسابات الشركة وفحص ومراجعة وتدقيق القوائم المالية عن الربع الثاني والثالث والسنتوي من عام 2021م والربع الأول لعام 2022م، وفقاً للأتعاب الموضحة أدناه:

الشركة	الأتعاب
شركة برايس وترهاوس كوبرز محاسبون قانونيون (PWC)	750,000 ريال سعودي
شركة الدكتور عبدالقادر بانقا وشركاه المحاسبون المتحدون (RSM)	299,000 ريال سعودي

وتفضلوا بقبول وافر التحية والإحترام.

مصادقة أعضاء اللجنة	
إبراهيم عبد الله المطرف	رئيس اللجنة
محمد عقيل الشائع	عضو اللجنة
إبراهيم عبد العزيز المقحم	عضو اللجنة

# ***Gulf Union Alahlia Cooperative Insurance Company***

*Proposal for statutory audit and review services for the  
year ending December 31, 2021*

## ***Creating Value Through Quality***



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Mr. Munir Al Borno  
Chief Executive Officer  
Gulf Union Alahlia Cooperative Insurance Company  
P.O. Box 5719  
Dammam 31432  
Saudi Arabia

May 2, 2021

Dear Sir,

**PROPOSAL FOR STATUTORY AUDIT AND REVIEW SERVICES FOR THE YEAR ENDING  
DECEMBER 31, 2021**

We are delighted to have this opportunity to submit our fee proposal for re-appointment as the independent auditors for the Gulf Union Alahlia Cooperative Insurance Company for the year ending December 31, 2021. Continuing and expanding our relationship with you is extremely important to every member of our team.

Upon acceptance of our fee proposal, we will provide you with engagement letter for your signature which will formalize the terms of the engagements for our professional service.

If you have any questions or require any additional details, please feel free to call Farrukh Faizi (050 498 4872) or Muhammad Umer (056 934 4800).

Best wishes,

Ali H. Al Basri  
License number 447

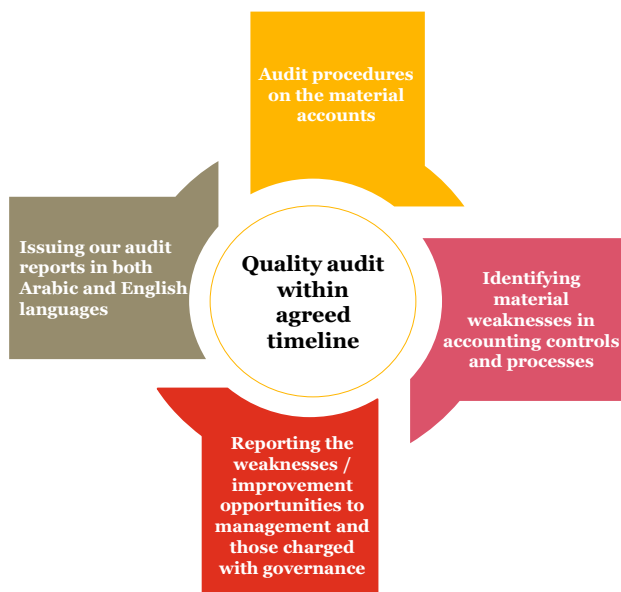


# Your requirements and fee

## Understanding your requirements

Based on your request and our meetings with management, we understand you require the following:

- Jointly audit the financial statements of **Gulf Union Alahlia Cooperative Insurance Company** for the year ending December 31, 2021 and issue our joint audit reports both in Arabic and English languages;
- Jointly review interim financial statements and issue joint independent auditors' review reports in Arabic and English;
- Communicate to management any material weaknesses in accounting and/or internal control which come to our attention during the course of the audit; and
- Upload the required information of the Company on Qawaem portal as required by the Ministry of Commerce.



It is vital to your business that all costs are kept under control and there are no surprises. We will agree with you in advance our fees for any additional scope of work that are anticipated to cost in excess of our agreed fee.

Our proposed fees (Saudi Riyals)	Fees
• Annual audit services	<b>510,000</b>
• Review services (per quarter)	<b>80,000</b>

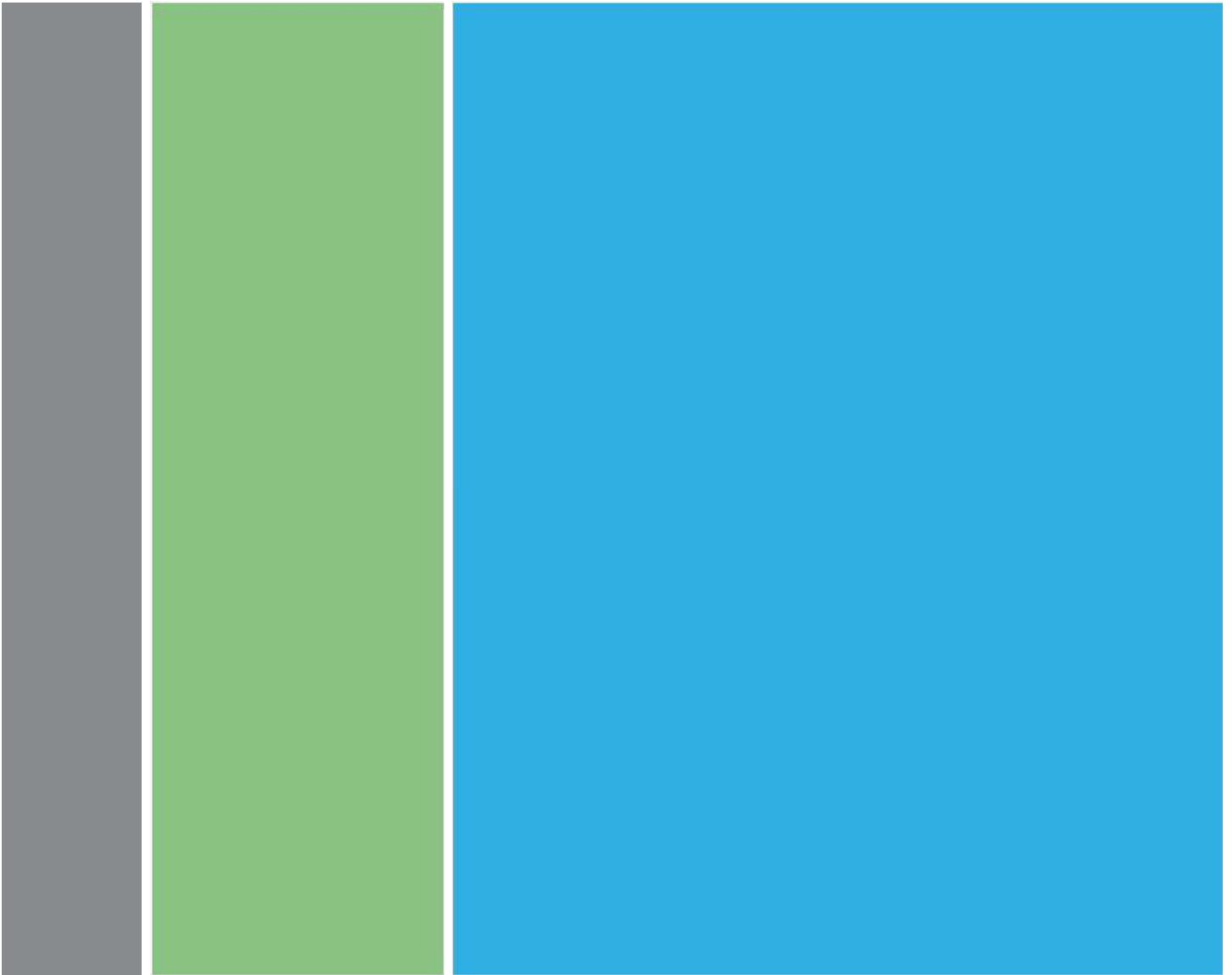
### Notes

- Our fee for uploading the Company's financial statements and related financial information for the year ending December 31, 2021 on the Ministry of Commerce (MoC) portal as required by the MoC's resolution No. (353/Q) dated 18 Safar 1436H will be **Saudi Riyals 7,000**.
- Our above proposed fee excludes out of pocket expenses, mainly related to travel, translation, telefaxes and courier service, which will be billed at actual.
- You will also pay any taxes, including VAT, that are due in relation to our services. You will pay us the full amount of any invoice, regardless of any deduction that you are required by law to make.
- In accordance with our normal terms of engagement, 60% of our fees are payable prior to commencement of the audit, 30% on completion of detailed audit work and 10% on submission of our report.

# **Notes**


*All information presented in this document or shared with Gulf Union Alahlia Cooperative Insurance Company as part of the proposing process is considered strictly confidential. As such, Gulf Union Alahlia Cooperative Insurance Company should not disclose this document or any attachments in whole, or in part to any third party without the prior written consent of PricewaterhouseCoopers.*

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# GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY

Proposal for audit service for the year ending December 31, 2021

By RSM Saudi Arabia

April 2021

**UPDATED MAY 5 2021**

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING





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# Proposal Letter

27 April 2021

We are delighted to have the opportunity to propose our audit service for the financial statements for the Gulf Union Alahlia Cooperative Insurance Company (the “Company”) for the year ending 31 December 2021.

RSM is among the major professional firms providing audit, tax and consulting services in the Kingdom of Saudi Arabia. We have continued to invest in our people and processes in order to meet the demands of our clients who operate in almost all sectors of the economy domestically and abroad.

Our proposal, which is detailed over the following pages, mirrors the approach we will take for your audit – a true partnership which features robust communication, a joined-up team bringing you fresh ideas and innovative thinking, with the underlying support from across the firm to help you grow the business.

We are very excited to present there our ideas on how we envisage working together, but most importantly the benefits you will get from appointing RSM.

## Key features of our proposal

### Our team

We have picked a team for their powerful combination of credentials, skills, working style and enthusiasm. They have unprecedented experience of auditing several sectors and large conglomerates. They fully understand business risks and will be able to advise you on the matters of significant judgement. The team will be duly supported by specialists and subject matter advisors.

### Working with the Company’s charged with governance

We will play our part in ensuring that the Company has an effective risk management process and in supporting those charged with governance role by providing clear opinions and insights on topics that directly impact your ability to manage risk and uncertainty.

We will work with others to provide coherent, understandable views that lead to practical recommendations.

### Specialist Panel

We have already set up a team of specialists for the Company who will sit alongside the core Audit team, and meet with you on a regular basis to provide insight and facilitate audit team’s responsiveness to the Company’s requests. The panel comprises some of our most experienced Partners/directors in their respective fields who would be there to help you.

### Value

#### A competitive fee

We will be the best value, not measured just on price but also on the level of quality and insight, knowledge and people we will bring to the table.

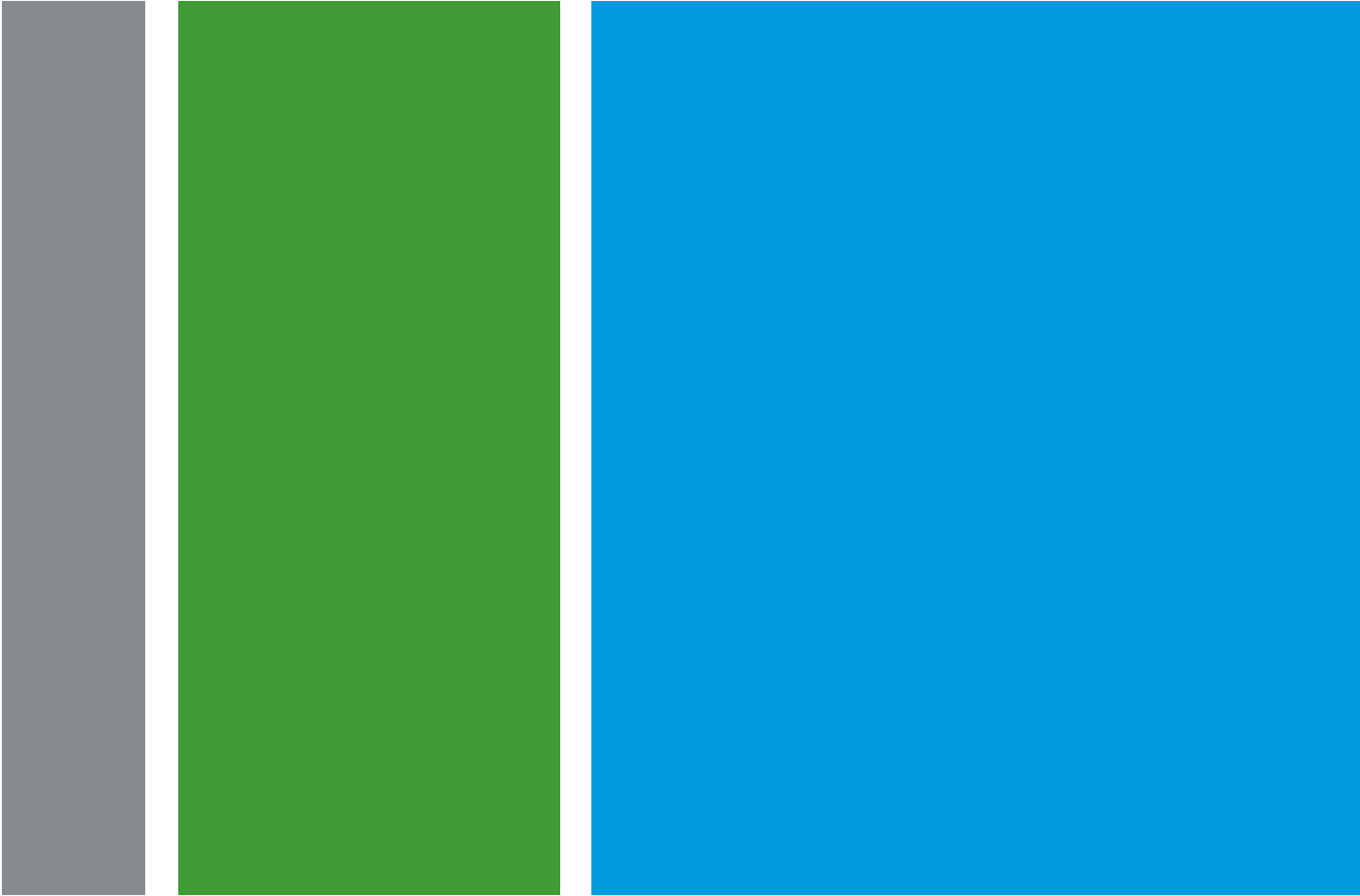
Our proposal aims to bring to life the solutions and benefits that working in partnership with us can bring to the Company.

We look forward to the opportunity to continue build a long-term relationship with you.

In the meantime, please feel free to contact us with any questions.

**Mohammed Al Nader**  
**Managing Partner**





# Scope of Work



# Scope of work

We will perform audit of the financial statements of the Company for the year ending 31 December 2021 jointly with another auditors and review of interim financial information for the interim periods ending June 30, 2021, September 30, 2021 and March 31, 2022.

## Audit

Our principal objective will be to express an opinion whether the financial statements taken as a whole present fairly the financial position of the entities and results of its operations and its cash flows in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) that is endorsed in the Kingdom of Saudi Arabia and other standers and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Our examination will be carried out in accordance with International Standards of Auditing (ISA) and, accordingly, will include such test of the accounting records, selection of items on a test basis, evaluation of accounting policies adopted by management and accounting estimates and such other auditing procedures that we consider necessary in the circumstances.

## Quarterly Reviews

We shall perform reviews of your quarterly interim financials in accordance with the ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", endorsed in the Kingdom of Saudi Arabia. Accordingly, our review will be limited primarily to analytical procedures applied to financial data and enquires of Company personnel on financial and accounting matters. Our reviews will be substantially less in scope than an audit in accordance with the ISA that are endorsed in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole; accordingly, we will not express such an opinion.

Based on our review, we will issue a review report as to whether we are aware of any material modifications that should be made to the quarterly interim financials for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

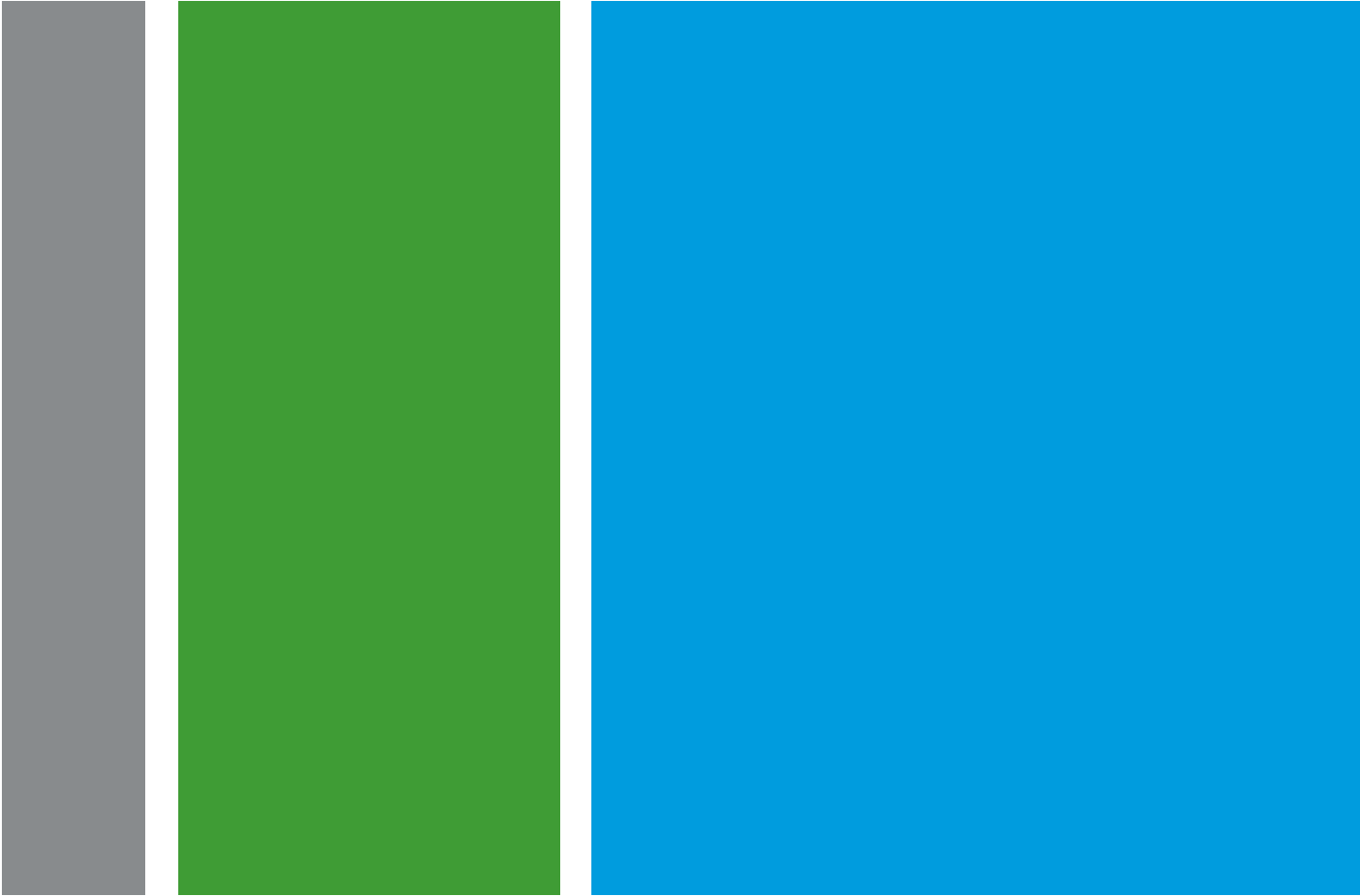
## Filing of financial information on Qawaem system

If requested, **RSM** would be glad to assist the Company for the electronic filing of the financial statements in the Qawaem System at the Ministry of Commerce and Investment (the" Ministry") in accordance with the resolution of the Ministry No. 353/S dated 18/2/1436H.

## Also,

It is our normal practice to write a management letter at the conclusion of our audit, setting out our comments on the systems and controls, together with suggestions for improvements and other matters relevant to the financial statements which merit management's attention and necessary action. Our aim is to offer constructive comments with the objective of assisting our clients to manage their business more effectively.





# RSM International



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# THE RSM INTERNATIONAL NETWORK

The **RSM** network connects member firms through common methods and processes, including commonly agreed and applied quality standards. This connection provides comfort to **RSM** member firm partners and their clients that the quality of service and advice to referred clients will be to a consistently high standard, everywhere in the world.

Many RSM member firms are among the top firms in their respective countries and possess some of the best professional resources and experience available. The member firms have a broad client base, from large listed and international companies to smaller, Owner-Managed Businesses in the public and private sectors. In addition to traditional assurance services, RSM possesses significant resources and experience in tax, transaction support, risk advisory, internal audit and corporate recovery and insolvency.

## LEGAL STRUCTURE AND OWNERSHIP

RSM International Limited is a company limited by guarantee and is incorporated in England and Wales (company number 4040598) and whose registered office is at 50, Cannon Street, London, EC4N 6JJ.

RSM International Limited does not itself provide professional services to clients but acts as a member services organisation. Client services are delivered by the independent member firms of RSM International, each of which is a separate and independent legal entity. Member firms are not members of an international partnership or legal partners with each other. No single member is responsible for the services or actions of another. Although many member firms take the RSM name, there is no common ownership between these firms or ownership of them by RSM International Limited.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

## REQUIREMENTS OF MEMBER FIRMS

RSM member firms agree to adopt and align with the following policies and procedures as a requirement of membership:

- ❑ RSM Quality Assurance and Risk Containment Policies and Procedures.
- ❑ RSM Audit Manual and its methodology
- ❑ RSM Ethics and Independence Policies.
- ❑ RSM Assurance Services Training and CPD Policies.
- ❑ RSM Member Firm Inspection Programme Policies and Guidelines.
- ❑ RSM Anti-bribery and Corruption Policies and Procedures

## FUNDING

The cost of coordinating the RSM International network is funded by member firms. Each year the International management of Directors approves the budget for the coming year. Substantially all budgeted income is derived from annual membership fees paid by member firms. The fees for member firms are calculated in accordance with an approved funding formula that takes into account a number of factors including the member firm revenues and their level of net referral fees.

## MANAGEMENT AND GOVERNANCE

The organisational structure of RSM International is aimed at executing the RSM global strategy – the Power of Focus – and providing member firms with the platforms to develop business together in a high-quality manner. The structure also reflects the network's geographic coverage, ensuring representation from all key regions.



# THE RSM INTERNATIONAL NETWORK

## INTERNATIONAL BOARD OF DIRECTORS

RSM International is an organisation with the infrastructure and resources needed to establish common standards and quality assurance programmes, as well as to facilitate effective management of transnational work by its member firms.

Governance of RSM International is comprised of representatives of member firms who form the International management of Directors. Members of the management, which comprises 12 Directors, are put forward by the Nomination Committee who apply the management Appointment Process relevant to the vacancy on the International management of Directors. The Directors elect a Chairman and appoint a Chief Executive Officer. The management sets the international strategy of RSM International and acts in the interest of the network as a whole.

The current Chair of the International management of Directors is Mike Kirley, who also acts as the International Strategy Officer of RSM US LLP in the USA. The full time CEO is Jean Stephens who leads the Global Executive Office in London and whose responsibilities include the implementation of short and long-term organisational strategies for the growth and development of the network.

## REGIONAL OPERATION

The member firms of RSM International are organized into geographic regions for purposes of administrative and quality control programmes, as well as for coordination of cross-border or multinational team assignments.

Currently, the key regions of RSM International are Africa, Asia Pacific, Europe, Latin America, North America and Middle East/North Africa (MENA).

The Africa, Asia Pacific, Europe, Latin America and MENA regions have a governance structure that takes the form of Regional Councils. Each council is comprised of the Managing Partners of each member firm within that region.

Regional Leaders are devoted to the development of the region and work with the member firms in that region on a daily basis.

The current Regional Leaders are:

Africa Clive Betty	Europe Gregor Schmidt	MENA Bassam Dahman
Asia Pacific Neil Hough	Latin America Brendan Quirk	North America RSM US LLP International Office

## RSM INTERNATIONAL'S COMMITMENT TO QUALITY

Quality is the absolute cornerstone for RSM International and as such every member firm is required to meet a number of obligations in relation to quality. To ensure consistent practices and standards among member firms, RSM International has developed a number of global methodologies, policies and practices which are compliant with International Standards (where applicable). These have been developed by specialists and leaders at member firms and the Global Executive Office, under the oversight of the RSM Transnational Assurance Services Executive Committee.

Every member firm is required to conduct an internal inspection over the quality of services delivered and compliance with network policies and procedures as well as their own incremental policies and procedures each year. RSM International organises global observations of these inspections on a cyclical basis, not to exceed every three years. If a firm's annual inspection or the cyclical global observations highlight significant non-compliance, a follow-up review is scheduled to check progress on issues raised. Significant non-compliance can result in a number of sanctions being imposed on the firm, including up to termination of the firm's membership in RSM International.

# THE RSM INTERNATIONAL NETWORK

RSM is a leading provider of audit, tax and consulting services to global leaders.

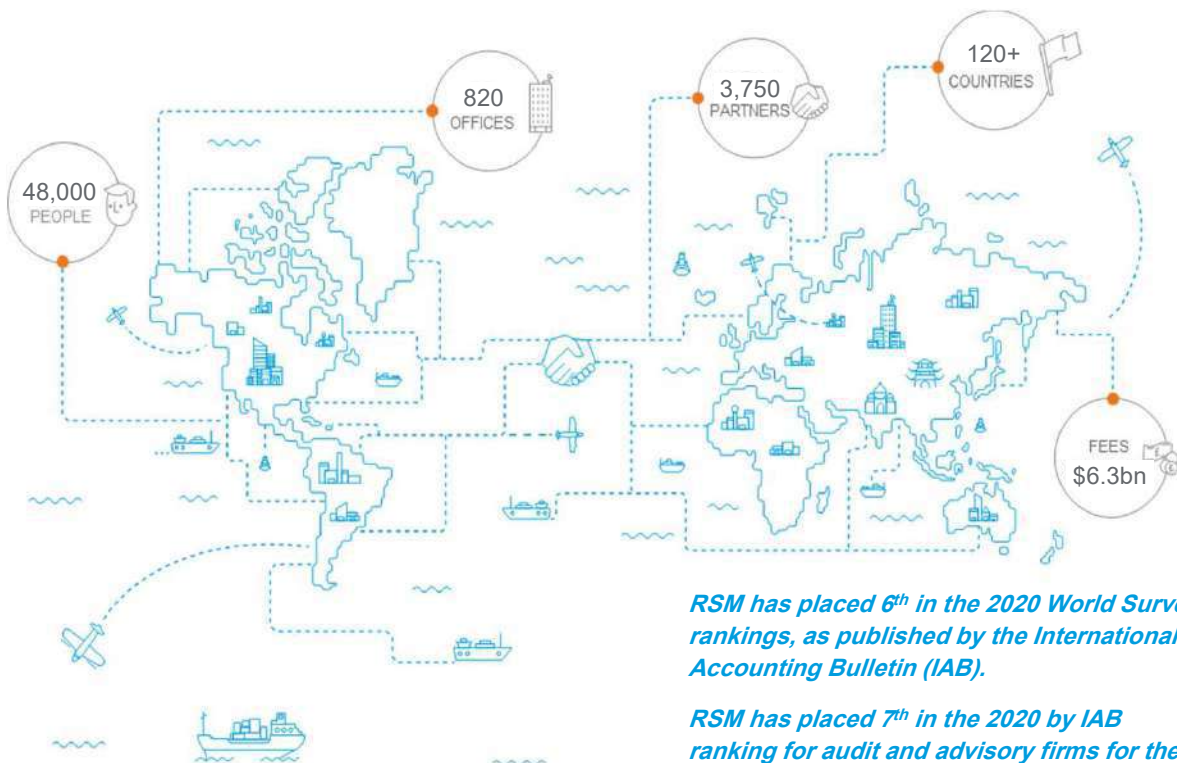
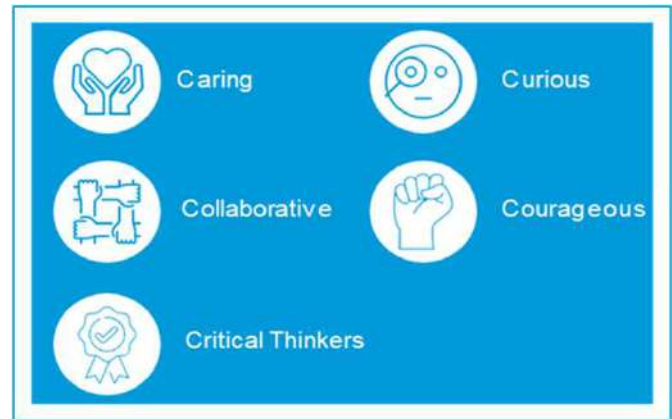
## Middle East and North Africa

The ongoing political and social changes in the Middle East and North Africa continue to present both challenges and opportunities. RSM draws on its deep experience of the financial landscape across the region to anticipate change, business trends and help clients to enable change.

We believe in providing all of our clients with a consistent service going above and beyond their expectations, wherever they are in the world. That means providing both full-service local support and coordinating with RSM network firms around the world to unlock the international knowledge and insights of our most experienced senior professionals.

As an integrated team, we share skills, insight and resources, as well as a client-centric approach that's based on a deep understanding of your business. This is how we empower our clients to move forward with confidence and enable them to achieve their full potential.

## THE FIVE C'S OF RSM



*RSM has placed 6<sup>th</sup> in the 2020 World Survey rankings, as published by the International Accounting Bulletin (IAB).*

*RSM has placed 7<sup>th</sup> in the 2020 by IAB ranking for audit and advisory firms for the Kingdom of Saudi Arabia.*





# RSM INTERNATIONAL

**120+**  
Countries

.....

**820**  
Offices

.....

**48,000**  
People

.....

**7.2%**  
Consulting

**11.7%**  
Tax

.....

**\$6.3bn**  
Revenue



---

# Bringing “ The Power of Being Understood”

The business world is evolving rapidly. Through advances in technology, communications and infrastructure, business barriers are disappearing and each day we become ever more global. In this fast-paced environment, you need an adviser that thinks ahead and rapidly responds to your changing needs. At RSM, we build strong relationships based on deep understanding of what matters most to our clients.

It is our strong, collaborative approach that differentiates us. We will strive to truly understand you, your strategies and your aspirations and endeavour to be considered the adviser of choice to your business. By sharing the ideas and insights of our most senior professionals, we bring our expert local and global knowledge and resources to your environment, so you feel understood and empowered to move forwards with confidence.

**This is the power of being understood.**

**This is the RSM experience and our commitment to you.**

## Vision

To be the adviser of choice to middle market leaders globally.

## Purpose

To deliver The Power of Being Understood to our clients, Colleagues and commodities.

## Distinguishing Beliefs

A set of principles through which we can realize our vision and empower all our clients to make confident decisions, being accessible, responsive and adaptive.

## Collaboration

Building strong, collaborative and lasting relationships with all our stakeholders, being accessible, responsive and adaptive.

## Understanding

Gaining a deep understanding of clients' needs, strategy and aspirations and striving to be an essential part of their business environment.

## Ideas and Insight

Ensuring every client benefits from tailored thinking and the insight of our more senior experts, both locally and globally.

## Values

As a network, we underpin our brand with the following VALUES that are integral to the way we act with each other and with clients;

## Respect

We display respect in each interaction with:

- ✓ Clients
- ✓ Employees
- ✓ Partners

## Integrity

We stay true to our beliefs:

- ✓ In decisions
- ✓ In negotiations
- ✓ In communications

## Teamwork

We cultivate genuine collaboration:

- ✓ In our work groups
- ✓ Across member firms
- ✓ Across functions

## Excellence

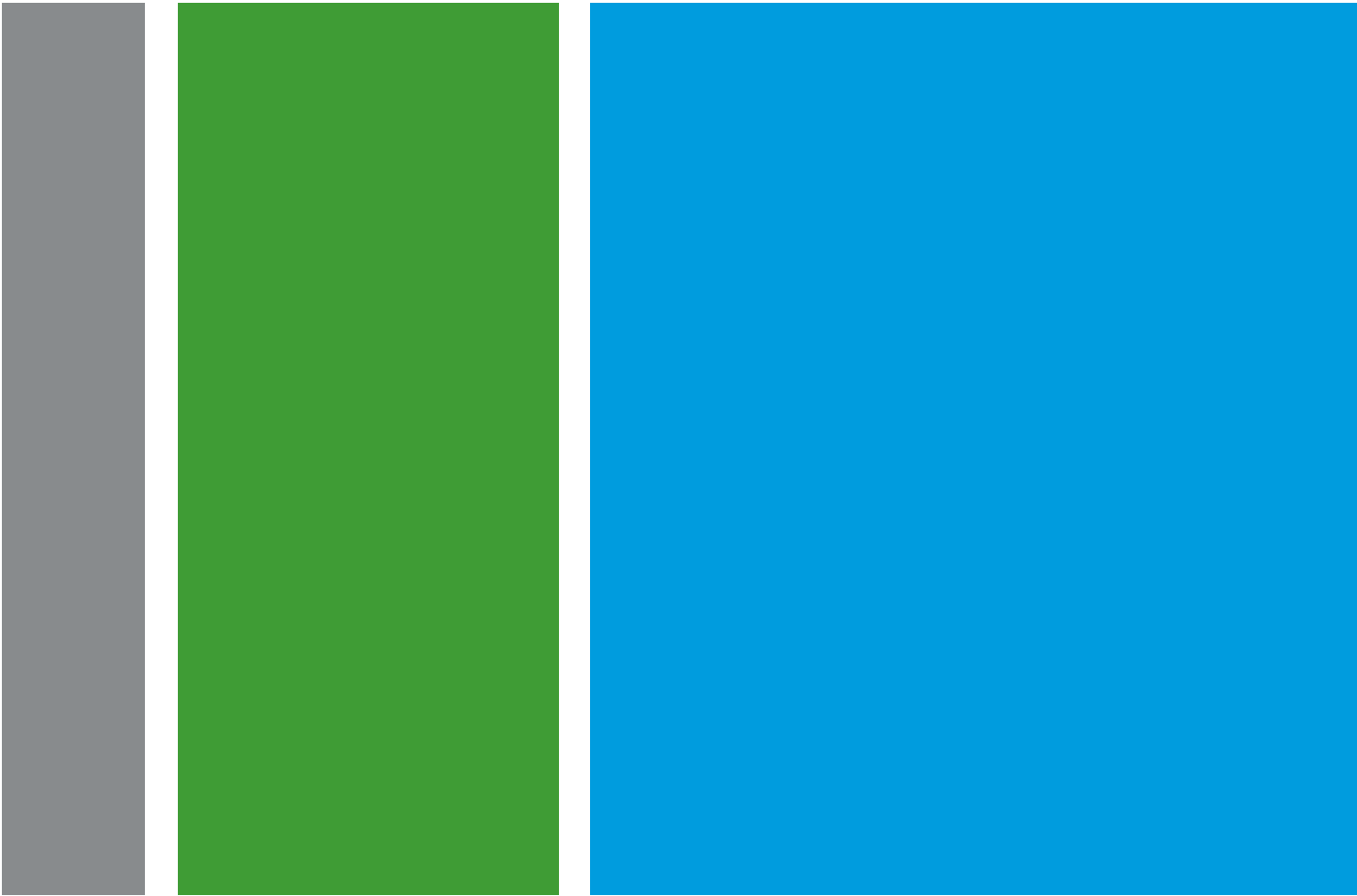
We achieve distinction through:

- ✓ Our standards
- ✓ Our operations
- ✓ The work we deliver

## Stewardship

We make RSM a better place by:

- ✓ Developing our people
- ✓ Building our brand
- ✓ Supporting our communities



**RSM Saudi Arabia**



# RSM Allied Accountants

## RSM ALLIED ACCOUNTANTS

RSM Allied Accountants is one of the quality firms in the field of audit, tax & zakat and consulting services. Allied Accountants is member of RSM since 2009.

Commercial Registration No. 4030228773

License No. 323/11/168

## OUR EXPERIENCE

RSM has experience across multiple sectors and throughout the global market. We focus that diverse experience into a complete knowledge package of international best practices and expertise to provide you with an internationally competitive service. Additionally, RSM has had the pleasure of working with other organizations in the MENA region, and has a developed knowledge by offering audit services to customer-focused organizations within this geographic area.

Our professional staff across the world offering a full range of audit and assurance services. RSM will talk to management about their observations and findings during the audit to help the business improve its compliance and performance. Our professionals specialize in particular sectors and industries, to give a deeper understanding of the challenges that may be faced. Prior to commencing an audit, our audit teams will visit you to understand how your business operates, the risks it faces and how to work with you to complete an effective and high-quality audit.

Our audit methodology has been developed by our leading firms with public interest as priority. Of course we need to complete an audit in accordance with relevant international and national standards but our audit process is flexible, which enables our audit teams to modify their audit approach to better match the client needs and circumstances.

We work closely with our clients to meet their service expectations and we pride ourselves on being a responsive, pragmatic and approachable team.

We believe we are ideally placed to provide professional services for the following reasons:

- ❑ A team of experienced professionals will be assigned to serve you. Our team has extensive experience in providing audit, zakat & tax and consulting Services
- ❑ Team members are committed to provide high quality service throughout the project and possess thorough industry knowledge and exposure
- ❑ Our proposed fee is reasonable compared to the quality of services which we are committed to provide to Client..



# RSM Allied Accountants

## Details of Partners

❑ **Mohammed Bin Farhan Bin Nader**

❑ **Abdul Hamid Nazer**

All partners are Certified Public Accountants (CPAs) registered with Saudi Organization for Chartered and Professional Accountants (SOCPA)

The Management is responsible for all aspects of the management and governance of the Firm. Any of the Management's powers may be delegated to any individual member or members of the management and, in practice, the responsibility for the day-to-day operational management of the service line is entrusted to the Head of Audit who carries out such management with the Audit Management Team (AMT)

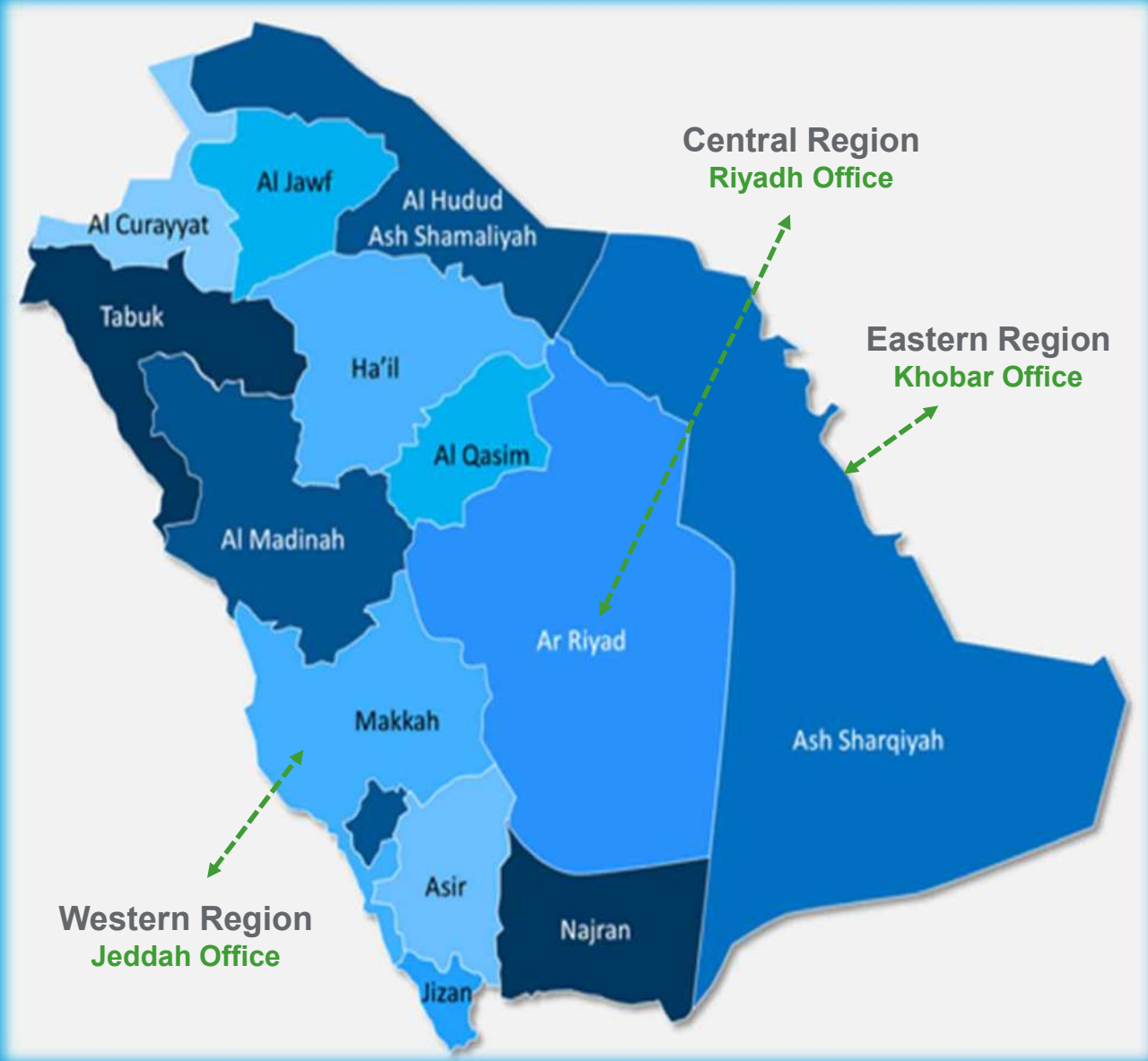
The Management meets at least three times a year and additionally as required. All management meetings in the year were attended by all management members at the relevant time. The agenda consistently covers a discussion on aspects of governance and a report by the Head of Audit on operational issues and financial performance.

Audit quality always features prominently at the meetings. The Head of the Quality Assurance Department (QAD) provides a written report and the management monitors closely actions taken to address QAD findings. Specifically, the management discusses and ratifies any proposed RI appointments and changes in authorizations and monitors whether training requirements are being addressed.

Reports from external regulators are discussed and the firm's action plans to address regulatory findings are critically assessed and monitored on an ongoing basis. Finally, any ethical issues are raised and discussed so that action plans can be put in place where appropriate.



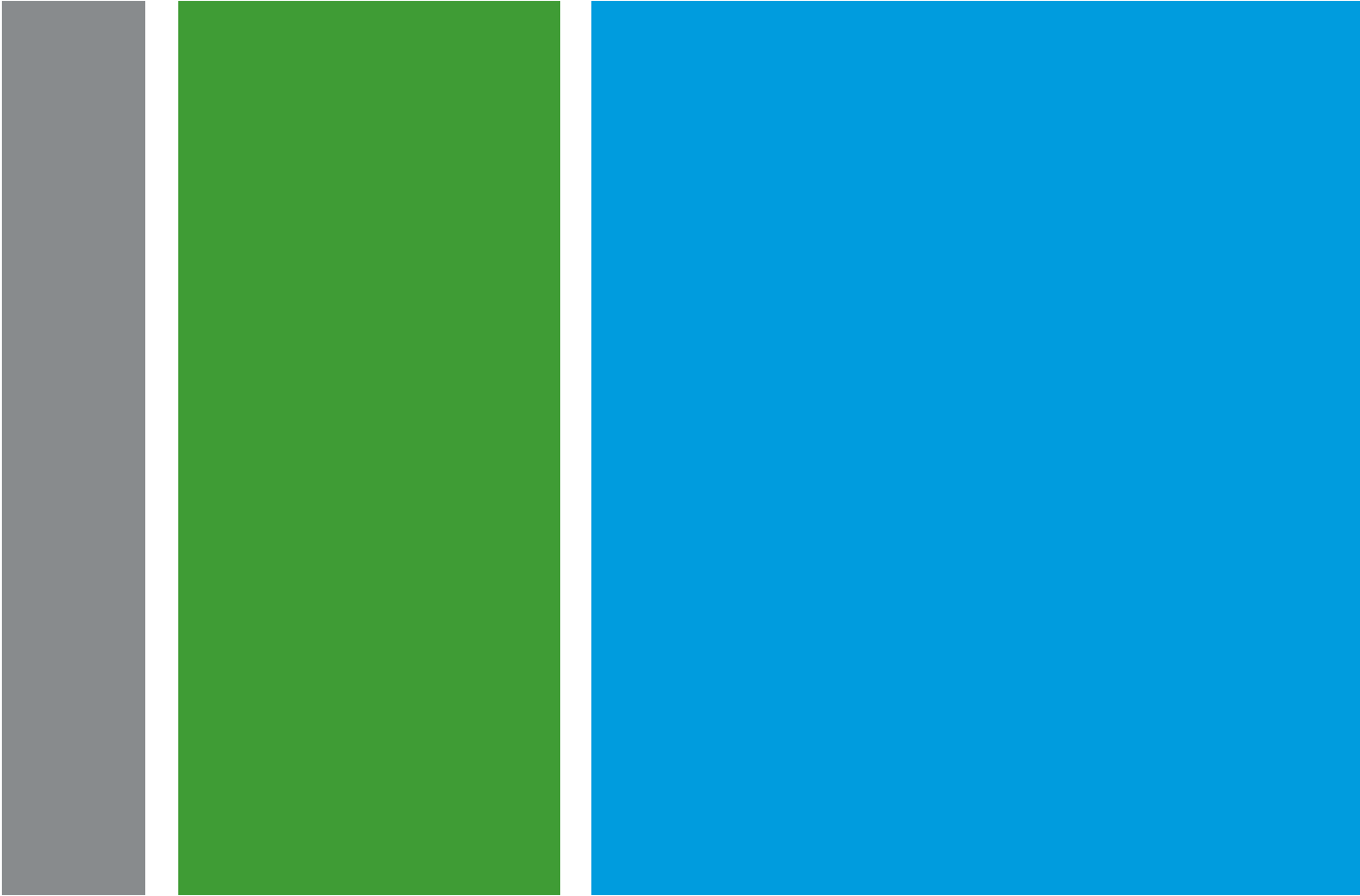
# FIRM'S KEY STATISTICS



Over 220+ Partners and Staff 

Operating from 3 Locations 

Total revenue SAR 35.8m 



# Audit Methodology and Commitment to Quality



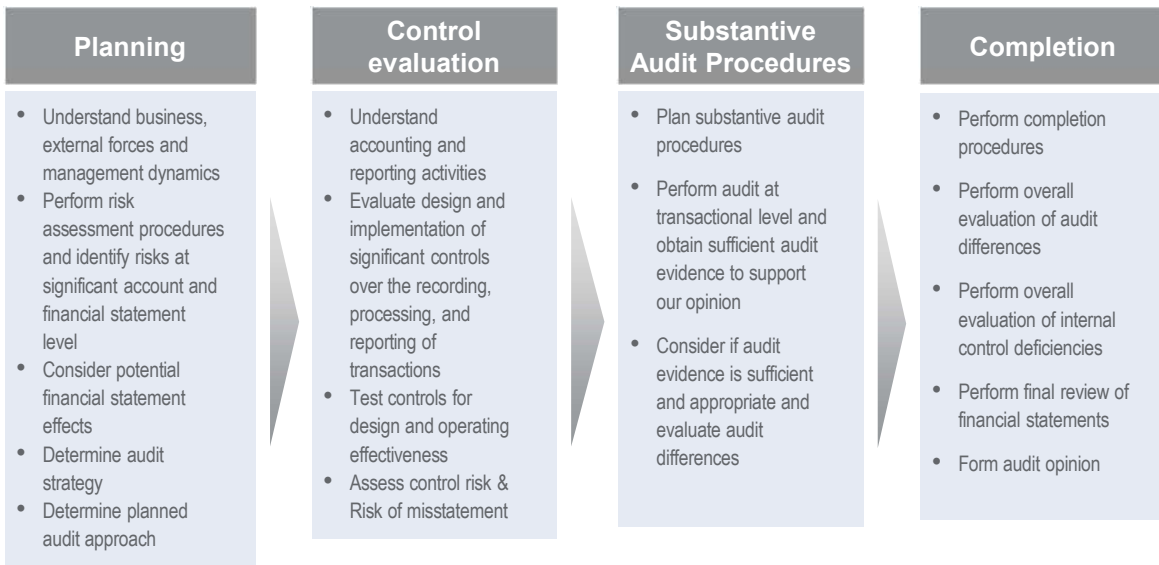
# OUR AUDIT METHODOLOGY

**Consistency** – All audit professionals involved in the Company's audit will use the same methodology. Applying a consistent approach globally promotes efficiency, regardless of the location where the audit is performed.

**Industry knowledge** – Access to industry knowledge facilitates our audit professionals' ability to focus on what's important to your business. Our global knowledge base allows us to provide you feedback on how your processes and controls compare with industry leaders.

## ONGOING COMMUNICATION

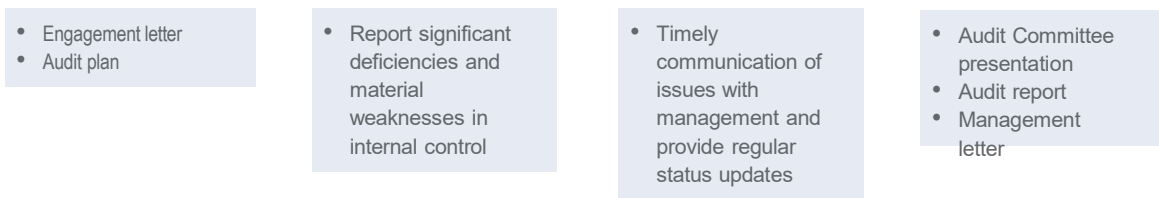
### CLOSE COORDINATION



### CLOSE COORDINATION



### Outputs for you





# COMMITMENT TO QUALITY

RSM Allied Accountants primary objective is the maintenance and enhancement of quality which leads to a sustainable and profitable business.

## COMMITMENT

Our commitment is underpinned by our emphasis on professional and decisive leadership, IT capability and investment, effective training and personal development, the operations of the Quality Assurance Department (QAD) and being responsive to the findings of the firm's regulators. We are continually striving to improve our internal monitoring procedures and our response to external monitoring.

The firm aims to attain the highest standard of professional conduct through the cumulative effect of the following:

- Internal quality control procedures (at the point of delivery
- Internal quality assurance by reviews of engagements and of principals' and staff's competence;
- Continuous training, informing and assessment of all principals and staff;
- Feedback from staff and RIs; and
- The external quality monitoring by the firm's regulators.

## QUALITY AND CULTURE

It is vital that the firm is constantly assessing its messaging and the behavior of staff to ensure that quality culture permeates throughout the firm. The Management looks for signs that any aspects of culture need redressing and the Ethics team promotes and monitors adherence to independence and integrity.

All partners and staff are provided with access to the employee guide which sets out the firm's code of conduct the employee guide contains information covering all aspects of day to day working life and is available on the intranet as a reference tool, ensuring that both partners and staff always act in a professional manner.



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# QUALITY AND OUR METHODOLOGY

RSM policies and procedures are designed to ensure that our engagements comply with relevant regulatory requirements, professional standards and RSM Methodology.

## SOFTWARE

The methodology is supported by the firm's own computerized software which enables the planned project work to be tailored. Whilst its functionality, along with the inbuilt controls and structured work flows, promotes discipline and compliance with International Standards, it allows RSM teams to focus on the exercise of judgement and evidence their scepticism and challenge of management leading to well-documented, effective and robust quality.

## PLANNING

Our methodology requires a detailed understanding of the business, the industry in which it operates and the systems and controls which it has in place. Our regular contact with management throughout the project ensures that we are aware of key developments and provides an opportunity for management to be informed of and act upon relevant technical and regulatory changes. These exchanges inform the development of the strategy for the project and the production of a plan that is based on a detailed risk assessment enabling focused testing to be performed and an effective and efficient plan to be carried out. The plan is revisited and revised, where necessary, during the course of the project as the team reacts to their findings.

Principles have access to the staff resource planning tool, Retain. This enables them to view the availability of all staff, and their particular specialisms, and ensure that the selected engagement team have the appropriate skills and expertise for a particular engagement.

## FIELDWORK

We use a range of techniques in carrying out our engagement. Our computerized tools which provides guidance on how to use data software to perform specific tasks. Training and the sharing of good practice in this area is a continual process which is supported by champions at manager and user level.

The exercise of professional skepticism is an essential feature in a quality and our culture encourages teams to consult and to challenge their own, their colleagues' and the client's assumptions and conclusions during the performance of the engagement, and to document the resolution of matters arising. A broad spectrum of experts in auditing, accounting, IT, taxation, valuations and financial instruments are on hand to consult, assist or use where necessary.

## REVIEW

Each team member is responsible for considering the quality of his or her work before signing it off. In addition, with the exception of the principal, the work of every team member is reviewed and signed off by another, more senior, person.

Additional reviews by colleagues who are independent of the team are required in certain circumstances, for example where there is a public interest, where the client is deemed to represent potentially high reputational risk to the firm, where a long-standing relationship exists, or where the principal is being mentored.

Independent reviews are also conducted when an enhanced report is to be issued. Such reviews are always conducted by appropriately qualified and experienced personnel and our computerized software ensures that all these quality controls are applied and evidenced.

## QUALITY AND SPECIALIST AUDITS

RSM maintains responsible individual (RI) and manager authorization system such that only those individuals with the requisite skills, experience and training can undertake specialist projects, including entities with public interact are responsible for conducting reviews of the authorisation list on a bi-monthly basis to ensure that the system is up to date.

Prior to being involved in specialist assignments, our staff must have completed appropriate specialist training. To ensure that this policy is adhered to, RIs are required to confirm, at the initial planning stage of each engagement, that they are satisfied that the allocated staff have the appropriate skills and expertise.

## QUALITY AND MENTORING

There are mentoring arrangements for all new RIs, for RIs engaging in new specialist areas, for RIs that are about to relinquish their authorization and for RIs where the Head of department considers that mentoring is necessary for quality or other reasons. Mentors are selected from an approved pool of appropriately experienced principals who submit regular reports to the partners.

## QUALITY AND TRAINING

Training is key to ensuring that we are delivering quality work and maintaining a quality culture:

- ❑ all qualified personnel attend a core program of training;
- ❑ partners and staff are provided with training according to their specific roles and specialisms;
- ❑ partners and staff attend soft skills courses to ensure that technical knowledge is applied effectively; and
- ❑ an RI induction course is mandatory for all new RIs.

## QUALITY ASSURANCE DEPARTMENT

Quality is the responsibility of all partners and staff. Internal quality assurance review systems must be adequate, appropriate, and make a contribution to quality. The is function is delivered by the Quality Assurance Department (QAD). QAD is a separate, independent department and is responsible for checking compliance with the firm's procedures and giving feedback to promote continuing improvement in the quality of work.

The QAD team states on the firm's intranet that it aims to be:

- ❑ comprehensive in its coverage and scope of reviews;
- ❑ consistent in application of review procedures;
- ❑ critical in identification of areas for improvement;
- ❑ constructive in communication of review findings; and
- ❑ cooperative in arranging and performing reviews.

The monitoring procedures applied by QAD are in accordance with the International Standard on Quality Control. The QAD team carries out reviews of files, either in physical visits to offices or remotely, and also reviews 'whole firm' matters such as the manuals, training program, CPD records, appraisals and ethical compliance, and internal controls, such as internal authorization, IT access and financial management.

QAD has a program of taking high performing staff on secondment, to give them experience of QA work and a deeper understanding of quality, which they then disseminate in their office after the secondment.

A small number of QA file reviews are carried out by independent RIs from the practice or Learning & Development, to assist in their understanding of the QA process and to give insight into typical findings. These reviews are performed under close supervision by a permanent member of the QAD team.

## PROCESS

The use of IT by QAD is extensive and the consistency of review procedures is ensured by the deployment of dedicated QAD team members, the use of review work programmes peer review by QAD colleagues and the pre-issue review by the Head of QAD of all reports.

Reviews findings are issued in writing to the principal and manager and then discussed in a meeting with them. This dialogue includes recognition of instances of good quality work as well as the identification of areas for improvement.

After the meeting, the principal and manager are asked to provide written responses and this should include examination of the underlying root causes for any non-compliances.

Where QAD considers that an inappropriate report may have been given, it refers the case to the Technical Committee, who decide whether the report is inappropriate and, if so, what action should be taken.

At the conclusion of the review(s) for each RI and manager, QAD uses a risk-based approach to determine the interval before their next QA review. If it is decided that an interval of six months is needed, to galvanise improvement, the individual is duly notified.

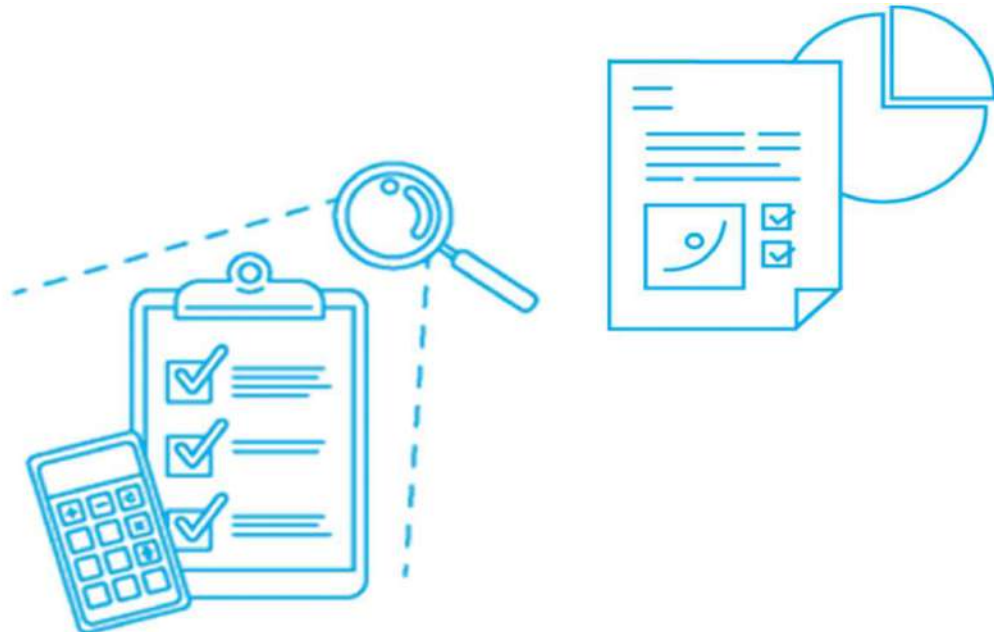
## MONITORING AND REPORTING

Our internal policy is that we do not grade our QA file reviews. Our view is that this can be counterproductive and that instead it is qualitative feedback that is more constructive and helps teams to achieve improvement. Grading systems can be biased or anomalous and can lead to excessive focus on the grade, rather than the more important messages about striving for improvement.

The Head of QAD provides an annual summary written report to the partners, setting out any current concerns and obtaining prompt responses and actions as necessary.

QAD provides feedback to Partners about each principal and manager reviewed and this information is then used within the appraisal process as necessary.

The quarterly RI regional meetings are attended by one of the QAD team members and each meeting includes a section devoted to quality.



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# ETHICS AND INDEPENDENCE

## THE FIRM DEVOTES A HIGH DEGREE OF RESOURCE TO ETHICS

Ethics materials and personal advice are readily available to staff at all levels, covering the external ethical obligations to which the firm is subject as well as its own ethical policies and access to advice from the Ethics Partner or a member of the Ethics Team on request and at any time of day.

Staff receive regular short messages on ethics via front page intranet news alerts e.g. around gifts and hospitality. This is supplemented by an ad hoc newsletter, which goes to all staff directly from the Ethics Partner.

## ETHICS PARTNER, ETHICS TEAM AND PANEL

The Ethics Partner keeps members of the Panel informed on operational and policy related issues and briefs its members on his expectations across all of the service lines. The Terms of Reference of the Panel acknowledge the Ethics Partner's entitlement to determine any matter related to the taking on, continuation of, and disengagement from an audit engagement for ethical reasons, an entitlement emphasised by the Ethics Partner's own Terms of Reference. The Ethics Partner prepares and distributes the agenda for Panel meetings.

The firm's ethical policies lies with the Ethics Partner, assisted by the Ethics Team. It is the Ethics Partner's function to act as the ultimate arbiter of the application of the ethical codes to any given set of circumstances and all partners and audit staff are apprised of the need to consult the Ethics Team on any issue, particularly of interpretation, that they are unclear about.

In addition to the above, there are internal reviews of independence practices Each year, a summary report in relation to the independence declarations that all principals and staff need to make is provided to the Ethics Partner.

## POLICIES AND PROCEDURES

The firm has well-established systems and procedures in place to help safeguard the objectivity of staff and avoid conflicts of interest, whilst complying with ethical and other applicable standards.

Partners and staff are required to declare financial interests held by themselves, members of their immediate or close family or in their capacity as trustee in any client or affiliate.

Similarly, policies are in place providing guidance on business relationships and the purchasing of goods and services in the normal course of business. The annual declarations

completed by staff, partners and consultants are monitored for any change in business relationships.

Compliance with the firm's audit rotation policy is monitored and is applied to all audit partners and senior members of staff involved in an audit.

There are clear guidelines for dealing with gifts, hospitality and sponsorship so that any self-interest threat is avoided and objectivity is not impaired. The firm has a clear and extensive

gifts and hospitality policy in place to determine whether or not a gift or hospitality should be accepted and it is kept refreshed.





# RISK MANAGEMENT

All staff and partners are expected to embody the values of the firm with regards to risk and follow correct procedures. The promotion of risk mitigation is a key theme at audit workshops and RI meetings.

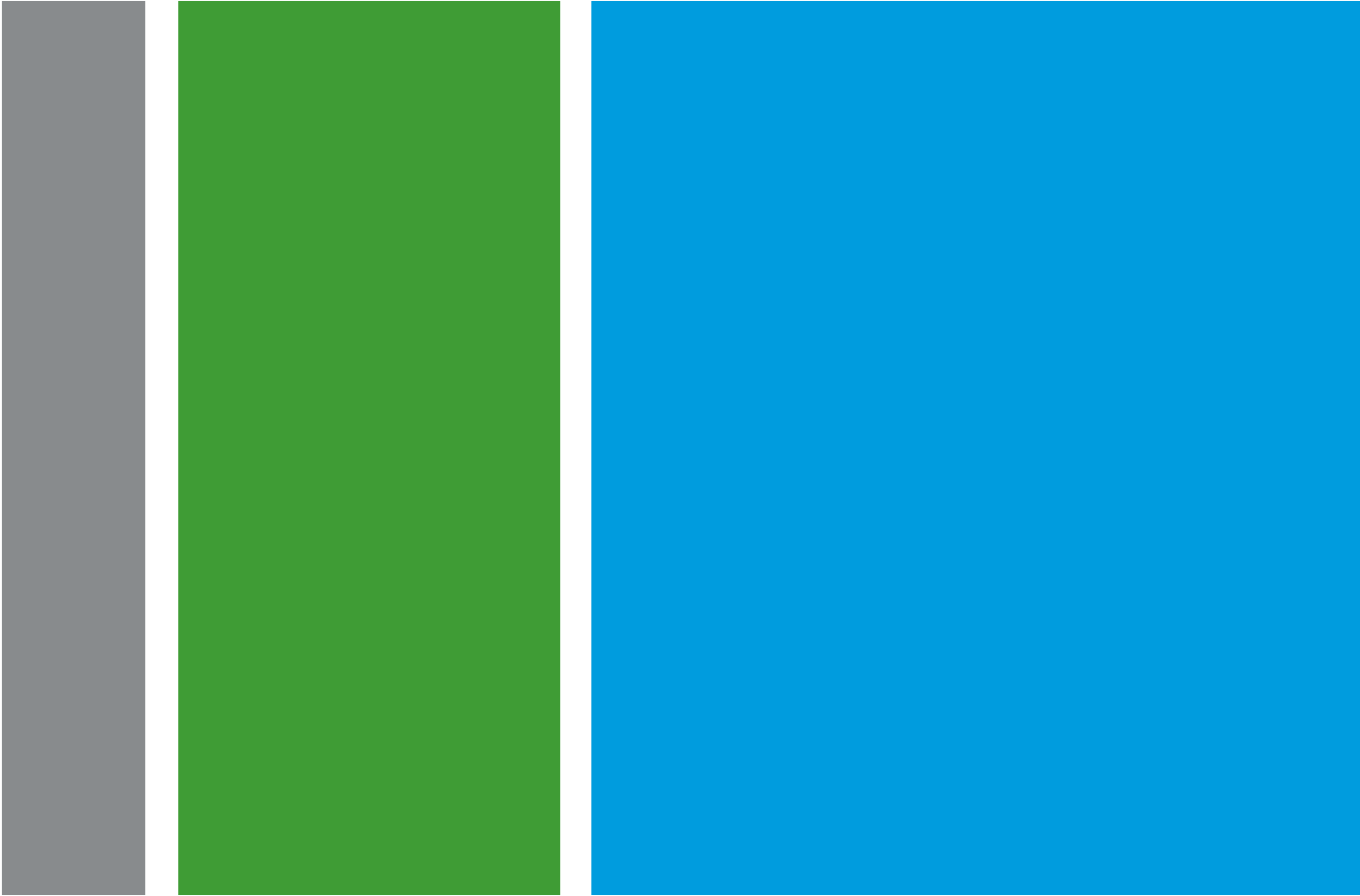
## RISK MANAGEMENT PROCEDURES

Across the firm, the management has primary responsibility for dealing with strategic and operational risk management including internal controls. The firm has also established an internal Risk Advisory Group which is led by the head of operations and comprises members from its Compliance, Legal and QA teams. Their work is to look at risk matters and internal controls within the firm and advise and support management to improve risk management strategy, operations and internal controls.

The firm requires the completion of the Client and Engagement Acceptance Programme (CEAP) for all new clients and additional and continuing engagements in relation to existing clients. The programme is designed to assist in identifying and managing risk, including the risk of breaching ethical standards, and incorporates an automated upward review and

authorisation process. It forms an important element of the firm's procedures to enable the firm to obtain reasonable assurance that it, and its personnel, comply with those standards before undertaking or retaining an engagement. Compliance and QAD undertake frequent checks to ensure procedures are being followed appropriately. System is continually enhanced and extensive intranet guidance and training is provided to users.

A wide Risk Register has been compiled and is used by QAD in the performance of an internal audit function. The compilation of the Risk Register and the review of effectiveness of controls have made use of the FRC Guidance on Risk Management and Internal Control.



# Audit Approach



# OUR TRANSITION PHILOSOPHY

We realize that a change in the statutory audit relationship can be a significant undertaking for a company for your complexity. The transition needs to be approached with great care and professionalism. Our team has significant experience in determining a smooth auditor transition, based on successful transition at many complex organisations.



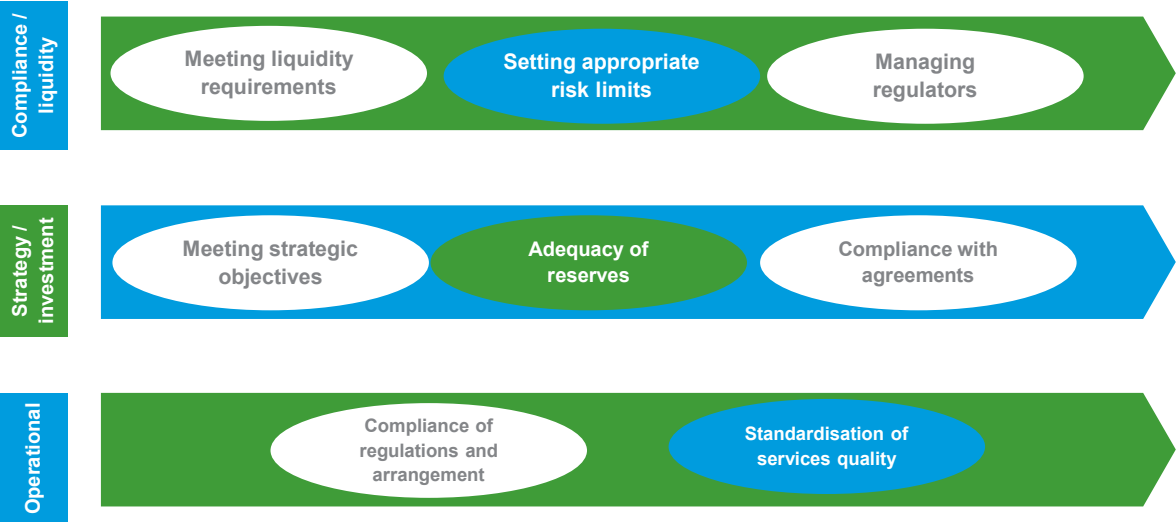


# AUDIT APPROACH

Our audit will be aligned to your business drivers and challenges. We will ensure quality and timely delivery with an emphasis on proactive and pre-emptive advice and above all a quality audit opinion.

### Risk assessment and impact on our audit approach:

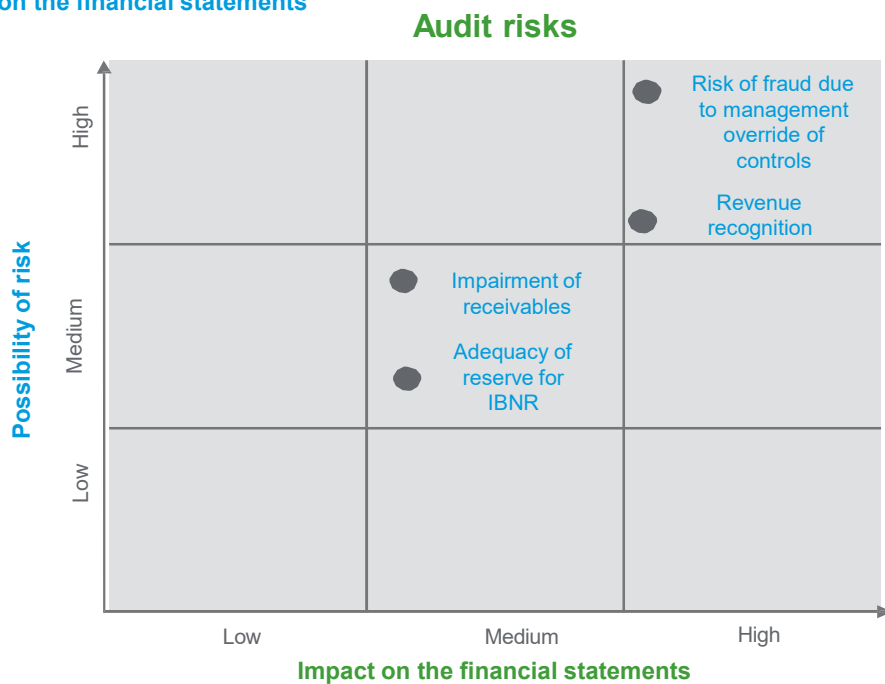
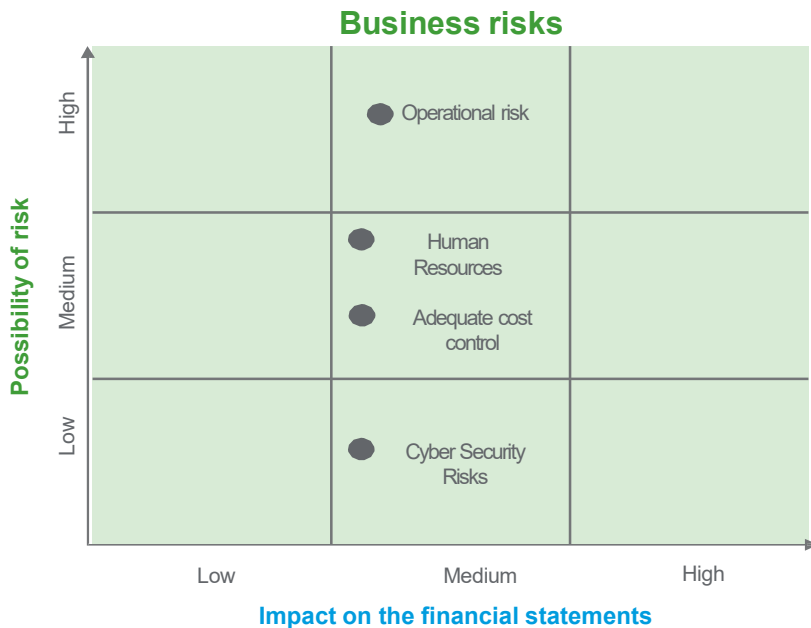
Our audit is risk based and therefore knowledge of your business risks is the most essential part of our approach. Based on our understanding through meetings with senior management, review of annual reports and using our understanding of companies operating in similar industries, we have developed the following risk map that will be in core focus for the audit (*but not limited to*). The risk map identifies key risks and how these are translated into audit risk. We would present and discuss this in more details during audit planning workshop.



# TAILORED AUDIT APPROACH

Our audit is risk based – knowledge of the industry is key when accessing the risks faced by the Company. We use our unrivaled knowledge of the issues faced by similar companies to inform our risk assessment.

We plot out the various Business and Audit risks the Company may face, along with their magnitude of impact and likelihood of occurrence, in the table below:



# TAILORED AUDIT APPROACH (Cont.)

## Delivering a proactive, timely, robust and 'no surprises' audit

Our robust risk-based audit approach uses a globally consistent methodology and leverages technology platforms to identify key focus areas and engage with clients proactively to address them. Some of the key elements of our audit approach, which enable us to deliver a 'no surprises' audit consistently are set out below:



We are geared to meet audit completion deadlines - even the most stringent timelines



We engage with you closely to anticipate issues ahead of time



We are proactive and provide prompt feedback on reporting and compliance related



developments We have extensive experience in working in multiple locations



Our audit planning and approach is risk-based and focuses on what is relevant



Significant audit senior management presence throughout the engagement



Skills and proven experience in audit transition

*RSM delivered strong growth in 2019 but, for that to be sustainable, we must maintain a focus on quality and remain dedicated to ensuring that we also continue to meet and exceed the expectations of our rapidly growing, international client base."*

*"Our strategy for this year includes expansion into new markets, expanding our capabilities and footprint through aggressive M&A strategies, creating new products and services and identifying emerging new sectors - while delivering the service and expertise our clients expect."*

**Jean Stephen CEO of RSM international**

# TAILORED AUDIT APPROACH (Cont.)

## Delivering a proactive, timely, robust and ‘no surprises’ audit

Your expectations	Our response
<ul style="list-style-type: none"> <li>• Coordination</li> <li>• Sector insights</li> <li>• No surprises</li> <li>• Independent challenge; yet solution driven</li> <li>• Timely delivery</li> <li>• Continuity</li> </ul>	<p>Strong project management across multiple locations through:</p> <ul style="list-style-type: none"> <li>• A core team with significant experience that is hands on and leads from the front</li> <li>• Upfront discussions with management</li> <li>• Build strong relationships</li> <li>• Periodic meetings with management and site visits</li> <li>• Use of issue tracker for early resolution</li> <li>• Identifying and sharing good practices in business process and controls</li> <li>• Ensuring quality audit at all levels</li> <li>• Identifying and proactively communicating opportunities for performance improvement through management letters</li> <li>• Subject matter experts support from IT, taxation, accounting advisory and forensic experts wherever required</li> </ul>

### Service charter

- Understanding your business
  - Risk-based audit approach
  - Dedicated points of contact
  - Proactive and client centric approach
  - Robust project management
  - Early resolution of issues
  - Timely communication and delivery
- **Understanding your business** is central to our audit. Through upfront and ongoing interactions with your teams, we will seek to enhance our understanding of the key drivers of your business, and emerging issues and challenges that have an impact on the Company’s financial statements.
- Our audit approach is **risk-based**. Based on the risk assessment which will be agreed with you, we will focus on your key financial statement risks and the controls that mitigate those risks.
- Kamran Naseem** will be your **points of contact** and will be responsible for the overall scoping for the Company.
- Our **proactive and client centric approach** will ensure that the impact on your financial statements arising from regulatory changes, new accounting standards / guidance are discussed and evaluated upfront and compliance requirements are adhered to. We will leverage on our extensive experience in the industry and our access to our global network.
- Our approach is centered on **robust project management**. A centrally controlled and coordinated planning process will ensure co-ordination and synergies, and a ‘no surprises’ audit.
- Our approach, ensures deep ongoing involvement of the Engagement Leader. He and the team will engage closely with all relevant stakeholders contemporaneously as issues arise. We believe in resolution of issues through interpersonal and ongoing transparent communications.
- We have applied this approach on multiple global audit engagements across geographies. The core team will ensure a consistent application resulting in seamless delivery to you.**

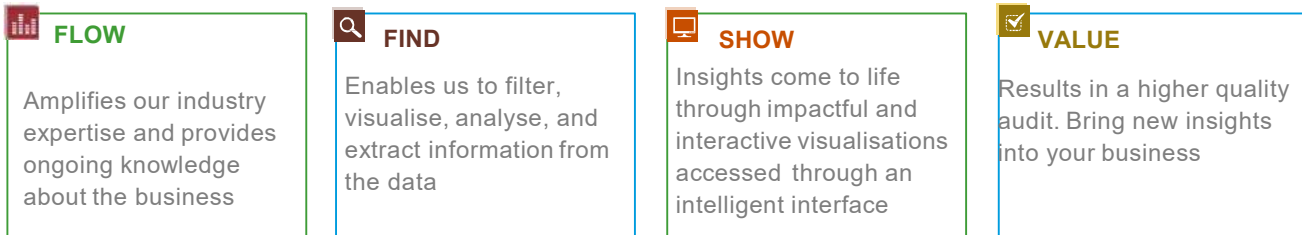


# TAILORED AUDIT APPROACH (Cont.)

## Leveraging technology in audit

### Our dynamic audit takes a rigorous journey through the data

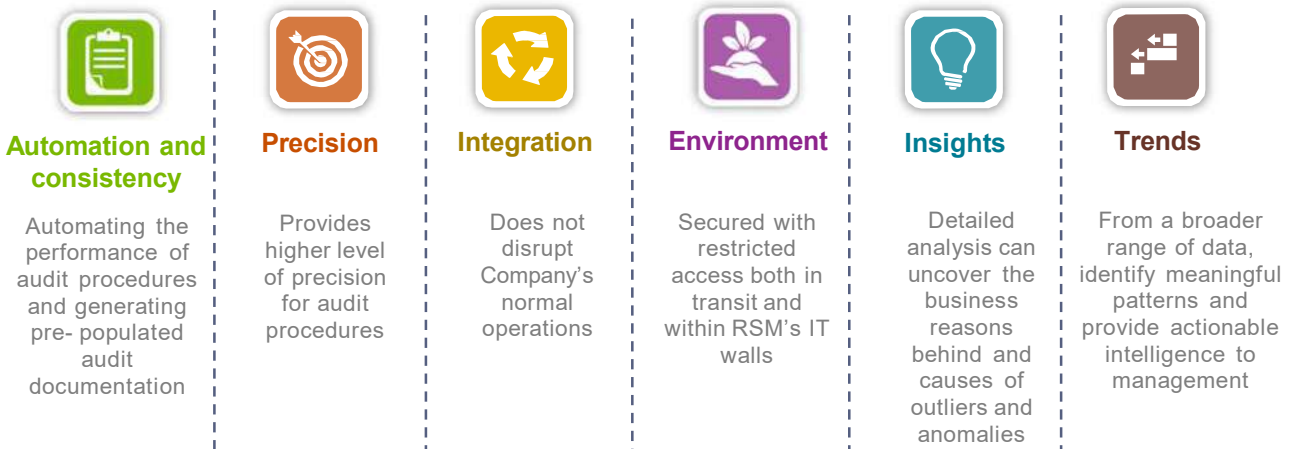
Our dynamic audit, powered by D&A innovations, digs deeper into the data, revealing more about the business and its risks. This, combined with a relentless commitment to quality, makes for a highly effective and very insightful audit. And we think that's of value.



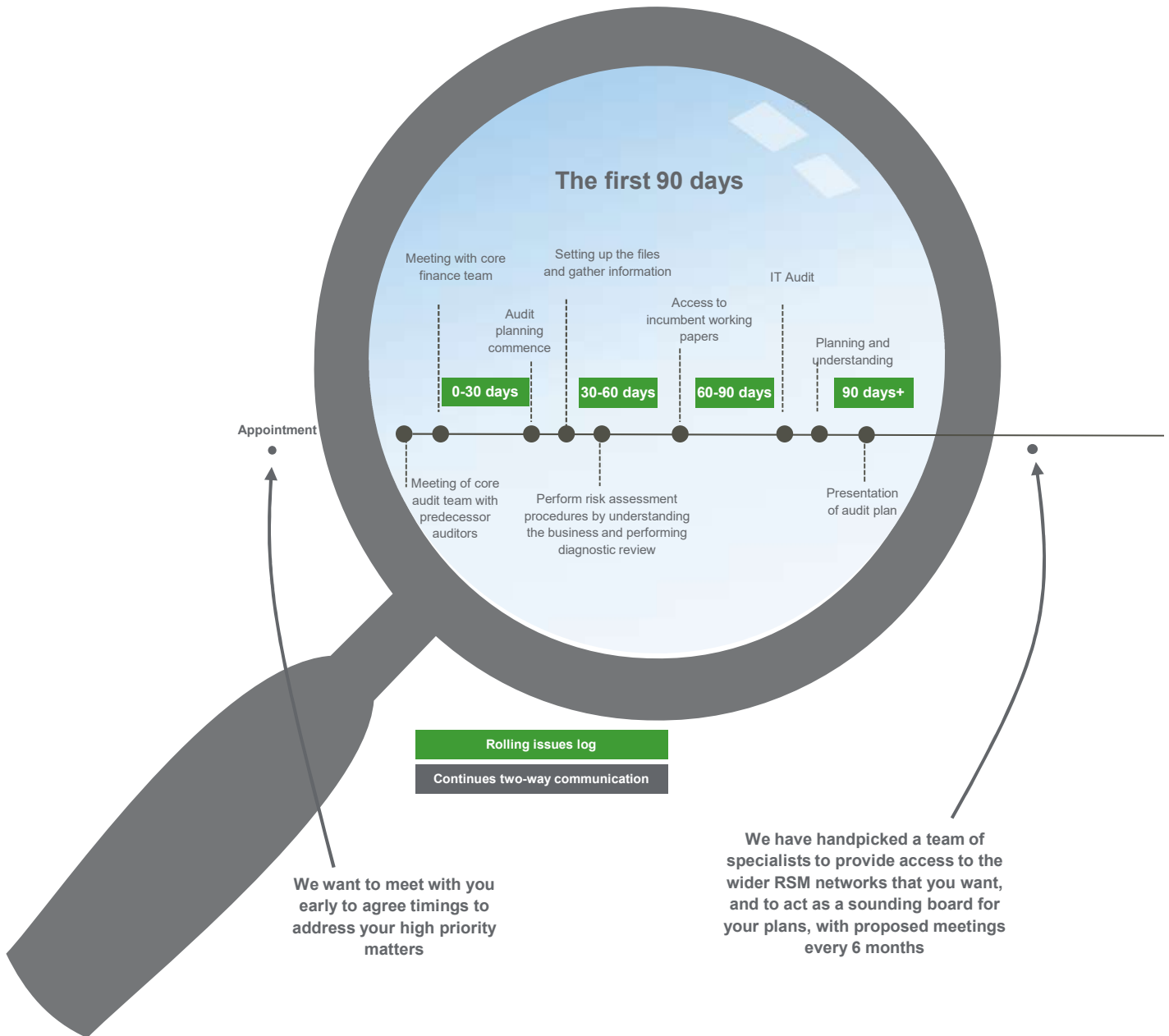
### Using the right tools

The fundamental principle in our audit approach is to first define what we want to achieve and then select the right tool for the job. We will assess your processes, data structures and systems that will support our planned approach.

RSM is one of RSM's electronic audit tools that uses D&A to assist engagement teams in performing audit procedures over general ledger and transaction-level data extracted from the Company's ERP and an accounting system. Benefits of this tools include:

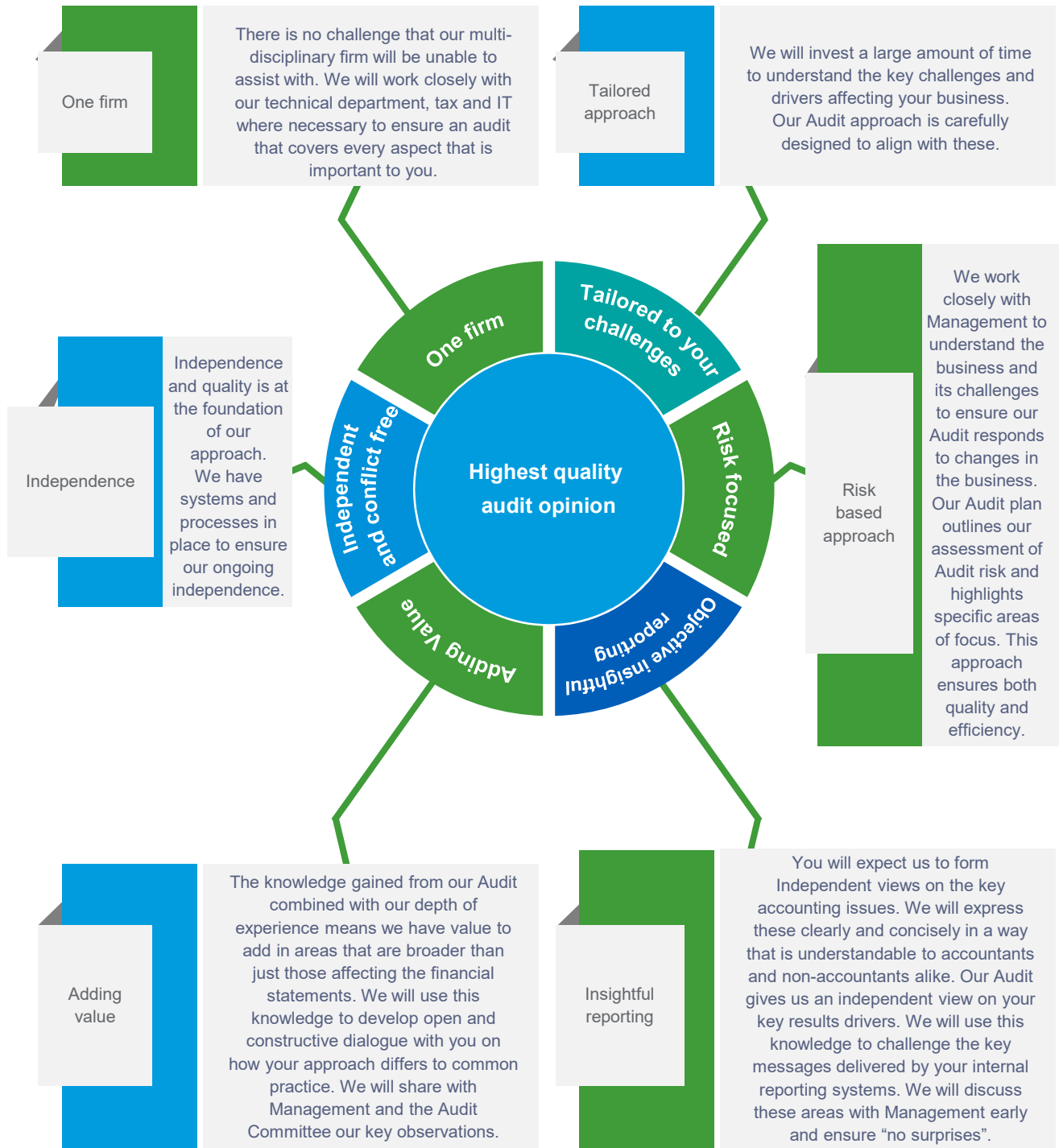


# No surprises approach.... always a step ahead



# AUDIT SUCCESS FACTORS

Our risk based audit approach is based on several elements which we believe contribute to a successful audit



# VALUE ADDED

## Advice beyond audit

We seek to provide our audit clients with advice beyond a statutory audit. Elements of this philosophy that would benefit the Company are listed below:

### Thought Leadership and Newsletters:



- Access to newsletters and knowledge updates:
  - Accounting and Auditing Update
  - Voices on Reporting
  - First Notes

### Working with regulators



- Close engagement with regulators
- Active participation in initiatives of the SOCPA, including membership of Committees and Working Groups
- Leadership on IFRS convergence initiatives

### Training / Benchmarking



- Training and awareness sessions on regulatory, compliance and financial reporting developments
- Benchmarking of accounting policies with Saudi and global peers in the sector through Accounting Advisory subject matter experts

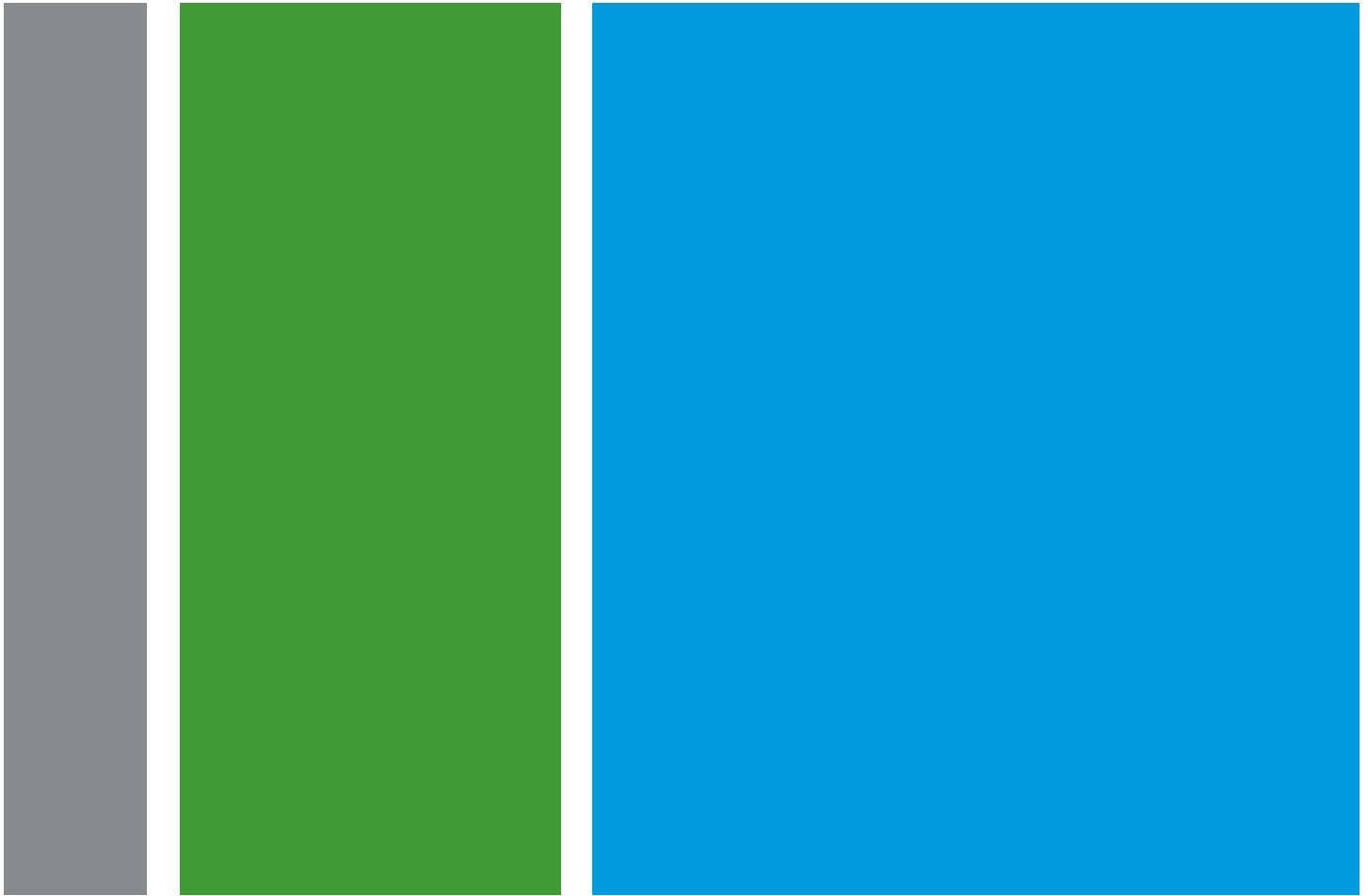
### Other initiatives



- Access to the International Standards Group – specialists based in London
- Working with independent directors

*Globally, RSM audit teams are coordinated or assisted by our Global Engagement Leaders, whose role it is to ensure the seamless delivery of high quality audit services to our global clients.*





## Our credentials





## Our experience

### Audit & Assurance



الشركة السعودية لإنتاج الأنابيب الفخارية  
SAUDI VITRIFIED CLAY PIPE CO.





## Our experience

IFRS, ADVISORY, VAT, IKTVA & OTHERS



مؤسسة الملك عبدالعزيز ورجاله للموهبة والإبداع  
King Abdulaziz & his Companions Foundation for Giftedness & Creativity



## CLIENT FEEDBACK

It is vital that audits are robust and independent but they also need to deliver a useful product to business managers and audit committees. We regularly carry out face to face interviews with our clients. These are conducted by personnel who have not been involved with any aspect of the service.

Each client interview is reviewed by the management and any issues on audit quality or service are addressed with the RI and the team. When particular themes emerge these are discussed and addressed the Management.

We frequently conducts reviews on audit clients. Clients were given the opportunity to comment on quality in delivery, staff competence and integrity.

### Key themes



 Thorough upfront audit planning	 Efficient and smooth fieldwork	 Excellent sector knowledge
 Understanding of the business	 Professional staff	 Technically competent and up to date with regulatory changes
 Right level of challenge	 Delivery of robust, thorough and reliable audits	 Sensible, relevant questions
 Attendance at Trustee and/or audit committee meetings	 Maintaining independence through rotation and not getting too 'cosy'	



# DIFFERENT TYPES OF ACTIVITIES THAT INSPIRE AND ENGAGE OUR PEOPLE

## Daily Activities & Customs

Small gestures that make a difference

- Celebrating national customs & world days (1<sup>st</sup> of March, International Women's Day etc)
- Internal mini games (Office Olympics, Guess Who picture game etc.)
- Company board sharing birthdays, name days, work anniversaries, quotes

## Annual Company Events

Larger activities that our colleagues anticipate

- RSM World Day (always includes team building activities)
- Themed company meetings
- Company celebratory events (Christmas Party, Wine Tasting, Cooking Classes e.t.c)

## Idea contribution and event planning across functions

Engaging colleagues and creating committees with team members from several departments to take on the general arrangements for each event.



<https://www.rsm.global/news>

<https://www.linkedin.com/company/rsm-saudi-arabia/>

<https://twitter.com/ArabiaRsm>

<https://www.instagram.com/rsmsaudi Arabia/>

<https://www.youtube.com/channel/UCLMV1S6DYjUloU35u-26DUg/>

<https://www.facebook.com/RSMKSA/>

# RSM IN SAUDI ARABIA HAS ACHIEVED MANY RECOGNITIONS IN THE RECENT PAST

- The Saudi Accountants Forum awarded RSM with the Best Enterprise Award 2019.
- RSM Participate in IKTVA Workshop 2015

Mohammad Al Nader Honoring award from Saudi Accountants Forum ( SAF)



Participating in Saudi Accountants Forum ( SAF)



Participating in IKTVA Workshop

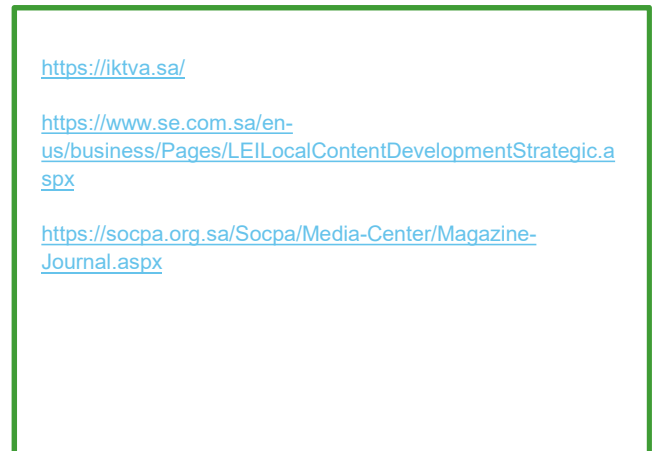
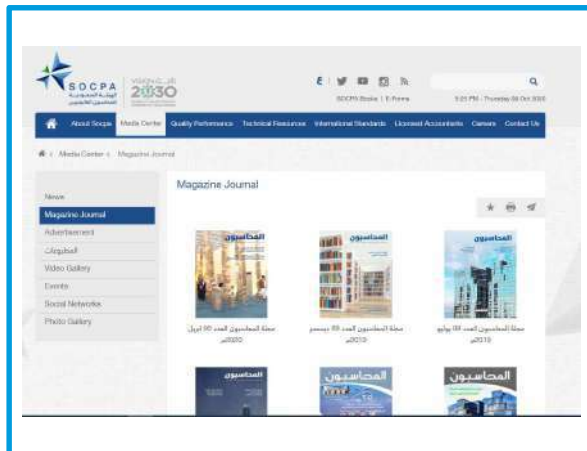


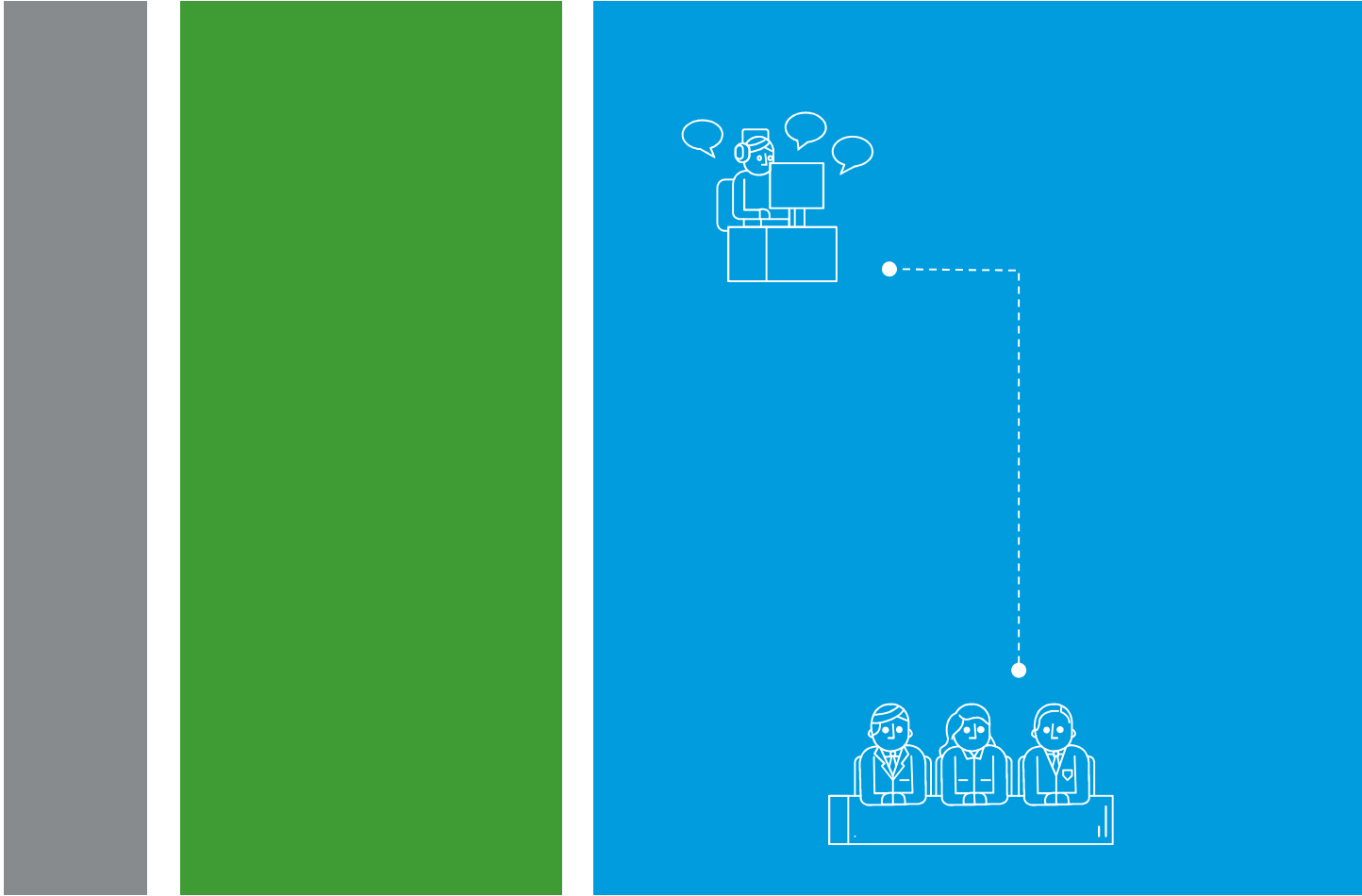
We are proud of our awards and will continue to do all that we can to ensure that our people have the best working environment and our clients have access to the best resources in the Kingdom of Saudi Arabia. Our Partners and RSM International are supportive of these initiatives as we build a culture of respect, satisfaction, transparency and fun.



Mohammed Al Nader  
Managing Partner

# OTHER ASSUANCE SERVICES





# Team CVs





**Mohammed Al Nader, SOCPA, CPA, Mcs**  
**Managing Partner**  
**Kingdom of Saudi Arabia**  
Mobile # +966(55)228 4828  
[malnader@rsmsaudi.com](mailto:malnader@rsmsaudi.com)

Al Nader is Managing Partner of RSM in Saudi Arabia. He has experience in providing a range of consultancy services in GCC. He has extensive experience in IFRS, US, and Canada GAAP. He has worked with Big Four auditing firms providing audit and advisory services to major banks, investment companies, telecom industries and other industries.

The portfolio managed by Mr. Al Nader includes some major and listed companies in the Kingdom of Saudi Arabia, such as Saudi Telecommunication Company (STC), Saudi Arabian Basic Industrial Company (SABIC), Al Bilad Bank, Riyad Bank, and major capital companies in Canada, such as Merle launch, State street, Permal Group, Alange Energy Corp (Oil and Gas, Public Company- Toronto Exchange Market) and Shell Chemicals.

He has led risk based compliance reviews / inspections of several regulated entities in Saudi Arabia mainly in the financial services sector. These projects were conducted on behalf of the respective regulators.

Al Nader is also member of Audit Committee and Board of Directors of various listed companies.

*"I have personally ensured that the right team is available to serve you. You will get nothing less than total dedication from your audit team. I am satisfied that all the resources that you require are made available to you, and that you will see a continuous and on-going effort towards service improvement and delivering added value".*

**Mohammad Al Nader**



**Kamran Naseem, FCA**  
**Assurance Leader**  
**Kingdom of Saudi Arabia**  
Mobile # +966 (50) 167 8870  
[knaseem@rsmSaudi.com](mailto:knaseem@rsmSaudi.com)

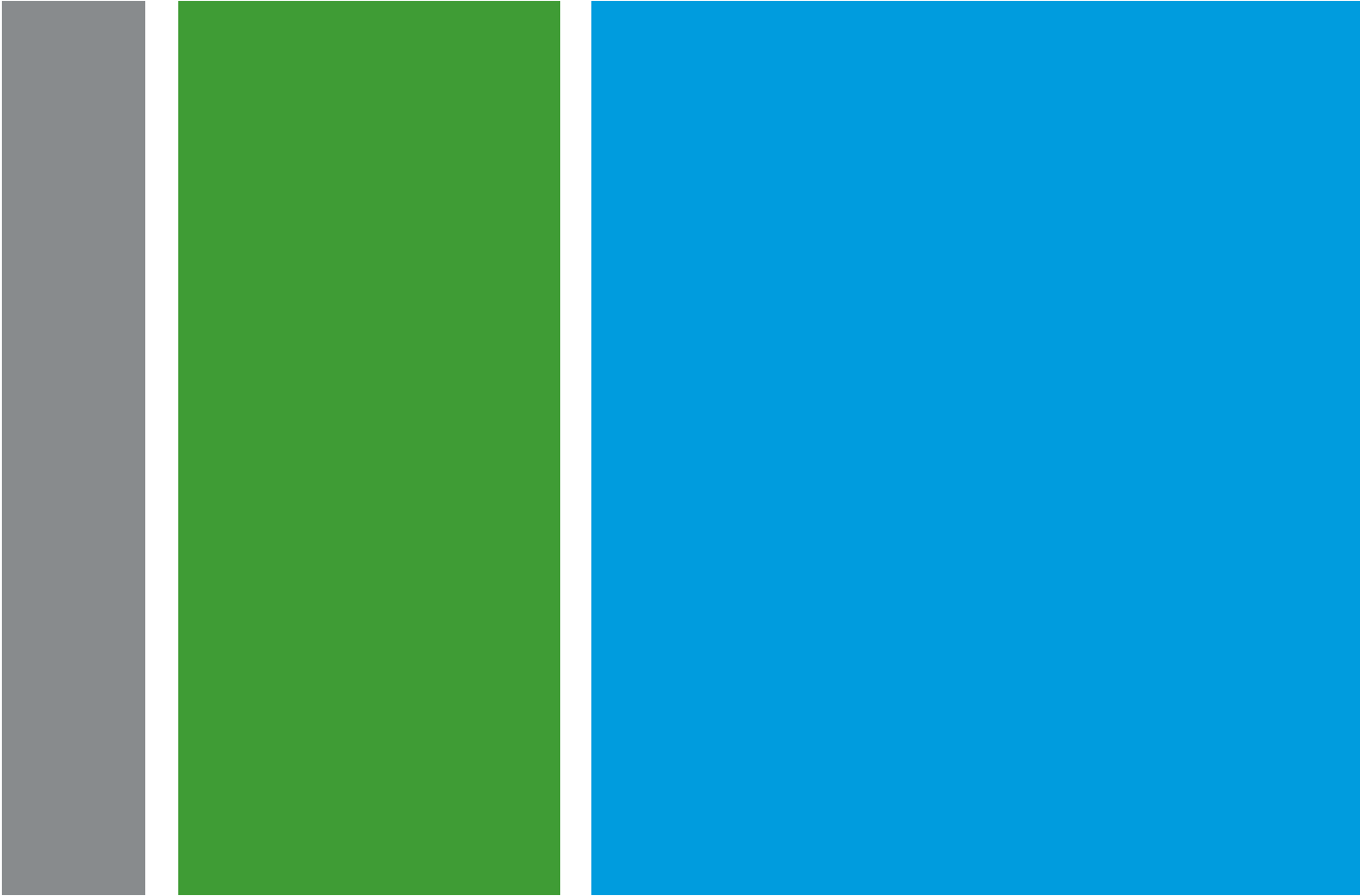
Kamran is the Assurance leader of RSM in Saudi Arabia. He has over 20 years of experience in providing a range of assurance services in Saudi Arabia and Pakistan. He is a technology driven leader and always focused on the exceeding the clients expectations by bringing in new ways to streamline the service delivery, understanding the clients needs and delivering high value product.

He has preciously worked with a B4 professional firm and provided assurance and related services to his clients. His client portfolio include companies operating in petrochemicals, engineering and construction, retail, industrial manufacturing and other sectors. Few of his key clients were Saudi Kayan Petrochemical Company, Al Jubail Petrochemical Company, Saudi Petrochemical Company, Nesma & Partners Contracting Company Ltd., Sinopec Group, Saudi Arabian Bechtel Company, Al Rashed Group, Rawabi Vallianz Offshore Services, Nobel Drilling Company, Shelf Drilling Company, KCA Duetag Drilling etc.

He has also led various other assurance projects for the petrochemicals and other companies in Saudi Arabia including compliance testing of various agreements e.g. marketing and off take agreement, joint production etc., IFRS conversions, IFRS advisory etc.

*"I have always brought a fresh perspective for my clients and worked closely with the senior management to understand their business needs and objectives. One of the key challenge for clients is auditor transition which I have ensured by deploying teams with the right skill set, early commencing the audit work and working closely with clients to avoid any surprises. I always believed that only the value added service provider can survive in this competitive market and my clients have always appreciated the value added to them".*

**Kamran Naseem**



# Commercial



# COMMERCIALS

Our overriding philosophy is to provide with a high quality, value for money service. Our fees are based on the degree of skills and experience required for the engagement through combination of Senior Director level resources accompanied by Subject Matter Experts and consultants to ensure that tasks are done right at the first time.

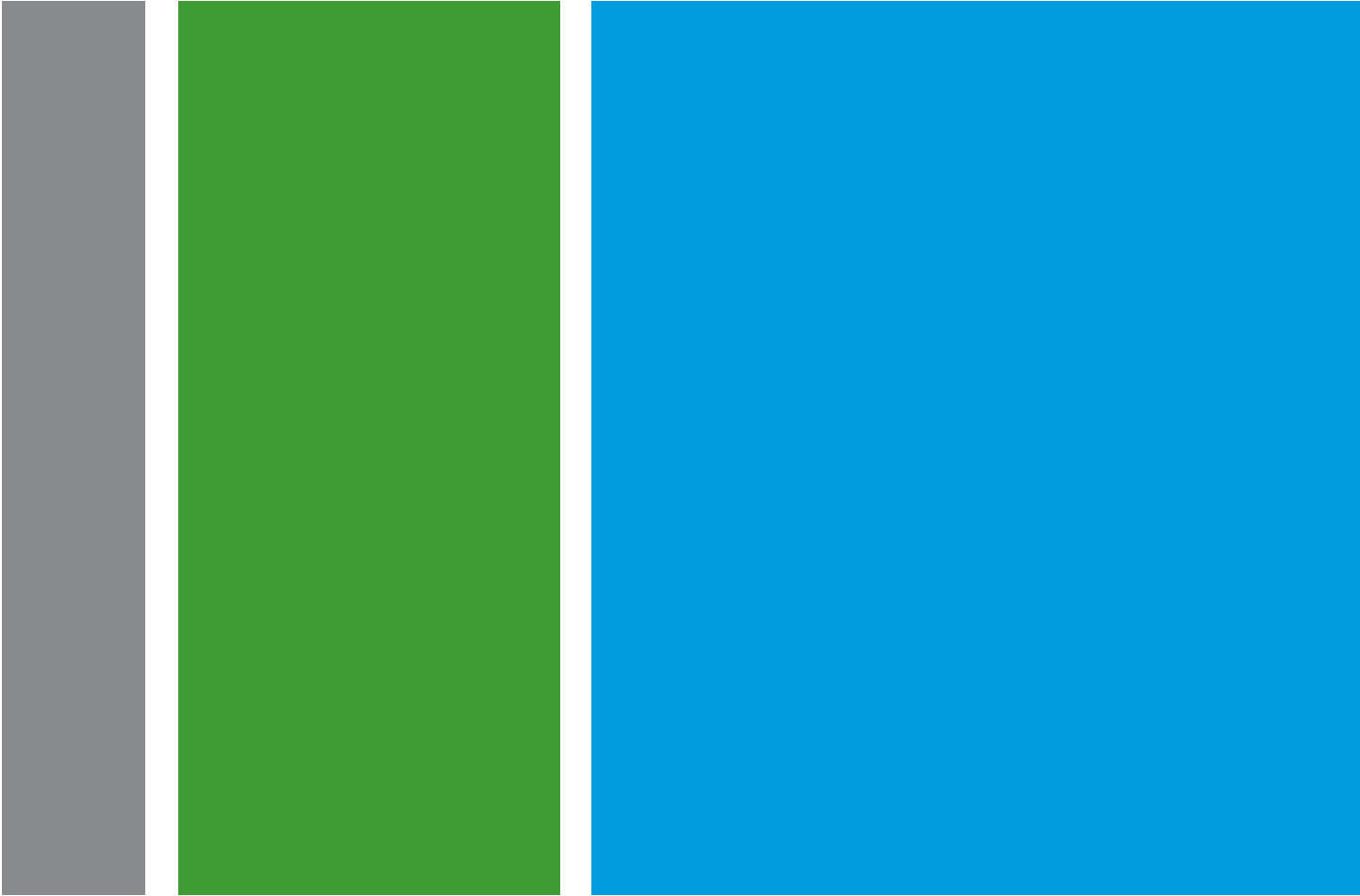
Generally, our fees are based upon hours of professional services at standard rates, according to the level of individuals assigned to the engagement, plus out-of-pocket expenses. However, based on the preliminary information made available to us, we estimate our total fees as follows:

Sr#	Services	Fees (SAR)
1	Audit and interim review services	299,000
	<b>Total two hundred and ninety-nine thousands Saudi Riyal only</b>	<b>299,000</b>

## Notes:

- The size and complexity of the business will not change significantly (changes might cause a revision to quoted fees upon signing the engagement letter).
- You will provide key documents on the dates agreed and there will not be any significant delays beyond our control.
- We will be able to place reasonable reliance on the Company's internal controls, documents and records.
- Our proposed fee (exclusive of applicable VAT).
- Our proposal is subject to our customary client evaluation procedures which are in progress and signing of a formal engagement letter.





# Our Presence in Saudi Arabia



# KINGDOM OF SAUDI ARABIA

## RIYADH

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## JEDDAH

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## AL-KHOBAR

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**THANK YOU FOR  
CONSIDERING  
RSM FOR THIS  
OPPORTUNITY**

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التصويت على تعيين مراجعي حسابات الشركة من بين المرشحين بناء على توصية لجنة المراجعة، وذلك لفحص ومراجعة وتدقيق القوائم المالية للربع الثاني والثالث والسنوي من العام المالي 2021م والربع الأول من العام 2022م وتحديد أتعابهم.

Voting on the appointment of External Auditors among the nominated based on the recommendation of the Audit Committee to review and audit the financial statements of the second & third quarter and annual statements for the year 2021 and first quarter of 2022, and determination of their fees.2020.

الأتعاب	الشركة
750,000 ريال سعودي	شركة برايس وترهاوس كوبرز محاسبون قانونيون (PwC) <i>Price water house Coopers company legal accountants</i>
299,000 ريال سعودي	شركة الدكتور عبدالقادر بانقا وشركاه المحاسبون المتحدون (RSM) <i>Dr. Abdelgader Bannaga &amp; Partners Company Allied Accountants</i>