

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

**FINANCIAL STATEMENTS  
TOGETHER WITH THE  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

**Opinion**

We have audited the financial statements of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise of Statement of financial position as at 31 December 2021, statements of income, statements of comprehensive income and the statements of changes in shareholders' equity and cash flows for the year then ended, and the accompanying notes which form an integral part of these financial statements.

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

**Basis for Opinion**

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

**Key Audit Matters**

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



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**Key audit matter**

***Valuation of ultimate claim liabilities arising from insurance contracts***

As at 31 December 2021, gross outstanding claims, gross claims incurred but not reported (IBNR) and others amounted to Saudi Riyals 744 million, Saudi Riyals 463 million and Saudi Riyals 144 million respectively as reported in Note 11 to the financial statements.

The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs.

In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

We considered this as a key audit matter since use of management assumptions and judgements could result in material over / understatement of the Company's profitability.

*The Company's policies for claims and related judgments and estimates are disclosed in note 5 and 6 to the financial statements respectively. Liabilities for outstanding claims including IBNR and claims incurred have been disclosed in note 11 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been disclosed in note 32 to the financial statements.*

**How our audit addressed the key audit matter**

We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.

We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity.

In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.

In order to assess management's methodologies and assumptions, we were assisted by our actuarial expert to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our expert actuarial performed the following:

- Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought sufficient justification for any significant differences.
- Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge.
- Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.





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**Key Audit Matters (Continued)**

**Key audit matter**

**Valuation of Goodwill**

At 31 December 2021, the Company had goodwill amounting to Saudi Riyals 480 million, which represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired.

Management reviews goodwill for impairment annually, and assesses the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. As per IAS 36, an impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

As management believes that Fair value less cost to sell analysis provides higher value compared to value in use, therefore, Fair value less cost to sell analysis are used for impairment valuation. Management uses its expert to perform fair value less cost to sell analysis that use market approach to determine the need for impairment. In arriving at the valuation under market approach, the expert applied certain judgments and factors including trends in share prices, stock index liquidity, book price multiple, comparable companies' analysis and comparable transaction analysis, etc.

We considered this as a key audit matter as the estimation of recoverable value of the CGU involve the application of management judgment and estimation.

*Refer to the significant accounting policies note 5 to the financial statements, note 6 which explains the valuation methodology used by the Company and critical judgment and estimates.*

**How our audit addressed the key audit matter**

We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity.

We evaluated the source data of significance to the management's expert's work for relevance, completeness and accuracy by performing the following procedures:

- Inquired of the expert to determine how the expert has obtained satisfaction that the data used is relevant, complete and accurate;
- Reviewed the data for completeness and internal consistency; and
- Agreed the data to supporting documentation.

We gained an understanding and evaluated methods and assumptions that are significant to the management's expert's work for their relevance and reasonableness by reviewing the expert's report and cross checked their consistency with other audit evidence.



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**Key Audit Matters (Continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Insurance and reinsurance receivables</i></b></p> <p>As at 31 December 2021, the Company had insurance and reinsurance receivables of Saudi Riyals 775 million and Saudi Riyals 303 million respectively, against which an impairment provision of Saudi Riyals 83 million and Saudi Riyals 156 million was maintained, respectively.</p> <p>We considered this as a key audit matter as the assessment of impairment requires subjective judgments with respect to the estimation of the amount and timing of future cash flows. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms. For individually significant receivables, the Company also assesses the impairment individually on a regular basis.</p> <p><i>Refer to note 5 of the financial statements for the accounting policy relating to the impairment of insurance and reinsurance receivables, note 6 for the critical accounting estimates and judgments and note 9 for the disclosure of premium and reinsurers' receivable - net.</i></p>	<p>We also carried-out the following audit procedures:</p> <ul style="list-style-type: none"> <li>- Reviewed the methodology and judgment used and challenged management's key assumptions used in assessing impairment.</li> <li>- On sample basis checked the completeness and accuracy of the insurance and reinsurance aging reports by tracing the balances to the source documents.</li> <li>- On sample basis, requested external confirmations of the outstanding amount from counterparties and where responses were poor, we performed alternative tests to ensure existence and accuracy of those receivables.</li> <li>- Challenged management's key assumptions over credit risk and the calculation methodology, including correspondence with the insurer and reinsurers to assess recoverability.</li> <li>- Considered the consistency of the approach with the prior years, and enquired about any major variations and changes in key assumptions and its basis.</li> <li>- Considered adequacy of disclosures in the financial statements in accordance with the requirements of International Financial Reporting Standards.</li> </ul>

**INDEPENDENT AUDITORS' REPORT  
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**Other information included in the Company's 2021 Annual Report**

The Board of Directors of the Company (the Directors) are responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

**Responsibilities of Those Charged with Governance for the Financial Statements**

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

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

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



**INDEPENDENT AUDITORS' REPORT  
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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 "ISAs" as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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





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

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

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

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Certified Public Accountant  
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**09 March 2022**  
**06 Shaban 1443H**



**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

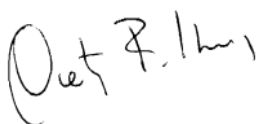
AS AT DECEMBER 31, 2021

		SAR '000	
	Notes	December 31, 2021 (Audited)	December 31, 2020 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	7	597,682	417,509
Short term deposits	8	50,000	18,477
Premium and reinsurers' receivable, net	9	838,577	866,983
Reinsurers' share of unearned premiums	15	260,855	220,301
Reinsurers' share of outstanding claims	11 a	546,540	474,022
Reinsurers' share of claims incurred but not reported	11 a	179,028	261,982
Deferred policy acquisition costs	16	49,897	60,156
Due from related parties, net	10	1,994	1,994
Prepayment and other assets, net	14	231,611	229,842
Available for sale investments	13	662,439	590,916
Right of use assets, net	17	8,129	16,285
Property and equipment, net	18	46,464	46,548
Intangible assets, net	18	12,108	7,094
Statutory deposit	19	120,000	120,000
Investment in an associate	12	11,799	9,734
Accrued commission on statutory deposit	29	28,158	26,626
Goodwill	20	480,000	480,000
<b>TOTAL ASSETS</b>		<b>4,125,281</b>	<b>3,848,469</b>

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



Chairman of the  
Board of Directors



Chief Executive Officer



Chief Financial Officer

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS AT DECEMBER 31, 2021**

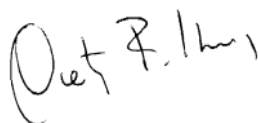
AS AT DECEMBER 31, 2021

		SAR '000	
	Notes	December 31, 2021 (Audited)	December 31, 2020 (Audited)
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	21	265,167	192,132
Accounts and commission payable		256,861	144,715
Lease liability	22	8,534	16,596
Reinsurers' balances payable		155,259	165,531
Gross unearned premiums	15	897,653	1,023,041
Unearned reinsurance commission	24	18,034	32,914
Gross outstanding claims	11 a	743,807	685,512
Claims incurred but not reported	11 a	463,364	614,201
Premium deficiency reserve	11 b	77,810	31,456
Other technical reserves	11 b	65,942	27,294
Due to a related party	10	2,048	751
End of service indemnities	23	28,770	24,405
Surplus distribution payable		82,762	89,393
Zakat & income tax	27	14,025	12,767
Deferred tax liability	27	2,438	1,438
Accrued commission income payable to SAMA	29	28,158	26,626
<b>TOTAL LIABILITIES</b>		<b>3,110,632</b>	<b>3,088,772</b>
<b>EQUITY</b>			
Share capital	28 a	1,050,000	800,000
Share premium		70,000	-
Statutory reserve		26,135	26,135
Accumulated losses		(147,611)	(99,569)
Re-measurement of defined benefit liability – employees benefits	23	(9,557)	(5,505)
Fair values reserve on investments		25,682	38,636
<b>TOTAL EQUITY</b>		<b>1,014,649</b>	<b>759,697</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,125,281</b>	<b>3,848,469</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
	31		

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



Chairman of the  
Board of Directors



Chief Executive Officer



Chief Financial Officer



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

**STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2021**

FOR THE YEAR ENDED DECEMBER 31, 2021

		SAR'000	
	Notes	December 31, 2021 (Audited)	December 31, 2020 (Audited)
<b>REVENUES</b>			
Gross premiums written			
-Direct		2,236,222	2,534,501
-Reinsurance		-	-
		<u>2,236,222</u>	<u>2,534,501</u>
Reinsurance premiums ceded			
-Local		(182,477)	(1,350)
-Abroad		(591,001)	(892,433)
		<u>(773,478)</u>	<u>(893,783)</u>
Excess of loss expenses – local		(3,837)	-
Excess of loss expenses – foreign		(58,453)	(55,755)
Net written premiums		<u>1,400,454</u>	<u>1,584,963</u>
Changes in unearned premiums, net		<u>165,942</u>	<u>(107,921)</u>
Net premiums earned		<u>1,566,396</u>	<u>1,477,042</u>
Re-insurance commissions		<u>127,333</u>	<u>180,469</u>
<b>TOTAL REVENUES</b>		<u><b>1,693,729</b></u>	<u><b>1,657,511</b></u>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	11 a	(2,150,490)	(1,752,744)
Expenses incurred related to claims	11 a	(22,141)	(32,561)
Hospital discount	11 a	108,080	76,053
Reinsurers' share of claims paid	11 a	624,777	498,315
Net claims and other benefits paid		<u>(1,439,774)</u>	<u>(1,210,937)</u>
Changes in outstanding claims, net		<u>14,223</u>	<u>(79,709)</u>
Changes in incurred but not reported claims, net		<u>67,883</u>	<u>176,364</u>
Net claims and other benefits incurred		<u>(1,357,668)</u>	<u>(1,114,282)</u>
Change in premium deficiency reserve	11 b	(46,355)	(10,927)
Change in other technical reserves	11 b	(38,648)	(12,401)
Policy acquisition costs	16 a, b	(96,525)	(100,135)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<u><b>(1,539,196)</b></u>	<u><b>(1,237,745)</b></u>
<b>NET UNDERWRITING INCOME</b>		<u><b>154,533</b></u>	<u><b>419,766</b></u>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>			
Reversal of / (Allowance for) doubtful debts		24,514	(39,115)
General and administrative expenses	25	(368,615)	(369,267)
Special commission income		15,341	15,709
Income from investment in associate	12	3,771	3,942
Realized gain on available for sale investment		22,501	9,288
Dividend income		7,558	6,367
Other income	26	4,809	11,537
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>		<u><b>(290,121)</b></u>	<u><b>(361,539)</b></u>
<b>NET (LOSS) / INCOME FOR THE YEAR BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</b>			
		<u><b>(135,588)</b></u>	<u><b>58,227</b></u>
Net income attributed to insurance operation		-	(3,323)
<b>NET (LOSS) / INCOME FOR THE YEAR AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</b>			
		<u><b>(135,588)</b></u>	<u><b>54,904</b></u>
Zakat and income tax			
Current zakat and income tax		(4,000)	(4,591)
Deferred tax		(1,000)	(13,400)
Net (loss) / income for the year		<u><b>(140,588)</b></u>	<u><b>36,913</b></u>
<b>(Loss) / Earnings per share</b>			
(Loss) / Earnings per share (SAR per share)	28 b	<u><b>(1.85)</b></u>	<u><b>0.49</b></u>

Restated

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

Chairman of the  
Board of Directors

Chief Executive Officer

Chief Financial Officer

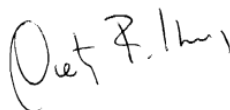
**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Notes	SAR'000	
		December 31, 2021 (Audited)	December 31, 2020 (Audited)
Net (loss) / income for the year		(140,588)	36,913
Other comprehensive (loss) / income			
Item that will not be reclassified to statement of income in subsequent period			
-Re-measurement of employees end of service indemnities	23	(4,052)	(346)
Items that are or may be reclassified to statement of income in subsequent periods			
Available for sale investments			
- Net change in fair values, insurance operations	13 a	287	321
- Net change in fair values, shareholders' operations	13 b	(13,241)	16,654
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>		<b>(157,594)</b>	<b>53,542</b>

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



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Board of Directors



Chief Executive Officer



Chief Financial Officer

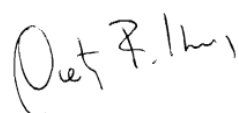
**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(SAR in '000')**

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

	Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
<b>Balance as at January 1, 2020 (Audited)</b>	<b>800,000</b>	<b>-</b>	<b>146,135</b>	<b>(256,482)</b>	<b>21,661</b>	<b>(5,159)</b>	<b>706,155</b>
Reduction of statutory reserves	-	-	(120,000)	120,000	-	-	-
<b>Total comprehensive income for the year</b>							
Net income for the year end	-	-	-	36,913	-	-	36,913
-Actuarial losses on defined benefits obligation	-	-	-	-	-	(346)	(346)
-Change in fair values 13	-	-	-	-	16,975	-	16,975
<b>Balance as at December 31, 2020 (Audited)</b>	<b>800,000</b>	<b>-</b>	<b>26,135</b>	<b>(99,569)</b>	<b>38,636</b>	<b>(5,505)</b>	<b>759,697</b>

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

  
 Chairman of the Board of Directors

  
 Chief Executive Officer

  
 Chief Financial Officer



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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

		SAR '000	
		December 31, 2021	December 31, 2020
		(Audited)	(Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) / income for the year before zakat and income tax		(135,588)	58,227
Adjustments for non-cash items:			
Depreciation and amortization	18	10,099	9,563
Realized gain on investments		(22,501)	(9,288)
Share of profit from associate		(3,771)	(3,942)
Allowance for / (reversal of) doubtful debts		(24,514)	39,115
Provision for end of service indemnities	23	5,120	6,071
		(171,155)	99,746
<b>Changes in operating assets and liabilities:</b>			
Premiums and reinsurers' receivable		52,920	(297,428)
Reinsurers' share of unearned premiums		(40,554)	70,318
Reinsurers' share of outstanding claims		(72,518)	(139,193)
Reinsurers' share of claims Incurred but not reported		82,954	(39,365)
Deferred policy acquisition costs		10,259	7,040
Prepayment and other assets		(1,769)	(12,456)
Deposit against letter of guarantee		(41,835)	1,477
Right of use assets		8,156	9,569
Accounts and commission payable		112,146	6,971
Accrued expenses and other liabilities		73,035	132,510
Lease liability		(8,062)	(9,307)
Reinsurers' balances payable		(10,272)	58,043
Gross unearned premiums		(125,388)	37,604
Unearned reinsurance commission		(14,880)	1,753
Gross outstanding claims		58,295	218,902
Claims incurred but not reported		(150,837)	(136,999)
Premium deficiency reserve		46,354	10,927
Other technical reserves		38,648	12,400
Due from related parties		-	(1,931)
Due to related party		1,297	(16,329)
		(153,206)	14,252
Surplus paid to policyholders		(6,631)	(26,491)
Payment of employees end of service indemnities	23	(4,807)	(9,463)
Zakat and income tax paid	27	(2,742)	(5,012)
Net cash used in operating activities		(167,386)	(26,714)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend from investment in associate		1,706	3,601
Interest on statutory deposit		1,532	2,762
Interest payable on statutory deposit		(1,532)	(2,762)
Purchase of available for sale investments		(320,076)	(299,335)
Proceeds from disposal of available for sale investments		258,100	214,127
(Placements in) / proceeds from short term deposits, net		(31,523)	248,407
Additions in property, equipment and intangible		(15,029)	(12,316)
Net cash (used in) / generated from investing activities		(106,822)	154,484
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase of share capital		350,000	-
Share premium		70,000	-
Transaction cost related to increase in capital		(7,454)	-
Net cash generated from financing activities		412,546	-
Net change in cash and cash equivalents		138,338	127,770
Cash and cash equivalents, beginning of the year	7	338,665	210,895
Cash and cash equivalents, end of the year	7	477,003	338,665
<b>NON-CASH INFORMATION</b>			
-Change in fair value of available for sale investments		(12,954)	16,975

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

Chairman of the  
Board of Directors

Chief Executive Officer

Chief Financial Officer

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

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

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

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

**2 BASIS OF PREPARATION**

**Basis of presentation**

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

**Statement of compliance**

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

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

**Functional and presentation currency**

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

**3 SURPLUS DISTRIBUTION**

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Central Bank (“SAMA”). In case of losses, losses are absorbed by shareholders.

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**4 CHANGES IN ACCOUNTING POLICIES**

The accounting policies and risk management policy used in the preparation of the financial statement are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except as explained below:

**New Standards, Amendment to Standards and Interpretations (adopted by the Company)**

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

**Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform - Phase 2**

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. The Company did not identify a material impact as a result of this amendment.

**Standards and amendments published but not yet effective**

**IFRS 17 – Insurance Contracts**

This standard has been published on May 18, 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

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

- i. embedded derivatives, if they meet certain specified criteria;
- ii. distinct investment components; and
- iii. distinct performance obligations to provide non-insurance goods and 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 model 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 recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
  - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
  - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.
  - the remaining contracts in the portfolio.



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**4 CHANGES IN ACCOUNTING POLICIES (Continued)**

**Standards and amendments published but not yet effective (Continued)**

**IFRS 17 – Insurance Contracts (Continued)**

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

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

- changes in the entity’s share of the fair value of underlying items ,
- changes in the effect of the time value of money and financial risks not relating to the underlying items.
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

**Effective Date**

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

**Transition**

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

**Presentation and Disclosures**

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

**Impact**

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

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**4 CHANGE IN ACCOUNTING POLICIES (Continued)**

**Standards and amendments published but not yet effective (Continued)**

**IFRS 17 – Insurance Contracts (Continued)**

**Major areas of implementation phase**

**Summary of progress**

Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes oversight steering committee for monitoring the progress of implementation.
Operational area	The Company is in progress of implementing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also the Company is implementing architectural designs for various sub systems. The Company has progressed through assessment of business requirements and currently working on implementation of business requirements.
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 has developed along with other stakeholders the assurance plan for transitional and post-implementation periods. Since, majority of the company's contracts would be measured under the premium allocation approach, the impact is expected to be moderate.

The Company had started with the implementation process and set up an IFRS 17 steering committee and working group. The Company has completed its first dry run based on certain assumptions and operational simplicity. The Company has planned for second dry run for which the deadline is May 31, 2022. Based on the second dry run, management shall evaluate the results and take action accordingly.

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**4 CHANGES IN ACCOUNTING POLICIES (Continued)**

**Standards and amendments published but not yet effective (Continued)**

**IFRS 9 – Financial Instruments**

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

a) Classification and measurement:

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

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

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

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

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

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in 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 liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in 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 recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

c) Hedge accounting:

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



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**4 CHANGES IN ACCOUNTING POLICIES (Continued)**

**Standards and amendments published but not yet effective (Continued)**

**IFRS 9 – Financial Instruments (Continued)**

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

- 1 apply a temporary exemption from implementing IFRS 9 until the earlier of
  - a. the effective date of a new insurance contract standard; or
  - b. annual reporting periods beginning on or after January 1, 2022 following the IASB's proposal to report the effective application date of IFRS 17/ IFRS 9 of one-year. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- 2 adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has determined that it is eligible for the temporary exemption option (1). The eligibility conclusion is based on an analysis of the percentage of the total consolidated carrying amount of liabilities connected with insurance activities relative to the carrying amount of all liabilities, which indicates Company's activities are predominately connected with insurance. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

As at December 31, 2021, the Company has total financial assets and insurance related assets amounting to SAR 2,329,676 million and SAR 1,036,320 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents, short-term fixed deposits, premium and reinsurance receivable and other receivables amounting to SAR 1,667.24 million (2020: SAR 1,482.29 million). Other financial assets consist of available for sale investments amounting to SAR 622.44 million (2020: SAR 590.92 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. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in notes 33. The Company financial assets have low credit risk as at December 31, 2021 and 2020. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

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**4 CHANGES IN ACCOUNTING POLICIES (Continued)**

**Standards and amendments published but not yet effective (Continued)**

**Amendment to IFRS 16, 'Leases' - COVID-19 related rent concessions Extension of the practical expedient**

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

Effective date:

Annual periods beginning on or after 1 April 2021.

Impact assessment

No material impact has been identified.

**A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Effective date:

Annual periods beginning on or after 1 January 2022.

Impact assessment

No material impact has been identified.

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**5 SIGNIFICANT ACCOUNTING POLICIES**

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

**Insurance contracts**

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

**Cash and cash equivalents**

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

**Goodwill**

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

**Land, property and equipment**

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

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

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

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

**Intangible assets**

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

	Years
IT development and software	15% - 25%

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**5 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

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

**(a) Available for sale investments**

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

**(b) Investments in held to maturity securities**

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

**(c) Investment in an associate**

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

**Statutory reserve**

In accordance with its bylaws, the Company shall allocate 20% of its net income from shareholders' operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2021.

**Impairment and un-collectability of financial assets**

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

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



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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**5 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrued expenses and other liabilities**

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

**Special commission income**

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

**Dividend income**

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

**Provisions**

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

**Trade date accounting**

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

**Employees' end of service indemnities**

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

**Foreign currencies**

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Offsetting financial assets and liabilities**

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

**Premiums earned and commission income**

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

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

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

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

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

**Premiums receivable**

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

**Claims**

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Salvage and subrogation reimbursement**

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

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

**Reinsurance contracts held**

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 4 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer to note 4.

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

**Reinsurance assumed**

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

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

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Liability adequacy test**

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

**Deferred policy acquisition costs**

Commissions, SAMA fees, CCHI fees, Najm fees, partial administration cost (related to underwriting and issuance of policy), and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of income - insurance operations and accumulated surplus.

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

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

**Reinsurance**

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

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

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

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

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

**Unearned reinsurance commission**

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income tax**

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

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

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

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

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

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

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

**Deferred income tax:**

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

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

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

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

**Zakat:**

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Product classification**

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

**Derecognition of financial instruments**

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

**Fair values**

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

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

**Segmental reporting**

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

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

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

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

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

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



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**NOTES TO THE FINANCIAL STATEMENTS**

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**6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

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

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

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

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

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

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

*ii) Premium deficiency reserve*

Estimation of the premium deficiency for medical and motor business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to realize in the future.

*iii Impairment of receivables*

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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**6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)**

*iv) Goodwill impairment*

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

*v) Reinsurance*

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

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**7 CASH AND CASH EQUIVALENTS**

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

	<b>SAR'000</b>	
	<b>Insurance operations</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and bank balances	<b>87,035</b>	152,505
Deposits maturing within 3 months from the acquisition date	-	120,084
<b>Cash and cash equivalent in the statement of cash flows</b>	<b>87,035</b>	272,589
Deposits against letter of guarantee	<b>120,679</b>	78,844
	<b>207,714</b>	351,433
	<b>SAR'000</b>	
	<b>Shareholders' operations</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and bank balances	<b>54,968</b>	16,054
Deposits maturing within 3 months from the acquisition date	<b>335,000</b>	50,022
	<b>389,968</b>	66,076
<b>Cash and bank balances</b>	<b>597,682</b>	417,509
<b>Cash and cash equivalents in the statement of cash flow</b>	<b>477,003</b>	338,665

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

Deposits maturing within 3 months from the acquisition date are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia and earned special commission income at an average rate of 0.08% per annum (2020: 0.59% per annum).

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

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

**8 SHORT TERM DEPOSITS**

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

Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 1% per annum (2020: 2.13% per annum).

For the year ended 31 December 2021 the carrying amounts of the short term deposits reasonably approximate the fair value at the statement of financial position date.

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**9 PREMIUM AND REINSURERS' RECEIVABLE, NET**

Receivables comprise amounts due from the following:

	<b>SAR'000</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Policyholders	<b>279,061</b>	373,784
Brokers and agents	<b>495,831</b>	549,284
Premiums receivables	<b>774,892</b>	923,068
Less: Allowance for doubtful debts	<b>(82,540)</b>	(101,662)
	<b>692,352</b>	821,406
Reinsurers' receivable	<b>302,531</b>	207,275
Less: Allowance for doubtful debts	<b>(156,306)</b>	(161,698)
	<b>146,225</b>	45,577
Premium and reinsurers' receivable – net	<b>838,577</b>	866,983

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

As at December 31, 2021, the movement in the provision for doubtful debts of premium receivables was as follows:

Movement in provision for doubtful debts:

	<b>SAR'000</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Balance, January 1	<b>263,360</b>	467,230
Write off during the year	-	(230,615)
(Reversal) / provision for the year	<b>(24,514)</b>	26,745
Balance, December 31	<b>238,846</b>	263,360

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**9 PREMIUM AND REINSURERS' RECEIVABLE, NET (Continued)**

The aging analysis of gross premiums and reinsurance balances receivable is as at 31 December 2021 and 2020 is set as below:

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

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

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired
			Less than 30 days	31 - 90 days	
SAR '000'					
Premiums and re-insurance receivables					
- Policyholders'	373,784	205,081	36,707	15,792	149,854
- Brokers and agents	549,284	145,255	27,210	25,240	151,183
- Premium receivables	923,068	350,336	63,917	41,032	301,037
- Receivable from re- insurance	207,275	-	23,032	23,582	260,594
As at December 31, 2020	1,130,343	350,336	86,949	64,614	561,631

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia as well as reinsurance companies mainly in Europe. Premiums and reinsurance balances receivable include SAR 33.4 million (31 December 2020: SAR 80.1 million) due in foreign currencies, mainly in US Dollars. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of transaction. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. The five largest customers accounts for 39.8% (31 December 2020: 37.3%) of the premiums receivable as at 31 December 2021. Further, total receivable from government entities amount to SR 250.7 million (31 December 2020: SAR 221.8 million) constituting 32.4% (31 December 2020: 24.03%) of total premium receivable.

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

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**10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		SAR'000			
<b><u>Due from / to related parties</u></b>					
Medgulf BSC - Head office account (major shareholder)	-Balance due from at Year end	-	-	2,453	2,453
	-Allowance for doubtful debts	-	-	(2,390)	(2,390)
	-Net Balance due from at year end	-	-	63	63
Medivisa KSA (affiliate)	-Insurance premium for employees of fellow subsidiary		1,870	-	-
	-Third party administration fees		19,867	-	-
	-Claim incurred		344	-	-
	-Payment received	-	-	-	-
	-premium refundable		1,335	-	-
	-Payment on third party administration fees		6,996	-	-
	-Balance due from / (due to) at year end	-	-	1,931	1,931
Al-Waseel for Electronic Transportation (Associate)	-Claims management fee	5,309	6,485		
	-Balance due from / (due to) at year end	-	-	(2,048)	(751)
<b>Total due from related parties</b>				<b>1,994</b>	<b>1,994</b>
<b>Total due to related parties</b>				<b>(2,048)</b>	<b>(751)</b>
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	1,888	(3,764)	2,061	173
	-Statutory deposit (refer note 10.a (i))	1,204	7,119	147,830	146,626
	-Gross written premiums	6,937	5,428	-	-
	-Premiums (refundable)	-	-	-	-
	-Claims incurred	81	(4)	-	-
	Outstanding claims	23,142	23,152	-	-
	-Balance due from / (due to) at year end	-	-	-	-
	-Claims incurred / adjustment	-	-	-	-
Medivisa KSA (affiliate)	-Medical Claim Jordan / Balance	-	-	-	-
	-Medical claim Lebanon / balance	-	(654)	(654)	(654)
	-Medical claim Egypt / balance	-	(81)	(81)	(81)



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**10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Al Istithmar Capital (subsidiary of SIB- founding shareholder)	-Discretionary portfolio	-	-	-	-
	arrangement (refer 10.a (ii))				
	-Current account	-	2,542	2,542	2,542
	-Premiums refundable	-	-	-	-
Abunayyan Trading Co (Under common directorship)	-Gross written premiums	(281)	4,992	-	-
	-Premiums receivable-net	-	-	(111)	255
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	(111)	255
	-Claims incurred		5,215	-	-
KSB Pumps Arabia (Under common directorship)	-Gross written premiums	(1)	782	-	-
	-Premiums receivable-net	-	-	(9)	684
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	(9)	684
	-Claims incurred		447	-	-
Toray Membrane Middle East (Under common directorship)	-Gross written premiums	162	984	-	-
	-Premiums receivable	-	-		544
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	544
	-Claims incurred	-	389	-	-
Medgulf BSC (major shareholder)	-Claim recoveries	-	-	-	-
	-Reinsurance recovery (refer 10.a(iii))	-	-	5,203	5,203
	-Allowance for doubtful debts	-	-	(3,902)	(3,902)
	-Net balance due from at year end	-	-	1,301	1,301
Industrial Instrumentation and Control System(Under common directorship)	-Gross written premiums	(11)	532	-	-
	-Premiums receivable-net	-	-	(11)	307
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	(11)	307
	-Claims incurred	-	237	-	-

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**10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Overseas /	-Balance receivable at year end	-	-	3,856	3,856
	-Allowance for doubtful debts	-	-	(3,856)	(3,856)
Addison Bradley & Co. (affiliate)	-Net balance due from at year end	-	-	-	-
Citiscap (Under common directorship)	-Gross written premiums	(131)	1,717	-	-
	-Premiums receivable-net	-	-	(95)	1,353
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	(95)	1,353
	-Claims incurred		812	-	-
Middle East Agriculture (Under common directorship)	-Gross written premiums	(23)	545	-	-
	-Premiums receivable-net	-	-	(7)	477
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	(7)	477
	-Claims incurred		767	-	-
Electronic and Electric Industry (Under common directorship)	-Gross written premiums	21	241	-	-
	-Premiums receivable	-	-	5	233
	-Allowance for doubtful debts			(1)	-
	-Net balance due from at year end			4	233
	-Claims incurred		915	-	-
Addison Bradley International / Medgulf Lebanon (affiliate)	-Reinsurance recovery	-	-	-	-
	-Balance receivable at year end (Refer 10.c)	-	-	59,498	59,498
	-Allowance for doubtful debts	-	-	(59,498)	(59,498)
	-Net balance due from at year end	-	-	-	-
Arabian Qudra (Under common directorship)	-Gross written premiums	(48)	446	-	-
	-Premiums receivable-net	-	-	(8)	408
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	(8)	408
	-Claims incurred		437	-	-
Saudi Fransi Capital (Under common directorship)	-Investment portfolio	(423,600)	288,600	-	423,600

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**10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Tumpane Jubar (Under common directorship)	-Gross written premiums	(42)	837	-	-
	-Premiums receivable-net	-	-	(54)	721
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	(54)	721
	-Claims incurred		742	-	-
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the period	-	-	-	-
	-Reinsurance recoveries (Refer 10.a (iv))	(191)	(453)	-	-
	-Balance due from at year end	-	-	15,623	15,814
	-Allowance for doubtful debts	-	-	(11,718)	(11,853)
	-Net balance due from at year end	-	-	3,905	3,961
Alakaria (Under common directorship)	-Gross written premiums	1	74	-	-
	-Premiums receivable	-	-	-	32
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	32
	-Claims incurred	4	-	-	-
Al Issa Group (Under common directorship)	-Gross written premiums	71,559	118,472	-	-
	-Premiums receivable	-	-	29,290	30,231
	-Allowance for doubtful debts	-	-	(1,168)	(189)
	-Net balance due from at year end	-	-	28,122	30,042
	-Claims incurred	46,556	52,068	-	-
Vision International Investment Company (Under common directorship)	-Gross written premiums	12	515	-	-
	-Premiums receivable	-	-	-	341
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	341
	-Claims incurred	-	-	-	-
Aloyaidi Certified Public Accountants (Under common directorship)	-Gross written premiums	73	-	-	-
	-Premiums receivable	-	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	17	-	-	-

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**10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at year end	-	-	1,472	1,472
	-Allowance for doubtful debts	-	-	(1,472)	(1,472)
	-Net balance due from at year end (Refer 10.a (v))	-	-	-	-
Saudi Meter Company (Under common directorship)	-Gross written premiums	(1)	179	-	-
	-Premiums receivable	-	-	3	146
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	3	146
	-Claims incurred	-	83	-	-
Saudi Tumpane Co.(Under common directorship)	-Gross written premiums	(152)	2,473	-	-
	-Premiums receivable	-	-	(116)	2,090
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	(116)	2,090
	-Claims incurred		2,255	-	-

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

**10.a(ii)** Discretionary portfolio management agreement (DPM) was signed on 11 February 2011 and includes a mix of equity and debt investments.

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

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

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

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**10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**10.b Compensation of key management personnel**

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

**2021**

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

**2020**

	<b>BOD members (Non-Executive)</b>	<b>Top Executives including the CEO and CFO</b>
Salaries and compensation	-	9,476
Allowances	308	-
Annual remuneration	3,490	-
End of service indemnities	-	266
	<b>3,798</b>	<b>9,742</b>

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

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**11 CLAIMS**

**a) Outstanding Claims and IBNR**

	December 31, 2021			December 31, 2020		
	Gross	Re-insurance share	Net	Gross	Re-insurance share	Net
	SAR'000			SAR'000		
<b>End of the year</b>						
Outstanding claims	743,807	(546,540)	197,267	685,512	(474,022)	211,490
Claims incurred but not reported	463,364	(179,028)	284,336	614,201	(261,982)	352,219
	1,207,171	(725,568)	481,603	1,299,713	(736,004)	563,709
Claims paid during the year	2,064,551	(624,777)	1,439,774	1,709,252	(498,315)	1,210,937
<b>Beginning of the year</b>						
Outstanding claims	685,512	(474,022)	211,490	466,610	(334,829)	131,781
Claims incurred but not reported	614,201	(261,982)	352,219	751,200	(222,617)	528,583
	1,299,713	(736,004)	563,709	1,217,810	(557,446)	660,364
Claims incurred	1,972,009	(614,341)	1,357,668	1,791,155	(676,873)	1,114,282

**b) Other Technical Reserves**

SAR'000	December 31, 2021	December 31, 2020
	SAR'000	
Premium deficiency reserve	77,810	31,456
Others	65,942	27,294
Other reserves at end of the year	143,752	58,750

**c) Claims Triangulation Analysis by Accident Year**

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

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



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**11 CLAIMS (Continued)**

**c) Claims Triangulation Analysis by Accident Year (Continued)**

**i) On Gross Basis**

	SAR '000'													
Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
At the end of accident year	1,148,965	1,525,392	1,759,169	2,030,375	2,865,129	3,196,139	3,553,993	2,821,668	2,281,556	1,776,365	2,154,612	1,926,543	2,071,059	2,071,061
One year later	1,166,831	1,538,465	1,887,696	2,355,342	3,006,147	3,446,409	3,403,193	2,818,050	2,446,353	1,784,344	2,051,212	1,743,140		1,743,140
Two years later	1,165,977	1,509,521	1,967,919	2,319,794	3,056,802	3,430,507	3,413,046	2,838,429	2,430,527	1,780,521	2,003,519			2,003,519
Three years later	1,145,562	1,537,038	1,950,795	2,321,681	3,082,282	3,453,587	3,438,152	2,846,770	2,442,873	1,783,441				1,783,441
Four years later	1,281,007	1,537,201	1,948,513	2,323,884	3,021,821	3,453,723	3,465,713	2,829,804	2,440,708					2,440,708
Five years later	1,257,000	1,543,934	1,945,686	2,331,979	3,015,807	3,453,423	3,445,523	2,821,641						2,821,641
Six years later	1,238,429	1,544,369	1,942,946	2,338,689	3,015,089	3,451,383	3,565,542							3,565,542
Seven years later	1,238,219	1,538,549	1,942,017	2,339,764	3,011,525	3,444,036								3,444,036
Eight years later	1,233,679	1,537,916	1,942,388	2,331,726	3,036,140									3,036,140
Nine years later	1,233,062	1,537,958	1,946,469	2,331,655										2,331,655
Ten years later	1,233,120	1,542,909	1,945,891											1,945,891
Eleven years later	1,234,378	1,542,967												1,542,967
Twelve years later	1,237,133													1,237,133
Ultimate paid claims (estimated)	1,237,133	1,542,967	1,945,891	2,331,655	3,036,140	3,444,036	3,565,542	2,821,641	2,440,708	1,783,441	2,003,519	1,743,140	2,071,059	29,966,872
Cumulative paid claims	1,233,391	1,530,177	1,937,327	2,327,086	3,018,216	3,423,985	3,399,593	2,800,848	2,395,502	1,747,778	1,950,737	1,564,995	1,430,066	28,759,701
Outstanding claims + IBNR	3,742	12,790	8,564	4,569	17,924	20,051	165,949	20,793	45,206	35,663	52,782	178,145	640,993	1,207,171

**ii) On net Basis (net of reinsurance)**

	SAR '000'													
Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019			TOTAL
At the end of accident year	607,986	872,155	1,032,598	1,118,998	1,437,617	2,459,548	2,884,490	2,518,555	1,995,672	1,547,947	1,703,855	1,172,326	1,468,431	1,468,431
One year later	962,313	1,230,576	1,472,573	1,767,465	2,299,916	2,657,710	2,749,239	2,527,751	2,058,366	1,541,857	1,645,348	1,074,867		1,074,867
Two years later	976,888	1,253,029	1,500,727	1,790,733	2,337,043	2,637,623	2,769,138	2,548,626	2,039,561	1,540,674	1,633,770			1,633,770
Three years later	979,244	1,256,681	1,505,277	1,797,190	2,343,241	2,634,880	2,782,439	2,550,553	2,034,719	1,536,810				1,536,810
Four years later	980,249	1,258,037	1,505,267	1,796,803	2,345,967	2,635,323	2,791,543	2,550,351	2,034,451					2,034,451
Five years later	980,674	1,265,891	1,508,041	1,792,822	2,346,221	2,635,383	2,792,267	2,550,132						2,550,132
Six years later	980,908	1,265,159	1,506,466	1,797,794	2,345,494	2,636,318	2,794,371							2,794,371
Seven years later	980,888	1,264,497	1,509,313	1,807,846	2,343,425	2,629,782								2,629,782
Eight years later	976,851	1,268,117	1,507,009	1,799,873	2,348,320									2,348,320
Nine years later	980,708	1,263,807	1,511,084	1,799,805										1,799,805
Ten years later	976,818	1,270,686	1,510,502											1,510,502
Eleven years later	978,076	1,270,744												1,270,744
Twelve years later	980,831													980,831
Ultimate paid claims (estimated)	980,831	1,270,744	1,510,502	1,799,805	2,348,320	2,629,782	2,794,371	2,550,132	2,034,451	1,536,810	1,633,770	1,074,867	1,468,431	23,632,816
Cumulative paid claims	980,314	1,268,823	1,509,256	1,797,297	2,345,308	2,633,726	2,790,299	2,546,357	2,026,074	1,531,672	1,621,383	1,038,047	1,062,657	23,151,213
Outstanding claims + IBNR	517	1,921	1,246	2,508	3,012	(3,944)	4,072	3,775	8,377	5,138	12,387	36,820	405,774	481,603

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**12 INVESTMENT IN AN ASSOCIATE**

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 11,799 thousand (a 25% equity interest) (2020: SAR 9,734 thousand), in an unquoted company (the “associate”), registered in the Kingdom of Saudi Arabia.

	<b>SAR'000</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
At the beginning of the year	<b>9,734</b>	9,393
Dividend received from investment in an associate	<b>(1,706)</b>	(3,601)
Income from investment in an associate	<b>3,771</b>	3,942
At the end of year	<b>11,799</b>	9,734

**Al-Waseel for Electronic Transportation**

Country of Incorporation Saudi Arabia

	<b>SAR'000</b>	
	<b>November 30, 2021</b>	<b>December 31, 2020</b>
Assets	<b>66,816</b>	54,308
Liabilities	<b>19,619</b>	17,963
Profit	<b>17,772</b>	7,726
% Interest Held	<b>25%</b>	25%

**13 AVAILABLE FOR SALE INVESTMENTS**

Investments are classified as set out below:

**a) Insurance Operations - Available for sale investments**

	<b>SAR'000</b>	
<b>SAR'000</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Type of Investments		
-Mutual Fund	<b>10,789</b>	10,502
-Sukuk	<b>20,000</b>	-
	<b>30,789</b>	10,502

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia.

The cumulative change in fair values of available for sale investments for insurance operations amounting to SAR 287 thousand (31 December 2020: SAR 321 thousand) is presented within shareholders' equity in the statement of financial

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
At the beginning of the year	<b>10,502</b>	10,181
Purchase during the year	<b>77,500</b>	-
Sold during the year	<b>(57,500)</b>	-
Net change in fair values	<b>287</b>	321
At the end of the year	<b>30,789</b>	10,502

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**13 AVAILABLE FOR SALE INVESTMENTS (Continued)**

**b) Shareholders' Operations - Available for sale investments**

	<b>SAR'000</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Type of Investments		
Equity unquoted- domestic	2,860	1,923
Equity quoted- domestic	176,522	184,484
Mutual Funds unquoted- domestic	132,250	134,086
Sukuks quoted- domestic	285,718	259,921
Sukuks quoted- international	34,300	-
	<b>631,650</b>	<b>580,414</b>

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia.

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SAR - 13,241 thousand (31 December 2020: SAR 16,654 thousand) is presented within shareholders' equity in the statement of financial position.

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

	<b>SAR'000</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
At the beginning of the year	580,414	469,264
Purchase during the year	242,576	299,335
Sold during the year	(178,099)	(204,839)
Net change in fair values	(13,241)	16,654
At the end of the year	<b>631,650</b>	<b>580,414</b>

**c) Analysis of investments of insurance and shareholders' operations**

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

	<b>SAR'000</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Government and quasi government	251,090	388,300
Banks and other financial institutions	211,968	160,826
Corporates	199,381	41,790
<b>Total</b>	<b>662,439</b>	<b>590,916</b>

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

	<b>SAR'000</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
AA- To AAA	10,000	10,000
A- To A+	416,210	433,311
BBB- TO BBB+	124,630	58,960
N/A	111,599	88,645
<b>Total</b>	<b>662,439</b>	<b>590,916</b>

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

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**13 AVAILABLE FOR SALE INVESTMENTS (Continued)**

iii. Fair value

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

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

The Company has investments amounting to SAR 2.86 million (31 December 2020: SAR 1.92 million) in unquoted securities. These investments in unquoted securities have not been measured at fair values in the absence of active market or other means of reliably measuring their fair values. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

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

**Determination of fair value and fair value hierarchy**

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

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

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

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

**1. Insurance operations – Fair Value**

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

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**13 AVAILABLE FOR SALE INVESTMENTS (Continued)**

**iii. Fair value (Continued)**

**1. Insurance operations – Fair Value (Continued)**

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2020				
Available for sale investments				
- Mutual Fund	10,502	-	-	10,502
Total available for sale investments	10,502	-	-	10,502

**2. Shareholders' operations – Fair Value**

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2021				
Available for sale investments				
- Mutual Fund	132,250	-	-	132,250
- Sukuk	-	320,018	-	320,018
- Equities	176,522	-	-	176,522
Total available for sale investments	308,772	320,018	-	628,790
December 31, 2020				
Available for sale investments				
- Mutual Fund	134,086	-	-	134,086
- Sukuk	-	259,921	-	259,921
- Equities	184,484	-	-	184,484
Total available for sale investments	318,570	259,921	-	578,491

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**14 PREPAYMENTS AND OTHER ASSETS, NET**

**(a) Prepayment and other assets, net**

	SAR'000					
	31 December 2021			31 December 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Prepayment on hospital dues	95,546	-	95,546	144,419	-	144,419
Deferral of SAMA, CCHI, Najm and TPA fees (Note 14 b)	21,005	-	21,005	17,660	-	17,660
Advances to suppliers	24,398	-	24,398	12,578	-	12,578
Advances to employees	13,081	-	13,081	12,559	-	12,559
Accrued Income from Manafeth and Umrah share ageement	-	-	-	5,260	-	5,260
Prepaid rent	62	-	62	348	-	348
Accrued special commission income	17	5,929	5,946	42	3,104	3,146
Prepaid expenses	5,259	-	5,259	1,981	-	1,981
VAT	74,487	-	74,487	40,015	-	40,015
Others	6,272	-	6,272	6,321	-	6,321
Provision for doubtful debts	(14,445)	-	(14,445)	(14,445)	-	(14,445)
	<b>225,682</b>	<b>5,929</b>	<b>231,611</b>	<b>226,738</b>	<b>3,104</b>	<b>229,842</b>

(b) The movements during the year for deferral of Najm, SAMA, CCHI fees and withholding tax are as follows:

		SAR'000	
		December 31, 2021	December 31, 2020
Najm fee		6,566	-
Costs incurred during the year		14,464	8,613
Amortised during the year		(14,653)	(2,047)
At the end of the year		6,377	6,566
		SAR'000	
	Note	December 31, 2021	December 31, 2020
Supervision and inspection fees - SAMA		4,202	4,927
Costs incurred during the year	25	10,250	4,388
Amortised during the year		(9,964)	(5,113)
At the end of the year		4,488	4,202
		SAR'000	
	Note	December 31, 2021	December 31, 2020
Supervision and inspection fees - CCHI		6,892	5,816
Costs incurred during the year	25	14,879	19,489
Amortised during the year		(16,404)	(18,413)
At the end of the year		5,367	6,892
		SAR'000	
	Note	December 31, 2021	December 31, 2020
Withholding tax		-	-
Costs incurred during the year	25	9,539	-
Amortised during the year		(4,766)	-
At the end of the year		4,773	-
<b>Total Deferral of Najm, SAMA, CCHI fees and withholding tax</b>		<b>21,005</b>	<b>17,660</b>



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**15 UNEARNED PREMIUMS**

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

SAR'000	For the year ended December 31, 2021		
	Gross	Re-insurance	Net
Balance at the beginning of the year	1,023,041	(220,301)	802,740
Premium written during the year	2,236,222	(773,478)	1,462,744
Premium earned during the year	(2,361,610)	732,924	(1,628,686)
Balance at the end of the year	897,653	(260,855)	636,798

SAR'000	For the year ended December 31, 2020		
	Gross	Re-insurance	Net
Balance at the beginning of the year	985,437	(290,619)	694,818
Premium written during the year	2,534,501	(893,783)	1,640,718
Premium earned during the year	(2,496,897)	964,101	(1,532,796)
Balance at the end of the year	1,023,041	(220,301)	802,740

**16 DEFERRED POLICY ACQUISITION COSTS**

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

SAR'000	For the year ended December 31, 2021	For the year ended December 31, 2020
At the beginning of the year	46,290	55,563
Incurred during the year	86,266	93,095
Amortized during the year	(93,393)	(102,368)
At the end of the year	39,163	46,290

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

SAR'000	For the year ended December 31, 2021	For the year ended December 31, 2020
At the beginning of the year	13,866	11,633
Amortized during the year	(3,132)	2,233
At the end of the year	10,734	13,866
Total deferred acquisition cost at end of the year	49,897	60,156

**17 RIGHT OF USE ASSETS - NET**

	Building SAR'000	Total SAR'000
<b>Cost:</b>		
Balance at 1 January 2021	35,250	35,250
Additions during the period	1,402	1,402
Balance at 31 December 2021	36,652	36,652
<b>Accumulated amortization:</b>		
Balance at 1 January 2021	18,965	18,965
Charge for the period	9,558	9,558
Balance at 31 December 2021	28,523	28,523
<b>Net book value:</b>		
At 31 December 2021	8,129	8,129
At 31 December 2020	16,285	16,285

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**18 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS**

	Property and Equipment						Intangible Assets	
	Shareholders' Operations		Insurance Operations					
	Land	Leasehold improvements	Office equipment, furniture and fixtures	Computers	Motor vehicles	Total	Computer software	Total
	SAR '000							
Cost:								
Balance at January 1, 2021	30,000	42,563	42,705	27,119	2,615	145,002	22,839	167,841
Additions during the year	-	-	2,135	3,606	145	5,886	9,143	15,029
Disposals during the year	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2021</b>	<b>30,000</b>	<b>42,563</b>	<b>44,840</b>	<b>30,725</b>	<b>2,760</b>	<b>150,888</b>	<b>31,982</b>	<b>182,870</b>
<i>Accumulated depreciation:</i>								
Balance at January 1, 2021	-	40,686	34,500	20,851	2,417	98,454	15,745	114,199
Charge for the year (note 25)	-	837	2,798	2,253	82	5,970	4,129	10,099
Disposals during the year	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2021</b>	<b>-</b>	<b>41,523</b>	<b>37,298</b>	<b>23,104</b>	<b>2,499</b>	<b>104,424</b>	<b>19,874</b>	<b>124,298</b>
<b>Net book value as at</b>								
<b>December 31, 2021</b>	<b>30,000</b>	<b>1,040</b>	<b>7,542</b>	<b>7,621</b>	<b>261</b>	<b>46,464</b>	<b>12,108</b>	<b>58,572</b>
December 31, 2020	30,000	1,877	8,205	6,268	198	46,548	7,094	53,642

**19 STATUTORY DEPOSIT AND ACCRUED COMMISSION**

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5% . This statutory deposit cannot be withdrawn without the consent of SAMA. During the year ended 2021, the company increased its paid capital to SR 1,050 million by right issue shares. After the aforementioned amendments to the capital, the statutory deposit is currently maintained at 11.4% of the new paid up capital, SR 1,050 million, amounting to SR 120 million. The Statutory deposit is placed at the commission rate of 0.5% per anum ( 2020 : 2.4%).

**20 GOOD WILL**

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

Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating units ('CGU') to which goodwill has been allocated. To assess the Goodwill impairment impact as of 31 December 2021, the Company appointed a consultant and a report dated 28 February 2022 was issued. Considering the Company as a single CGU, the consultant applied 'Value-In-Use (VIU)', 'Share Price', 'Market' approach on the trading activity of the Company's stock and the capitalization of the earnings using value metrics of broadly comparable listed companies and Mergers and Acquisitions transaction multiples. Accordingly, as of the date of the approval of the financial statements for the year ended 31 December 2021 based on the aforementioned approach, the valuation result concluded the recoverable amount of goodwill to be higher than the carrying value.

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**21 ACCRUED EXPENSES AND OTHER LIABILITIES**

	SAR'000					
	31 December 2021			31 December 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Payable to suppliers and others	42,787	-	42,787	19,969	-	19,969
VAT payable	168,246	-	168,246	89,967	-	89,967
Accrued expenses	33,820	872	34,692	28,723	1,012	29,735
Accrued withholding tax	10,384	-	10,384	44,676	-	44,676
Provision for leave encashment	9,058	-	9,058	7,785	-	7,785
<b>Total</b>	<b>264,295</b>	<b>872</b>	<b>265,167</b>	<b>191,120</b>	<b>1,012</b>	<b>192,132</b>

**22 LEASE LIABILITY**

	SAR'000	SAR'000
	31 December 2021	31 December 2020
<b>Liability</b>		
Balance at the beginning of the year	16,596	33,433
Impact of adoption of IFRS 16	-	-
(Deletions) / Additions for the year	-	-
Finance cost	401	761
At end of the year	16,997	34,194
<b>Payments</b>		
Paid during the year	(8,463)	(17,598)
<b>Balance at the end of the year</b>	<b>8,534</b>	<b>16,596</b>
Lease liability is break into maturity wise as follows:		
Less than one year	7,100	9,537
One to five years	1,434	7,059
More than five years	-	-
<b>Lease liabilities - net</b>	<b>8,534</b>	<b>16,596</b>

**23 END OF SERVICE INDEMNITIES**

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

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

	SAR'000	
	31 December 2021	31 December 2020
Present value of defined benefit	28,770	24,405
	28,770	24,405

**23.2 Movement of defined benefit**

	SAR'000	
	31 December 2021	31 December 2020
Opening balance	24,405	27,451
Charge to statement of income–insurance operations & accumulated surplus	5,120	6,071
Charge to statement of comprehensive income – insurance operations	4,052	346
Payment of benefits during the year	(4,807)	(9,463)
Closing balance	28,770	24,405

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**23 END OF SERVICE INDEMNITIES (Continued)**

**23.3 Reconciliation of present value of defined benefit obligation**

	<b>SAR'000</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
Present value of defined benefit obligation as at January 1	<b>24,405</b>	27,451
Current service costs	<b>4,788</b>	5,270
Financial costs	<b>332</b>	801
Actuarial loss from experience adjustments	<b>4,052</b>	346
Benefits paid during the year	<b>(4,807)</b>	(9,463)
Present value of defined benefit	<b>28,770</b>	24,405

**23.4 Principal actuarial assumptions**

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
Valuation discount rate	<b>2.25%</b>	1.10%
Short term salary increase rate (1 year)	<b>3.00%</b>	1.00%
Long term salary increase rate	<b>2.15%</b>	1.00%

**23.5 Sensitivity analysis of actuarial assumptions**

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

	<b>SAR'000</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Valuation discount rate</b>		
-Increase by 1%	<b>(1,555)</b>	(1,847)
	<b>-5.41%</b>	-7.57%
-Decrease by 1%	<b>1,757</b>	2,088
	<b>6.11%</b>	8.55%
<b>Expected rate of increase in salary level across different age bands</b>		
-Increase by 1%	<b>2,168</b>	2,239
	<b>7.54%</b>	9.17%
-Decrease by 1%	<b>(1,959)</b>	(2,019)
	<b>-6.81%</b>	-8.27%

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**24 UNEARNED REINSURANCE COMMISSION**

	<b>SAR'000</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
At the beginning of the year	<b>32,914</b>	31,161
Commission received during the year	<b>112,453</b>	182,222
Commission earned during the year	<b>(127,333)</b>	(180,469)
At the end of the year	<b>18,034</b>	32,914

**25 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>SAR '000</b>					
	<b>31 December 2021</b>			<b>31 December 2020</b>		
	<b>Insurance Operations</b>	<b>Shareholders' Operations</b>	<b>Total</b>	<b>Insurance Operations</b>	<b>Shareholders' Operations</b>	<b>Total</b>
<b>Variable cost</b>						
CCHI fees	<b>14,879</b>	-	<b>14,879</b>	18,413	-	18,413
Withholding taxes	<b>9,539</b>	-	<b>9,539</b>	48,725	-	48,725
SAMA fees	<b>10,250</b>	-	<b>10,250</b>	5,113	-	5,113
Assist America	<b>2,021</b>	-	<b>2,021</b>	2,571	-	2,571
Al - Elm fees	<b>8,044</b>	-	<b>8,044</b>	7,828	-	7,828
TPA fee	-	-	-	7,491	-	7,491
Najm fee	<b>14,464</b>	-	<b>14,464</b>	4,823	-	4,823
Other fees	<b>3,679</b>	-	<b>3,679</b>	283	-	283
	<b>62,876</b>	-	<b>62,876</b>	95,247	-	95,247
<b>Fix cost</b>						
Employee salaries and costs	<b>177,889</b>	-	<b>177,889</b>	193,337	-	193,337
Rent	<b>11,082</b>	-	<b>11,082</b>	12,343	-	12,343
Outsources	<b>18,508</b>	-	<b>18,508</b>	18,387	-	18,387
Depreciation & amortization	<b>10,099</b>	-	<b>10,099</b>	9,563	-	9,563
Professional fees	<b>26,038</b>	<b>1,091</b>	<b>27,129</b>	8,277	680	8,957
Repair and maintenance	<b>6,103</b>	-	<b>6,103</b>	4,065	-	4,065
Communication	<b>5,635</b>	-	<b>5,635</b>	4,801	-	4,801
Stationery	<b>537</b>	-	<b>537</b>	1,181	-	1,181
Promotion and advertising	<b>3,790</b>	-	<b>3,790</b>	1,566	-	1,566
Hospitality and business trip	<b>2,460</b>	<b>5</b>	<b>2,465</b>	2,234	4	2,238
Utilities	<b>1,695</b>	-	<b>1,695</b>	1,672	-	1,672
Board of directors and other committees fees	-	<b>3,493</b>	<b>3,493</b>	-	4,280	4,280
VAT on reinsurance commission	<b>18,565</b>	-	<b>18,565</b>	-	-	-
Other expenses	<b>18,620</b>	<b>129</b>	<b>18,749</b>	11,326	304	11,630
	<b>301,021</b>	<b>4,718</b>	<b>305,739</b>	268,752	5,268	274,020
<b>Total</b>	<b>363,897</b>	<b>4,718</b>	<b>368,615</b>	363,999	5,268	369,267

**26 OTHER INCOME**

	<b>SAR'000</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
Income from Travel covid Coinsurance	<b>1,554</b>	-
Income from Umrah share agreement	<b>17</b>	4,444
Others	<b>3,238</b>	7,093
	<b>4,809</b>	11,537

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**27 ZAKAT AND INCOME TAX**

There was no income tax in the year 2021 and 2020 due to net adjusted losses incurred.

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

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

	<b>SAR '000</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>At the beginning of the year</b>	<b>12,767</b>	13,188
Charge - current year	<b>4,000</b>	4,591
Charge - prior year	-	-
Payments during the year	<b>(2,742)</b>	(5,012)
At the end of the year	<b>14,025</b>	<b>12,767</b>

The provision for zakat and income tax for the year is 4,000 thousand (31 December 2020: SR 4,591 thousand).

**c) Status of zakat and tax assessments**

The Company has filed its zakat and income tax declarations for the year up to 31 December 2020 with the Zakat, Tax and Customs Authority (ZATCA). The Company has received final clearance certificate till 2016 and final assessments from the year 2017 and onwards are awaited from the ZATCA.

During the year 2020, Company received VAT assessment from ZATCA amounting to SAR 23.2 million. the Company paid the amount in full and filed an appeal to ZATCA for the recovery of the same. Subsequently, ZATCA approved an input adjustment amounting to SAR 10.6 million and the company filed an appeal to GSTC to recover the remaining amount of SAR 12.6 million against which a provision of SAR 10 million was recorded.

**d) Deferred tax liability**

	<b>SAR '000</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
Opening deferred tax (liability) / asset	<b>(1,438)</b>	11,962
Origination or reversal of temporary differences	<b>(1,000)</b>	(13,400)
Closing deferred tax (liability)	<b>(2,438)</b>	<b>(1,438)</b>

This deferred tax arises on the following temporary differences.

	<b>SAR '000</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
End of service	<b>(28,770)</b>	(24,405)
Provision on receivable	<b>(280,260)</b>	(304,481)
Accelerated depreciation	<b>332,863</b>	318,798
Fair value gain	<b>25,682</b>	38,636
Net taxable temporary difference	<b>49,515</b>	28,548
Deferred tax liability	<b>(2,438)</b>	<b>(1,438)</b>

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY  
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**28 SHARE CAPITAL**

**a) Share capital**

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

The Board of directors in their meeting held on 5 October 2020, recommended to reduce share capital by SAR 100 million , the capital reduction was approved by extraordinary general assembly dated 22 April 2021. On 28th November 2021, the Company successfully raised capital of SAR 350 and share premium SAR 70 million through right issue.

**b) (Loss) / Earnings per share**

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

	<b>SAR '000</b>	
	<b>31 December</b>	31 December
	<b>2021</b>	2020
		Restated
Net (loss) / income for the year	<b>(140,588)</b>	36,913
Weighted average number of ordinary shares	<b>76,014</b>	76,014
(Loss) / Earnings per share	<b>(1.85)</b>	0.49

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**29 ACCRUED COMMISSION ON STATUTORY DEPOSIT**

The interest on statutory deposit which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia amounts to SAR 28,158 thousand (31 December 2020: SAR 26,626 thousand). This commission cannot be withdrawn without the consent of Saudi Central Bank ("SAMA").

**30 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

**31 COMMITMENTS AND CONTINGENCIES**

**a) Legal proceedings**

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

**b) Contingencies and capital commitments**

As at 31 December 2021, the Company's banker has issued letters of guarantee of SR 120,679 thousand (31 December 2020: SR 78,844 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (also see note 7). The Company had no capital commitments in 2021 (31 December 2020: nil).

**c) Contingent liability**

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

**32 SEGMENTAL INFORMATION**

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

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

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

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

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



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As at December 31, 2021

**32 Operating segments**

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<b>Assets</b>						
Reinsurers' share of unearned premiums	46,174	80,809	133,872	260,855	-	260,855
Reinsurers' share of outstanding claims	39,569	4,856	502,115	546,540	-	546,540
Reinsurers' share of claims Incurred but not reported	50,221	36,779	92,028	179,028	-	179,028
Deferred policy acquisition costs	29,035	12,079	8,783	49,897	-	49,897
Unallocated assets				1,341,457	1,747,504	3,088,961
<b>Total assets</b>	<b>164,999</b>	<b>134,523</b>	<b>736,798</b>	<b>2,377,777</b>	<b>1,747,504</b>	<b>4,125,281</b>
<b>Liabilities</b>						
Gross unearned premiums	536,670	203,270	157,713	897,653	-	897,653
Unearned reinsurance commission	-	6,263	11,771	18,034	-	18,034
Gross outstanding claims	181,704	16,653	545,450	743,807	-	743,807
Claims incurred but not reported	269,706	85,043	108,615	463,364	-	463,364
Premium deficiency reserves	26,872	46,675	4,263	77,810	-	77,810
Other technical reserves	21,536	35,422	8,984	65,942	-	65,942
Unallocated liabilities and insurance operations` surplus				798,529	45,493	844,022
<b>Total liabilities and insurance operations` surplus</b>	<b>1,036,488</b>	<b>393,326</b>	<b>836,796</b>	<b>3,065,139</b>	<b>45,493</b>	<b>3,110,632</b>

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As at December 31, 2020

**32 Operating segments**

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	4,119	78,963	137,219	220,301	-	220,301
Reinsurers' share of outstanding claims	75,091	3,145	395,786	474,022	-	474,022
Reinsurers' share of claims Incurred but not reported	87,538	54,576	119,868	261,982	-	261,982
Deferred policy acquisition costs	40,520	11,618	8,018	60,156	-	60,156
Unallocated assets				1,497,577	1,334,431	2,832,008
Total assets	207,268	148,302	660,891	2,514,038	1,334,431	3,848,469
Liabilities						
Gross unearned premiums	693,281	168,125	161,635	1,023,041	-	1,023,041
Unearned reinsurance commission	-	20,137	12,777	32,914	-	32,914
Gross outstanding claims	248,696	2,085	434,731	685,512	-	685,512
Claims incurred but not reported	354,036	128,124	132,041	614,201	-	614,201
Premium deficiency reserves	19,924	9,514	2,018	31,456	-	31,456
Other technical reserves	14,596	7,342	5,356	27,294	-	27,294
Unallocated liabilities and insurance operations` surplus				632,511	41,843	674,354
Total liabilities and insurance operations` surplus	1,330,533	335,327	748,558	3,046,929	41,843	3,088,772

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For the year ended December 31, 2021

**32 Operating segments**

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

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For the year ended December 31, 2020

**32 Operating segments**

Operating segments	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<u>REVENUES</u>						
Gross premiums written						
-Direct	1,821,324	426,926	286,251	2,534,501	-	2,534,501
-Reinsurance	-	-	-	-	-	-
	1,821,324	426,926	286,251	2,534,501	-	2,534,501
Re-insurance premiums ceded						
-Local	-	-	(1,350)	(1,350)	-	(1,350)
-Abroad	(457,329)	(201,890)	(233,214)	(892,433)	-	(892,433)
	(457,329)	(201,890)	(234,564)	(893,783)	-	(893,783)
Excess of loss premiums	(38,258)	(3,948)	(13,549)	(55,755)	-	(55,755)
Net premiums written	1,325,737	221,088	38,138	1,584,963	-	1,584,963
Changes in unearned premiums, net	(107,528)	179	(572)	(107,921)	-	(107,921)
Net premiums earned	1,218,209	221,267	37,566	1,477,042	-	1,477,042
Re-insurance commission income	103,954	50,424	26,091	180,469	-	180,469
<u>TOTAL REVENUES</u>	1,322,163	271,691	63,657	1,657,511	-	1,657,511
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(1,389,378)	(284,670)	(78,696)	(1,752,744)	-	(1,752,744)
Expenses incurred related to claims	(10,625)	(17,684)	(4,252)	(32,561)	-	(32,561)
Hospital discount	76,053	-	-	76,053	-	76,053
Reinsurers' share of claims paid	274,655	126,774	96,886	498,315	-	498,315
Net claims and other benefits paid	(1,049,295)	(175,580)	13,938	(1,210,937)	-	(1,210,937)
Changes in outstanding claims, net	72,009	(141,951)	(9,767)	(79,709)	-	(79,709)
Changes in incurred but not reported claims, net	39,930	139,221	(2,787)	176,364	-	176,364
Net claims and other benefits incurred	(937,356)	(178,310)	1,384	(1,114,282)	-	(1,114,282)
Premium deficiency reserve	(4,332)	(7,276)	681	(10,927)	-	(10,927)
Other technical reserves	(12,137)	(2,592)	2,328	(12,401)	-	(12,401)
Policy acquisition costs	(61,056)	(19,444)	(19,635)	(100,135)	-	(100,135)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(1,014,881)	(207,622)	(15,242)	(1,237,745)	-	(1,237,745)
NET UNDERWRITING INCOME	307,282	64,069	48,415	419,766	-	419,766
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Reversal of doubtful debts				(39,115)	-	(39,115)
General and administrative expenses				(363,999)	(5,268)	(369,267)
Special commission income				5,044	10,665	15,709
Income from investment in associate				-	3,942	3,942
Realized gain on available for sale investment				-	9,288	9,288
Dividend income				-	6,367	6,367
Other income				11,537	-	11,537
<u>Total Other Operating Expenses, net</u>				(386,533)	24,994	(361,539)
<u>Net income for the year before appropriation and before zakat and income tax</u>				33,233	24,994	58,227

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For the year ended December 31, 2021

**32 Operating segments**

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

For the year ended December 31, 2020

Operating segments

	Medical	Motor	Property & casualty	Total
	SAR'000			
<b><u>Gross premiums written</u></b>				
Large enterprise	1,156,597	211,875	234,535	1,603,007
Medium enterprise	290,393	34,081	30,313	354,787
Small enterprise	229,078	15,098	15,340	259,516
Micro enterprise	145,119	5,401	4,645	155,165
Individual	137	160,471	1,418	162,026
<b>TOTAL GROSS PREMIUMS WRITTEN</b>	<b>1,821,324</b>	<b>426,926</b>	<b>286,251</b>	<b>2,534,501</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

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**33 RISK MANAGEMENT**

**33.1 Risk governance**

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

**33.2 Risk management structure**

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

**Board of Directors**

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

**Senior management**

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

**Audit Committee and Internal Audit Department**

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

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

**a) Insurance risk**

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 35% of total reinsurance assets at the reporting date.

**Frequency and amounts of claims**

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

**Motor**

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years, the Company has only underwritten comprehensive policies for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 2,000 thousand (31 December 2020: SR 2,000 thousand).

**Medical**

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**33 RISK MANAGEMENT (continued)**

**a) Insurance risk (continued)**

**Sensitivity analysis**

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claims ratio would impact income by approximately SR 67,883 thousand (31 December 2020: SR 55,714 thousand) annually in aggregate.

**b) Re-insurance risk**

In common with other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

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

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

**c) Regulatory framework risk**

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

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**33 RISK MANAGEMENT (continued)**

**d) Credit risk**

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

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

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

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

	<b>SR'000</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b><u>ASSETS, INSURANCE OPERATIONS</u></b>		
Cash and cash equivalents (other than cash in hand)	207,714	351,433
Available for sale Investments	30,789	10,502
Premiums and reinsurance balances receivable, net	838,577	866,983
Advances to employees	13,081	12,559
Advances to suppliers	24,398	12,578
Accrued special commission income	17	42
Reinsurers' share of outstanding claims	546,540	474,022
Reinsurers' share of Claim incurred but not reported	179,028	261,982
Due from related party, net	1,994	1,994
	<b>1,842,138</b>	<b>1,992,095</b>
<b><u>ASSETS, SHAREHOLDERS' OPERATIONS</u></b>		
Cash and cash equivalents (other than cash in hand)	389,968	66,076
Short term deposits	50,000	18,477
Available for sale Investments	631,650	580,414
Statutory deposit	120,000	120,000
Accrued commission on statutory deposit	28,158	26,626
Accrued special commission income	5,929	3,104
	<b>1,225,705</b>	<b>814,697</b>
<b>TOTAL ASSETS</b>	<b>3,067,843</b>	<b>2,806,792</b>



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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**33 RISK MANAGEMENT (continued)**

**e) Liquidity risk**

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

**Maturity profiles**

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

SAR'000			
December 31, 2021			
	Up to one year	More than one year	Total
<b>INSURANCE OPERATIONS' FINANCIAL LIABILITIES</b>			
Accrued expenses and other liabilities	264,295	-	264,295
Accounts and commission payable	256,861	-	256,861
Reinsurance balances payable	155,259	-	155,259
Gross outstanding claims	743,807	-	743,807
Claim incurred but not reported	463,364	-	463,364
Surplus distribution payable	82,762	-	82,762
	<b>1,966,348</b>	<b>-</b>	<b>1,966,348</b>
<b>SHAREHOLDERS' FINANCIAL LIABILITIES</b>			
Accrued expenses and other liabilities	872	-	872
Commission payable on statutory deposit	28,158	-	28,158
	<b>29,030</b>	<b>-</b>	<b>29,030</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,995,378</b>	<b>-</b>	<b>1,995,378</b>
SAR'000			
December 31, 2020			
	Up to one year	More than one year	Total
<b>INSURANCE OPERATIONS' FINANCIAL LIABILITIES</b>			
Accrued expenses and other liabilities	191,120	-	191,120
Accounts and commission payable	144,715	-	144,715
Reinsurance balances payable	165,531	-	165,531
Gross outstanding claims	685,512	-	685,512
Claim incurred but not reported	614,201	-	614,201
Surplus distribution payable	89,393	-	89,393
	<b>1,890,472</b>	<b>-</b>	<b>1,890,472</b>
<b>SHAREHOLDERS' FINANCIAL LIABILITIES</b>			
Accrued expenses and other liabilities	1,012	-	1,012
Commission payable on statutory deposit	26,626	-	26,626
	<b>27,638</b>	<b>-</b>	<b>27,638</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,918,110</b>	<b>-</b>	<b>1,918,110</b>

**Liquidity profile**

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

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**33 RISK MANAGEMENT (continued)**

**f) Foreign currency risk**

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

**g) Special commission rate risk**

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

The Company is exposed to special commission rate risk on its certain investments, cash and cash equivalents, and time deposits. The Company limits special commission rate risk by monitoring changes in special commission rates in the currencies in which its investments are denominated.

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

<b>31 December 2021</b>	<b>Change in variable</b>	<b>Impact on net income</b>
<b>Currency</b>	<b>+ 50 basis points</b>	<b>1,925</b>
<b>Saudi Riyal</b>	<b>- 50 basis points</b>	<b>(1,925)</b>
<b>31 December 2020</b>	<b>Change in variable</b>	<b>Impact on net income</b>
<b>Currency</b>	<b>+ 50 basis points</b>	<b>943</b>
<b>Saudi Riyal</b>	<b>- 50 basis points</b>	<b>(943)</b>

**h) Market price risk**

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

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

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

	<b>Change in market price</b>	<b>Effect on statement of shareholders comprehensive income</b>
<b>31 December 2021</b>	<b>+5%</b>	<b>26,366</b>
	<b>-5%</b>	<b>(26,366)</b>
<b>31 December 2020</b>	<b>+5%</b>	<b>22,745</b>
	<b>-5%</b>	<b>(22,745)</b>

**i) Capital management**

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**33 RISK MANAGEMENT (continued)**

**i) Capital management (Continued)**

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

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

The Company uses Claims Solvency Margin Method for determining its solvency requirements. As at 31 December 2021, the solvency margin is higher than the required minimum margin (also see note 2). The capital structure of the Company as at 31 December 2021 consists of paid-up share capital of SAR 1,050 million, share premium SAR 70 million, legal reserves of SAR 26 million and accumulated deficit of SAR 154 million (December 31, 2020: paid-up share capital of SAR 800 million, legal reserves of SAR 26 million and accumulated deficit of SAR 99 million.) in the statement of financial position.

**j) Concentration of insurance risk**

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

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

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

**k) Sources of uncertainty in estimation of future claim payments**

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**33 RISK MANAGEMENT (continued)**

**1) Process used to decide on assumptions**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**34 SUPPLEMENTARY INFORMATION**  
**STATEMENT OF FINANCIAL POSITION**

	SAR '000					
	December 31, 2021			December 31, 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	207,714	389,968	597,682	351,433	66,076	417,509
Short term deposits	-	50,000	50,000	-	18,477	18,477
Premium and reinsurers' receivable, net	838,577	-	838,577	866,983	-	866,983
Reinsurers' share of unearned premiums	260,855	-	260,855	220,301	-	220,301
Reinsurers' share of outstanding claims	546,540	-	546,540	474,022	-	474,022
Reinsurers' share of claims incurred but not reported	179,028	-	179,028	261,982	-	261,982
Deferred policy acquisition costs	49,897	-	49,897	60,156	-	60,156
Due from related parties, net	1,994	-	1,994	1,994	-	1,994
Due from / to shareholders' / insurance operation	678,594	(678,594)	-	527,888	(527,888)	-
Prepayment and other assets, net	225,682	5,929	231,611	226,738	3,104	229,842
Available for sale investments	30,789	631,650	662,439	10,502	580,414	590,916
Right of use assets, net	8,129	-	8,129	16,285	-	16,285
Property and equipment, net	16,464	30,000	46,464	16,548	30,000	46,548
Intangible assets, net	12,108	-	12,108	7,094	-	7,094
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Investment in an associate	-	11,799	11,799	-	9,734	9,734
Accrued commission on statutory deposit	-	28,158	28,158	-	26,626	26,626
Goodwill	-	480,000	480,000	-	480,000	480,000
<b>TOTAL ASSETS</b>	<b>3,056,371</b>	<b>1,068,910</b>	<b>4,125,281</b>	<b>3,041,926</b>	<b>806,543</b>	<b>3,848,469</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**34 SUPPLEMENTARY INFORMATION (Continued)**

**STATEMENT OF FINANCIAL POSITION (Continued)**

	SAR '000					
	December 31, 2021			December 31, 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b><u>LIABILITIES</u></b>						
Accrued expenses and other liabilities	264,295	872	265,167	191,120	1,012	192,132
Accounts and commission payable	256,861	-	256,861	144,715	-	144,715
Lease liability	8,534	-	8,534	16,596	-	16,596
Reinsurers' balances payable	155,259	-	155,259	165,531	-	165,531
Gross unearned premiums	897,653	-	897,653	1,023,041	-	1,023,041
Unearned reinsurance commission	18,034	-	18,034	32,914	-	32,914
Gross outstanding claims	743,807	-	743,807	685,512	-	685,512
Claims incurred but not reported	463,364	-	463,364	614,201	-	614,201
Premium deficiency reserve	77,810	-	77,810	31,456	-	31,456
Other technical reserves	65,942	-	65,942	27,294	-	27,294
Due to a related party	2,048	-	2,048	751	-	751
End of service indemnities	28,770	-	28,770	24,405	-	24,405
Surplus distribution payable	82,762	-	82,762	89,393	-	89,393
Zakat & income tax	-	14,025	14,025	-	12,767	12,767
Deferred tax liability	-	2,438	2,438	-	1,438	1,438
Accrued commission income payable to SAMA	-	28,158	28,158	-	26,626	26,626
<b><u>TOTAL LIABILITIES</u></b>	<b>3,065,139</b>	<b>45,493</b>	<b>3,110,632</b>	<b>3,046,929</b>	<b>41,843</b>	<b>3,088,772</b>
<b><u>INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u></b>						
Fair values reserve gain on investments	789	-	789	502	-	502
Re-measurement of defined benefit liability – employees benefits	(9,557)	-	(9,557)	(5,505)	-	(5,505)
<b><u>TOTAL INSURANCE OPERATIONS' (DEFICIT)</u></b>	<b>(8,768)</b>	<b>-</b>	<b>(8,768)</b>	<b>(5,003)</b>	<b>-</b>	<b>(5,003)</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>						
Share capital	-	1,050,000	1,050,000	-	800,000	800,000
Share premium	-	70,000	70,000	-	-	-
Statutory reserve	-	26,135	26,135	-	26,135	26,135
Accumulated losses	-	(147,611)	(147,611)	-	(99,569)	(99,569)
Fair values reserve gain on investments	-	24,893	24,893	-	38,134	38,134
<b><u>TOTAL SHAREHOLDERS' EQUITY</u></b>	<b>-</b>	<b>1,023,417</b>	<b>1,023,417</b>	<b>-</b>	<b>764,700</b>	<b>764,700</b>
<b><u>TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY</u></b>	<b>3,056,371</b>	<b>1,068,910</b>	<b>4,125,281</b>	<b>3,041,926</b>	<b>806,543</b>	<b>3,848,469</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**34 SUPPLEMENTARY INFORMATION (Continued)  
STATEMENT OF INCOME**

	SAR '000					
	December 31, 2021			December 31, 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written						
-Direct	2,236,222	-	2,236,222	2,534,501	-	2,534,501
-Reinsurance	-	-	-	-	-	-
	2,236,222	-	2,236,222	2,534,501	-	2,534,501
Reinsurance premiums ceded						
-Local	(182,477)	-	(182,477)	(1,350)	-	(1,350)
-Abroad	(591,001)	-	(591,001)	(892,433)	-	(892,433)
	(773,478)	-	(773,478)	(893,783)	-	(893,783)
Excess of loss expenses – local	(3,837)	-	(3,837)	-	-	-
Excess of loss expenses – foreign	(58,453)	-	(58,453)	(55,755)	-	(55,755)
Net written premiums	1,400,454	-	1,400,454	1,584,963	-	1,584,963
Changes in unearned premiums, net	165,942	-	165,942	(107,921)	-	(107,921)
<b>Net premiums earned</b>	<b>1,566,396</b>	<b>-</b>	<b>1,566,396</b>	<b>1,477,042</b>	<b>-</b>	<b>1,477,042</b>
Re-insurance commissions	127,333	-	127,333	180,469	-	180,469
<b>TOTAL REVENUES</b>	<b>1,693,729</b>	<b>-</b>	<b>1,693,729</b>	<b>1,657,511</b>	<b>-</b>	<b>1,657,511</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(2,150,490)	-	(2,150,490)	(1,752,744)	-	(1,752,744)
Expenses incurred related to claims	(22,141)	-	(22,141)	(32,561)	-	(32,561)
Hospital discount	108,080	-	108,080	76,053	-	76,053
Reinsurers' share of claims paid	624,777	-	624,777	498,315	-	498,315
<b>Net claims and other benefits paid</b>	<b>(1,439,774)</b>	<b>-</b>	<b>(1,439,774)</b>	<b>(1,210,937)</b>	<b>-</b>	<b>(1,210,937)</b>
Changes in outstanding claims, net	14,223	-	14,223	(79,709)	-	(79,709)
Changes in incurred but not reported claims, net	67,883	-	67,883	176,364	-	176,364
<b>Net claims and other benefits incurred</b>	<b>(1,357,668)</b>	<b>-</b>	<b>(1,357,668)</b>	<b>(1,114,282)</b>	<b>-</b>	<b>(1,114,282)</b>
Additional premium deficiency reserve	(46,355)	-	(46,355)	(10,927)	-	(10,927)
Other technical reserves	(38,648)	-	(38,648)	(12,401)	-	(12,401)
Policy acquisition costs	(96,525)	-	(96,525)	(100,135)	-	(100,135)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,539,196)</b>	<b>-</b>	<b>(1,539,196)</b>	<b>(1,237,745)</b>	<b>-</b>	<b>(1,237,745)</b>
<b>NET UNDERWRITING INCOME</b>	<b>154,533</b>	<b>-</b>	<b>154,533</b>	<b>419,766</b>	<b>-</b>	<b>419,766</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Reversal of / (Allowance for) doubtful debts	24,514	-	24,514	(39,115)	-	(39,115)
General and administrative expenses	(363,897)	(4,718)	(368,615)	(363,999)	(5,268)	(369,267)
Special commission income	1,392	13,949	15,341	5,044	10,665	15,709
Income from investment in associate	-	3,771	3,771	-	3,942	3,942
Realized gain on available for sale investment	-	22,501	22,501	-	9,288	9,288
Dividend income	-	7,558	7,558	-	6,367	6,367
Other income	4,809	-	4,809	11,537	-	11,537
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(333,182)</b>	<b>43,061</b>	<b>(290,121)</b>	<b>(386,533)</b>	<b>24,994</b>	<b>(361,539)</b>
<b>NET (LOSS) / INCOME FOR THE YEAR BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</b>	<b>(178,649)</b>	<b>43,061</b>	<b>(135,588)</b>	<b>33,233</b>	<b>24,994</b>	<b>58,227</b>
Shareholders' appropriation from deficit	-	-	-	(29,910)	29,910	-
<b>NET (LOSS) / INCOME FOR THE YEAR AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</b>	<b>-</b>	<b>(135,588)</b>	<b>(135,588)</b>	<b>3,323</b>	<b>54,904</b>	<b>58,227</b>
Zakat and income tax						
Current zakat and income tax	-	(4,000)	(4,000)	-	(4,591)	(4,591)
Deferred tax	-	(1,000)	(1,000)	-	(13,400)	(13,400)
<b>Net (loss) / income for the year</b>	<b>-</b>	<b>(140,588)</b>	<b>(140,588)</b>	<b>3,323</b>	<b>36,913</b>	<b>40,236</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**34 SUPPLEMENTARY INFORMATION (Continued)**

**STATEMENT OF COMPREHENSIVE INCOME**

	For the Year ended December 31					
	SAR '000					
	2021			2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net (loss) / income for the year	-	(140,588)	(140,588)	3,323	36,913	40,236
Other comprehensive (loss) / income						
Item that will not be reclassified to statement of income in subsequent period						
-Re-measurement of employees end of service indemnities	(4,052)	-	(4,052)	(346)	-	(346)
Items that are or may be reclassified to statement of income in subsequent periods						
Available for sale investments						
- Net change in fair values	287	(13,241)	(12,954)	321	16,654	16,975
<b><u>TOTAL COMPREHENSIVE (LOSS) / INCOME</u></b>	<b>(3,765)</b>	<b>(153,829)</b>	<b>(157,594)</b>	<b>3,298</b>	<b>53,567</b>	<b>56,865</b>
Reconciliation:						
Less: Net income attributable to insurance operations and transferred to surplus distribution payable.			-			(3,323)
<b><u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</u></b>			<b><u>(157,594)</u></b>			<b><u>53,542</u></b>



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**34 SUPPLEMENTARY INFORMATION**  
**STATEMENT OF CASH FLOWS**

	SAR '000					
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	For the year ended December 31, 2021			For the year ended December 31, 2020		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net (loss) / income for the year before zakat and income tax	-	(135,588)	(135,588)	3,323	54,904	58,227
Adjustments for non-cash items:						
Depreciation and amortization	10,099	-	10,099	9,563	-	9,563
Realized gain on investments	-	(22,501)	(22,501)	-	(9,288)	(9,288)
Share of profit from associate	-	(3,771)	(3,771)	-	(3,942)	(3,942)
Allowance for / (reversal of) doubtful debts	(24,514)	-	(24,514)	39,115	-	39,115
Provision for end of service indemnities	5,120	-	5,120	6,071	-	6,071
	(9,295)	(161,860)	(171,155)	58,072	41,674	99,746
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	52,920	-	52,920	(297,428)	-	(297,428)
Reinsurers' share of unearned premiums	(40,554)	-	(40,554)	70,318	-	70,318
Reinsurers' share of outstanding claims	(72,518)	-	(72,518)	(139,193)	-	(139,193)
Reinsurers' share of claims Incurred but not reported	82,954	-	82,954	(39,365)	-	(39,365)
Deferred policy acquisition costs	10,259	-	10,259	7,040	-	7,040
Prepayment and other assets	1,056	(2,825)	(1,769)	(12,622)	166	(12,456)
Deposit against letter of guarantee	(41,835)	-	(41,835)	1,477	-	1,477
Right of use assets	8,156	-	8,156	9,569	-	9,569
Accounts and commission payable	112,146	-	112,146	6,971	-	6,971
Accrued expenses and other liabilities	73,175	(140)	73,035	132,652	(142)	132,510
Lease liability	(8,062)	-	(8,062)	(9,307)	-	(9,307)
Reinsurers' balances payable	(10,272)	-	(10,272)	58,043	-	58,043
Gross unearned premiums	(125,388)	-	(125,388)	37,604	-	37,604
Unearned reinsurance commission	(14,880)	-	(14,880)	1,753	-	1,753
Gross outstanding claims	58,295	-	58,295	218,902	-	218,902
Claims incurred but not reported	(150,837)	-	(150,837)	(136,999)	-	(136,999)
Premium deficiency reserve	46,354	-	46,354	10,927	-	10,927
Other technical reserves	38,648	-	38,648	12,400	-	12,400
Due from related parties	-	-	-	(1,931)	-	(1,931)
Due to related party	1,297	-	1,297	(16,329)	-	(16,329)
	11,619	(164,825)	(153,206)	(27,446)	41,698	14,252
Surplus paid to policyholders	(6,631)	-	(6,631)	(26,491)	-	(26,491)
Payment of employees end of service indemnities	(4,807)	-	(4,807)	(9,463)	-	(9,463)
Zakat and income tax paid	-	(2,742)	(2,742)	-	(5,012)	(5,012)
<b>Net cash (used in) / generated from operating activities</b>	<b>181</b>	<b>(167,567)</b>	<b>(167,386)</b>	<b>(63,400)</b>	<b>36,686</b>	<b>(26,714)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Dividend from investment in associate	-	1,706	1,706	-	3,601	3,601
Interest on statutory deposit	-	1,532	1,532	-	2,762	2,762
Interest payable on statutory deposit	-	(1,532)	(1,532)	-	(2,762)	(2,762)
Purchase of available for sale investments	(77,500)	(242,576)	(320,076)	-	(299,335)	(299,335)
Proceeds from disposal of available for sale investments	57,500	200,600	258,100	-	214,127	214,127
(Placements in) / proceeds from short term deposits, net	-	(31,523)	(31,523)	91,835	156,572	248,407
Additions in property, equipment and intangible	(15,029)	-	(15,029)	(12,316)	-	(12,316)
<b>Net cash generated (used in) / from investing activities</b>	<b>(35,029)</b>	<b>(71,793)</b>	<b>(106,822)</b>	<b>79,519</b>	<b>74,965</b>	<b>154,484</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Increase of share capital	-	350,000	350,000	-	-	-
Share premium	-	70,000	70,000	-	-	-
Transaction cost related to increase in capital	-	(7,454)	(7,454)	-	-	-
Due to / (from) shareholders operation	(150,706)	150,706	-	79,111	(79,111)	-
<b>Net cash generated (used in) / from financing activities</b>	<b>(150,706)</b>	<b>563,252</b>	<b>412,546</b>	<b>79,111</b>	<b>(79,111)</b>	<b>-</b>
Net change in cash and cash equivalents	(185,554)	323,892	138,338	95,230	32,540	127,770
Cash and cash equivalents, beginning of the year	272,589	66,076	338,665	177,359	33,536	210,895
<b>Cash and cash equivalents, end of the year</b>	<b>87,035</b>	<b>389,968</b>	<b>477,003</b>	<b>272,589</b>	<b>66,076</b>	<b>338,665</b>

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**35 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified and regrouped to conform with the current years presentation to these financial statements.

**36 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Board of Directors of the Company, on 30 Rajab 1443 H, corresponding to 3 March 2022 G.