

SHAREHOLDERS' CIRCULAR

This Circular is issued by Gulf Union Al Ahlia Cooperative Insurance Co. ("GUAI") and addressed to its shareholders in accordance with the requirements of Article (60) of the Rules on the Offer of Securities and Continuing Obligations ("ROSCOs") to increase the share capital of GUAI for the merger of Gulf General Cooperative Insurance ("GGI") into GUAI in accordance with Articles (225) and (227 - 229) of the Companies Law and Article (49)(a)(1) of Merger and Acquisition Regulations.

This shareholders' circular (the "Circular") has been prepared by GUAI in accordance with the requirements of Article (60) of the Rules on the Offer of Securities and Continuing Obligations in connection with the increase in the share capital of GUAI from four hundred fifty eight million nine hundred forty nine thousand two hundred eighty (458,949,280) Saudi Riyals to six hundred eighty seven million one hundred eighty one thousand five hundred fifty (687,181,550) Saudi Riyals and increasing the number of its shares from forty five millions eight hundred forty nine thousand nine hundred twenty eight (45,894,928) shares to sixty eight million seven hundred eighteen thousand one hundred fifty five (68,718,155) shares representing an increase of (49.73%) in the current share capital of GUAI.

The share capital will be increased for the purpose of the merger of GGI into GUAI along with transfer of all GGI's rights, obligations, assets and contracts to GUAI in accordance with Articles (225) and (227 - 229) of the Companies Law and Article (49)(a)(1) of Merger and Acquisition Regulations ("Merger") in consideration of GUAI issuing twenty two million eight hundred twenty three thousand two hundred twenty seven (22,823,227) ordinary shares with a nominal value of SAR 10 per share for the shareholders of GGI ("Consideration Shares").

Gulf General Cooperative Insurance Co. is a listed Saudi joint stock company, having its registered office in Jeddah, with commercial register no. 4030196620 dated 09/02/1431H (Corresponding to 24/01/2010G) and License No. (TMN/20103/26) dated 20/03/1431H (Corresponding to 06/03/2010G) issued by the Insurance Authority to practice insurance activities. GGI's share capital is three hundred million (300,000,000) Saudi Riyals. For more details about GGI, please see Section (3.7) ("Overview of GGI's Operations") and Section (4) ("Management Discussion and Analysis of Financial Information").

GUAI has entered into a binding merger agreement with GGI on 08/06/1446H (corresponding to 09/12/2024G) ("Merger Agreement"), whereby the GGI shareholders under GGI shareholder register as at the end of the second trading period following the approval of the Extraordinary General Meeting on the Merger between GGI and GUAI ("Issuance of the Merger Resolution") will receive (0.7607742333333330) shares in GUAI for every share they hold in GGI ("Exchange Ratio"). On 09/06/1446H (corresponding to 10/12/2024G), GUAI announced execution of a merger agreement and its firm intention to make an offer for the Merger.

Upon the satisfaction of the conditions of the Merger Agreement and Effectiveness of the Merger Resolution, GUAI shall survive whereas GGI shall be dissolved by operation of law and all of its shares shall be cancelled in accordance with Articles (225) and (227 - 229) of the Companies Law and Article (49)(a)(1) of the Merger and Acquisition Regulations; in addition, all GGI's rights, obligations, assets and contracts shall be transferred to GUAI by operation of law. for more details on the terms and conditions of the Merger, please refer to Section (5.2.2) ("Procedures required for the Issuance and Effectiveness of the Merger Resolution"). The Issuance and Effectiveness of the Merger Resolution is conditional upon obtaining approval of GUAI's Merger EGM, approval of GGI's Merger EGM, the satisfaction of the other conditions of the Merger and registering the Merged Company's information in the Merging Company's commercial register. (for more details about the conditions of the Merger, please refer to (5.2.6.1) ("Conditions of the Merger Agreement") and Section (5.2.2) ("Procedures required for the Issuance and Effectiveness of the Merger Resolution"). The Merger is subject to satisfying the conditions set out in the Merger Agreement as summarized under Section (5.2.6.1) ("Conditions of the Merger Agreement"), noting that such conditions may not be amended or waived without the written approval of both companies or in accordance with the Merger Agreement.

GUAI hereby confirms its ability to satisfy its liabilities in accordance with the provisions of Article 225(2) of the Companies Law, and also confirms the ability of GGI to do so based on the information provided by it. Both companies have announced the Merger and the procedure for creditors of GGI to object, in accordance with Article 227 of the Companies Law, at least thirty (30) days prior to the holding of the extraordinary general assembly meeting of the two companies to vote on the merger resolutions so that these creditors shall have a period of fifteen (15) days from the date of the announcement to express any objections in accordance with the provisions of Article (227) of the Companies Law, as per the procedure specified in the announcement ("Creditors' Objection Period"). GGI shall settle the debt of the Objecting Creditor, if such debt is due and payable, or provide sufficient guarantee to settle the debt if it is deferred. The Creditor who notified the GGI Company of its objection to the Merger during the Creditors' Objection Period and the GGI

Company fails to settle the debt if it is due or fails to provide such Creditor with sufficient guarantee to settle the same if it is deferred, may apply to the competent judicial authority within a period of no less than ten (10) days before the date set for voting on the merger resolutions. In this case, the competent judicial authority may order the payment of the debt if it is due or the provision of a guarantee to settle the debt if it is deferred. If the competent judicial authority sees that the Merger will result in serious damages to the objecting creditor without the two companies being able to settle the debt or provide the guarantee, it may order the suspension or postponement of the Merger, provided that its decision to that effect is issued before the Effectiveness of the Merger Resolution. If the Creditor's objection is not disposed by the competent judicial authority before the Effectiveness of the Merger Resolution, and it subsequently finds that the objecting creditor's claim is valid, it may issue a decision to compensate such creditor for the damages suffered by it as a result of the merger.

All GUAI's shares are of one class and no share gives its shareholders preferred rights. The Consideration Shares will be issued of the same class of the current GUAI's shares with the same rights they enjoy including voting rights and rights to receive dividends. The Consideration Shares will entitle their holders to receive dividends declared by GUAI following the date of the issuance of Merger Resolution according to the eligibility date for each declared dividend. After issuing the Consideration Shares, the ownership of current GUAI's shareholders will constitute (66.79%) of GUAI's share capital, while GGI's shareholders will own (33.21%) of GUAI's share capital. For more details about the Merger impact and justifications, please refer to Section (3.2) ("Merger Rationale").

The total value of the Merger will be determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 228,232,270 (two hundred twenty-eight million two hundred thirty-two thousand two hundred seventy Saudi Riyals). The total market value of the Consideration Shares is SAR 363,345,774 (three hundred sixty-three million three hundred forty-five thousand seven hundred seventy-four Saudi Riyals), based on the closing price of (SAR 15.92) for GUAI's share as at 08/06/1446H (corresponding to 09/12/2024G) (which is the last trading day prior to the date of entry into the Merger Agreement). The total value of Consideration Shares to be recorded in the financial statements of GUAI will be determined at a later stage based on the closing price of GUAI's share at the last trading day prior to the date of issuance of the Consideration Shares.

The current share capital of GUAI is SAR 458,949,280 (four hundred fifty-eight million nine hundred forty-nine thousand two hundred eighty Saudi Riyals) divided into 45,894,928 (forty-five million eight hundred ninety-four thousand nine hundred twenty-eight) ordinary shares with a nominal value of SAR 10 (ten Saudi Riyals) per share, all of which are fully paid and listed on Saudi Exchange (Tadawul).

The following table shows details of ownership in GUAI prior to and following the Issuance of Merger Resolution and deposit of the Consideration Shares as established in the shareholders' register as of the end of trading on Thursday, 30/70/1446H (corresponding to 30/01/2025G):

Shareholder	Before Issuance of the Merger Resolution		After Issuance of the Merger Resolution ⁽¹⁾	
	No. of Shares in GUAI	Shareholding Percentage in GUAI	No. of Shares in GUAI	Shareholding Percentage in GUAI
Members of GUAI's Board of Directors ⁽²⁾	456,270	0.99%	456,270	0.66%
Senior Executives of GUAI ⁽³⁾	N/A	N/A	N/A	N/A
Gulf Union Holding	2,475,000	5.39%	2,475,000	3.60% ⁽⁴⁾
Rawabi Holding	4,717,998	10.28%	4,717,998	6.87%
Public	38,245,660	83.33%	61,068,887	88.87%
Total	45,894,928	100%	68,718,155	100%

⁽¹⁾ Upon the Issuance of the Merger Resolution and the deposit of the Consideration Shares, the ownership of the shareholders of GGI will represent 33.21% of the share capital of GUAI. Based on the information provided by GGI, this ownership will be entirely classified as public ownership upon the Issuance of the Merger Resolution and the deposit of the Consideration Shares.

⁽²⁾ Based on the shares directly held by the members of the board of directors. For more information on shareholdings, please refer to Section (3.3) ("Shareholding of GUAI's Board of Directors").

⁽³⁾ Based on the shares directly held by senior executives of GUAI only.

⁽⁴⁾ Gulf Union Holding will not be a substantial shareholder after the Issuance of The Merger Resolution and the deposit of the Consideration Shares, as its ownership will fall below 5% of the shares of GUAI.

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The following table shows details of the shareholding structure in GGI prior to and following the Effectiveness of the Merger Resolution as established in the shareholders' register as of the end of trading on Sunday, 29/05/1446H (corresponding to 01/12/2024G):

Shareholder	Before Effectiveness of the Merger Resolution				After Effectiveness of the Merger Resolution			
	No. of Shares in GUAI	Shareholding Percentage in GUAI	No. of Shares in GGI	Shareholding Percentage in GGI	No. of Shares in GUAI	Shareholding Percentage in GUAI	No. of Shares in GGI	Shareholding Percentage in GGI
Trading Co. for Marketing Services & Agencies Limited	N/A	N/A	1,800,000	6%	1,369,393	1.99%		
Saudi General Investments and Services Company	N/A	N/A	1,800,000	6%	1,369,393	1.99%		
Members of GGI's Board of Directors ⁽¹⁾	40	0.000087%	20,916	0.06972%	15,952	0.0232%	Not applicable, it will be merged into GUAI	
Senior Executives of GGI ⁽²⁾	N/A	N/A	3,900	0.013%	2,967	0.0043%		
Remaining Shareholders of GGI	N/A	N/A	26,375,184	87.92%	20,065,562	29.21%		
Total	40	0.000087%	30,000,000	100%	22,823,267⁽³⁾	33.21%		

- ⁽¹⁾ The shares directly held by the members of the board of directors, amounting to: (a) 40 shares held by member Tahir Aqil in GUAI before the Issuance of Merger Resolution, and (b) 20,916 shares in GGI held by the members of the board of directors of GGI before the Issuance of Merger Resolution. Upon the Issuance of Merger Resolution and the deposit of the Consideration Shares, the members of GGI's board of directors will receive 15,912 shares in GUAI in exchange for their ownership in GGI pursuant to the Exchange Ratio. For more details on shareholdings, please refer to Section (3.7.5) ("GGI's Board of Directors and Executive Management").
- ⁽²⁾ The number of shares directly held by senior executives of GGI before the Issuance of Merger Resolution amounts to 3,900 shares. Upon the Issuance of Merger Resolution and the deposit of the Consideration Shares, the senior executives of GGI will receive 2,967 shares in GUAI in exchange for their ownership in GGI pursuant to the exchange ratio.
- ⁽³⁾ This total number represents the total Consideration Shares to be issued to the shareholders of GGI, based on the Exchange Ratio, which amounts to 22,823,227 shares in GUAI, in addition to the shares held by member Tahir Aqil in GUAI before the Issuance of Merger Resolution.

Source: GGI.

The Merger does not involve any related parties, and none of the members of GUAI's board of directors have any interest in the Merger. With respect to GGI, based on the information provided by it, Tahir bin Muhammad Aqil, a member of the board of directors, has disclosed his interest in the Merger to GGI's board of directors as he is a shareholder in GUAI. Mr. Tahir owns forty (40) shares in GUAI, representing 0.000087% of GUAI.

GUAI has submitted an application to the Capital Market Authority (the "CMA") to register and offer the Consideration Shares and, simultaneously, to the Saudi Exchange (Tadawul) to accept the listing of the Consideration Shares. CMA approval was obtained on 25/08/1446H (corresponding to 24/02/2025G) while the Saudi Exchange (Tadawul) approval was obtained on 13/08/1446H (corresponding to 12/02/2025G), and all requirements of CMA and the Saudi Exchange (Tadawul) have been satisfied. In addition to the required approvals of GUAI's Merger EGM and GGI's Merger EGM, all the regulatory approvals related to the Merger and GUAI's Capital Increase have been obtained (for more details in this regard, please refer to Section (5.2.2) ("Procedures required for the Issuance and Effectiveness of the Merger Resolution").

This Circular includes information provided as part of the application for listing and offering securities in compliance with the ROSCOs issued by the Capital Market Authority of Saudi Arabia (the "CMA") and the application for listing securities in compliance with the Listing Rules of the Saudi Exchange. The board members, whose names appear in this Circular, collectively and individually accept full liability for the accuracy of information contained in this Circular. They also confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. CMA and the Saudi Exchange do not take any liability for the contents of this Circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Circular.

As an exception from the above declaration, neither GUAI nor its directors,

executives or employees will accept any liability for the accuracy of information relating to GGI or its shareholders and directors contained in this Circular. All this information has been provided by GGI in connection with the Merger during the due diligence examinations conducted by GUAI and its advisers on GGI. GGI is obligated under the Merger Agreement to provide GUAI with all information about GGI required for preparing this Circular. GGI has also submitted under the Merger Agreement a representation to GUAI (as usually done under such agreements) related to the correctness and completeness of the information (in all material aspects) submitted to GUAI regarding the Merger as on the date of submission of such information. This information will include the information submitted during the stage of conducting professional due diligence examinations and preparing Merger-related documents including this Circular. GGI also warrants and represents that the information submitted is not misleading in all material aspects. GGI also represented under the Merger Agreement that it did not conceal any material information related to the Merger from GUAI.

The members of the board of directors of GUAI believe that the Merger is in the best interests of GUAI and its shareholders, having done the due diligence, with supports of their advisers, they deemed sufficient in the circumstances, and having considered the market position prevailing at the time of the publication of this Circular in addition to the future growth prospects of GUAI and GGI and expected benefits of the Merger, and based on the opinion provided by Aljazira Capital on 06/04/1446H (corresponding to 12/05/2024G) (being GUAI's financial adviser in relation to the Merger) to GUAI's board of directors (a copy thereof attached as Annex 2 hereof), to the effect that as of that date and based upon and subject to the factors and assumptions set forth therein, the Exchange Ratio agreed under the Merger Agreement was fair from a financial point of view to GUAI.

The shareholders must fully read this Circular and review all its sections carefully especially Section "Important Notice" and Section (1) "Risk Factors", before voting at GUAI's Merger EGM.

GUAI appointed Aljazira Capital as a financial adviser in relation to the Merger.

Financial Adviser



This Shareholders' Circular was published on: 28/08/1446H (corresponding to 27/02/2025G). It was drafted in both Arabic and English. Arabic shall be the official language of the Circular. In case of any discrepancy between the Arabic and English texts, the Arabic text shall prevail.



Property Insurance



Medical Insurance



Motor Insurance



Medical Malpractice



Protection and Saving Insurance



General Accidents



Engineering



Marine Insurance



إتحاد الخليج الأهلية للتأمين التعاوني
GULF UNION AL AHLIA COOPERATIVE INSURANCE

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Important Notice

This Circular has been prepared by GUAI pursuant to Article (60) of ROSCOs regarding the capital increase of GUAI for the purpose of the merger of GGI into GUAI against GUAI issuing the Consideration Shares to the shareholders of GGI in accordance with Articles (225) and (227-229) of the Companies Law and Article (49)(a)(1) of the M&A Regulations. The purpose of this Circular is to provide GUAI Shareholders with information in order to assist them in making an informed decision when voting at GUAI's Merger EGM on the recommendation of GUAI's board of directors to increase its share capital for the purpose of merger of 100% of GGI's shares; noting that GUAI shareholders' approval of the Merger according to the duly required quorum is a condition for the Merger. By publication of this Circular, GUAI shareholders are fully aware of the information contained in this Circular and their decisions and votes in GUAI's Merger EGM shall be treated on such basis. The counterparts of this Circular may be obtained from the headquarters of GUAI or through GUAI's website (<https://gulfunion.com.sa>), CMA website (cma.org.sa), or the Saudi Exchange (Tadawul) website (www.saudiexchange.sa).

CMA and the Saudi Exchange (Tadawul) assume no liability for the contents of this Circular, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss resulting from the contents of this Circular or from reliance on any part thereof.

The information and statements contained in this Circular were presented as they are on the date of issuance of this Circular unless another date is specified for any information or statements contained in this Circular. Consequently, this information is subject to change after the date of publication of this Circular. Accordingly, publication of this Circular does not necessarily mean that none of the facts or information contained in this Circular on GUAI or GGI have changed. Any information contained in this Circular should not be considered expectations or projections on the future financial performance of GUAI or GGI. No statement in this Circular is to be construed as a profit forecast that future earnings per GUAI share will match or exceed the historical earnings per GUAI share. For more details on the risks related to the Merger and GGI, please refer to Section (1) ("**Risk Factors**"), which shareholders should carefully review.

GUAI will not amend or update any projection or forward-looking statement contained herein, except as required by the applicable laws and regulations. GUAI shall prepare and publish a supplementary shareholders' circular after its submission to and approval of the CMA, only upon becoming aware at any time after the date of publication of this Circular and before GUAI's Merger EGM of any of the following: (1) there is a significant change in material matters contained in this circular, and (2) the emergence of any significant matters that should have been included in this Circular.

No person was authorized to provide any information or to make any representations on behalf of GUAI's board of directors except what is declared in this Circular. Therefore, no information or statements from other parties should be construed as information or statements of GUAI or Aljazira Capital or any adviser of GUAI in relation to the Merger.

All the information contained in this Circular is of a general nature and has been prepared without considering the individual investment objectives, the financial situation or the investment needs of any specific shareholder. Therefore, GUAI and its board of directors recommend that GUAI shareholders should read and carefully consider all information contained in this Circular, and when in doubt as to the action any shareholder should take at GUAI's Merger EGM, the board of directors of GUAI recommend that such shareholder consults an independent financial adviser licensed by the CMA and relies on its own examination of the Merger to ensure suitability of the Merger and the information herein with regard to such GUAI shareholder's individual objectives, financial situation and needs.

This Circular is not and may not be construed as legal, financial, zakat-related or tax advice. If in doubt about the legal, financial, zakat-related or tax consequences, impacts or provisions, specialized advice from licensed legal, financial and tax advisers should be sought in relation to such topics.

GUAI appointed Aljazira Capital as a financial adviser for GUAI in relation to the Merger. Aljazira Capital is a capital market company licensed to operate in the Saudi Arabia by CMA as an exclusive financial adviser of GUAI in relation to the Merger, and shall not be liable towards any party except for GUAI when giving advice on the Merger or any other issue referred to in this Circular.

Moreover, Aljazira Capital or other advisers referred to in Section ("**Corporate Directory**") did not independently ascertain the correctness and accuracy of the information contained in this Circular. Accordingly, those advisers, or any of their affiliates, managers or employees shall not be liable for any direct or indirect loss or damage that any person may incur due to their reliance on any information included in this Circular, or due to incorrect, inaccurate, or incomplete information contained in this Circular.



Forward-looking Forecasts and Statements

This Circular contains certain forecasts and forward-looking statements. Such forecasts and forward-looking statements may often use forward-looking words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “will”, “believe”, “aim”, “may”, “would”, “could” or “should” or other words of similar meaning or the negative thereof. Forward-looking statements in this Circular include, without limitation, statements relating to the following: (i) expected benefits from the Merger, future expectations of financial performance and conditions, and other future events; (ii) business and management strategies and the expansion and growth of the operations of GUAI following the Merger; and (iii) the Merger and the dates on which events are expected to occur.

The forward-looking statements appearing in this Circular reflect the current point of view of GUAI and its management. They are based on numerous assumptions, including assumptions regarding the present and future business strategies of GUAI and the regulatory environment in which it will operate in the future. Forecasts and forward-looking statements are not a promise, or a guarantee of future events given several, visible and invisible, factors that may affect the future, causing it to be materially different from the expectations, expressed or implied by this Circular. The risks and uncertainties relating to forward-looking statements are beyond GUAI’s control and cannot be estimated precisely, such as future market conditions and the behaviors of other market participants. Therefore, the recipient of this Circular should read these forecasts and forward-looking statements based on this notice but may not rely on such statements. For more details on the risks related to the Merger, specifically on GGI, please refer to Section (1) “**Risk Factors**”, which shareholders should carefully review.

All oral or written forecasts and forward-looking statements made by GUAI or any person acting on its behalf are expressly qualified in their entirety by the Important Notice contained in this Section.

Publication and Distribution Restrictions

This Circular is addressed to GUAI shareholders, subject to any restriction in the laws and regulations of any Restricted Jurisdiction. This Circular does not constitute a sale offer or purchase order for any securities to any person in any jurisdiction wherein the applicable laws do not permit making such offer or order.

Notice to Shareholders of GUAI Residing Outside Saudi Arabia

While all shareholders of GUAI are entitled to attend the GUAI’s Merger EGM and to vote on its resolutions (subject to any restrictions that may be imposed by law or any other restrictions under the laws applicable in Saudi Arabia), shareholders of GUAI residing outside Saudi Arabia should note that this Circular has not been submitted or registered with any regulatory authority outside Saudi Arabia. Accordingly, if any shareholder of GUAI resides in any country whose laws require GUAI to take any steps so that the shareholder may vote on the Merger Resolutions in a lawful manner, please be aware that GUAI has not taken such steps and therefore the shareholder concerned should not participate in voting on the proposed resolutions at GGI’s Merger EGM. In the event that the shareholder concerned votes on the Merger Resolutions nonetheless, GUAI may, in agreement with GGI, decide not to proceed with the Merger, unless the Merger has been approved by the required majority of shareholders of GUAI, excluding the votes of the shareholder concerned.

Financial and Other Information

GUAI’s and GGI’s audited financial statements for the financial years ended on 31 December 2021G, 2022G, and 2023G and unaudited financial information for the six-month period ended on 30 June 2024G are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in Saudi Arabia and other standards and publications issued by SOCPA. Save as disclosed otherwise, all financial information is set out in SAR.

It should also be noted that financial information contained in this Circular is based on the audited financial statements of the fiscal year ended on 31 December 2023G and the unaudited interim financial information for the six-month period ended on 30 June 2024G. Figures for the fiscal year ended 31 December 2022G, have been used as classified and restated in the audited financial statements for the fiscal year ended 31 December 2023G. Comparative figures for the period of six months ended 30 June 2023G, have also been used as classified in the unaudited interim financial information for the six months ended 30 June 2024G, and the accompanying notes, due to GGI’s adoption of International Financial Reporting Standard (IFRS) 17 “Insurance Contracts”, as adopted in the Kingdom of Saudi Arabia, which supersedes IFRS 4 “Insurance Contracts” and is effective for annual periods beginning on or after 1 January 2023G, and IFRS 9 “Financial Instruments”, as adopted in the Kingdom of Saudi Arabia, which supersedes IAS 39 “Financial Instruments: Recognition and Measurement”. For more details, please refer to Section (4) (“**Management Discussion and Analysis of Financial Information**”).



Figures presented may not add up to the totals due to rounding. It should be noted that this Circular contains percentages and ratios, which are approximate figures and percentages for presentation purposes. Additionally, the ownership percentages after the Issuance of Merger Resolution and the deposit of the Consideration Shares have been calculated based on the total number of shares, without taking into account the ownership of any shareholder of GGI or GUAI (as the case may be) in the other company before the Issuance of Merger Resolution.

This Circular has been prepared in accordance with the laws and regulations in force in the Kingdom of Saudi Arabia, and the type and presentation of the information contained therein may vary if prepared in accordance with the regulations of another jurisdiction. GUAI does not intend to take any action to publish or register this Circular or the Consideration shares in any jurisdiction other than the Kingdom of Saudi Arabia. The Merger relates to securities of Saudi companies listed on the Saudi Exchange (Tadawul), and therefore this Circular and any other documents or announcements related to the Merger have been and will be prepared in accordance with the disclosure requirements applicable in the Kingdom of Saudi Arabia only, which may differ from those applicable in other jurisdictions.

Sector and Market Information

The market information and details contained in Section (2) (“**Information on the Market and Insurance Industry in Saudi Arabia**”) were obtained from reports prepared by the General Authority for Statistics and the Insurance Authority. Market information is considered to be of a general nature, and is not a guarantee of the nature or trends of the market and industry in the future. This information is subject to constant change and will not be updated by GUAI. Neither GUAI nor its directors, employees and other advisers have independently verified the information and data contained in this Circular. Accordingly, no representation or warranty is made or implied as to accuracy or completeness of the information contained in this Circular and those parties do not accept any liability as to the accuracy or completeness of that information.



Corporate Directory

Gulf Union Al Ahlia Cooperative Insurance

Gulf Union Al Ahlia Cooperative Insurance

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Abdulaziz bin Ali Alturki

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GUAI's Financial, Tax, Zakat, and Actuarial Due Diligence Adviser

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GUAI's Auditors for the Fiscal Year ended 31 December 2023 and Six-month Period ended 30 June 2024

PricewaterhouseCoopers Chartered Accountants

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GUAI's Auditors for the Fiscal Years ended 31 December 2021 and 2022

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Note: The above advisers and auditors have given and, as at the date of this Circular, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Circular (as applicable).



Summary

This summary is intended to provide GUAI shareholders with an overview of the Merger. As such, reading this Section does not substitute reading the other sections of this Circular. Shareholders shall read this Section as an introduction to the information related to the Merger. It is also **important to read this Circular and the information contained herein carefully** especially “**Important Notice**” Section and (1) (“**Risk Factors**”) Section – before making any decision related to voting on the Merger Resolutions in GUAI’s Merger EGM.

GUAI (Issuer or Merging Company)																												
Name, Description and Incorporation Information	GUAI was incorporated pursuant to Council of Ministers Resolution No. (233) dated 16/09/1427H (corresponding to 09/10/2006G) and Royal Decree (M/60) dated 18/09/1427H (corresponding to 11/10/2006G), as a joint-stock company registered in the commercial register under number (2050056228) dated 13/08/1428H (corresponding to 26/08/2007G) having its head office at Unit 1,2,3, Q2, Business Quarter, Salman Al Farsi St., Al-Khalidiya Al-Janubiyah, Dammam. The company holds an insurance license no. (TMN/09/20079) issued by Insurance Authority on 29/08/1428H (corresponding to 11/09/2007G).																											
GUAI’s Business Activities	GUAI’s main activity is to conduct insurance business in general and all related activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations, as amended, and all related statutes. It primarily covers health insurance, motor insurance, and general insurance. According to its bylaws, the objects of GUAI are to conduct cooperative insurance business in the branches of general insurance, health insurance, and protection and savings insurance. GUAI may undertake all activities necessary to achieve its objectives and shall conduct its business in accordance with the Cooperative Insurance Companies Control Law and its implementing regulations. According to its commercial register, the objects of GUAI are protection insurance with savings, health insurance, and general insurance.																											
Substantial Shareholders in GUAI and their number of shares and shareholding percentage before and after the Capital Increase.	The following table shows the substantial shareholders of GUAI before and following the Issuance of Merger Resolution and deposit of Consideration Shares as per the register of shareholders as of the end of trading on Thursday, 30/07/1446H (corresponding to 30/01/2025G): <table> <tr> <th rowspan="2">Shareholder</th><th colspan="2">Before Issuance of the Merger Resolution</th><th colspan="2">After Issuance of the Merger Resolution</th></tr> <tr> <th>No. of Shares in GUAI</th><th>Shareholding Percentage in GUAI</th><th>No. of Shares in GUAI</th><th>Shareholding Percentage in GUAI</th></tr> <tr> <td>Gulf Union Holding*</td><td>2,475,000</td><td>5.39%</td><td>2,475,000</td><td>3.60%</td></tr> <tr> <td>Rawabi Holding</td><td>4,717,998</td><td>10.28%</td><td>4,717,998</td><td>6.87%</td></tr> <tr> <td>Total</td><td>7,192,998</td><td>15.67%</td><td>7,192,998</td><td>10.47%</td></tr> </table> * Gulf Union Holding will not be a substantial shareholder following the Issuance of The Merger Resolution and the deposit of the Consideration Shares, as its ownership will fall below 5% of the shares of GUAI.				Shareholder	Before Issuance of the Merger Resolution		After Issuance of the Merger Resolution		No. of Shares in GUAI	Shareholding Percentage in GUAI	No. of Shares in GUAI	Shareholding Percentage in GUAI	Gulf Union Holding*	2,475,000	5.39%	2,475,000	3.60%	Rawabi Holding	4,717,998	10.28%	4,717,998	6.87%	Total	7,192,998	15.67%	7,192,998	10.47%
Shareholder	Before Issuance of the Merger Resolution		After Issuance of the Merger Resolution																									
	No. of Shares in GUAI	Shareholding Percentage in GUAI	No. of Shares in GUAI	Shareholding Percentage in GUAI																								
Gulf Union Holding*	2,475,000	5.39%	2,475,000	3.60%																								
Rawabi Holding	4,717,998	10.28%	4,717,998	6.87%																								
Total	7,192,998	15.67%	7,192,998	10.47%																								
GUAI’s Share Capital	SAR 458,949,280 (four hundred fifty-eight million nine hundred forty-nine thousand two hundred eighty Saudi Riyals)																											
Total Number of GUAI Shares	45,894,928 (forty-five million eight hundred ninety-four thousand nine hundred twenty-eight) ordinary shares.																											
Nominal Value per GUAI’s Share	Ten (10) Saudi Riyals.																											
Total Number of Consideration Shares	22,823,227 (twenty-two million eight hundred twenty-three thousand two hundred twenty-seven) ordinary shares.																											
Consideration Shares Percentage from GUAI’s Current Share Capital	49.73%																											
Issuance Value of Consideration Shares	The nominal value of each Consideration Share is ten (10) Saudi Riyals. The total value of Consideration Shares is SAR 228,232,270 (two hundred twenty-eight million two hundred thirty-two thousand two hundred seventy Saudi Riyals). The total value of Consideration Shares, as will be recorded on the financial statements of GUAI, will be determined based on the closing price of GUAI’s share at the last trading day prior to the date of the issuance of the Consideration Shares.																											



Total Value of the Issuance of Consideration Shares	The total nominal value of the Consideration Shares is SAR 228,232,270 (two hundred twenty-eight million two hundred thirty-two thousand two hundred seventy Saudi Riyals). The total market value of the Consideration Shares is SAR 363,345,774 (three hundred sixty-three million three hundred forty-five thousand seven hundred seventy-four Saudi Riyals), based on the closing price of (SAR 15.92) for GUAI’s share on 08/06/1446 AH (corresponding to 09/12/2024G) (which is the last trading day prior to the date of entry into the Merger Agreement). The total value of Consideration Shares, as will be recorded on the financial statements of GUAI, will be determined based on the closing price of GUAI’s share at the last trading day prior to the date of the issuance of the Consideration Shares.				
Description of the Merger					
Description of the Merger	GUAI will make an offer to the shareholders of GGI for the purpose of merging GGI into GUAI and transferring all the rights, obligations, assets, and contracts of GGI to GUAI. In consideration for this, GUAI will issue twenty-two million, eight hundred twenty-three thousand, two hundred twenty-seven (22,823,227) ordinary shares to the shareholders of GGI through an increase in GUAI’s share capital from four hundred fifty-eight million, nine hundred forty-nine thousand, two hundred eighty (458,949,280) Saudi Riyals to six hundred eighty-seven million, one hundred eighty-one thousand, five hundred fifty (687,181,550) Saudi Riyals, and an increase in the number of its shares from forty-five million, eight hundred ninety-four thousand, nine hundred twenty-eight (45,894,928) shares to sixty-eight million, seven hundred eighteen thousand, one hundred fifty-five (68,718,155) shares, representing a 49.73% increase in GUAI’s current share capital. Upon the Effectiveness of the Merger Resolution, GUAI shall survive, whereas GGI shall be dissolved by operation of law and all of its shares shall be cancelled. All rights, obligations, assets, and contracts of GGI shall be transferred to GUAI. (For more details on the terms of the Merger, please refer to Section (5.2.2) (“Procedures required for the Issuance and Effectiveness of the Merger Resolution”).				
GGI (Merged Company)					
Name, Description and Incorporation Information	Gulf General Cooperative Insurance is a listed Saudi joint stock company, having its registered office in Jeddah, with commercial register no. 4030196620 dated 09/02/1431H (Corresponding to 24/01/2010G) and License No. (TMN/20103/26) dated 20/03/1431H (Corresponding to 06/03/2010G) issued by the Insurance Authority to practice insurance activities. GGI’s share capital is three hundred million (300,000,000) Saudi Riyals.				
GGI’s Business Activities	The principal activity of GGI is to conduct insurance business in general, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations, as amended, and all related regulations. According to its bylaws, the business of GGI is to conduct cooperative insurance business. According to its commercial register, the objects of GGI are general insurance and health insurance. For more details on the projects of GGI, please refer to Section (3.7) (“Overview of GGI’s Operations”).				
Substantial Shareholders in GGI and their number of shares and shareholding percentage before and after the Effectiveness of the Merger Resolution.	The following table shows the shareholding structure in GGI prior to and following the Effectiveness of the Merger Resolution as established in the shareholders’ register as of the end of trading on Thursday, 30/07/1446H (corresponding to 30/01/2025G):				
	Shareholder	Before Effectiveness of the Merger Resolution		After Effectiveness of the Merger Resolution	
		Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
		Trading Co.for Marketing Services & Agencies Limited	1,800,000	6%	Not applicable, it will be merged into GUAI
		Saudi General Investments and Services Company	1,800,000	6%	
Total	3,600,000	12%			
Ownership of GGI’s Shareholders in GUAI after the Capital Increase	After issuance of the Consideration Shares, GGI shareholders will own (33.21%) of GUAI’s share capital.				
GGI’s Share Capital	Three hundred million (300,000,000) Saudi Riyals.				
Total Number of Shares in GGI	Thirty Million (30,000,000) ordinary shares.				
Number of GGI’s Shares under Merger	All GGI’s shares amounting to thirty million (30,000,000) ordinary shares. The transaction is a merger whereby GGI will be merged into GUAI and all its shares will be cancelled.				
Other					
Related Parties	The Merger does not involve Related Parties.				



Total and Detailed Value of the Consideration	The nominal value of each share of the Consideration Shares is ten (10) Saudi Riyals. The total nominal value of the Consideration Shares is SAR 228,232,270 (two hundred twenty-eight million two hundred thirty-two thousand two hundred seventy Saudi Riyals). The total market value of the Consideration Shares is SAR 363,345,774 (three hundred sixty-three million three hundred forty-five thousand seven hundred seventy-four Saudi Riyals), based on the closing price of (SAR 15.92) for GUAI’s share on 08/06/1446H (corresponding to 09/12/2024G) (which is the last trading day prior to the date of entry into the Merger Agreement). The total value of Consideration Shares, as will be recorded on the financial statements of GUAI, will be determined based on the closing price of GUAI’s share at the last trading day prior to the date of the issuance of the Consideration Shares.																																							
After Merger	The below diagram is a simplified description of the structure of Merger: <pre>graph LR subgraph Before_Merger GSH[GUAI's Shareholders] -- 100% --> GUAI[GUAI] GSH -- 100% --> GGI[GGI] GSI[GGI's Shareholders] -- 100% --> GGI end subgraph After_Merger GSH -- 66.79% --> GUAI_After[GUAI GGI's Assets and Obligations] GSI -- 33.21% --> GUAI_After GGI -- Dashed Box --> GGI_After[GGI] end Before_Merger -- "After" --> After_Merger</pre>																																							
GUAI Shareholding Structure Before and After the Capital Increase	The following table shows the shareholding details in GUAI prior to and following the Issuance of the Merger Resolution and the deposit of the Consideration Shares, based on the shareholders’ register at the end of trading on Thursday, 30/07/1446H (corresponding to 30/01/2025G): <table><tr><th rowspan="2">Shareholder</th><th colspan="2">Before Issuance of the Merger Resolution</th><th colspan="2">After Issuance of the Merger Resolution ⁽¹⁾</th></tr><tr><th>No. of Shares in GUAI</th><th>Shareholding Percentage in GUAI</th><th>No. of Shares in GUAI</th><th>Shareholding Percentage in GUAI</th></tr><tr><td>Members of GUAI’s Board of Directors⁽²⁾</td><td>456,270</td><td>0.99%</td><td>456,270</td><td>0.66%</td></tr><tr><td>Senior Executives of GUAI ⁽³⁾</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr><tr><td>Gulf Union Holding</td><td>2,475,000</td><td>5.39%</td><td>2,475,000</td><td>3.60%⁽⁴⁾</td></tr><tr><td>Rawabi Holding</td><td>4,717,998</td><td>10.28%</td><td>4,717,998</td><td>6.87%</td></tr><tr><td>Public</td><td>38,245,660</td><td>83.33%</td><td>61,068,887</td><td>88.87%</td></tr><tr><td>Total</td><td>45,894,928</td><td>100%</td><td>68,718,155</td><td>100%</td></tr></table> (1) Upon the Issuance of Merger Resolution and the deposit of the Consideration Shares, the ownership of the shareholders of GGI will represent 33.21% of the share capital of GUAI. Based on the information provided by GGI, this ownership will be entirely classified as public ownership. (2) Based on the shares directly held by the members of the board of directors. For more information on shareholdings, please refer to Section (3.3) (“Shareholding of GUAI’S Board of Directors”). (3) Based on the shares directly held by senior executives of GUAI only. (4) Gulf Union Holding will not be a substantial shareholder after the Issuance of The Merger Resolution and the deposit of the Consideration Shares, as its ownership will fall below 5% of the shares of GUAI.	Shareholder	Before Issuance of the Merger Resolution		After Issuance of the Merger Resolution ⁽¹⁾		No. of Shares in GUAI	Shareholding Percentage in GUAI	No. of Shares in GUAI	Shareholding Percentage in GUAI	Members of GUAI’s Board of Directors ⁽²⁾	456,270	0.99%	456,270	0.66%	Senior Executives of GUAI ⁽³⁾	N/A	N/A	N/A	N/A	Gulf Union Holding	2,475,000	5.39%	2,475,000	3.60% ⁽⁴⁾	Rawabi Holding	4,717,998	10.28%	4,717,998	6.87%	Public	38,245,660	83.33%	61,068,887	88.87%	Total	45,894,928	100%	68,718,155	100%
Shareholder	Before Issuance of the Merger Resolution		After Issuance of the Merger Resolution ⁽¹⁾																																					
	No. of Shares in GUAI	Shareholding Percentage in GUAI	No. of Shares in GUAI	Shareholding Percentage in GUAI																																				
Members of GUAI’s Board of Directors ⁽²⁾	456,270	0.99%	456,270	0.66%																																				
Senior Executives of GUAI ⁽³⁾	N/A	N/A	N/A	N/A																																				
Gulf Union Holding	2,475,000	5.39%	2,475,000	3.60% ⁽⁴⁾																																				
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Public	38,245,660	83.33%	61,068,887	88.87%																																				
Total	45,894,928	100%	68,718,155	100%																																				



GGI Shareholding Structure Before and After the Effectiveness of the Merger Resolution	The following table shows details of the shareholding structure in GGI prior to and following the Effectiveness of the Merger Resolution as established in the shareholders’ register as of the end of trading on Sunday, 29/05/1446H (corresponding to 01/12/2024G):				
	Shareholder	Before Effectiveness of the Merger Resolution		After Effectiveness of the Merger Resolution	
		Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
	Trading Co.for Marketing Services & Agencies Limited	1,800,000	6%	Not applicable, it will be merged into GUAI	
	Saudi General Investments and Services Company	1,800,000	6%		
	Members of GGI’s Board of Directors ⁽¹⁾	20,916	0.06972%		
	Senior Executives of GGI ⁽²⁾	3,900	0.013%		
	Public	26,375,184	87.92%		
Total	30,000,000	100%			
⁽¹⁾ Based on the shares directly held by the directors. For more information on the interest in shares, please refer to Section (3.7.5) (“ GGI’s Board of Directors and Executive Management ”).					
⁽²⁾ Based on the shares directly held by senior executives of GGI only.					
Dilution Effects	The Merger will lead to a decrease in the shareholding of the current GUAI shareholders to (66.79%) of the total GUAI’s share capital after the Issuance of Merger Resolution and deposit of the Consideration Shares. The Merger will not result in any change in the number of shares currently owned by GUAI Shareholders. For further information and details about the risks related to the dilution effects on voting power, etc. please refer to Section (1.2.1) (“ Risks related to the dilution in the shareholding percentage of shareholders of GUAI Company and the consequent decrease in voting power ”).				
Impact on Earnings Per Share	The table below shows dilution in GUAI’s earnings per share based on GUAI’s unaudited interim financial information for the fiscal period ended 30 June 2024G, and based on the unaudited proforma consolidated financial statements for the fiscal period ended 30 June 2024G:				
	Earnings per share (based on GUAI’s unaudited interim financial information for the fiscal period ended 30 June 2024G) Saudi Riyals				0.58
	Earnings per share after the Capital Increase (based on the unaudited proforma consolidated financial statements for the fiscal period ended 30 June 2024G) Saudi Riyals				0.19
For more details on increase and decrease in earnings per share, please refer to Section (3.11) (“ Increase or Decrease in Earnings Per Share as a Result of the Merger ”).					
The Merger Rationale	The Merger represents a significant step aimed at enhancing the market share, financial position, and operational efficiency of the merging company. Additionally, the Merger is expected to improve the quality of services provided to customers. It is anticipated that the Merger will contribute to increased operational efficiency, enabling the merging company to be more competitive, grow, innovate, invest in development and digitalization, and attract and retain qualified human capital. This is expected to result in improved insurance services for customers and increased risk-bearing capacity. For more details on the rationale and motivations for the Merger transaction, please refer to Section (3.2) (“ Merger Rationale ”).				
Summary of Key Steps to Effect the Capital Increase and Issue the Consideration Shares	The key steps required for the Issuance and Effectiveness of the Merger Resolution which are not carried out at the date of this Circular, are as follows:				
	– Publication of EGM notices of GUAI’s Merger EGM and GGI’s Merger EGM.				
	– The end of the creditors’ objection period without a suspension from the competent judicial body.				
	– Obtaining approval from shareholders of GUAI and GGI of the Merger Resolutions at GUAI’s Merger EGM and GGI’s Merger EGM.				
	– Publishing the results of GUAI’s Merger EGM and GGI’s Merger EGM.				
	– Listing of Consideration Shares and depositing the same with the eligible GGI shareholders’ portfolios.				
Entitlement to Dividends of the Consideration Shares	– Delisting of GGI’s shares.				
	– Updating the commercial registers of GUAI and GGI to reflect the Merger.				
	For more information please refer to Section (3) (“ Merger ”) and Section (“ Key Dates and Milestones ”).				
	The Consideration Shares will entitle their holders to receive dividends declared by GUAI following the date of the Issuance of Merger Resolution according to the maturity date for each declared dividend.				



Required Approvals in connection with the Capital Increase	The Merger and the Capital Increase are conditional upon obtaining a number of regulatory approvals as follows: – CMA approval of the GUAI's Capital Increase and the publication of Offer Document. This approval was obtained on 25/08/1446H (corresponding to 24/02/2025G). – Approval of the Saudi Exchange (Tadawul) on the listing of Consideration Shares on the Saudi Exchange (Tadawul). This approval was obtained on 13/08/1446H (corresponding to 12/02/2025G). – Approval of the Insurance Authority on the Merger and resulting procedures and matters. This approval was obtained on 13/08/1446H (corresponding to 11/02/2025G). – A non-objection letter from the General Authority for Competition with respect to the economic concentration arising from the Merger. This non-objection letter was obtained on 04/05/1446H (corresponding to 06/11/2024G). – Non-objection from the Ministry of Commerce and the Insurance Authority on the proposed amendments to GUAI's bylaws. The Insurance Authority's non-objection was obtained on 26/08/1446H (corresponding to 25/02/2025G) and the Ministry of Commerce's non-objection was obtained on 27/08/1446H (corresponding to 26/02/2025G). – CMA approval of the GUAI's Merger EGM and GGI's Merger EGM notices. The date and time of the EGM will be announced on the Saudi Exchange (Tadawul) website. – Approvals from the Shareholders of GUAI and GGI on the Merger Resolutions at GUAI's Merger EGM and GGI's Merger EGM, which has not been convened yet. – Approval of the Ministry of Commerce of the updates to GUAI's commercial register and GGI's commercial register, as applicable. For further information on the conditions and procedures of the Merger, please refer to Section (5) ("Legal Information").
Voting Rights of the Consideration Shares	All GUAI's shares are of one class and no share gives its shareholders preferred rights. The Consideration Shares will be issued of the same class of the current GUAI's shares with the same rights they enjoy including voting rights and rights to receive dividends in accordance with the Companies Law and the bylaws of GUAI.
Restrictions on the Consideration Shares	There are no restrictions imposed on the Consideration Shares. They will be subject to the rules and regulations applicable to all shares listed on the Saudi Capital Market and to the rules governing ownership of shares in insurance companies in accordance with the Cooperative Insurance Companies Control Law and its related regulations.

the proposed GUAI's share capital increase is conditional upon approval of GUAI's Merger EGM and GGI's Merger EGM.



Key Dates and Milestones

The table below includes the expected timeline of the key events related to the Merger. The dates below are approximate, and GUAI (GGI or Saudi Exchange (Tadawul), as the case may be) shall announce the actual events that must be announced on Saudi Exchange (Tadawul) website according to the relevant laws and regulations including any changes that may be made to the timeframe.

Event	Timeline/ Date
1. Actions required in relation to the EGM and the creditors' objection period	
Submission of the final draft of the Offer Document to the CMA.	The final draft of the Offer Document was submitted to the CMA on 11/08/1446H (10/02/2025G).
The CMA's approval on the Capital Increase application and on the publication of the Offer Document.	Monday, 25/08/1446H (corresponding to 24/02/2025G).
The Companies' announcements regarding the Merger and the method for GGI's creditors to object, in accordance with Article (227) of the Companies Law	Tuesday, 26/08/1446H (corresponding to 25/02/2025G)
Publication of the Offer Document, the Shareholders Circular, and the GGI Board Circular.	Thursday, 28/08/1446H (corresponding to 27/02/2025G)
Making documents available for inspection.	Thursday, 28/08/1446H (corresponding to 27/02/2025G)
The CMA's approval to convene GUAI's Merger EGM and GGI's Merger EGM.	Thursday, 28/08/1446H (corresponding to 27/02/2025G)
Publication of the invitation to GUAI's Merger EGM on the Saudi Exchange (Tadawul) website (with a reference to the possibility of holding a second meeting within an hour after the end of the time of the first meeting if the first meeting was not quorate).	Sunday, 02/09/14446H (corresponding to 02/03/2025G)
Publication of the invitation to GGI's Merger EGM on Saudi Exchange (Tadawul) website (with a reference to the possibility of holding a second meeting within an hour after the end of the time of the first meeting if the first meeting was not quorate).	Sunday, 02/09/14446H (corresponding to 02/03/2025G)
End of GGI's creditors' objection period	Wednesday, 12/09/1446H (corresponding to 12/03/2025G)
GGI's announcement on whether there are any creditors' objections or none	Thursday, 13/09/1446H (corresponding to 13/03/2025G)
The start of the electronic voting for shareholders on the agenda items in GUAI's Merger EGM.	Sunday, 23/09/1446H (corresponding to 23/03/2025G)
The start of the electronic voting for shareholders on the agenda items in GGI's Merger EGM.	Sunday, 23/09/1446H (corresponding to 23/03/2025G)
GUAI's Merger EGM (first meeting) – quorum required is shareholders representing at least 50% of the share capital.	Thursday, 27/09/1446H (corresponding to 27/03/2025G)
GUAI's Merger EGM (second meeting) – if the quorum for the first meeting is not met. The quorum required for the second meeting is shareholders representing at least 25% of the share capital.	One hour after the time of the first inquorate meeting.
GGI's Merger EGM (first meeting) – quorum required is shareholders representing at least 50% of the share capital.	Thursday, 27/09/1446H (corresponding to 27/03/2025G)
GGI's Merger EGM (second meeting) if the first meeting was not quorate – quorum required for the second meeting is shareholders representing at least 25% of the share capital.	One hour after the time of the first inquorate meeting.
Announcing the Merger Resolutions made at GUAI's Merger EGM (first or second meeting) on the Saudi Exchange (Tadawul) website (or, if the EGM was inquorate, the announcement of such fact).	At the earliest available opportunity after the EGM, which is expected to take place on: Thursday, 05/10/1446H (corresponding to 03/04/2025G)
Announcing the Merger Resolutions made at GGI's Merger EGM (first or second meeting) on the Saudi Exchange (Tadawul) website (or, if the EGM was inquorate, the announcement of such fact).	At the earliest available opportunity after the EGM, which is expected to take place on: Thursday, 05/10/1446H (corresponding to 03/04/2025G)
2. Actions Required in the event that the first and second EGMs are inquorate	
The CMA's approval to convene GUAI's Merger EGM (third meeting) or GGI's Merger EGM (third meeting).	Monday, 09/10/1446H (corresponding to 07/04/2025G)



Event	Timeline/ Date
Publication of the invitation to GUAI's Merger EGM (third meeting) or GGI's Merger EGM (third meeting) on the Saudi Exchange (Tadawul) website.	Tuesday, 10/10/1446H (corresponding to 08/04/2025G)
Electronic voting commences for GUAI's Merger EGM (third meeting) or GGI's Merger EGM (third meeting).	Friday, 27/10/1446H (corresponding to 25/04/2025G)
GUAI's Merger EGM (third meeting) or GGI's Merger EGM (third meeting) – which will be valid irrespective of the number of shares represented in the meeting.	Tuesday, 01/11/1446H (corresponding to 29/04/2025G)
Publication of the Merger Resolutions made at the third meeting of GUAI's EGM or GGI's EGM (as applicable) on the Saudi Exchange (Tadawul) website.	Wednesday, 02/11/1446H (corresponding to 30/04/2025G)
3. Approval of the Merger and complementary steps	
The issuance of the approvals of GUAI's Merger EGM and GGI's Merger EGM	Thursday, 27/09/1446H (corresponding to 27/03/2025G) (In the event that the approval of the Merger EGM is issued for both GUAI and GGI in the first or second meeting). Tuesday, 01/11/1446H (corresponding to 29/04/2025G) (if approval is obtained in the third meeting of GUAI's Merger EGM and/or GGI's Merger EGM, as the case may be).
Suspension of the trading of GGI's shares.	The first trading session following the Issuance of the Merger Resolution, which is expected to occur on: Thursday, 05/10/1446H (corresponding 03/04/2025G)(In the event that the approval of the Merger EGM is issued for both GUAI and GGI in the first or second meeting). Wednesday, 02/11/1446H (corresponding to 30/04/2025G) (if approval is obtained in the third meeting of GUAI's Merger EGM and/or GGI's Merger EGM, as the case may be).
Delisting GGI's shares from the Saudi Exchange (Tadawul).	Within a period of not less than the third trading session and not exceeding the sixth trading session after the date of the Issuance of the Merger Resolution.
Listing the Consideration Shares on the Saudi Exchange (Tadawul) and allocating such shares to GGI's shareholders registered in GGI's shareholders' register at the end of the second trading session following the date of Issuance of the Merger Resolution .	Within a period of not less than the third trading session and not exceeding the sixth trading session after the date of the Issuance of the Merger Resolution .
The deadline to distribute the proceeds of fractional shares sold.	Within thirty (30) days from the date of approval of the Merger, which is expected to occur on: Sunday, 29/10/1446H (corresponding to 27/04/2025G) (In the event that the approval of the Merger EGM is issued for both GUAI and GGI in the first or second meeting). Thursday, 02/12/1446H (corresponding to 29/05/2025G) (if the approval is obtained in the third meeting of GUAI's Merger EGM and/or GGI's Merger EGM, as the case may be).
4. Effectiveness of the Merger Resolution	
Amendment to GUAI's commercial register to reflect the Merger, deposit the amended bylaws with the Ministry of Commerce and the Effectiveness of the Merger Resolution.	At the earliest available opportunity after the Issuance of the Merger Resolution, which is expected to occur on: Monday, 09/10/1446H (corresponding to 07/04/2025G) (In the event that the approval of the Merger EGM is issued for both GUAI and GGI in the first or second meeting). Thursday, 03/11/1446H (corresponding to 01/05/2025G) (if approval is obtained in the third meeting of GUAI's Merger EGM and/or GGI's Merger EGM, as the case may be).



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Definitions and Terms

The following definitions apply throughout this Circular, unless the context requires otherwise:

Merger Agreement	The Merger Agreement dated 08/06/1446H (corresponding to 09/12/2024G) concluded between GUAI and GGI setting out the terms and conditions of, and the parties' rights and obligations in connection with, the Merger.
Extraordinary General Assembly Meeting / EGM	An extraordinary general assembly meeting of the shareholders of the relevant Company convened in accordance with the provisions of the bylaws of the relevant Company.
Gross of Written Premiums	Gross written premiums for a specified period, net of reinsurers ceded premiums.
Depository Center	The Securities Depository Center Company (Edaa)
GUAI/ Offeror / Merging Company/ Issuer	GUAI is a Saudi joint-stock company, having its head office in Dammam, registered in the commercial register under number (2050056228) dated 13/08/1428H (corresponding to 26/08/2007G) and holds an insurance license no. (TMN/09/20079) issued by the Insurance Authority on 29/08/1428H (corresponding to 11/09/2007G). Its share capital is four hundred fifty-eight million, nine hundred forty-nine thousand, two hundred eighty (458,949,280) Saudi Riyals.
GGI/Offeree/Merged Company	Gulf General Cooperative Insurance is a listed Saudi joint stock company, having its registered office in Jeddah, with commercial register no. 4030196620 dated 09/02/1431H (Corresponding to 24/01/2010G) and License No. (TMN/20103/26) dated 20/03/1431H (Corresponding to 06/03/2010G) issued by the Insurance Authority to practice insurance activities. GGI's share capital is three hundred million (300,000,000) Saudi Riyals.
Standard and Poor's	Standard & Poor's is a U.S. based financial services company that provides a range of financial services. It is a credit rating agency, assigning credit ratings to assess the ability of corporations and other entities to meet their financial obligations.
A.M. Best	A.M. Best is a U.S. based financial services company that provides a range of financial services. It is a credit rating agency, assigning credit ratings to assess the ability of corporations and other entities to meet their financial obligations.
Consideration Shares	The new GUAI shares to be issued to GGI Shareholders pursuant to the Merger amounting to twenty-two million eight hundred twenty-three thousand two hundred twenty-seven (22,823,227) ordinary shares with a nominal value of SAR (10) per share.
Firm Intention Announcement	The announcement published by GUAI on the Saudi Exchange's (Tadawul) website on 09/06/1446H (corresponding to 10/12/2024G) regarding its firm intention to place an offer of merger of all GGI's shares through a securities exchange transaction in accordance with Article (17) (e) of the Merger and Acquisition Regulations.
Affiliate	A person who controls another person or is controlled by such other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
Shareholders' Circular	This Shareholders' Circular issued by GUAI in line with the requirements of Article 60 of the ROSCOs – The Rules on the Offer of Securities and Continuing Obligations.
GGI Board's Circular	The circular issued by GGI's board, to GGI's shareholders, pursuant to Article (39) of M&A Regulations in response to GUAI's offer relating to the Merger which provides the views of GGI's board of directors on the offer to GGI shareholders, and GUAI's plans for GGI and its employees.
GUAI's Merger EGM	GUAI's Merger EGM to be convened for the purpose of voting on the Merger Resolutions.
GGI's Merger EGM	GGI's Merger EGM to be convened for the purpose of voting on the Merger Resolutions.
Public	means, in relation to an issuer of listed securities, persons other than: 1. Affiliates of the issuer. 2. Substantial shareholders of the issuer. 3. Directors and senior executives of the issuer. 4. Directors and senior executives of the affiliates of the issuer. 5. Directors and senior executives of the substantial shareholders of the issuer. 6. Any close relatives of the persons referred to in (1), (2), (3), (4), or (5) above. 7. Any company controlled by any of the persons referred to in (1), (2), (3), (4), (5), or (6) above.



Material Adverse Event	Means, pursuant to the definition agreed upon in the Merger Agreement, any event, occurrence or change in circumstances which individually, or when aggregated with all such other events, occurrences or changes, has or could reasonably be expected to have a material adverse effect on the business, assets, liabilities, financial position, profitability or prospects of either of the Companies or on the Merger Agreement or its implementation, including any Material Adverse Event resulting in a decrease of 15% or more in the final valuation of either company as of 30 June 2024G, as determined by the valuation methodology, formula, and assumptions used by the relevant company in valuing the assets and liabilities of the other company as of the date of the Merger Agreement; provided that the following shall not be considered in determining whether a Material Adverse Event has occurred for the purpose of the Merger Agreement: - Any deterioration of the economic, political or market conditions or securities, credit, financial or other capital markets conditions in the financial services industry globally, in the Middle East, in Saudi Arabia, or in general except to the extent that such effect adversely affects either company in a materially disproportionate manner compared to other businesses in the industry in which both Companies operates (as the case may be). - Any change, event or development to the extent solely resulting from the execution and delivery of the Merger Agreement or the public announcement, pendency or consummation of the Merger or any of the other transactions contemplated by the Merger Agreement, including the impact of such changes or developments on the relationships, contractual or otherwise, of either company (as the case may be) with employees, clients, suppliers or partners; - Any change, in the market price, credit rating with respect to either company or its securities, or trading volume of their shares (noting that the facts and circumstances giving rise to such change may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Event); - Any change or proposed change, after the Merger Agreement, in the applicable laws except such change reasonable results in an adverse effect on the Companies (as the case may be) in a materially disproportionate manner compared to each other or to other businesses in the industry in which the two companies (as the case may be) operate; - Geopolitical conditions, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of the Merger Agreement, except to the extent that such event adversely affects the Companies (as the case may be), in a materially disproportionate manner compared to each other or other businesses in the industry in which the companies (as the case may be) operate; - Any flood, earthquake, the outbreak or escalation of pandemics, or other natural disaster, except to the extent that such events affect the Companies (as the case may be), in a materially disproportionate manner compared to each other or other businesses in the industry in which the Companies (as the case may be) operate; or - Any change, event or development to the extent resulting from any action by the Companies (as the case may be), that is expressly required to be taken in connection with the Merger.
Restricted Jurisdiction	Any country or jurisdiction where the offer of, or distribution or publication of this Circular or any other documents related to, the Consideration Shares would violate the laws of, or regulations applicable to, that country or jurisdiction.
SAR	Saudi Arabian Riyals, the official currency of Saudi Arabia (KSA).
Capital Increase	The proposed increase in the capital GUAI from four hundred fifty eight million nine hundred forty nine thousand two hundred eighty (458,949,280) Saudi Riyals to six hundred eighty seven million one hundred eighty one thousand five hundred fifty (687,181,550) Saudi Riyals, and increasing the number of its shares from forty five million eight hundred forty nine thousand nine hundred twenty eight (45,894,928) ordinary shares to sixty eight million seven hundred eighteen thousand one hundred fifty five (68,718,155) ordinary shares, representing an increase of (49.73%) in the current share capital of GUAI for the purpose of the merger of GGI into GUAI.
Closing Price	Last trading price for the shares, according to the mechanism set by Saudi Exchange (Tadawul).
Saudi Exchange (Tadawul)	The Saudi Stock Exchange (Tadawul), which is the market in which securities are traded in Saudi Arabia and is managed and operated by the Saudi Exchange Company and regulated by the Capital Market Authority. It also means, depending on the context, Saudi Exchange Company, a wholly owned subsidiary of Saudi Tadawul Holding Group, which is responsible for operating the market.
Control	The ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate, through (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body; “controller” shall be construed accordingly.
Subsidiary	In relation to a person, any other company which it controls.
Companies	GUAI and GGI.
Adjusted Book Value of Equity	The book value of equity plus adjustments resulting from professional financial, tax, actuarial, and legal due diligence.



Merger	Merger of GGI into GUAI in accordance with the provisions of Articles (225) and (227-229) of the Companies Law and Article (49)(a)(1) of the M&A Regulations in consideration of GUAI issuing the Consideration Shares for the shareholders of GGI by increasing the GUAI's share capital from SAR 458,949,280 (four hundred fifty-eight million nine hundred forty-nine thousand two hundred eighty Saudi Riyals) to SAR 687,181,550 (six hundred eighty seven million one hundred eighty one thousand five hundred fifty Saudi Riyals).
Creditors' Objection Period	This is the period during which creditors of GGI may submit their objections to the Merger as referenced in Article (227) of the Companies Law and during which any objections submitted may be settled in accordance with the provisions of the Companies Law. Creditors of GGI have the right to object to the Merger within a period of 15 days from the date on which the Companies announce the Merger and the procedure for creditors of GGI to object, in accordance with Article (227) of the Companies Law.
Related Party	Means for the purposes of the ROSCOs as follows: 1. Affiliates of, except for the companies fully owned by, the issuer. 2. Substantial shareholders of the issuer. 3. Directors and senior executives of the issuer. 4. Directors of affiliates of the issuer. 5. Directors and senior executives of the substantial shareholders of the issuer. 6. Any close relatives of the persons referred to in (1), (2), (3), or (5) above. Relatives herein mean father, mother, husband, wife, and children. 7. Any company or entity controlled by a person referred to in (1,2,3,5, or 6) above. Means for the purposes of the M&A Regulations, a person who (whether or not acting in concert with GUAI or GGI or any of their subsidiaries) owns or deals directly or indirectly with shares of GUAI or GGI either through a private sale or purchase transaction or offer, or any person (in excess of its normal interests as a shareholder) has interest or potential interest - whether personal, financial or commercial - arising from the Merger or a Related Party with both GUAI and GGI. The definition, provided that this does not conflict with the general application of this definition, includes, but is not limited to, the following: 1. Any person(s) who has provided financial assistance (except what the bank does in the context of usual operation) to GUAI or GGI. 2. The board members of GUAI and GGI (or any of their subsidiaries). 3. Any person owning 20% of GUAI and GGI (whether individually or by acting in concert with other(s)). 4. Substantial Shareholders in GUAI who at the same time are board members in GGI, or vice versa.
Offer	The offer from GUAI to GGI Shareholders for the purpose of merger of all GGI's shares into GUAI in exchange of Consideration Shares to be issued to GGI Shareholders in GUAI.
Merger Resolutions	Resolutions to be proposed to GUAI and GGI in relation to the Merger, as follows (or any amendment thereto as requested by CMA or according to agreement between the parties before calling for the relevant meetings): With respect to GUAI: Approval of the increase of GUAI's share capital from four hundred fifty-eight million nine hundred forty-nine thousand two hundred eighty (458,949,280) Saudi Riyals to six hundred eighty-seven million one hundred eighty-one thousand five hundred fifty (687,181,550) Saudi Riyals representing a 49.73% increase in the current capital, through the issuance of twenty-two million, eight hundred twenty-three thousand, two hundred twenty-seven (22,823,227) shares at a rate of (0.760774233333330) shares in GUAI for every share in GGI, in accordance with the provisions of Articles (225) and (227 - 229) of the Companies Law and the provisions of Article (49)(a)(1) of the Merger and Acquisition Regulations, including approval of the following matters related to the Merger: a. Approval of the provisions of Merger Agreement. b. Approval of the increase of GUAI's capital from four hundred fifty-eight million nine hundred forty-nine thousand two hundred eighty (458,949,280) Saudi Riyals to six hundred eighty-seven million one hundred eighty-one thousand five hundred fifty (687,181,550) Saudi Riyals as per the Merger Agreement. c. Approval of the proposed amendments to GUAI's bylaws in the form set out in Annex (1) of this Circular. d. The authorization of GUAI's board of directors, or any person authorized by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions. With respect to GGI: Approval of the offer made by GUAI to the shareholders of GGI for the purpose of merging GGI into GUAI in exchange for issuing (0.760774233333330) shares in GUAI for each share in GGI held by the shareholders of GGI pursuant to Articles (225) and (227-229) of the Companies Law and the provisions of Article (49)(a)(1) of the Merger and Acquisition Regulations, in accordance with the terms and conditions of the Merger Agreement, including approval of the following matters related to the Merger, whereby GGI shall be dissolved by operation of law and its shares shall be cancelled, in accordance with the relevant regulatory requirements and the terms and conditions of the Merger Agreement, including approval of the following matters related to the Merger: a. Approval of the provisions of Merger Agreement. b. The authorization of GGI's board of directors, or any person authorized by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions.



Relative	For the purposes of the Merger and Acquisition Regulations, husband, wife, children and parents. For the purposes of other regulations, husband, wife, and minor children.
Listing Rules	The Listing Rules issued by the board of the Capital Market Authority pursuant to Resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended from time to time.
ROSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the board of CMA pursuant to its Resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended from time to time.
Financial Statements	The audited financial statements of GUAI or GGI, as applicable, for the relevant fiscal years referred to herein.
M&A Regulations	The Merger and Acquisition Regulations issued by the board of CMA pursuant to its Resolution No. (1-50- 2007), dated 21/09/1428H (corresponding to 3/10/2007G), as amended from time to time.
The Implementing Regulations of the Companies Law on Listed Shareholding Companies.	The Implementing Regulations of the Companies Law on Listed Shareholding Companies issued by the board of CMA pursuant to Resolution No. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G), as amended from time to time.
The Implementing Regulations of The Cooperative Insurance Companies Control Law	The Implementing Regulations of The Cooperative Insurance Companies Control Law issued by the board of CMA pursuant to Resolution No. (1/596) dated 01/03/1425H (corresponding to 20/04/2004G), as amended from time to time.
CHI	Council of Health Insurance in the Kingdom of Saudi Arabia.
Non-Binding MoU	The Non-binding memorandum of understanding concluded between GUAI and GGI on 03/02/1446H (corresponding to 07/08/2024G) in respect of the Merger.
GUAI's Auditors for the Fiscal Year ended 31 December 2023 and Six-month Period ended 30 June 2024	PricewaterhouseCoopers Chartered Accountants and Al Kharashi & Co. Certified Accountants and Auditors.
GUAI's Auditors for the Fiscal Years ended 31 December 2021 and 2022	PricewaterhouseCoopers Chartered Accountants and RSM Allied Accountants Professional Services.
Substantial Shareholder	A shareholder owning five percent (5%) or more of the shares in GUAI or GGI, as the case may be.
Legal Adviser	Zeyad Sameer Khoshaim Company (Professional Limited Liability Company).
Financial Adviser	Aljazira Capital.
Offer Document	The offer document prepared by GUAI pursuant to Article (38) of the M&A Regulations in relation to the Offer made by GUAI to GGI's Shareholders.
Exchange Ratio	The basis on which the number of Consideration Shares issued to GGI shareholders will be determined in relation to the Merger, which will result in (0.7607742333333330) GUAI shares for every GGI Share.
IFRS	International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and versions issued by the Saudi Organization for Chartered and Professional Accountants.
Saudi Arabia	Kingdom of Saudi Arabia.
Companies Law	Companies Law promulgated by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G).
Labor Law	Labor Law promulgated by Royal Decree No. (M/51) dated 23/08/1426H (corresponding to 27/09/2005G), as amended from time to time.
The Cooperative Insurance Companies Control Law	The Cooperative Insurance Companies Control Law promulgated by Royal Decree No. (M/32) dated 02/06/1424H (corresponding to 31/07/2003G), as amended from time to time.
Issuance of Merger Resolution	Issuance of GUAI's Merger EGM and GGI's Merger EGM approvals of the Merger Resolutions.
Effectiveness of Merger Resolution	Date of entry of GGI's particulars into GUAI's register with the commercial register.
Solvency Margin	The excess of a company's liquid assets over its liabilities. It is a measure of a company's ability to meet its obligations, if necessary, and an indicator of the overall financial soundness of a company.



IA	The Saudi Insurance Authority, which has assumed oversight of the insurance sector previously regulated by the Saudi Central Bank (SAMA).
SOCPA	The Saudi Organization for Chartered and Professional Accountants.
CMA or the Authority	The Capital Market Authority of Saudi Arabia.
GAC	The General Authority of Competition of Saudi Arabia.
Zakat, Tax and Customs Authority	Zakat, Tax and Customs Authority of Saudi Arabia.
MOC	The Ministry of Commerce of Saudi Arabia.
Acting in Concert	For the purposes of ROSCOs, actively co-operating, pursuant to an agreement or understanding (whether formal or informal) between persons, to acquire interest in or exercise voting right in the shares or in the convertible debt instruments of GUAI. For the purposes of other regulations, it means, at the sole discretion of the CMA, actively cooperating, pursuant to an agreement (whether binding or non-binding) or an understanding (whether formal or informal) between persons, to be controllers (whether directly or indirectly, excluding indirect ownership of shares through swap agreements or through an investment fund whose unit owner have no discretion in its investment decisions) of a company, through the acquisition by any of them (through direct or indirect ownership) of voting shares in that company. Moreover, “concert parties” shall be construed accordingly. Without prejudice to the general application of this definition, the following persons, shall be presumed to be acting in concert with other persons of the same class unless the contrary is established, including but not be limited to: (1) Members of the same group; (2) a person’s relatives; (3) Person(s) who provided financial assistance (other than a bank in the ordinary course of business) to the Offeror (GUAI) or its group members in order to purchase shares that carry voting rights or convertible debt instruments.
Business Day	Any day, other than a Friday, Saturday or a public holiday in Saudi Arabia.



1. Risk Factors

In taking any decision in relation to the Merger EGM, GUAI Shareholders should carefully read the risk factors contained in this Section, in addition to all the other sections of this Circular and the information set out herein. The risks defined below do not include all the risks related to the Merger. Additional risks, other than those provided herein, not presently known to GUAI board, or which GUAI board currently considers to be immaterial as on the date of this Circular, may also have an adverse effect on the Merger.

The risk factors below focus on the risk factors related to the Merger, integration of businesses, and the issuance of new shares and those related to GGI and the sector where it operates. The directors of GUAI further acknowledge that, to the best of their knowledge and belief, there are no material risks other than those mentioned in this section relating to the Merger and the issuance of new shares and GGI and which non-disclosure materially affects the shareholders' decisions to vote on the Merger Resolutions.

Based on the above, the risk factors below do not include the risk factors related to GUAI before or after the Merger or other factors that may affect GUAI, sector or market away from the Merger. If the risks outlined in this Section materialize, they will negatively impact the ability to achieve the expected benefits of the Merger. They will also have an adverse effect on the operations, financial position, results, cash flows, future prospects, and earnings per share of GUAI after Effectiveness of the Merger Resolution. If any risks other than those mentioned below materialize (either because GUAI's board of directors does not know about them or does not consider them material at the time) this may have an adverse effect on the potential to achieve the expected benefits of the Merger and may also have an adverse effect on GUAI's business, financial position, results, cash flows, future prospects and earnings per share following the Effectiveness of the Merger Resolution.

The risk factors below relating to GGI are based on the information submitted by GGI to GUAI. Neither GUAI or its directors, management, employees, or advisers have verified the accuracy and adequacy of such information independently. Therefore, the risk factors outlined below will not include any factors related to matters or information that are not provided by GGI to GUAI and shall not be read as inclusive of all potential risks related to GGI and the sector where it operates.

Any GUAI Shareholder in doubt about the content of this Circular, or in relation to the Merger, the procedures to be taken, or voting in favor of or against the Merger Resolutions, should consult an independent financial adviser authorized by the CMA.

The order in which the risks are listed under this Section below is not intended to reflect their significance, likely occurrence, or expected impact.

1.1 Risks related to the Merger and Issuance of New Shares

1.1.1 Risks related to the Impact of Merger Announcement on the Companies' Business

On 03/02/1446H (corresponding to 07/08/2024G), both GUAI and GGI announced the entry into the Non-binding MOU between the Companies to assess the benefits of the merger between the Companies. Pursuant to the MoU, the Companies non-bindingly agreed upon the structure for implementing the Merger and the preliminary assessment method. On 09/06/1446H (corresponding to 10/12/2024G), GUAI announced the execution of the Merger Agreement, which also included a declaration of its firm intention to proceed with the Merger and to make an offer to the shareholders of GGI for this purpose.

These announcements may have or may have had (whether or not the Merger Resolution is issued and became effective) an effect on the business and share prices of GUAI and GGI for several reasons, including, but not limited to, the shift of management's focus in GUAI and GGI from management of the two Companies' business to the Merger and the potential negative impact on the Companies' operations or services provided to customers, the service level or authorized the ability of GUAI to retain key employees and managers or to hire new employees and managers who develop concerns about instability or fear of job loss after the Effectiveness of the Merger Resolution. It may also affect the GUAI's relationships with its customers and contractors due to their expectations relating to the Merger and how it will impact their existing business with the Companies, as well as the proliferation of rumors and expectations among investors and speculators in relation to the Merger and the speculation of shares or other factors.



Therefore, if the Companies are unable to deal with these matters effectively, this would lead to an adverse impact on the business, financial position, results of operations, and future prospects of the Companies and the earnings per share of GUAI's shares after the Effectiveness of the Merger Resolution.

1.1.2 Risks related to satisfying the merger conditions

The Merger is conditional on a number of conditions as summarized under Section (5.2.2) ("**Procedures required for the Issuance and Effectiveness of the Merger Resolution**"). The delay in satisfying such conditions will result in delay in the Issuance and Effectiveness of Merger Resolution. The most important condition which has not yet been satisfied is obtaining approval of the Companies' EGMs, and the other material terms and conditions of the Merger Agreement which the Companies shall comply with until the date of the Issuance of Merger Resolution, as summarized under Section (5.2.6) ("**Summary of Merger Agreement**"), including not breaching any of the warranties provided by the Companies or the restrictions on business conduct and other conditions set out in the said section.

Any delay in the Issuance or Effectiveness of the Merger Resolution may diminish and/or delay the anticipated benefits of the Merger or may result in additional Merger costs or other unexpected losses associated with the delay of the Issuance of Merger Resolution. This would have an adverse effect on the business, financial position, results of operations, future prospects and earnings per share of GUAI after Effectiveness of the Merger Resolution.

1.1.3 Risks related to unforeseen expenses of the Merger

Both GUAI and GGI will incur unforeseen expenses that cannot be accurately determined or known in relation to the Merger, including fees for financial advisers, legal Adviser, professional, financial, tax, zakat, and actuarial advisers, as well as government fees and internal costs related to overtime or internal administrative costs, among others. In addition, GUAI will incur additional costs to integrate the businesses of the two companies that cannot be accurately determined at this time, and may incur additional costs related to retaining key employees of GGI or developing certain facilities of GGI or fulfilling certain contractual obligations or other costs related to the Merger or business integration after the Effectiveness of the Merger Resolution.

These costs may be significant and material, which could reduce the value of the expected benefits of the Merger, which in turn would have a negative impact on GUAI's business, financial position, results of operations, future prospects, and earnings per share after the Effectiveness of the Merger Resolution.

1.1.4 Risks related to the Merger Exchange Ratio

GUAI will issue the Consideration Shares to GGI's shareholders after the Issuance of Merger Resolution based on a fixed Exchange Ratio of (0.7607742333333330) GUAI shares per every one share they held in GGI. The Exchange Ratio was determined based on a set of unaudited interim financial information for the six-month period ended 30 June 2024G, at discretion of the management of companies in consultation with their financial advisers. The Exchange Ratio was determined on the assumption that all the information relied upon by the management of the Companies is correct and accurate and on the basis that the relevant assumptions are met within the expected period and method. For more details on the Exchange Ratio, please see Section (3.8) ("**Valuation of GUAI and GGI**").

The correctness and fairness of the Exchange Ratio depend on various factors and assumptions which cannot be predicted accurately or with certainty, and some of them may be beyond the control of GUAI, now or in the future. In addition, the book value of the Companies fluctuates across different fiscal periods. In case any information, assumptions, and forecasts which were relied upon in determination of the Exchange Ratio are incorrect or incomplete, or if any other unexpected factors occur, including a change in the financial position of either company, or material information about GGI was not obtained by GUAI during professional due diligence studies, or there is a significant change between the share price of the Companies during the period between determining the Exchange Ratio until the Effectiveness of the Merger Resolution (as a result of market price fluctuations, or how the business of the Companies is managed, or the Effectiveness of the Merger Resolution is delayed for any reason, or due to a change in the operational performance of the Companies), or in case political or economic or regulatory changes occur and such other reasons which might affect the business of the Companies and the price of their shares; this may result in a material effect on the valuation of the Companies. This may mean that the agreed Exchange Ratio may not reflect the fair value of the Companies at the Merger EGM or upon the Issuance of Merger Resolution.



1.1.5 Risks related to the Financial Adviser's independent advice

On 04/06/1446H (corresponding to 05/12/2024G), GUAI's board obtained independent advice from GUAI's Financial Adviser (Aljazira Capital) regarding the financial fairness of the Exchange Ratio for GUAI and its shareholders as on the opinion submission date, based on the factors, assumptions and limitations described in the opinion (for further information about the opinion submitted, please see the opinion which is attached in Appendix (2) to this Circular). GUAI has not obtained updated advice from the Financial Adviser since the date of the Merger Agreement, and does not intend to do so. The factors and assumptions on which the opinion was based, as on the submission date thereof, are subject to change. As such, there is no guarantee that the Financial Adviser will have the same opinion regarding the fairness of the Exchange Ratio on the date of Merger EGM or upon the Issuance of Merger Resolution. Accordingly, the shareholder must take this risk and possibility into consideration upon making his investment decision regarding the Merger.

1.1.6 Risks related to forward-looking forecasts and statements

This Circular contains certain forecasts and forward-looking statements. This Circular contains forward-looking statements, which include, but are not limited to, (1) the expected benefits of the Merger, the future performance expectations of GUAI following the Effectiveness of the Merger Resolution, and other future events, (2) the operations strategies, management, expansion, and growth of GUAI's business after the Merger, and (3) the Merger and the anticipated dates of such events.

Future events are not actually foreseeable and may differ from what is found in this Circular, as the performance of GUAI and GGI (including before or after the Effectiveness of the Merger Resolution) and their ability to develop, work and achieve their goals and strategies determine their actual results, which GUAI cannot know, and may relate to matters beyond GUAI's control. The inaccuracy of these future forecasts is one of the risks that shareholders and investors should consider, and shareholders should read these expectations and statements in light of this and not rely on them. If the actual results of GUAI and future events differ from these forecasts and statements, this may adversely affect the business of GUAI and its financial position, results of operations, future expectations, and the earnings per share after the Effectiveness of the Merger Resolution.

1.1.7 Risks related to relying on information not included in this Circular

Some media outlets may cover financial and economic information and analysis regarding GUAI, GGI and the Merger, which may not include many relevant information and risks contained in this Circular. Shareholders should not rely on such sources. These or other sources may make statements that are not directly attributable, or which might be inaccurately attributed to GUAI's directors, officers, or employees, or they may include incorrect reports on statements made or might be made by GUAI's directors, officers or employees. These sources may include misleading statements due to omission of information provided by GUAI, or its directors, officers, or employees. GUAI's board of directors has not authorized any person to provide information or statements on behalf of GUAI, except as disclosed in this Circular. GUAI's directors, officers, employees, or advisers shall assume no liability for the accuracy and completeness of any information or statements issued by third parties.

Depending on information outside this Circular could result in investment decisions being made based on false or misleading information, potentially causing financial losses to shareholders as a consequence. Therefore, shareholders should rely only on the information contained in this Circular upon making any decision regarding voting on the Merger Resolutions. In case of any doubt about the Merger, shareholders must obtain special advice from an independent financial adviser licensed by the CMA.

1.1.8 Risks related to employees and the impact of the Merger on them

The post Effectiveness of the Merger Resolution success of GUAI largely depends on its ability to attract and retain highly qualified employees in the company's various departments, in light of the high competition and demand for these employees. GUAI cannot guarantee its ability to retain the current key employees working for GUAI and GGI, especially those on whom the Companies rely in defining and implementing their strategies and managing their business, since the retention of such employees is subject to a number of factors such as the prevailing conditions in the market and the value of compensation and bonuses offered by competing companies to these employees.

A large number of employees may unexpectedly leave their positions and at close intervals as a result of the Merger. This may cause various risks. Most importantly, GUAI's business may be disrupted or delayed following the Merger, or they may be required to make significant end-of-service payments, bonuses and cash in lieu of deferred vacations. This may have an adverse effect on their cash flow. The company may have to incur additional costs after the Effectiveness of the Merger Resolution in order to attract other employees. The delay in attracting replacement employees may affect their business, which will have a material adverse effect on the business of GUAI, its financial position, results of operations and future expectations after the Effectiveness of the Merger Resolution.



1.1.9 Risks related to GGI's disclosure of all material information during professional due diligence

In the course of negotiations on the Merger, and for the purpose of determining the Exchange Ratio and evaluating the legal, financial and commercial aspects of the Merger, GUAI and its advisers conducted professional legal, financial and tax and actuarial studies about GGI. GUAI conducted negotiations and agreed on the Exchange Ratio based on the due diligence and based on the expected benefits (please see Section (3.2) ("**Merger Rationale**") for further details) and other matters, and please see Section (3.8) ("**Valuation of GUAI and GGI**") for more details on the valuation.

There could be operational, legal, or financial risks related to GGI's business, assets, or liabilities that GGI has not disclosed; the information disclosed might be inaccurate or outdated; or there might be risks which were not identified, anticipated, or considered by GUAI or its advisers during the professional due diligence studies. GUAI cannot anticipate the same or assess its significance and the consequences of its occurrence on the date of this Circular.

Accordingly, if those risks or information, which might not have been disclosed or which might not have been checked by GUAI, materialize, then an adverse and material effect may be caused on the business of GUAI, its financial position and results after the Effectiveness of the Merger Resolution. Accordingly, the shareholders must take this into account when evaluating and voting on the Merger.

1.1.10 Risks related to Tax and Zakat dues arising from the Merger

Tax or zakat obligations might be incurred by GUAI's shareholders as a result of the Merger, taking into account any tax or zakat exceptions or exemptions. The obligations to which the merging company or their shareholders may be subject to might include disclosing the Merger to the relevant tax and zakat authorities inside or outside the Saudi Arabia, or the payment of any tax or zakat obligations which may arise as a result of the Merger due to the change of zakat and tax laws from time to time, the shareholders may, after the Effectiveness of the Merger Resolution, be exposed to an increase in zakat and taxes imposed on them due to the promulgation of new zakat or tax laws, the amendment of existing laws and regulations or zakat and tax practices or interpretations announced or unannounced by ZATCA or the competent tax authorities outside Saudi Arabia. In case shareholders have any doubts regarding tax and zakat risks, they must consult a tax advisor licensed by the relevant authorities.

1.1.11 Risks related to the current and past trading patterns of GUAI's shares and trading depending on the past performance of GUAI's or GGI's shares

The past performance of the shares of GUAI and GGI is independent and differs from the share performance before the Issuance of Merger Resolution, and may not be similar to it. Shareholders may trade based on these patterns, which may cause fluctuations in the share price after the Issuance of Merger Resolution. In addition, the shareholder base of GUAI after the Issuance of Merger Resolution will differ from its shareholder base before the Issuance of Merger Resolution, which may result in a difference in trading patterns compared to the trading patterns before the Issuance of Merger Resolution. Accordingly, the performance of the shares of GUAI after the Issuance of Merger Resolution may not be similar to the past performance or the performance of the shares of GGI and cannot be predicted, which may affect the share price of GUAI and the value of shareholders' investments.

1.1.12 Risks related to the decrease in GUAI's share price as a result of the Merger

In addition to the fluctuations or decrease in the price for reasons other than the Merger, GUAI's share price may decrease after the Effectiveness of the Merger Resolution for several reasons related to the Merger, including – but not limited to – the failure on the part of GUAI to achieve the expected benefits of the Merger during the period or to the extent expected by investors, financial analysts, or GUAI's board, or the fact that the financial impact of the Merger on GUAI following the Effectiveness of the Merger Resolution may not match the forecasts of investors, financial analysts, or GUAI's board of directors, or other factors. There is no guarantee that GUAI's shares' price will increase as a result of the Merger. These factors may have an adverse effect on the trading price of GUAI's shares following the Effectiveness of the Merger Resolution, regardless of the actual performance of GUAI.



1.1.13 Risks related to the fluctuations of GUAI's share price

The announcement of the Merger, the investors becoming aware of it, the method of managing the Companies and their business, the delayed Issuance or Effectiveness of Merger Resolution for any reason, a change in share trading patterns by investors due to the Merger or other reasons which affect the price of securities, may increase fluctuation of the share price of GUAI and GGI until the Issuance of Merger Resolution and Effectiveness of the Merger Resolution for GUAI. GUAI's share price at the time when the Issuance of Merger Resolution may significantly differ from its price at the publication date of this Circular. This will affect the market value of GUAI, and the shareholders' investments in its shares.

1.1.14 Risks related to GUAI's ability to distribute dividends

The business and revenues of GUAI, its financial position, and its debt ratio after the Effectiveness of the Merger Resolution may be affected by a number of factors which are beyond the control of GUAI, including, but not limited to, the operational, financial, and economic factors and market conditions, which greatly affect GUAI's profits, revenues, and distributable reserves. Neither GUAI nor GGI has issued any dividends since they were publicly listed. The amount of profits GUAI may generate or distribute, if any, following the Effectiveness of the Merger Resolution cannot be predicted. GUAI may be unable to distribute profits, and even if profits are achieved, the board of directors might not propose dividend payments, or shareholders might reject them for various reasons.

The future distribution of dividends will depend on several factors, including, but not limited to, the GUAI's future profits, financial position, cash flows, working capital requirements, capital expenditures, distributable reserves, and others. GUAI may incur expenses or liabilities that would consume some or all of the cash available for dividend distribution. GUAI's financial position is expected to be affected after the Effectiveness of the Merger Resolution due to the accumulated losses reported by GGI. Please refer to Section (1.4.5) ("**Risks related to accumulated losses of GGI**") for detailed information regarding these losses and their potential effects on GUAI's financial position.

If GUAI fails to pay a dividend, the shareholders will receive no ROI on shares unless they sell the shares at a price higher than the price at which they bought the share.

1.1.15 Risks related to the delay or suspension of the merger due to procedures related to Creditors' Objection Period

At least thirty (30) days prior to the convention of the Extraordinary General Assembly of the companies to vote on the Merger Resolutions, the companies announced on 26/08/1446H (Corresponding to 25/02/2025G) the Merger, and the procedures for Creditors of GGI to object in accordance with Article (227) of the Companies Law, whereby such Creditors shall have a period of fifteen (15) days from the date of the announcement to submit any objections in accordance with the provisions of Article (227) of the Companies Law, pursuant to the mechanism, as specified in the announcement. GGI shall settle the debt of the Objecting Creditor, if such debt is due and payable, or provide sufficient warranty to settle the debt if it is deferred. The Creditor who notified the GGI Company of its objection to the Merger during the Creditors' Objection Period and the GGI Company fails to settle the debt if it is due or fails to provide such Creditor with sufficient warranty to settle the same if it is deferred, may apply to the competent judicial authority within a period of no less than ten (10) days before the date set for voting on the merger resolutions. In this case, the competent judicial authority may order the payment of the debt if it is due or the provision of a security to settle the debt if it is deferred. If the competent judicial authority sees that the Merger will result in serious damages to the objecting creditor without the companies being able to settle the debt or provide the security, it may order the suspension or postponement of the Merger, provided that its decision to that effect is issued before the Effectiveness of the Merger Resolution. If the Creditor's objection is not disposed by the competent judicial authority before the Effectiveness of the Merger Resolution, and it subsequently finds that the objecting creditor's claim is valid, it may issue a decision to compensate such creditor for the damages suffered by it as a result of the merger. The Creditors may file objections, and the competent authority may suspend or postpone the Merger upon their request, and in the event that the GGI Company fails to meet the statutory requirements or is involved in a dispute concerning the same. Should the issuance of the Merger Resolution be delayed due to the Creditors' Objection Period and the procedures associated therewith, or if the competent judicial authority, after the Effectiveness of the Merger Resolution, awards damages to the Creditor for the damage suffered as a result of the Merger, the expected benefits of the Merger may not be realized, may be delayed, or may increase the costs associated with the Merger, thereby negatively impacting the business, financial position, operating results, and future prospects of GGI Company following the Effectiveness of the Merger Resolution.



1.1.16 Risks Related to the period between the Issuance of the Merger Resolution and its Effectiveness date

Pursuant to Article (228) of the Companies Law, the Merger Resolution shall be effective and deemed valid from the date of registration of the merged company's data in the commercial register of the merging company. Consequently, upon the issuance of the merger resolution, the Merger will not be executed immediately. Rather, there will be an interim period until the commercial registers of both the GUAI Company and the GGI Company is updated, which, in practice, may take several weeks. During such period, several issues may arise, including delays in the ability to consolidate business and transfer assets, the inability of GUAI company to fully control the operations and decisions of the GGI Company, delays in consolidating financial results, and the fact that the consideration shares have been issued and are trading before the Effectiveness of the Merger Resolution. Additionally, the unclear legal status and the potential for misunderstandings among contracting parties and others regarding the Effectiveness of the Merger Resolution may negatively impact GUAI's business, financial position, operating results, and future prospects after the Effectiveness of the Merger Resolution.

1.1.17 Risks related to Termination Fees

Pursuant to the Merger Agreement, the companies agreed to pay termination fees as compensation for the time, effort, and expenses incurred by each party in connection with the Merger. Pursuant to the Merger Agreement, in the event that either party takes (or fails to take) any action that causes the Merger to fail, such party shall pay to the other party a lump sum of SAR Four Million (4,000,000) within ten (10) days of the termination of the Merger Agreement, provided that such party shall not be obligated to pay such fees in the event of fraud, bad faith, or material breach by the other party.

Termination fees may affect the negotiation process or the parties' desire to withdraw from the Merger Agreement if the deal no longer appears beneficial. Moreover, the risk of incurring these fees in the event of non-fulfillment of the Merger Agreement terms may adversely affect the financial position of GUAI Company in the event of its failure to meet the conditions or breach the Merger Agreement.

1.2 Risks related to changes in ownership of existing shareholders and reduced voting power

1.2.1 Risks related to the dilution in the shareholding percentage of shareholders of GUAI Company and the consequent decrease in voting power

Upon issuance of the Merger Resolution, GUAI Company shall issue consideration shares to the shareholders of GGI Company in accordance with the agreed exchange ratio of (0.7607742333333330) shares in GUAI Company for each share held in GGI Company. Consequently, the Merger will result in a dilution of the shareholding percentage of the existing shareholders of GUAI Company to (66.79%) of the share capital of GUAI Company upon the issuance of the Merger Resolution, representing a dilution of (33.21%). The shareholding percentage of the shareholders of GGI Company in GUAI Company will be (33.21%) upon the effectiveness of the merger Resolution.

Therefore, following the Issuance of Merger Resolution, the shareholding percentage of the existing shareholders of GGI Company in GUAI Company will be lower than their current shareholding percentage. This, in turn, will lead to a decrease in their voting power, which will negatively impact their ability to influence resolutions that require shareholder approval, including the election of board members, approval of amendments to the articles of association, approval of substantial transactions and other matters requiring shareholders approval). In addition, the dilution in shareholding percentage will impact their share of the net profit in GUAI Company after the Merger Resolution is issued.

1.2.2 Risks related to the potential control by the shareholders of the GGI Company over the GUAI Company after the Merger

Upon the Issuance of the Merger Resolution and the deposit of the Consideration Shares, the ownership of existing shareholders of GUAI (excluding any existing ownership in GGI Company, if any), will be diluted to (66.79%) of the share capital of GUAI Company. Conversely, the shareholding percentage of the shareholders of GGI Company in GUAI Company (excluding any existing ownership in GUAI Company, if any) will amount to (33.21%) of the share capital of GUAI Company, following the Issuance of the Merger Resolution and the deposit of the Consideration Shares. Accordingly, the shareholders of the GGI Company, acting collectively, will hold a controlling interest in the GUAI Company of (33.21%) (excluding any existing ownership they may have in the GUAI Company, if any), which will grant them the power to influence resolutions that require the approval of the shareholders of the GUAI Company (including voting on the appointment of board members, approving amendments to the articles of association, approval of substantial transactions and other matters requiring shareholders approval).



Consequently, this will affect the ability of these shareholders to influence resolutions that require shareholders approval. The interests of these shareholders may differ from those of other shareholders, and they may direct the strategy of GUAI Company in a manner different from what other shareholders desire. These directives may have an impact on GUAI Company's business, operating results, financial position, and future prospects. Consequently, the share price of GUAI Company may be affected after the Issuance of the Merger Resolution and the deposit of the Consideration Shares.

1.3 Risks related to Merger of the companies, and challenges following the Effectiveness of the Merger Resolution

1.3.1 Risks related to business consolidation, and transfer of business, assets, and liabilities of GGI

The Merger shall be executed in accordance with the provisions of the Companies Law, and M&A Regulations – Merger and Acquisition Regulations, by merging GGI Company with GUAI Company, and transferring the assets of GGI Company to GUAI Company. Upon the effectiveness of the Merger Resolution, GGI Company shall be immediately dissolved and all its assets and liabilities shall be transferred to GUAI Company. Mergers pose a significant operational challenge for the merging company, GGI Company, as it must effectively and immediately integrate all operational, technical, financial, and other systems following the Effectiveness of the Merger Resolution, or ensure their seamless and consistent parallel management. It is imperative to ensure that all operational systems and systems related to the insurance claims of GGI Company, customer interactions, and other functions operate uninterrupted and efficiently within the systems of the merging company. Full integration may not be possible due to the differing mechanisms and operational methods employed by the companies, given the unknown technical and operational challenges or disruptions that may arise, among other factors.

Should GUAI Company fail to effectively handle and manage the business integration process, the GUAI Company's operations and productivity will be impacted after Effectiveness of the Merger Resolution. This may lead to disruptions in customer service, inaccuracies in data collection, and delays or errors in claims handling. Consequently, the GUAI Company's business, profits, costs, net income, assets, liabilities, and future prospects may be adversely impacted. The consolidated financial statements and operating results post-merger may also be adversely impacted.

Furthermore, Mergers also involve operational challenges as to transfer of assets. Despite the transfer of the assets and liabilities of the GGI Company by the law, formal steps and procedures must be taken to update licenses, records, and the like, including the transfer of employees and assets registered with third parties. Not all parties involved in updating these records may have the same level of understanding of the regulatory implications of Mergers, which may result in delays or failure to officially register such transfer. This may hinder the consolidation of business and dealing with these parties in the future to clarify the identity of the true owner of the asset, thereby negatively impacting the business, profits, costs, net income, assets, liabilities, and future prospects of GUAI Company, in addition to the consolidated financial statements and operating results after the Effectiveness of the Merger Resolution.

1.3.2 Risks related to the integration of the companies after the Effectiveness of the Merger Resolution, and the failure to realize the expected benefits

Notwithstanding the imperative of business consolidation due to the dissolution of the merged company, GGI Company, the success of the Merger and the realization of its anticipated benefits depend not only on the effective consolidation of the business to operate the assets and business of both companies on the effective date of the Merger, but also on the achievement of successful operational integration between the business of both companies to realize the anticipated benefits of the Merger, including cost reduction and increased customer satisfaction. Since one of the primary objectives of GUAI Company in executing the Merger is to realize a number of benefits and advantages. For more details on the reasons for the Merger, please see Section (3.2) ("**Merger Rationale**").

The realization of the expected benefits from the Merger by GUAI Company is subject to various factors, including but not limited to: obtaining the necessary approvals to undertake any actions required to realize the Merger benefits and avoiding any delays or difficulties in achieving the same; overcoming challenges in implementing cost-saving plans and other factors beyond its control such as changes in the regulatory and operational environment of the insurance sector, the general commercial, political, and economic situation in Saudi Arabia, and GUAI Company's ability to motivate and retain employees post-Merger. Consequently, GUAI Company may not be able to achieve the expected financial, operational, commercial benefits and growth opportunities as a result of the Merger, or may not be able to achieve these benefits in the expected time and size. GUAI failure to effectively handle and manage the business integration process will impact GUAI Company's operations and productivity after Effectiveness of the Merger Resolution. Consequently, the expected benefits may not be realized, and the GUAI Company's business, profits, costs, net income, assets, liabilities, and future prospects may be adversely impacted. The consolidated financial statements and operating results post-merger may also be adversely impacted.



In addition to the above, these benefits and savings resulting from the Merger are based on initial projections and estimates made on or before the date of this circular, and will not be realized before the extraordinary general assembly meeting to approve the Merger. Consequently, these benefits and savings may not be realized given the alterations in the fundamental assumptions and initial projections and estimates, or given the imprecision of the initial estimates. Neither GUAI, nor its Board of Directors, Executive Management, or others shall be responsible for the results arising from these initial estimates. There is no intention to update the expected benefits and savings from the Merger or other future prospects in this circular, unless required by applicable laws and regulations. If the expected benefits of the Merger are not realized within the expected time, value, or manner, or if such benefits are not realized at all, this may have a negative impact on the business, financial position, operating results, future prospects, and earnings per share of GUAI Company following the Merger.

1.3.3 Risks related to the impairment of Goodwill after the Merger

The accounting procedures for the Merger will be subject to the business consolidation requirements under the International Financial Reporting Standards No. (3) (IFRS3), with GUAI Company being considered the acquirer and GGI Company being considered the acquiree. Pursuant to these accounting requirements, the acquirer (GUAI Company) shall evaluate the assets and liabilities of the acquiree (GGI Company) at fair value as at the date of the consideration shares issuance, and recognize the difference between the fair value, any intangible assets acquired arising from the purchase price allocation, and adjustments to non-controlling interests, if any, and the purchase price as goodwill or gain arising from the Merger (referred to as purchase price allocation), such that the purchase price includes the full value.

GUAI Company shall have a twelve-month period following the issuance of the consideration shares to finalize the purchase price allocation in accordance with International Financial Reporting Standard 3 (IFRS3). No adjustments shall be permitted after the elapse of this period except to correct an error in accordance with International Financial Reporting Standard IAS 8).

The purchase price shall be for the consideration shares to be paid to the shareholders of GGI Company, based on the closing price of the shares of GUAI Company on the last trading day preceding the issuance date of the consideration shares. Accordingly, if there is a material change in the share price of GUAI Company by the date of issuance of the consideration shares, this may affect the calculation of goodwill compared to its value based on the share price of GUAI Company on the date of this circular; thus, the goodwill will increase substantially if the share price of GUAI Company increases substantially (taking into account the purchase price allocation process).

If the purchase price allocation results in goodwill, then this goodwill may be subject to impairment at any future date if the cash flows - after deducting the cost of capital - are less than the total operating assets and liabilities of each cash-generating unit. If such an event occurs, the financial position and share price of GUAI Company shall be impacted following this allocation.

1.3.4 Risks related to the Merged Company's claim after its dissolution

Pursuant to the Merger Agreement, GGI Company provided a number of representations and warranties to GUAI Company, upon which GUAI Company relied in entering into the Merger Agreement. These representations and warranties included GGI Company's representation as to the validity and completeness of all information provided to GGI Company, including but not limited to the information contained in this circular and the financial information provided. For more details on the provided warranties, please see Section (5.2.6.4) ("**Warranties**").

If, subsequent to the Effectiveness of the Merger Resolution, it is discovered that any of the representations and warranties provided by GGI Company were invalid or inaccurate, the merging company will be unable to pursue a claim against GGI Company for any damages arising therefrom. As GGI Company will be dissolved upon the Effectiveness of the Merger Resolution, any such claims shall be limited to the Board of Directors of GGI Company, who may not have sufficient assets to compensate GUAI Company for the damage suffered, or GUAI Company may fail to substantiate these claims against them. This risk is inherent in Merger, and therefore, a shareholder must consider such a risk when voting on Merger Resolutions. If losses arise due to invalidity or inaccuracy of the warranties and representations made by GGI Company, GUAI Company may not be able to recover adequate damages or may not recover any damages at all, which would negatively impact its business, financial position, operating results, and future prospects after the Effectiveness of the Merger Resolution.

1.3.5 Risks related to the consolidation of financial statements

The Merger requires the implementation of a mechanism to ensure the effective consolidation of financial statements. This is to ensure the smooth operation of the merging company and its ability to issue its financial statements effectively after the Effectiveness of the Merger Resolution. The process of consolidating the financial statements of GUAI Company with GGI Company must be managed in a manner that aligns with the expectations and requirements of GUAI Company. Due to the differences in methods and bylaws between the Companies, there is a risk that the merging company may not be able to manage the consolidation of the financial statement in accordance with its expectations. This may require additional time and costs until the merging company is able to consolidate the financial statement as required.



If GUAI Company fails to accurately and effectively consolidate the financial statement of GGI Company after the Effectiveness of the Merger Resolution, this could result in inaccurate financial information being disclosed to the public or relevant government authorities, or in delays in such disclosures. Consequently, the merging company may face financial penalties for non-compliance with laws governing the consolidation of financial statements, in addition to potential claims for damages from investors, which may have a direct and adverse impact on its business operations, profitability, and reputation. If the financial report consolidation process is not managed effectively, or if the quality or nature of the financial report consolidation is not of a high standard, this will have an adverse impact on the business and financial position, operating results, and future prospects of the merging company after the Effectiveness of the Merger Resolution.

1.3.6 Risks related to the insufficient technical provisions after the Merger

Article (69) of the Regulation of the Cooperative Insurance Companies Control Law requires that the insurance company shall consider technical provisions in accordance with the accounting standards, as determined and approved by an actuarial consultant. At a minimum, such provisions shall include the following provisions: (1) Provisions for Unearned Premium; (2) Outstanding loss provisions; (3) Allocated loss adjustment expenses; (4) Incurred but Not Reported (IBNR) Reserves; (5) Outstanding Loss Reserves; (6) Catastrophe Reserves; (7) General Expense Reserves; and (8) Provisions Related to Protection and Savings Insurance. The article prescribes the method of calculating the above.

GUAI Company shall estimate the amount of these provisions upon the Effectiveness of the Merger Resolution based on the expected trends in the amount and frequency of claims according to the data available at that time. It must take appropriate action, if necessary, to make any adjustments to ensure compliance with the instructions of the Implementing Regulations of the Cooperative Insurance Companies Control Law. The process of analyzing and setting an adequate level of technical reserves involves numerous uncertain factors and assumptions that cannot be accurately predicted. Given that the reserves amount is based on future estimates, the merging company's reserves may at any time be insufficient or non-compliant with the regulatory and accounting requirements.

Should the actual liabilities exceed the technical reserves for related claims, the merging company shall suffer losses equal to the amount of this increase in actual liabilities or provisions shall be increased, which will negatively impact GUAI Company's business, financial position, operating results, and future prospects after the Effectiveness of the Merger Resolution.

1.3.7 Risks related to maintaining the solvency margin

Solvency margin is the excess of a company's liquid assets over its liabilities. It is a measure of a company's ability to meet its obligations, if necessary, and an indicator of the overall financial soundness of a company. Pursuant to Article (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, insurance companies must maintain a solvency margin of (100%). The Regulations specify the method of calculating the margin based on the type of assets and services provided.

As of June 30, 2024G, the solvency margin of GUAI Company reached 193%, while that of GGI Company reached 119% for the same period. Pursuant to the unaudited consolidated interim financial statements as of June 30, 2024G, the solvency margin for the same period for the merging company would have been 181%. The following table shows the solvency margin of both GUAI Company and GGI Company.

Table 1.1: Solvency margin of the companies before and after the Merger

Solvency margin	December 31, 2022G	December 31, 2023G	June 30, 2024G
Solvency margin of GUAI	200%	137%	193%
Solvency margin of GGI	141%	138%	119%
The Estimated Solvency Margin of the Merging Company	-	-	181%

Source: Management information of GUAI Company and GGI Company.

GUAI Company should not be satisfied with this initial analysis. It must calculate the solvency margin at the effective date of the Merger Resolution, as the companies will continue their ordinary course of business from the date of this analysis until the Effectiveness of the Merger Resolution. This means that their financial position will change, requiring a recalculation of the solvency margin at the Effectiveness of the Merger Resolution. Given the course of business and unforeseen events, the solvency margin of GUAI Company may decline and fall below the regulatory requirements, upon the effective date of the Merger. Such a decline may require immediate remedial actions in the subsequent quarter to restore the solvency margin to the required extent, which may be either impossible or entail additional costs.



Failure to comply with the solvency margin requirements determined by the insurance authority, and the failure to remedy the same in a timely manner, may result in the imposition of sanctions and indicates that the company's financial position is weaker than required. In the event of non-compliance, the regulatory actions that the Insurance Authority may take corrective measures, including an increase of capital, a suspension of new subscriptions, and may escalate to fines, suspension of service provision, and suspension or revocation of the license. In the event of the occurrence of one or more of these risks, GUAI Company's business, financial position, operating results, and future prospects may be materially and negatively impacted after the Effectiveness of the Merger Resolution.

1.3.8 Risks related to dealing with reinsurers and their credit ratings

The Insurance Authority requires insurance companies to offer a minimum of (30%) of every reinsurance agreement (quota-share reinsurance and excess of loss reinsurance) and every optional reinsurance risk to reinsurers within Saudi Arabia, effective January 1, 2025G. Insurance companies shall be committed to this until they reinsure at least (30%) of the total subscriptions within Saudi Arabia. In reinsurance, as of December 31, 2024, and based on its statement, Gulf General Company committed to offering no less than 30% of each treaty reinsurance agreement (quota-share reinsurance and excess of loss reinsurance) and every facultative reinsurance risk to reinsurers within the Kingdom. It is noteworthy that the percentage of total premiums reinsured by Gulf General Company, relative to the total written premiums, amounts to 9.4% as of December 31, 2024.

Pursuant to (42) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, an insurance company shall select a reinsurer that has obtained at least a (BBB) rating from Standard & Poor's or an equivalent rating from a global specialized rating company or other companies approved by the Insurance Authority.

As of December 31, 2024G, GGI Company deals with ten (10) reinsurers, all rated above (BBB), while GUAI Company deals with seventeen (17) reinsurers, all rated. For more details on the Reinsurers of GGI Company, and their classification, please see Section (3.7.3) ("**Reinsurance**"). The relationship between the companies and reinsurers may be affected by the Merger. The creditworthiness of the merging company, GUAI Company, after the Effectiveness of the Merger Resolution, will differ from its pre-merger status or that of GGI Company. This implies that reinsurers may seek to reassess the situation, premiums, and other agreed-upon commercial terms. There is no guarantee that these parties will wish to continue their relationship with the merging company or offer the same services under the same terms.

The merging company, GUAI Company, shall continue to comply with reinsurance and credit rating requirements after the Effectiveness of the Merger Resolution. This is subject to various factors beyond its control, including potential downgrades of reinsurers' ratings below the minimum permissible threshold, their unwillingness or inability to contract with the Company due to their financial position. The merging company may not be able to find reinsurers on commercially reasonable terms in a timely manner, which may result in non-compliance, inadequate coverage, or incur additional unforeseen costs.

Failure to comply with the solvency margin requirements determined by the insurance authority, and the failure to rectify the situation in a timely manner, may result in the imposition of sanctions and indicates that the company's financial position is weaker than required. In the event of non-compliance, the regulatory actions that the Insurance Authority may take include an order to take corrective measures, a suspension of new subscriptions, and may escalate to fines, suspension of service provision, suspension or revocation of the license. In the event of the occurrence of one or more of these risks, GUAI Company's business, financial position, operating results, and future prospects may be materially and negatively impacted after the Effectiveness of the Merger Resolution.

1.3.9 Risks related to uncontrolled prices

Insurance policies shall be annually priced by an actuarial consultant who prepares a pricing adequacy report. After analysis, the proposed rates are submitted to the Insurance Authority for approval. Upon the mandatory transfer of insurance policies from GGI Company to GUAI Company, the existing pricing structure will be adopted. This pricing may not necessarily be suitable for GUAI Company and it may seek to adjust the same in the future.

Upon the expiration of these insurance policies and other insurance policies in the portfolio of the merging insurance company, the merging company's actuarial consultant shall, upon the annual pricing adequacy review period, reassess the pricing adequacy to comply with regulatory requirements, taking into consideration the merging company's insurance portfolio (which will include the insurance policies transferred from the GGI Company). The actuarial consultant's recommendations at that time may require changes to the insurance premium rates for the merging company's portfolio due to potential changes in the portfolio's performance at that time. Customers may not accept such changes, or the merging company may not be able to attract customers at the revised rates, which may adversely affect the merging company's business, financial position, operating results, and future prospects after the Effectiveness of the Merge Resolution.



1.4 Legal Risks related to GGI

1.4.1 Risks related to lease agreements and GGI's lack of ownership of the assets where its offices and branch are located

The plot of land, on which GGI Company's headquarters is located, and the plots, on which its branches are located, and leased from third parties, are not owned by GGI Company. GGI Company has five lease agreements for its headquarters and four branches located in Riyadh, Al-Khobar, and Jeddah. These agreements are summarized in the following table.

Table 1.2: Lease Agreements of GGI:

No.	Headquarters	Location	Contract Effective Date	Contract Expiration Date	Rent Value	The percentage of insurance revenue as per the financial statements for the period ended September 30, 2024G
1	Headquarters	Al-Ruwais District, Jeddah	01/11/2024G	31/10/2025G	SAR 575,000	0.19%
2	Jeddah Branch	Al Rawabi District, Jeddah	01/02/2024G	31/01/2025G	SAR 155,566	0.05%
3	Jeddah Branch	Al Rawabi District, Jeddah	01/03/2024G	28/02/2025G	SAR 324,070	0.11%
4	Al Khobar Branch	Al Yarmouk District, Al Khobar	01/12/2024G	30/11/2025G	SAR 221,375	0.07%
5	Riyadh Branch	Al Dhubbat District, Riyadh	17/11/2024G	06/11/2025G	SAR 207,270	0.07%
Total					SAR 1,483,281	0.49%

Source: GGI

Lease agreements are short term and are renewed annually. GGI Company may not be able to renew the lease agreements, or may only be able to renew lease agreements on the same terms or on better terms. Alternatively, the lease agreements may be terminated by the other parties in accordance with their terms or in the event of a breach by GGI Company. Consequently, GGI Company may be forced to vacate the premises and may not be able to find suitable alternative offices or may incur significant costs in doing so. Furthermore, the short term of the lease implies that unexpected rent increases may occur and costs may not be adequately forecasted, causing future losses. If the other parties terminate these lease agreements in accordance with the terms thereof, or if the lease agreements expire without renewal, or are renewed on less favorable terms, this shall adversely affect the ability to use the relevant properties. The occurrence of any of the aforementioned risks shall have a material adverse effect on GGI Company's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on GUAI Company after effectiveness of the Merger Resolution.

In addition, a lease agreement exists with the heirs of the property owner, who are in dispute. However, GGI Company has been transferring the rent to an heirs. In the event of a dispute among the heirs over these amounts, GGI Company may be involved and may be required to pay the entire previous rent of SAR 103,635 that was paid to the heir, if the remaining heirs successfully argue that the rent was not paid to the correct lessor. Such a claim may have a negative impact on the GGI Company's business, operations, financial position, cash flows, and future prospects, and consequently may negatively affect the GUAI Company after the Effectiveness of the Merger Resolution.

In addition, GGI Company has an unregistered lease agreement on the Ejar platform for its Riyadh branch, with an annual rental value of SAR 207,270. Pursuant to Council of Ministers Resolution No. 292 dated 16/05/1438H (corresponding to 13/02/2017G), a lease agreement that is not registered on the electronic network for rental services, "Ejar Platform," shall not be considered a valid agreement and shall not produce any administrative or judicial effects. The failure to register lease agreements on the platform, or to register the same incompletely or inaccurately, may result in the unregistered lease agreements not being considered valid agreements producing administrative and judicial effects, which may affect the tenant's ability to enforce these contracts before courts and claim their rights pursuant to these agreements. Upon the occurrence of such event, the GGI Company's business, operations, financial position, cash flows, and future prospects, may be negatively affected, and will consequently have a negative effect on GUAI Company after effectiveness of the Merger Resolution.



1.4.2 Risks related to Jurisdictional disputes

As of December 31, 2024G, there are: (a) (152) cases filed against GGI Company before the Primary Committee for the Resolution of Insurance Disputes and Violations, related to ordinary insurance business, in which the Plaintiffs claim a total amount of SAR (6,896,485); (b) 18 cases in which a Interlocutory judgment has been rendered against GGI Company but are currently being heard before the Appeals Committee for the Resolution of Insurance Disputes and Violations, related to ordinary insurance business, in which the Plaintiffs claim a total amount of SAR (1,034,63); and (c) two substantial cases, the first being a labor case in which the Plaintiff claims SAR (3,262,053) and the second being an insurance claim in which the Plaintiff claims SAR (5,529,000). GGI Company failed to allocate any funds to any of the above-mentioned cases, thereby implying that a loss incurred in relation to any of these cases may have a direct adverse impact on the GGI Company's financial statements.

Furthermore, as of December 31, 2024G, GGI Company filed the following lawsuits: (1) An insurance claim amounting to SAR (805,000); (2) a substantive commercial contractual dispute in which GGI is claiming SAR (11,995,550). Furthermore, GGI Company is seeking to enforce 15 final judgments against other parties for a total amount of SAR (2,197,449.52), which has not been collected yet.

If GGI Company loses any of these lawsuits or disputes, it will suffer a direct financial loss, which may adversely affect its financial performance. In addition, GGI is constantly exposed to the risks of threatened or potential litigation, fines, and indemnification claims. Many aspects of its business involve these litigation risks, which may include, but are not limited to, insurance claims, labor disputes, and other disputes. Consequently, GGI may be subject to judicial or administrative proceedings resulting in judgments against it, which may require the payment of substantial damages or may impose significant restrictions on how it conducts its business in the future. In addition to the aforementioned, even if a judgment is rendered in favor of GGI or the lawsuit is found to be groundless or malicious, GGI may incur significant costs in defending against the claims filed against it, including attorneys' fees and management time spent on the lawsuit, which may result in substantial expenses.

In addition, upon the Effectiveness of the Merger Resolution, GUAI will replace GGI in all relevant lawsuits. Consequently, should any of these lawsuits be lost or if GGI incurs any defense costs, or other potential claims and liabilities, GUAI may suffer financial losses, causing damage to its reputation. In this context, the incurrence of these costs, the loss of any substantial dispute, or the failure to accurately allocate the disputed amounts may materially and adversely affect GUAI's business, operations, financial position, cash flows, and future prospects, after the Effectiveness of the Merger Resolution.

1.4.3 Risks related to the consent of the parties contracted with GGI of the Merger

GGI solely entered into numerous reinsurance agreements, material and immaterial, for its business. Some of these contracts may contain restrictions or conditions that may be construed as requiring the prior approval or notification of the other party to the Merger, before the Effectiveness thereof.

If the Companies fail to properly identify all required contractual consents, then GGI may be in breach of its obligations under the relevant contracts. This breach may result in several consequences that vary according to the terms and conditions of the relevant contracts. The contract may grant the other party the right to terminate thereof, claim damages, or other remedies. In such event, and if the merging company fails to negotiate a waiver from the other party, it may not be able to find a suitable alternative in a timely manner or at a reasonable cost, or it may not be able to find any alternative at all.

The occurrence of any of these risks shall have a material and adverse effect on GGI's contracts, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on GUAI after effectiveness of the Merger Resolution.

1.4.4 Risks related to the registration of GGI's logo and intellectual property rights

GGI has one registered trademark, which is its logo. If GGI fails to renew or protect this trademark or its intellectual property rights, it may not be able to retain existing customers and attract new ones. Additionally, the value of its trademark or reputation may be adversely affected, potentially resulting in financial losses and litigation to protect its intellectual property rights.

In addition, GGI utilizes and operates a mobile application and employs a number of technologies and software programs licensed from various third parties. License agreements may not be renewed, or may only be renewed on the same terms or on better terms. Alternatively, these license agreements may be terminated by other parties in accordance with their terms or in the event of a breach. Consequently, GGI or the merging company will not be able to employ these technologies and software, and will not be able to find alternative solutions, or may incur significant costs in doing so.



The occurrence of any of these risks shall have a material and adverse effect on GGI's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on GUAI after effectiveness of the Merger Resolution.

1.4.5 Risks related to accumulated losses of GGI

As of December 31, 2022G, December 31, 2023G, and the six-month period ended on June 30, 2024G, the accumulated losses of GGI amounted to SAR (247.7) million, SAR (244.1) million, and SAR (59.3) million, respectively, representing (49.5%), (48.8%), and (19.2%) of the Company's capital, respectively.

should the merging company fail to stop the losses resulting from the operations of the GGI following the effective date of the Merger Resolution, then the company may continue to incur losses, potentially resulting in larger accumulated losses. Consequently, the merging company may not be able to distribute any dividends, requiring remedial measures if losses reach or exceed half of its capital. Pursuant to Article (132) of the Companies Law, the board of directors must disclose the fact that losses have reached half of the capital and its recommendations regarding such losses within sixty (60) days of becoming aware thereof, and convene an extraordinary general assembly meeting within (180) days of such awareness to consider the Company's continuance and to take any necessary measures to address such losses or to wind up the Company. In case of non-compliance, the Company or its officers may be subject to penalties pursuant to paragraph (F) of Article (261) of the Companies Law, including fines not exceeding SAR (1,000,000), in addition to any claims for damages by third parties due to their lack of knowledge of this fact, in addition to any measures that may be ordered by the Capital Market Authority and the Insurance Authority.

The ongoing accumulation of losses by GGI will have a significant and negative impact on the financial and operational position of the GGI after the Effectiveness of the Merger Resolution.

1.4.6 Risks related to licenses and certificates

Like other insurance companies, GGI is subject to a number of Laws and Regulations that require it to obtain the necessary licenses and permits from the relevant regulatory authorities in Saudi Arabia for purpose of conducting its business. These include, but are not limited to: an insurance business license from the Insurance Authority, the Insurance Authority's approval for all products, a commercial registration certificate, a chamber of commerce membership certificate, Saudization certificates, Zakat certificates, social insurance certificates, and necessary licenses and approvals from the municipality, civil defense, and other relevant licenses and permits for its activities.

These licenses and permits must be kept valid at all times by the GGI's continuous compliance with the Laws, regulations, and conditions governing such licenses and permits. Should GGI fail to obtain all necessary licenses and permits to conduct its business, or if it fails to maintain, renew, or comply with the laws, regulations, and conditions governing such licenses and permits, then this may result in the suspension of its operations, denial of certain government services, or exposure to penalties and fines. This may have a material and adverse effect on GGI's business, operations, financial position, cash flows, and future prospects, and consequently would have a negative impact on GGI after the Effectiveness of the Merger Resolution.

1.4.7 Risks related to the Merger Incentive offered to Executives at GGI

(16) Executives at GGI Company, including the CEO, are entitled to financial incentives related to the Merger. These incentives will be paid in installments upon the approval of the Capital Market Authority, the approval of the general assembly, and the delisting of GGI following the Effectiveness of the Merger Resolution. These incentives amount to a total of SAR (4,700,000) to be paid by GGI upon issuance of the Merger Resolution. A portion of this amount, specifically SAR (566,965), shall be paid upon the Authority's approval, regardless of whether the merger resolution is issued or not. The payment of these incentives will impose a financial burden on GGI, impacting its cash flow and profits. Consequently, this may negatively affect GUAI Company after the Effectiveness of the Merger Resolution. It is worth mentioning that these incentives were taken into account in the valuation of GGI Company; thus, please refer to section (3.8) ("**Valuation of GUAI and GGI**") for further details in this regard.

1.4.8 Risks related to labor conditions, including Saudization requirements and Labor Law

The Ministry of Human Resources and Social Development holds all companies in Saudi Arabia, including GGI to employ a specified percentage of Saudi nationals and to Saudize certain positions. Additionally, the Insurance Authority requires specific Saudization rate or mandates the employment of Saudi nationals in particular positions Based on the provided information, GGI is fully compliant with the Saudization requirements set forth by the Ministry of Human Resources and Social Development. As of September 30, 2024G, GGI Company has achieved a Saudization rate of (80%), placing it in the Platinum tier. Furthermore, GGI has confirmed that all positions required by the Insurance Authority to be saudized are currently assumed by a Saudi national.



GGI may face difficulties in recruiting and retaining qualified Saudi nationals, particularly given the specialized nature of its operations and the specific expertise required. Should GGI fail to employ a sufficient number of Saudi nationals, its Saudization rate is declined, or if more stringent Saudization requirements are imposed in the future that GGI fails to meet, then GGI shall be exposed to fines and other penalties such as suspension of its license by the Insurance Authority, suspension of work visa applications, and suspension of sponsorship transfer of non-Saudi employees. This will materially and adversely affect GGI's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative impact on GGI after the Effectiveness of Merger Resolution.

GGI is subject to the requirements of the Labor Law, regulations, and instructions issued by the Ministry of Human Resources and Social Development, as well as social insurance requirements, including compliance with the provisions of employment contracts, registration of employees in the social insurance system, provision of health insurance for employees, application of the wage protection system (WPS), and other related requirements. Failure to comply with labor laws and requirements may result in the imposition of penalties, including services suspension or closure of the facility, the imposition of fines, the termination of employee contracts, or the payment of compensation to employees.

Furthermore, GGI is exposed to risks related to non-Saudi employees, including increases in labor fees and work and residence permits renewal fees, the imposition of any restrictions on the employment of non-Saudi employees, or the resignation of such employees due to the increased cost of living in Saudi Arabia, any restrictions on air travel and entry and exit from Saudi Arabia, and other factors, which may have a material and adverse effect on GGI's business, operations, financial position, cash flows, and future prospects, and may consequently have a negative impact GUAI after the Effectiveness of the Merger Resolution.

1.4.9 Risks related to the GGI's operation in a sector governed by many laws and risks connected to changes in the regulatory environment

The sector in which GGI operates is highly regulated, and GGI is subject to a number of laws and regulations in Saudi Arabia, most notably the Cooperative Insurance Companies Control Law and its regulations, in addition to the circulars and regulations issued by the Insurance Authority. The laws and regulations applicable in Saudi Arabia may be modified and updated from time to time, whether with or without prior notice. GGI may fail to comply with these rapidly changing laws or may incur costs to keep up with and comply with such laws. Being subject to such laws, GGI is required to comply with various requirements, including periodic disclosure requirements and being subject to audits and reviews. GGI is required to submit periodic and up to date reports, with a high degree of accuracy and detail to the Insurance Authority and other regulatory authorities. The disclosure of financial and non-financial statements depends on the integrity and accuracy of the GGI's control environment, bylaws, and operators. Such requirements result in higher compliance costs compared to companies in other less regulated industries. In addition, given that GGI is required to comply with numerous regulatory authorities and their constantly evolving requirements, GGI may not be in full compliance with all applicable requirements of each regulator at all times.

Any failure by GGI to comply with these numerous requirements imposed upon it shall render it liable to penalties imposed by the competent authorities, which may include fines and other sanctions such as the suspension or revocation of licenses or permits. It may be subject to regulatory investigations, and if any of these investigations conclude that it has not been in compliance with the applicable regulations, it may result in the imposition of substantial fines and penalties or may impose regulatory restrictions causing the disruption of its operations. GGI has a history of penalties, having received (12) penalties and fines between 2021G and September 30, 2024G, amounting to a total of SAR (840,000). Some of these penalties were warnings.

Any change to the regulatory framework within which GGI operates, including any amendment to existing laws or enactment of new laws, may result in compliance costs associated with such new laws, reduced profit margins, operational difficulties, or even non-compliance with any new or amended law. This may have a negative impact on the operations and profit margins of GGI and may lead to penalties, business disruptions, or other adverse effects.

The occurrence of any of these risks shall have a material and adverse effect on GGI's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on GUAI after effectiveness of the Merger Resolution.

1.4.10 Risks related to the adequacy of insurance coverage

The operations of GGI may be affected by a number of risks and events, including but not limited to natural disasters, acts of terrorism, sabotage, and war-related events, for which adequate insurance coverage may not be available on commercially reasonable terms. Furthermore, the seriousness and frequency of various events, such as sudden accidents and other unfortunate events, work interruptions, or potential damage to its property resulting from human error or other causes, may all lead to substantial losses for GGI and expose it to numerous liabilities. As of September 30, 2024G, GGI holds and maintains medical insurance policies, vehicle insurance policies, and property insurance policies covering GGI itself, and a fourth life insurance policy for employees issued by another insurance company.



The self-insurance arrangement of the GGI poses several risks, the most significant of which is the potential unenforceability of the contract, as it is only formed through the mutual consent of parties, and it is inconceivable for a person to enter into a contract with himself, even if it is a legal person. Accordingly, the contract may be nullified in the future, and it can be argued that it involves a conflict of interest for all board members, which was neither disclosed nor consented to. All of this may leave GGI without insurance coverage. In addition, the insurance policies include a number of events excluded from the insurance coverage and other restrictions related to the insurance coverage that are negotiated with the insurance company. GGI's ability to recover compensation from the insurance company depends on the insurance company's financial solvency and its ability to satisfy the claim in full. Therefore, the insurance may not cover all losses, which may be incurred by GGI, as these losses may exceed the limits of the insurance policies or fall outside the scope of the insurance coverage provided in these policies. In the event that GGI fails to have adequate insurance coverage for any future risks or incidents, it may lose its assets and future revenues associated with such assets or instruments. In some cases, the Company may incur financial liabilities related to the damaged property. The occurrence of any of these risks shall have a material and adverse effect on GGI's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on GUAI after effectiveness of the Merger Resolution.

1.4.11 Risks related to personal and medical data, and other data protected by Law, and how to handle such data

GGI shall maintain personal data and other data of its customers, including names, personal details, and medical claims, in addition to other data including employees and suppliers information and other internal and confidential company information. Such information and data shall be maintained and kept on the GGI's own systems, in addition to third parties' systems used in its operations. This information and data, particularly personal data and medical information, is legally protected and must be obtained, maintained, and handled in a specific and regulated manner. Laws impose a number of restrictions and obligations to ensure the protection of personal data, such as the requirement to obtain prior consent from data subjects for the processing of their personal data, the appointment of one or more company employees to be responsible for the company's compliance with the provisions of the Personal Data Protection Law, and the implementation of necessary organizational, administrative, and technical measures to ensure the preservation of personal data, and the notification of the competent authority in the event of any corruption, leakage, or unauthorized access to personal data, and the immediate notification of the data subject in the event that any of the foregoing results in damage to their data or self. Moreover, the Council of Health Insurance has issued a number of circulars emphasizing the strict confidentiality of medical information.

The data protection measures implemented by GGI may not be sufficient to protect personal data from leakage or unauthorized access, to provide the necessary notifications to relevant authorities regarding data breaches, or to ensure compliance with the provisions of applicable laws, given their complexity. In addition, adherence to these laws drains financial resources, time, and the employees' efforts, without any direct return. In the event of a breach of data protection laws, or the loss, theft, or corruption of personal data, or in case of unlawful disclosure, GGI's reputation and its relationship with current or potential customers will be adversely impacted. In addition to facing potential legal claims or significant regulatory sanctions. The occurrence of any of these risks shall have a material and adverse effect on GGI's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on GUAI after effectiveness of the Merger Resolution.



1.5 Commercial Risks related to GGI

1.5.1 Risks related to the concentration of the GGI's written premiums in the vehicle and health insurance sectors

GGI's gross written premiums are primarily concentrated in vehicle insurance, constituting 68.3%, 72.3% and 80.0% of total gross written premiums during the financial periods ended 31 December 2022G and 2023G and the six months period ended 30 June 2024G, respectively, and followed by health insurance. The table below shows a detailed breakdown of the written premiums for the past two years, in addition to the six-month period ending on June 30, 2024G.

Table 1.3: The Written Premiums of GGI includes

Sectors	December 31, 2022G		December 31, 2023G		June 30, 2024G	
	Written Premiums (One Million Saudi Riyals)	Percentage to gross written premiums	Written Premiums (One Million Saudi Riyals)	Percentage to gross written premiums	Written Premiums (One Million Saudi Riyals)	Percentage to gross written premiums
Vehicles	254.9	68.3%	239.1	72.3%	208.7	80.0%
Health Insurance	60.0	16.1%	42.7	12.9%	19.4	7.5%
Others	58.4	15.6%	48.8	14.8%	32.7	12.5%
Total	373.3	100%	330.6	100%	260.8	100%

Source: GGI

The concentration of the GGI's insurance activities on vehicle and medical insurance has a direct impact on the distribution of the GGI's insurance portfolio. The concentration of total written premiums in these two sectors makes the GGI more vulnerable to factors affecting these sectors compared to more diversified companies, particularly if demand for vehicle and medical insurance products decreases, offer increases, or if the GGI fails to renew existing insurance policies or obtain subscriptions for new insurance policies.

In addition, these sectors also represent the largest two sectors for GUAI, as based on the financial statements of the two companies, and upon the aggregation of the written premiums, the concentration ratio of these two sectors is 83.19% of the total written premiums of the merging company after the Effectiveness of the Merger Resolution. Consequently, if any of the aforementioned events occurs, it will have a negative impact on the business, financial position, operating results, and future prospects of the merging company after the Effectiveness of the Merger Resolution.

1.5.2 Risks related to the concentration of GGI's written premiums for individuals in the vehicle sector and for corporates in the health insurance sector

GGI's gross written premiums are concentrated in the vehicle sector as to the individual category, representing approximately 24.5%, 69.3%, and 80.1% of gross written premiums in the vehicle sector for the fiscal years ended on December 31, 2022G, 2023G, and the six month period ended on June 30, 2024G, respectively.

The gross written premiums for the vehicle sector decreased by SAR 15.8M in 2023G, following a significant turnaround in the proportion of gross written premiums for the vehicle sector as to the corporate category (75.5% in 2022G vs. 30.7% in 2023G) as to the individual category (24.5% in 2022G vs. 69.3% in 2023G). Written premiums in the vehicle sector, as to the corporate category, decreased by SAR 119.0M following a reassessment of the GGI's subscription strategy in the vehicle sector, leading to the non-renewal of a number of loss-making accounts, in addition to the loss of a number of the parent company's accounts due to industry competition. The major loss-making accounts include a customer with a total of SAR 27.5M in written premiums in 2022G and another customer with a total of SAR 41.1M in written premiums in 2022G. Conversely, in 2023G, the Company witnessed a SAR 103.2M increase in the vehicle sector, as to the individual category, following a turnaround towards focusing on individuals, particularly third-party liability insurance products through digital sales channels. During the fiscal period ended on June 30, 2024G, the gross written premiums for the vehicle sector, as to the individual category, continued to increase by SAR 121.8M, while the vehicle sector for corporates decreased by SAR 10.7M.

The GGI's medical portfolio entirely includes corporate category. In 2023G, the total medical insurance premiums decreased by SAR 17.3M as a result of the Company's decision to enhance the quality of its medical portfolio, leading to the non-renewal of a number of loss-making accounts, the largest of which was a client account with a total insurance premium of SAR 14.9M



in 2022G. In the fiscal period ended on June 30, 2024G, the total insurance premiums for the medical sector increased by SAR 7.9M. The Company targeted small and medium-sized enterprises with competitive pricing instead of large corporations. The gross written premiums for the “other” sector decreased by approximately SAR 9.6M in 2023, primarily due to the loss of a major client to competition, representing a gross written premium of SAR 8.2M (mostly in the property sector with SAR 5.3M and marine cargo with SAR 2.7M).

The concentration of GGI’s insurance activities on individuals in the vehicle sector and corporates in the medical sector has a direct impact on the distribution of GGI’s insurance portfolio. The concentration of gross written premiums on individuals makes the GGI more vulnerable to factors affecting these sectors compared to more diversified companies, particularly if demand decreases or offers from individuals increase, or their preferences change, or GGI fails to renew the existing insurance policies or obtain subscriptions for new insurance policies. Consequently, if any of the aforementioned events occurs, it will have a negative impact on the business, financial position, operating results, and future prospects of the merging company after the Effectiveness of the Merger Resolution.

1.5.3 Risks related to loss ratio of GGI

GGI’s vehicle sector experienced a decline in its loss ratio from 103.3% in the 2022G fiscal year to 76.6% as of June 30, 2024G. This reduction is attributable to a strategic turnaround towards third-party liability (TPL) products for individual customers. Consequently, Individual contributions to the written installments for the vehicle sector surged from 24.5% in 2022G to 80.1% as of June 30, 2024G, (with a primary focus on individuals rather than corporations). These products are primarily sold through aggregators (platforms) such as ‘Tameeni’. The third-party liability insurance (TPL) products are well-known for their high claim frequencies and long-term claim cycles (up to 12 months), posing a potential risk to future overall profitability and increasing the likelihood of a future loss ratio spike as a result of this strategy.

Despite the decrease in the medical sector’s loss rate from 119.1% in the fiscal year 2022G to 80.3% in the fiscal year 2023G, the medical sector’s loss rate increased to 107.7% as of June 30, 2024G (compared to 94.1% as of June 30, 2023G). This negative turnaround is attributable to the increased focus on competitively priced small and medium-sized enterprises, resulting in claims an increase of claims. This expansion also introduces challenges to maintaining profitability, thereby emphasizing the risks of growth strategies centered around small and medium-sized enterprises.

1.5.4 Risks related to volatility of financial performance of GGI, and losses related to insurance

GGI experienced significant volatility in its financial performance during the 2022G and 2023G fiscal years. In the 2022G fiscal year, GGI incurred a net loss of SAR 102.0M, Zakat exclusive. By the 2023G fiscal year, a turnaround was achieved with a modest pre-zakat net profit of SAR 6.3M. In the vehicle sector, the net loss related to vehicle insurance improved from SAR 81.7M in the fiscal year 2022G to SAR 4.4M in the fiscal year 2023G. Consequently, the loss ratio decreased from 103.3% in the fiscal year 2022G to 79.1% in the fiscal year 2023G. Similarly, the medical sector experienced an improvement in its net insurance loss from SAR 19.4M in the fiscal year 2022G to a net insurance loss of SAR 0.3M in the fiscal year 2023G, with the loss ratio decreasing from 119.1% to 80.3%. Conversely, net insurance profit from other lines of business decreased by SAR 14.5M in the fiscal year 2023G, primarily due to a decrease in the share of surplus from insurance pools from SAR 18.3M in the fiscal year 2022G to SAR 6.3M (claims losses) in the fiscal year 2023G, coinciding with the termination of the travel and COVID-19 pool at the end of the fiscal year 2022G. The total net insurance losses amounted to SAR 83.6M and SAR 1.7M for the fiscal years 2022G and 2023G, respectively.

In addition, the performance of GGI in the financial period ended on June 30, 2024G, has deteriorated. GGI announced a net loss of SAR 10.4M, Zakat exclusive, for this period (for comparison purposes, the net loss reached SAR 1.1M on June 30, 2023G, Zakat exclusive), which reflects the gains achieved in the fiscal year 2023G. Despite the improvement in the net loss of the vehicle insurance sector from SAR 21.2M in the fiscal period ended on June 30, 2023G, to a net loss of SAR 9.7M in the fiscal period ended on June 30, 2024G, the revenues realized from the health insurance sector declined from a profit of SAR 3.2M in the fiscal period ended on June 30, 2023G, to a loss of SAR 5.6M in the fiscal period ended on June 30, 2024G. This is primarily due to an increase in the loss ratio from 94.3% to 107.7% and a decrease in the GGI’s share of the surplus from insurance pools from SAR 4.2M in the fiscal period ended on June 30, 2023G, to SAR 0.5M in the fiscal period ended on June 30, 2024G, following the end of the Hajj and Umrah pool at the end of the fiscal year 2023G. Additionally, the net profit of other insurance sectors decreased from SAR 6.9M in the fiscal period ended on June 30, 2023G, to SAR 3.6M in the fiscal period ended on June 30, 2024G, as well as a decrease in the Company’s share of the surplus from insurance pools from SAR 9.0M on June 30, 2023G, to SAR 0.8M on June 30, 2024G, following the end of the Hajj and Umrah pool at the end of the fiscal year 2023G. In addition, investment income and other income decreased by SAR 8.3M as of June 30, 2024G. This was primarily due to a decrease in other income from SAR 5.8M as of June 30, 2023G to zero as of June 30, 2024G, following the reverse of undistributed profits of SAR 5.8M in the fiscal year 2023G. The total net insurance losses amounted to SAR 11.1M and SAR 11.6M as of June 30, 2023G, and 2024G, respectively.



The following table summarizes the previous statements of net insurance earnings for GGI Company for each sector.

Table 1.4: Net insurance earnings of GGI by industry

Sectors (One Million Saudi Riyals)	December 31, 2022G	December 31, 2023G	June 30, 2023G	June 30, 2024G
Vehicle insurance	(81.7)	(4.4)	(21.2)	(9.7)
Health Insurance	(19.4)	(0.3)	3.2	(5.6)
Others	17.5	3.1	6.9	3.6
Total	(83.6)	(1.7)	(11.1)	(11.6)
Vehicle sector loss rate	103.3%	79.1%	96.6%	76.6%
Health insurance sector loss rate	119.1%	80.3%	94.3%	107.7%

Source: GGI

It should be noted that the shareholder's equity (net assets) of GGI Company decreased from SAR 300.4M as of December 31, 2023G, to SAR 287.0M as of June 30, 2024, due to an increase in accumulated losses by SAR 13.4M as a result of the net loss incurred on June 30, 2024G.

GGI's volatile financial performance and the insurance losses lead to an increase in losses and negatively impact its financial position, which will have a negative effect on the merged entity's business, financial position, results of operations, and future prospects post-merger.

1.5.5 Risks related to high employee turnover for GGI

The financial due diligence review revealed a high turnover rate among executive positions within the GGI Company, particularly in departments such as compliance, internal audit, and legal. These positions have remained vacant for extended periods. During 2023G, the turnover rate for 14 executive positions, reached 57%. Additionally, the organizational structure has changed for more than 4 times in the past three years, either directly or indirectly, such as the integration of the legal department with the human resources and shared services departments. As of September 30, 2024G, there are two vacant positions: Chief Risk and Technology Officer and Chief Operations Officer.

Regardless of the regulatory requirements mandating that the Company have employees in most of these positions, the high turnover rate is causing numerous operational problems and business disruptions, in addition to difficulties in transferring tasks from one employee to another. Additionally, the constant change in the organizational structure makes it difficult to implement plans and for employees to understand the organizational structure. All of this has a direct impact on the quality of work and services provided, which will have a significant negative impact on the operations, financial position, cash flows, and future prospects of GGI, and will consequently have a negative impact on GGI after the Effectiveness of the Merger Resolution.

1.5.6 Risks related to the collection of accounts receivable

The GGI's operations are highly dependent on the timely collection of receivables from its customers. The following table shows the GGI's accounts receivable, including the net balance of accounts receivable, and the total balance of accounts receivable due from related parties, and their respective ages.

Table 1.5: Details of the Accounts Receivable of GGI

Customer(s)	Accounts Receivable Concentration Ratio for 2022G (thousands of Saudi Riyals)	Accounts Receivable Concentration Ratio for 2022G	Accounts Receivable Concentration Ratio for 2023G (thousands of Saudi Riyals)	Accounts Receivable Concentration Ratio for 2023G	Accounts Receivable Concentration Ratio for the nine month period ended on June 30, 2024G (thousands of Saudi Riyals)	Accounts Receivable Concentration Ratio for the nine month period ended on June 30, 2024G
Companies	117,962	80.4%	65,505	84.2%	90,360	84.8%
Medical Insurance - Companies	21,085	14.4%	7,564	9.7%	9,649	9.1%
Individuals	-	-	4,167	5.4%	5,309	5.0%
Organization	6,116	4.2%	232	0.3%	232	0.2%



Customer(s)	Accounts Receivable Concentration Ratio for 2022G (thousands of Saudi Riyals)	Accounts Receivable Concentration Ratio for 2022G	Accounts Receivable Concentration Ratio for 2023G (thousands of Saudi Riyals)	Accounts Receivable Concentration Ratio for 2023G	Accounts Receivable Concentration Ratio for the nine month period ended on June 30, 2024G (thousands of Saudi Riyals)	Accounts Receivable Concentration Ratio for the nine month period ended on June 30, 2024G
Institutions - Medical Insurance	1,257	0.9%	123	0.2%	123	0.1%
Shareholders	16	0.01%	72	0.09%	65	0.06%
Others	78	0.05%	4	0.01%	210	0.2%
Related Parties	135	0.09%	140	0.2%	634	0.6%
Total	146,649	100%	77,807	100%	106,582	100%

Source: GGI

Table 1.6: Accounts Receivable Aging of GGI

Accounts Receivable Aging	2022G (SR in thousands)	2023G (SR in thousands)	June 30, 2024G (SR in thousands)
Not past due	57,655	17,408	24,371
0 to 90 days	41,408	17,332	33,914
91 to 180 days	11,600	8,086	12,091
181 to 270 days	6,894	3,942	3,768
271 to 360 days	2,032	1,330	1,916
Over 360 days	27,059	29,709	30,521
Total	146,649	77,807	106,582

Source: GGI

The provision for doubtful debts as of December 31, 2022G amounted SAR 25.9 million, representing 17.6% of total receivables. The provision for doubtful debts decreased in the year ended on December 31, 2023G to SAR 22.8 million, representing 29.3% of total receivables, and the provision was estimated at SAR 25.0 million in the period of six months ended on June 30, 2024G, representing 23.4% of total receivables. In the event that GGI does not set aside sufficient provisions for these receivables, or could not collect all the receivables or the collection rate decreased, GGI shall write off these debts and consider them as bad debts, which will have a negative impact on the merging company's business, financial position, operations and future prospects.

Provisions for doubtful debts shall be calculated, at a minimum, in accordance with Article (69) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, as follows:

- 10% of the total amounts due from reinsurers exceeding 180 days.
- 15% of the total amounts due from the insured exceeding 90 days.
- 25% of the total amounts due from the insured exceeding 180 days.
- 75% of the total due amounts exceeding 360 days.
- 100% of due and disputed amounts



The following table shows the total receivables, the provisions taken against those receivables and their percentage of the total receivables, the average collection period and the debt write-offs

Table 1.7: Total receivables, the provisions taken against those receivables and their percentage of the total receivables, and the average collection period

	2022G	2023G	The period of six months ended on June 30, 2024G
Total accounts receivable (in thousands of SAR)	146,649	77,807	106,582
Provision for accounts receivable (in thousands of SAR)	25,877	22,826	24,973
Net accounts receivable (in thousands of SAR)	120,772	54,981	81,609
Net written insurance premiums (in thousands of SAR)	285,275	258,728	233,414
Provision ratio to total accounts receivable	15.78%	25.15%	20.76%
Average collection period (days)*	155	78	128

Source: GGI

* The average collection period is the number of days the company takes to receive payments due from its customers in terms of accounts receivable. It is used to ensure that the company has sufficient liquidity to fulfill its financial obligations. It can be calculated as follows: Average collection period = (Net accounts receivable / Net written premiums) * Number of days of the year

Customers may delay payments, request amendment to their payment arrangements, be in default on their dues or dispute the contracted or due amounts to GGI, which may increase the probability of GGI being unable to collect such amounts from its customers, which may result in reduction of GGI working capital GGI may not be able to recover these accounts receivable, which may have a material adverse effect on GGI's business, operations, and financial position, and therefore will have an adverse effect on its business, financial position, operations, and future prospects after effectiveness of the Merger Resolution.

1.5.7 Risks related to the concentration of written premiums on the top five customers

There is a relatively medium to high concentration in motor insurance, health insurance and other sectors. The top five customers represented 25% to 71% of total written premiums during the period from December 31, 2022G to June 30, 2024G, with new customers entering the top five category in each period. The following table shows the percentages of concentration of premiums written by the top five customers in each period from December 31, 2022G to June 30, 2024G.

Table 1.8: Concentration of premiums written by the top five customers

	The concentration of the top five customers in 2022G	The concentration of the top five customers in 2023G	The concentration of the top five customers on June 30, 2024G
Motor Insurance for corporates- as a percentage of gross premiums written only by non-individuals	66.2%	57.2%	54.2%
Health insurance - as a percentage of the sector's gross written premiums	66.3%	70.7%	52.5%
Others- as a percentage of the sector's gross written premiums	30.0%	25.1%	49.3%

Source: GGI

All of the company's top five customers are of corporate-class across all sectors.

In addition, the medical insurance sector showed high concentration risks in external brokers with only one broker (Chedid & Associates Saudi Arabia Insurance Brokerage Ltd.) contributing more than 88% of the total medical insurance premiums written in FY22 and FY23 (89.3% in FY22 and 94.4% in FY23). This percentage decreased to 60% on June 30, 2024G. such reliance on this broker in the field of medical insurance constitutes a significant and critical weakness. If the relationship with this broker ends or weakens, the company's medical portfolio could take a major hit, affecting both the company's premium flow and market share.

GGI may not be able to renew contracts with their customers or renew them on the same or better terms, or they may be terminated by other parties in accordance with their terms or in case of GGI's breach of its provisions. To the extent any of



those key customers terminate or greatly reduce their business with GGI in the future, and if this is not compensated with demand from new customers for such quantities, GGI may not be able to achieve sufficient revenues or any revenues and may record losses. Losing any key customer may be beyond GGI's control, including disruption of business and their financial or operational position. Such loss of key customers, if not compensated with new customers, may have a material adverse effect on GGI's revenues and profitability. Moreover, GGI does not have many main customers and its revenues are distributed among small customers, which means a lack of stability and loyalty from customers and a difficulty in attracting new customers, retaining existing customers or obtaining more of their business, which will have a material adverse effect on GGI's revenues and profitability.

The realization of any of these risks would have a material adverse effect on GGI's contracts, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on GUAI after effectiveness of the Merger Resolution.

1.5.8 Risks related to potential tax and zakat Liabilities

GGI is subject to the rules and regulations of ZATCA. Zakat is due at a rate of 2.5% of the approximate zakat base or adjusted net profit, whichever is higher, in accordance with the regulations of the Zakat, Tax, and Customs Authority in the Kingdom. The main components of each company's Zakat base according to the Zakat regulations consist mainly of shareholders' equity, provisions, long-term loans, adjusted net profit less net book value of real estate and investments and certain other items. The Zakat provision balance for GGI was SAR 1.3 million, SAR 3.0 million and SAR 4.2 million respectively as of December 31, 2022G, 2023G and the period ended on June 30, 2024G. The following table shows GGI's zakat and tax status

Table 1.9: GGI's zakat and tax status

GGI's zakat and tax status (Thousand SAR)	Before 2022G	As of December 31		As of June 30	Total	Potential fines
		2022G	2023G	2024G		
Potential zakat obligations	-	-	629	4,170	4,799	-
Zakat related exposures	507	820	-	-	1,327	-
Potential VAT exposures	-	287	55	598	940	50
VAT related exposures	41	63	-	-	104	-
Total potential exposures and fines	548	1,170	684	4,768	7,170	50
Zakat provision on June 30, 2024G					1,269	
Total increase/(decrease) in provisions					(5,901)	

Source: GGI

It should also be noted that the total shortfall in provisions calculated according to the tax professional diligence study, amounting to 5.9 million Riyals, was not recorded in the provisions among provisions of GGI. This means that provisions may be recorded against them, and thus this will have a negative effect on GGI, its financial position, operations, cash flows and future prospects, and consequently will have an adverse effect on GUAI after effectiveness of the Merger Resolution. No final zakat assessments have been issued for these fiscal years to date, and the Zakat, Tax and Customs Authority may impose additional zakat liabilities in return. In the event that additional zakat liabilities are imposed by the Zakat, Tax and Customs Authority, this will adversely affect GGI, its financial position, operations and future prospects, and consequently will adversely affect the GUAI after effectiveness of the Merger Resolution.

Zakat, Tax and Customs Authority issued zakat assessments for the fiscal years 2016 to 2018, and claimed additional zakat and withholding tax liabilities in an amount of SAR 1.8 million and SAR 13.6 million respectively, both of which have been settled by GGI. However, GGI received a positive decision from Appellate Committee for Tax Violations and Disputes regarding disputes related to Zakat assessment for the years 2016G to 2018G, and accordingly the amount paid by GGI for the above-mentioned withholding tax of SAR 13.6 million became recoverable. Zakat, Tax and Customs Authority also issued Zakat assessments for the fiscal years 2019G and 2020G and claimed an additional Zakat liability of SAR 800,000 and SAR 600,000, respectively. GGI received a partial positive decision from the Zakat and Income Authority for the fiscal year 2020G, and as a result, the Zakat obligation was reduced from 600 thousand Saudi Riyals to 300 thousand Saudi Riyals. Further, the final additional Zakat liability of SAR 800,000 for the fiscal year 2019G and SAR 300,000 for the fiscal year 2020G was settled. In addition, Zakat, Tax and Customs Authority issued the Zakat assessments for the fiscal years 2021G and 2022G and claimed additional Zakat of SAR 580,000 and SAR 910,000, respectively. GGI is subject to an objection at the level of the Zakat, Tax, and Customs Authority regarding this assessment. In the event that decisions are issued regarding tax and zakat matters that oblige GGI to pay differences or fines, this will adversely affect GGI, its financial position, operations and its future prospects, and thus will adversely affect GUAI after effectiveness of the Merger Resolution.



1.5.9 Risks related to investment

Insurance companies must generally establish a written investment policy approved by the Board of Directors that regulates investment operations and methods of managing investment portfolios. They must manage their investments in an appropriate manner and within the limits permitted by law, including separating investments according to the type of invested assets. The investment portfolio of GGI as of June 30, 2024G amounted to SAR 328.6 million, representing 63.1% of total assets.

Most of the investments of GGI are concentrated in highly liquid investments, namely Murabaha deposits (SAR 230.4 million as of June 30, 2024G), investment funds and shares (SAR 49.6 million as of June 30, 2024G), which together represent 85% of total investments as of June 30, 2024G. The investment strategy adopted by GGI is relatively conservative, as it invests mainly in deposits. However, the shares achieved a negative return in FY22 (loss of SAR 1.5 million) and the financial period ended on June 30, 2024G (loss of SAR 0.6 million). Furthermore, adverse market conditions also impacted the performance of investment funds, which achieved negative results in FY22 (loss of SAR 3.2 million), before recovering in FY23.

Accordingly, GUAI will review the investment portfolio of GGI, which will be transferred to it upon effectiveness of the Merger Resolution, to ensure that it complies with its investment regulations and is consistent with its investment policy. In the event that the GGI's portfolio does not comply with the investment regulations of GUAI, this will require its restructuring, which may result in the liquidation of some investments at inappropriate and unfavorable prices and times, and consequently will negatively affect the performance of the investment portfolio. In addition, even if it is generally compatible, it is a distinct investment portfolio and may alter the risk level of the total investment portfolio of GUAI, as it may have concentration in different or recurring sectors of GUAI's Portfolio.

Moreover, the operational results of this investment portfolio depend on the performance of the investments therein, which differ according to the investment instrument and the related sector. They are also affected by general economic conditions, the level of market volatility, market price fluctuations, liquidity and credit risks, in addition to political and security conditions. Therefore, if these factors fluctuate, the value of the investment portfolio may decrease.

The realization of any of the above risks will affect the assets and liabilities of GGI and thus will have a negative and material impact on the business of GUAI, its financial position, operations and future prospects after effectiveness of the Merger Resolution.

1.6 Risks related to the insurance sector in which GGI operates

1.6.1 Risks related to the economic performance of the Kingdom of Saudi Arabia

The performance of the insurance sector is dependent on the overall performance of the economy of the Kingdom of Saudi Arabia, including inflation, GDP growth, per capita income and other economic factors. Despite the Kingdom's remarkable economic diversity, it still depends mainly on oil and oil industries, which control a large share of GDP. Accordingly, any unfavorable fluctuations in oil prices will have a direct and material effect on the growth plans of the Saudi economy in general and on government spending rates, which will negatively affect the spending of the rest of the participants in the sector, and consequently the insurance sector as a whole.

Moreover, the continued growth of the Saudi economy depends on several other factors, including continued population growth and public and private sector investments in infrastructure. Therefore, any change in any of these factors will have a significant impact on the economy, which will negatively affect the insurance sector.

The realization of any of the above risks will affect the assets and liabilities of GGI and thus will have a negative and material impact on the business of GUAI, its financial position, operations and future prospects after effectiveness of the Merger Resolution.

1.6.2 Risks related to technical systems and cybersecurity

The ability of GGI to conduct its business and to accurately and effectively control its operations and costs is highly dependent on its information network and the strength of their information technology and cybersecurity systems. Risks associated with IT systems, both internal and external, such as malware, programming flaws, attempts to penetrate the networks, unavailability of required updates or modifications, data leaks, and human error, pose a direct threat to the GGI's data and business. It should be noted that GGI's systems were previously hacked in 2021G, and this may happen again. There can be no assurance that the technical systems of GGI will be successful in responding to any cyber-attacks. If breaches of technical systems were to occur, it would have a material adverse effect on GGI's business, financial condition, results of operations and future prospects after effectiveness of the Merger Resolution.



The technical systems of GGI may be disrupted by unforeseen force majeure events or cyber-attacks. Such events could result in the loss of critical information or the leakage of confidential and sensitive information relating to the business of GGI or its customers or expose it to legal issues. In addition, GGI may incur significant operational costs and liabilities as a result of upgrading its IT systems or adopting additional measures to protect its data or IT systems. The systems belonging to GGI or third-party service providers may also be susceptible to security breaches, cyberattacks, sabotage, theft, viruses, data loss, damage to programming, human errors, or similar events. It may be difficult for GGI to anticipate any breaches of their information systems, take appropriate preventive measures, or detect and address any threat quickly enough. Any security breach, cyber terrorism, sabotage, theft, presence of viruses, data loss, damage to programming, or any human errors by employees of GGI could negatively impact its operations, financial position, results of operations, and future prospects after Effectiveness of the Merger Resolution.

1.6.3 Risks related to increased competition and the ability to expand in the insurance market in the Kingdom

The competitive environment in the insurance sector is constantly increasing, and all of them are competing fiercely for their market shares. The insurance sector is one of the major sectors. The Saudi Insurance Market Report for the year 2023G issued by the Insurance Authority revealed that the gross written premiums amounted to (65.5) billion Riyals in the year, and the net income of the sector (after zakat and tax) amounted to (3.2) billion Saudi Riyals during 2023G. The sector has also witnessed a number of mergers in recent years, in addition to several currently announced potential merger transactions, which may contribute to the establishment of larger and more stable competing entities. Given that one of the initiatives of the Financial Sector Development Program aims to encourage and facilitate mergers in the insurance sector, the sector is expected to witness a greater number of mergers in the future, which will increase the intensity of competition.

A limited number of insurance companies have the largest market share in the insurance sector. Thus, companies with smaller market shares, such as GGI lose the ability to control the pricing of their products, as they should take the pricing of the dominant companies into account. This may negatively affect the performance and profitability of small companies, as they may not have the same low costs as insurance companies with a larger market share, and therefore will have a lower profit margin.

Any change in the competitive environment, such as an increase in the number of competitors in the sector, the introduction of new products or services, Increased price competitiveness, or other factors, may cause a decrease in the market share of GGI or the prices of its products, and therefore its profit margins. The realization of these risks will affect the assets and liabilities of GGI and thus will have a negative and material impact on the business of GUAI, its financial position, results of operations and future prospects after Effectiveness of the Merger Resolution.

1.6.4 Risks related to the insurance business cycle and impact by economic factors

The insurance sector globally witnesses periodic changes with significant fluctuations in operating results, due to competition, catastrophic events, economic and social conditions that all countries go through from time to time in general, and other factors beyond the control of companies operating in the insurance sector. Consequently, this may result in periods of price competition resulting from excess supply, as well as periods in which companies are able to obtain better insurance premium rates.

The business cycle of insurance companies is expected to change from time to time due to surrounding circumstances, which could negatively affect the assets and liabilities of GGI, and thus would have a material and adverse impact on GUAI's operations, financial position, operations results, and future prospects after Effectiveness of the Merger Resolution.

1.6.5 Risks related to political and security conditions

Although the Kingdom of Saudi Arabia enjoys domestic political stability and good international relations, many countries in the Middle East region are currently suffering from political or security instability, and this may have a negative impact on the insurance market in the Kingdom. Also, the diplomatic relations with some countries, or the prevailing economic and political conditions therein, may affect the economy, foreign direct investment, or the financial market in the Kingdom of Saudi Arabia in general, or the insurance market in the Kingdom.

Major unexpected changes may occur in the political, economic or legal environment in the Kingdom of Saudi Arabia, or in any other countries in the Middle East, including, but not limited to, fluctuations in the markets, economic recession, insolvency, high unemployment rates, technological transformations, and other developments that may adversely and materially affect the insurance market in the Kingdom. This will also adversely affect the assets and liabilities of GGI, and consequently will adversely affect the business of GUAI, its financial position, operation results and future prospects after Effectiveness of the Merger Resolution.



1.6.6 Risks related to insurance culture in Saudi Arabia

The society's perception of the insurance sector, along with awareness of the need for insurance and its various sectors and products, is one of the most important factors affecting the success of the sector and the insurance companies operating therein. The current insurance culture may not be sufficient, as individuals and even companies do not get all the insurance products they may need compared to some other countries. In addition, individuals and entities' willingness to have insurance may be affected by the extent to which insurance products comply with the provisions of Islamic Sharia, or even their expectations regarding this obligation or rumors regarding it.

In the event that the insurance culture remains the same or decreases, this will be directly reflected in the value of subscriptions and, consequently, in the total income and profits, which will negatively affect the assets and liabilities of GGI and, consequently, will negatively and materially affect the business of GUAI, its financial position, operation results and its future prospects after Effectiveness of the Merger Resolution.

1.6.7 Risks related to restrictions on share ownership in insurance companies

The Cooperative Insurance Companies Control Law imposes certain restrictions on the ownership of shares in insurance companies. According to Article (38) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the insurance company shall notify the Insurance Authority of the ownership percentage of any person who owns (5%) or more of the company's shares through a quarterly report prepared by the company and any person owning five percent (5%) or more of the Company's shares shall notify the Insurance Authority in writing of their percentage ownership and any changes thereof within 5 working days of the date of occurrence of such event. The Insurance Authority usually places restrictions on these substantial shareholders, so that they are not allowed to dispose of their shares without obtaining its approval.

These restrictions may limit the ability of insurance companies to attract strategic investors, If the Insurance Authority refuses or delays issuing the required approvals or imposes conditions that investors could not meet, or investors refuse to constrain their investments. This may affect the willingness to invest in the insurance company, as well as its ability to obtain the strategic expertise that accompany with these strategic investments. The realization of these risks may have a material and negative impact on GUAI's business, its financial position, operation results and future prospects after Effectiveness of the Merger Resolution.

1.6.8 Risks related to preventive regulations

GGI like all insurance companies, is subject to a number of preventive and regulatory requirements imposed by the Insurance Authority, including cash exposure limits, reserves, financial provisions, impairment provisions, etc., which aim to maintain the safety and stability of the financial positions of insurance companies and their alignment with economic, societal and other objectives and to reduce their exposure to risks.

Any alteration to these laws, regulations and requirements or their execution could have a material adverse effect on the insurance companies' business, financial position, operation results or future prospects. Any alteration to the Insurance Authority's regulations or policies will also affect cash exposure limits, reserves, impairment provisions, related financial provisions and other relevant ratios, which could increase costs for insurance companies or reduce their profit margins.

The realization of any of the above risks will affect the assets and liabilities of GGI and thus will have a negative and material impact on the business of GUAI, its financial position, operations and future prospects after Effectiveness of the Merger Resolution.

1.6.9 Risks related to the vehicle market and the transportation sector in the Kingdom

Gross written premiums for vehicle insurance represent 68.3%, 72.3% and 80.0% of the gross written premiums of GGI for 2022 and 2023 and for the period of nine months ended on September 30, 2024G.

Accordingly, the operational and financial performance of GGI is dependent on the transportation sector in general, and will be positively or negatively affected by changes in this sector. Despite the economic recovery that the Kingdom is witnessing, the transportation sector, specifically private vehicles, is particularly vulnerable to contraction due to the development of the public transport system, especially in Riyadh.

Any contraction in this sector will reduce the number of vehicles requiring insurance, and thus will negatively affect the vehicle insurance revenues, which will have a material and negative impact on GUAI'S business, its financial position, operation results and future prospects after Effectiveness of the Merger Resolution.



1.6.10 Risks related to the health sector

Gross written premiums for health insurance represent 16.1%, 12.9%, and 7.4% of the gross written premiums of GGI for 2022G and 2023G and for the period of nine months ended on September 30, 2024G. Accordingly, the operational and financial performance of GGI is dependent on the health sector in general, and will be positively or negatively affected by changes in this sector. Despite the economic recovery that the Kingdom is witnessing, the health sector is vulnerable to contraction in terms of patients who need private insurance. Given that the Kingdom's government will provide insurance to citizens and privatize the sector, the number of patients who subscribe to health insurance to get these services may decrease.

Any contraction in this sector will reduce the number of patients requiring insurance, and thus will negatively affect the health insurance revenues, which will have a material and negative impact on GUAI's business, its financial position, operation results and future prospects after Effectiveness of the Merger Resolution.

1.6.11 Risks related to non-compliance with the regulations of the Council of Cooperative Health Insurance

The health insurance products provided by GGI are subject to supervision of the Cooperative Health Insurance Council. The Cooperative Health Insurance Council requires compliance with special requirements for providing medical products, including providing a specialized medical team to obtain the approvals within a period not exceeding (60) minutes from submission of the approval application and payment of the amounts due to medical service providers such as hospitals, clinics, etc. within a period not exceeding (30) days.

Complying with these requirements is costly and complex, and requires robust regulations and dedicated and specialized work teams, which may not be possible at all times, and therefore it is difficult to comply with these requirements on a continuous basis or within the allocated budgets. Failing to do so may result in legal liability and subsequent fines or penalties, in addition to reputational risks.

Failure to comply with the requirements of the Cooperative Health Insurance Council, or the increase of the costs associated with this compliance, will adversely affect the assets and liabilities of GGI and will consequently have a negative and material impact on the business of GUAI, its financial position, operation results and future prospects after Effectiveness of the Merger Resolution.

1.6.12 Risks related to compliance with AML/CFT regulations

GGI, like all insurance companies, shall comply with AML/CFT regulations and rules. These regulations set the procedures to be taken upon acceptance of any customer, whether an individual or a company, and also the due diligence procedures to be followed, as well as the reporting procedures for suspicious transactions and other procedures.

Complying with AML/CFT requirements is complex and time-consuming, and requires robust regulations and dedicated and specialized work teams, which may not be possible at all times, and therefore it is difficult to comply with these requirements on a continuous basis or within the allocated budgets. Failing to do so may result in legal liability and subsequent fines or penalties, in addition to reputational risks.

Failure to comply with AML/CFT requirements or the increase of the costs associated with this compliance, will adversely affect the assets and liabilities of GGI and will consequently have a negative and material impact on the business of GUAI, its financial position, operation results and future prospects after Effectiveness of the Merger Resolution.

1.6.13 Risks related to VAT and withholding tax

Royal Decree No. (M/51) dated 05/03/1438H (corresponding to 31/01/2017G) was issued approving the unified VAT agreement for the GCC countries, which came into effect as of 14/04/1439H (corresponding to 01/01/2018G). The tax rate amounted to (5%) of the sales price and was added to the system of other taxes and fees imposed on certain sectors in the Kingdom. On 17/10/1441H (corresponding to 09/06/2020G), the Board of Directors of ZATCA issued Decision No. (20-3-2) to increase the VAT rate to 15% as of 10/11/1442H (corresponding to 01/07/2020G). The tax is levied on the services provided and received by GGI.

In addition, the Kingdom's tax regulations require the payment of withholding tax. This is a tax imposed on a non-resident who does not have a permanent establishment in the Kingdom when he or she earns income from a source in the Kingdom. The resident is responsible for supplying the amount of withholding tax to ZATCA on the taxable amounts in the Kingdom for the non-resident.



There can be no guarantee that these taxes will not be increased, or that other fees or other taxes will not be imposed by the government in the future. Accordingly, if the tax rate is increased or new taxes or fees are imposed on companies other than those currently applied, this would negatively affect the assets and liabilities of GGI, and thus would have a material and adverse impact on GUAI's operations, financial position, operations results, and future prospects after Effectiveness of the Merger Resolution.



2. Information on the Market and Insurance Industry in Saudi Arabia

2.1 Insurance Sector Overview in Saudi Arabia

The insurance sector is one of the most important financial services sectors in any economy. It keeps pace with all other economic activities and contributes to supporting them and maintaining their stability. The large and growing population base in Saudi Arabia, increasing awareness of the importance of insurance and the increasing number of vehicles and projects have supported the growth of overall insurance premiums. Motor insurance and health insurance were one of the most important main lines of insurance over the past years. Competition in the insurance market is growing, so companies must provide technology-based insurance solutions, consumer-centered strategies and the diversification of its products would achieve greater growth for the sector in addition to benefiting from the opportunities available for insurance lines, such as protection and savings insurance, which is almost absent in the individual sector and we find it primarily for protection on groups in international companies or personal and real estate loans in Some banks. While the penetration of general insurance has increased over the years in line with the rise in the motor and health insurance business, there is still plenty of room for growth.

The insurance sector is affected by risk factors that differ from other sectors depending on its nature. Mandatory insurance products are considered one of the market drivers for growth, such as health insurance and vehicle insurance. Accordingly, the factor of great competition in the market and the large number of competitors is considered one of the most important risks facing insurance companies in mandatory products. The Council of Health Insurance is considered one of the main drivers of health insurance growth and demand, as the regulations it issues are mandatory, such as insurance coverage for various segments of Saudi and non-Saudi workers in the private sector, which in turn drives the growth of demand in the market (Noting that the authorities of the Council of Health Insurance were transferred to the Insurance Authority). It is also worth noting that the rise in interest rates on the dollar supports the investment returns of insurance companies, as it has contributed to an increase in additional profits for the sector and thus the growth of the sector coinciding with that rise. The Insurance Authority is the regulatory body in the Kingdom of Saudi Arabia with regard to insurance business.

Gross Written Premiums (GWP)

	2019G		2020G		2021G		2022G		2023G		Percentage of change 2022-2023
	Million Saudi Riyals	Total %	Million Saudi Riyals	Total %	Million Saudi Riyals	Total %	Million Saudi Riyals	Total %	Million Saud Riyals	Total %	
Health insurance	22,475	59.3%	22,837	58.9%	25,109	59.7%	31,830	59.7%	38,626	59.0%	21.4%
General insurance	14,281	37.7%	14,678	37.9%	15,214	36.2%	19,653	36.8%	24,268	37.1%	23.5%
Protection and savings insurance	1,135	3.0%	1,264	3.3%	1,707	4.1%	1,873	3.5%	2,566	3.9%	36.9%
Total	37,891	100%	38,779	100%	42,030	100%	53,356	100%	65,460	100%	22.7%

Source: Saudi Insurance Market Report 2023G –the Insurance Authority.

The total insurance written premiums increased to 65,460 billion Saudi Riyals in 2023G, compared to 53,356 billion Saudi Riyals for 2022G, therefore by an increase of 22.7%. And health insurance maintained its position as the largest insurance activity in 2023G, as the health insurance share of the total insurance written premiums amounted to a percentage 59.0% for 2023G, compared to 59.7% in 2022G. The protection and savings insurance activity also maintained its rank in terms of being the smallest insurance activity in size, as its share in the total insurance premiums subscribed reached 3.9% for 2023G, compared to 3.5% in 2022G.



2.2 Depth of the Insurance Market

Insurance depth is defined as the ratio of total insurance written premiums to GDP, and the compound annual growth rate of insurance depth reached 6.60% during the period between 2019G and 2023G. In 2023G, the insurance depth of the GDP witnessed an increase to reach 1.64%, compared to 1.28% in 2022G. General insurance, health insurance and protection and savings insurance increased in 2023G compared to 2022G, from 0.47% to 0.61% of GDP for general insurance, and from 0.77% to 0.96% of GDP for health insurance, and from 0.05% to 0.06% of GDP for protection and savings insurance. The depth of non-oil insurance is defined as the ratio of total insurance premiums subscribed to the non-oil domestic product. The depth of insurance from non-oil GDP increased to 2.38% in 2023G, compared to 2.09% in 2022. The compound annual growth rate of insurance depth out of non-oil GDP reached 6.50% during the period between 2019G and 2023G. In addition, the depth of general insurance in the non-oil GDP increased from 0.77% to 0.88% in 2023G compared to the year 2022G, and the depth of health insurance in the non-oil GDP increased from 1.25% to 1.41% in 2023G compared to the year 2022G. The depth of protection and savings insurance in the non-oil GDP increased from 0.07% to 0.09% in 2023G compared to the year 2022G.

Insurance Market Depth to GDP

Insurance type	2019G	2020G	2021G	2022G	2023G	Annual growth rate (2019G – 2023G)
General insurance	0.48%	0.56%	0.49%	0.47%	0.61%	6.17%
Health insurance	0.76%	0.87%	0.80%	0.77%	0.96%	6.01%
Protection and savings insurance	0.04%	0.05%	0.05%	0.05%	0.06%	10.67%
Total	1.27%	1.48%	1.34%	1.28%	1.64%	6.60%

Source: Saudi Insurance Market Report 2023 – the Insurance Authority, and analysis by Al Jazira Capital

The depth of the insurance sector in the non-oil GDP

Insurance type	2019G	2020G	2021G	2022G	2023G	Annual growth rate (2019G – 2023G)
General insurance	0.70%	0.73%	0.69%	0.77%	0.88%	5.89%
Health insurance	1.10%	1.13%	1.14%	1.25%	1.41%	6.40%
Protection and savings insurance	0.06%	0.06%	0.08%	0.07%	0.09%	10.67%
Total	1.85%	1.92%	1.91%	2.09%	2.38%	6.50%

Source: Saudi Insurance Market Report 2023G – the Insurance Authority, and analysis by Al Jazira Capital

2.3 Insurance Market Density

Insurance density is defined as the rate of per capita spending on insurance (total written premiums divided by population). Insurance density increased from 1,564 Riyals per capita in 2022G to 2,034 Riyals per capita in 2023G, an increase of 30.0%. The compound annual growth rate of insurance market density reached 16.43% during the period from 2019G to 2023G.

Insurance sector density

Insurance type	2019G (Saudi Riyals)	2020G (Saudi Riyals)	2021G (Saudi Riyals)	2022G (Saudi Riyals)	2023G (Saudi Riyals)	Annual Growth Rate (2019G – 2023G)
General insurance	417	414	435	576	754	15.96%
Health insurance	657	645	717	933	1,200	16.25%
Protection and savings insurance	33	36	49	55	80	24.78%
Total	1,107	1,095	1,200	1,564	2,034	16.43%

Source: Saudi Insurance Market Report 2023– the Insurance Authority, and analysis by Al Jazira Capital



2.4 Insurance Sector Workforce in Saudi Arabia

The total number of employees working in insurance companies in the Kingdom of Saudi Arabia reached 10,623 male and female employees in the year 2023G, compared to 10,428 male and female employees in the year 2022G. The percentage of Saudi citizens working in insurance companies also increased to 79% in 2023G.

Details of the workforce in the insurance sector in the Kingdom of Saudi Arabia

Number of employees	2019G	2020G	2021G	2022G	2023G	Annual Growth Rate (2018G – 2022G)
Non-Saudi	2,879	2,703	2,455	2,192	2,186	(6.65%)
Saudi	8,334	8,321	8,447	8,236	8,437	(0.31%)
Total	11,213	11,015	10,902	10,428	10,623	(1.34%)
Saudization percentage	74%	75%	77%	79%	79%	1.65%

Source: Saudi Insurance Market Reports for the years 2020G, and 2021G – Saudi Central Bank, Saudi Insurance Market Report 2023 - the Insurance Authority

2.5 Insurance Market Trends in Saudi Arabia

The insurance sector is one of the most important financial services sectors that keeps pace with all other economic activities and contributes to supporting them and maintaining their stability, as there is a direct link and mutual influence between the development of insurance on the one hand and the development of the economy in general on the other hand. The contribution of the insurance sector in emerging economies is considered effective in the growth of the gross domestic product, and according to the Financial Sector Development Program document (one of the Vision 2030 programs), it is targeted that the total written insurance premiums as a percentage of the non-oil gross domestic product reach 2.4% by the year 2025G and 4.3% by 2030G (compared to 1.9% recorded in 2019G), it is targeted that the percentage of health insurance coverage of the cost of medical care reach 45% by the year 2025G (compared to the 33% recorded in 2019G), and the percentage of insured vehicles is targeted to reach 77% by the year 2025G (compared to the 39.6% recorded in Year 2019G).

The fourth pivotal initiative of the Financial Sector Development Program focuses on ensuring the imposition of compulsory insurance on health insurance to reduce fraudulent practices and continue developing the existing insurance sector. For example: increasing gross written premiums, increasing volume, reducing the cost-to-income ratio.

On 15/08/2023G (Corresponding to 28/01/1445H), the Saudi Council of Ministers issued Resolution No. (85) to establish and regulate the Insurance Authority, which will serve as the entity responsible for organizing and supervising the insurance sector. The Insurance Authority aims to increase the sector's contribution to the GDP, enhance its performance, and achieve the objectives of the Financial Sector Development Program and the broader goals of Vision 2030.



3. Merger

3.1 An overview of the Merger

On 03/02/1446H (corresponding to 07/08/2024G), both GUAI and GGI announced the execution of the Non-binding MOU between the two companies regarding a potential merger. Under the MoU, the two companies agreed that the structure for implementing the potential merger would be through a share exchange offer submitted by GUAI (as the Offeror and Merging Company) to the shareholders of GGI (as the offeree and Merged Company) for all issued shares of GGI, and that the exchange ratio would be agreed upon after the completion of the necessary due diligence studies to be conducted by both companies.

On 09/06/1446H (corresponding to 10/12/2024G), GUAI announced the execution of the Merger Agreement, which also included its firm intention announcement to continue with the merger and submit an offer to GGI'S shareholders for this purpose. The Merger Agreement includes all the provisions and steps necessary to implement the Merger between the two companies in accordance with the provisions of Article (225) and Articles (227) to (229) of the Companies Law and the provisions of subparagraph (1) of paragraph (a) of Article (49) of the M&A Regulations and in accordance with the Capital Market Law and the Cooperative Insurance Companies Control Law and the other applicable regulations and laws in the Kingdom of Saudi Arabia (for more details on the provisions of the Merger Agreement, kindly refer to Section (5.2.6) ("**Summary of Merger Agreement**").

Under the provisions of the Merger Agreement, the GGI will be merged into GUAI in consideration of the consideration shares issued by GUAI to the shareholders of GGI by increasing its capital in accordance with the provisions of Article (60) of the Rules on the Offer of Securities and Continuing Obligations, and based on the exchange ratio, which is that the shareholders of GGI will obtain (0.7607742333333330) shares in GUAI for each share they own in GGI. The total number of consideration shares will be twenty-two million, eight hundred and twenty-three thousand, two hundred and twenty-seven (22,823,227) fully paid shares with a nominal value per share of (SAR 10), and the total nominal value of the consideration shares will be two hundred and twenty-eight million, two hundred and thirty-two thousand, two hundred and seventy (SAR 228,232,270). These shares will be issued through increasing the capital of GUAI by (49.73%) from four hundred fifty eight million nine hundred forty nine thousand two hundred eighty (SAR 458,949,280) to six hundred eighty seven million one hundred eighty one thousand five hundred fifty (SAR 687,181,550), and increasing the number of its shares from forty five millions eight hundred forty nine thousand nine hundred twenty eight (45,894,928) shares to sixty eight million seven hundred eighteen thousand one hundred fifty five (68,718,155) shares. After the Merger, the shareholding of the current shareholders of GUAI will be (66.79%) of its capital after the capital increase, and the shareholding of shareholders of the GGI will be (33.21%) of the capital of GUAI after the capital increase.

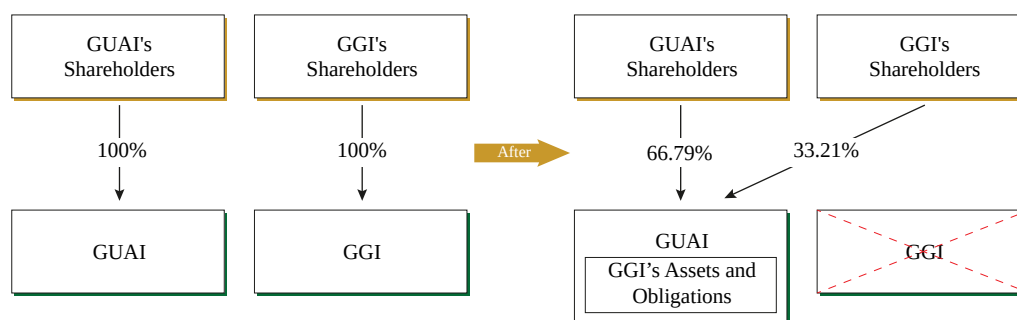
The total value of the Merger will be determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 228,232,270 (three hundred sixty-three million three hundred forty-five thousand seven hundred seventy-four Saudi Riyals) , and the total market value of the consideration shares is three hundred and sixty-three million, three hundred and forty-five thousand, seven hundred and seventy-four (SAR 363,345,774), based on the closing price of GUAI's share of (15.92) Saudi Riyals as of 08/06/1446H (corresponding to 09/12/2024G) (which is the last trading day preceding the date of announcement of execution of the Merger Agreement). The total value of Consideration Shares, as will be recorded on the financial statements of GUAI, will be determined based on the closing price of GUAI's share at the last trading day prior to the date of the issuance of the Consideration Shares.

If the calculation of the number of shares due to any of the shareholders of GGI based on the Exchange Ratio results in fractions of shares, the resulting number will be rounded to the lowest whole number. For example, if a GGI' shareholder owns (10) shares in GGI, they will be allocated (7) shares of the Consideration Shares, not (8) shares. The fractional shares will be collected and sold in the market on behalf of GGI's shareholders, and then the proceeds resulting from the sale of the fractional shares will be distributed over those entitled to them, each according to their entitlement, after deducting the costs related to the sale of the fractional shares from the total proceeds of the sale of the fractional shares.

It should be noted that it is not expected that the Merger, if implemented, will result in the forced layoff of employees.



The below diagram is a simplified description of the structure of Merger:



3.2 Merger Rationale

This section includes the views of GUAI on the expected benefits of the Merger. This section contains future forecasts and statements that are subject to risks and uncertainties, and should not be relied upon. For more information about these risks, please see (“**Important Notice**”) section of this Circular.

Nothing in this section is intended or may be considered as a forecast, projection or estimate of the future financial or operating performance of GUAI or the market. Additionally, no statement in this circular should be interpreted as a guarantee that the earnings per share for the current or future financial periods of GUAI after the Merger may equal or exceed the historical earnings per share of GUAI or GGI.

The main objective of the Merger lies in enhancing the competitiveness of the merging company. According to the Saudi Insurance Market Report 2023G issued by the Insurance Authority, eight insurance companies accounted for 79.9% of the gross written premiums of the insurance market in the Kingdom in 2023G, while the remaining 20 companies included in the report accounted for 20.1% of the gross written premiums of the insurance market in the Kingdom only.

The market share of GUAI during 2023G represented 1.06% of the gross written premiums of the insurance market, while the market share of GGI represented 0.51% of the gross written premiums of the insurance market in 2023G. The Merger represents a significant step aimed at enhancing the market share, financial position, and operational efficiency of the merging company. Additionally, the Merger is expected to improve the quality of services provided to customers. It is anticipated that the Merger will contribute to increased operational efficiency, enabling the merging company to be more competitive, grow, innovate, invest in development and digitalization, and attract and retain qualified human capital. This is expected to result in improved insurance services for customers and increased risk-bearing capacity.

The Merger is also expected to contribute to achieving a number of economic objectives that, if achieved, will benefit current and new shareholders of GUAI. The objectives of the Merge include, but are not limited to, the following:

- Increase market share and customer base:** The market share of the Merging Company is expected to increase through the increase in gross written premiums, as the market share of the Merging Company after the Merger is expected to reach 1.57% compared to 1.06% for GUAI before the Merger and 0.51% for GGI before the Merger, i.e. an increase of 0.51% in the market share of the Merging Company after the Merger compared to the market share of GUAI before the Merger. In addition, the Merging Company is expected to enjoy a larger customer base as a result of merging the customer base of both companies, leading to an improvement in the position of the Merging Company and the results of its operational and financial operations compared to the current positions of GUAI and GGI. The following table shows the written premiums according to customer classification for GUAI and GGI before and after the Merger.

Table 3.2.1: Written premiums according to customer classification before and after the Merger as of June 30, 2024G

Rating (Thousand SAR)	GUAI June 30, 2024G	GGI June 30, 2024G	Merging Company June 30, 2024G	The percentage increase in the merging company compared to GUAI
Large Enterprises	251,618	69,866	321,484	28%
Medium Enterprises	55,352	17,232	72,584	31%
Small Enterprises	21,909	6,439	28,348	29%



Rating (Thousand SAR)	GUAI June 30, 2024G	GGI June 30, 2024G	Merging Company June 30, 2024G	The percentage increase in the merging company compared to GUAI
Micro Enterprises	40,395	-	40,395	-
Individuals	104,554	167,211	271,765	160%
Total	473,828	260,748	734,576	55%

Source: The unaudited preliminary financials for the period ended on June 30, 2024G for each of GUAI and GGI, and the unaudited consolidated pro forma financials of the Merging Company for the period ended on June 30, 2024G.

- **Improving the Merging Company's ability to invest its funds:** The Merger is expected to contribute to improving the Merging Company's ability to invest its funds effectively, due to the accumulation of experience in relation to the investment aspect of GUAI and GGI after the Merger. Additionally, it is expected to increase the financial strength and value of the Merging Company's investments. The following table shows the details of these investments for both GUAI and GGI before the Merger and the Merging Company after the Merger.

Table 3.2.2: Investments as of June 30, 2024G based on unaudited consolidated pro forma financial statements

Item (Thousand SAR)	GUAI June 30, 2024G	GGI June 30, 2024G	Merging Company June 30, 2024G	The percentage increase in the merging company compared to GUAI
Murabaha deposits	391,496	234,317	625,813	60%
Investments at fair value through profit or loss - investment funds, ordinary shares, and sukuk.	134,916	54,643	189,559	41%
Investments at fair value through other comprehensive income - Najm	86,969	43,462	130,431	50%
Financial investments at amortized cost - Sukuk	156,998	-	156,998	-
Total Investments	770,379	332,422	1,102,801	43%

Source: Unaudited consolidated pro forma financial statements of the merging company for the period ended on June 30, 2024G.

- **Reducing the operating expense ratio to the gross underwritten premiums and the ability to offer products at competitive prices.** The Merger is expected to enhance the Merging Company's ability to reduce the operating expenses and general and administrative expenses in commensurate with its new business volume, as a result of merging the shared services of both GUAI and GGI, which will enable it to reduce the percentage of operating expenses to the gross written premiums. According to the unaudited preliminary financials for the period ended on June 30, 2024G, the percentage of operating expenses (lease financing costs, other operating expenses) to the gross written premiums of GUAI amounted to 4.6%, while it amounted to 3.9% in the Merging Company according to the Pro Forma Financials for the same period. In addition, the decrease in operating expenses of the Merging Company will enhance its ability to provide insurance products at more competitive prices in the long term.
- **Improving the Merging Company's ability to negotiate rates with reinsurers:** The Merger is expected to create greater value for the Merging Company in terms of market share of gross written premiums compared to the sector as a whole. The gross written premiums of GUAI as of June 30, 2024G amounted to SAR 473.8 million, while the gross written premiums of the Merging Company amounted to SAR 734.6 million based on the unaudited consolidated pro forma financial statements for the period ended on June 30, 2024G. Therefore, the Merging Company's ability to negotiate with reinsurers will be enhanced due to the larger volume of business of the Merging Company after the Merger, which will put it in a better position to negotiate prices and terms with reinsurers, which in turn will lead to reducing reinsurance costs.
- **Enhancing the geographical spread of the Merging Company's business:** The Merger will enhance the geographical presence of the Merging Company, as it will enjoy a wider geographical spread through the integration of the branch network of both GUAI and GGI. It is hoped that this spread will increase the gross written premiums through the branch network that has become more numerous and widespread. Accordingly, this will increase the economic strength of the Merging Company, and will also increase its ability to compete in the insurance sector as a whole.



- **Optimizing Capital Efficiency of the Merging Company:** As a result of the Merger, the Merging Company will enjoy a stronger capital base and an enhanced financial solvency level., which will increase its ability to bear a higher level of risk and provide better insurance services. It is also expected that the new capital will contribute to obtaining a better rating from global credit rating agencies. After the capital increase, the capital of the Merging Company will be (SAR 687,181,550), an increase of 49.73% over the capital of GUAI before the Merger, which amounted to (SAR 458,949,280).
- **Benefiting from the integration of administrative and technical expertise that may result from merger of business:** It is expected that the Merging Company will benefit from the cumulative experience regarding the administrative and technical aspects, technical infrastructure, and risk management of both companies after the Merger.

3.3 Shareholding of GUAI'S Board of Directors

The following table shows the ownership interests of the members of the Board of Directors of GUAI and the size of any controlling interest they have in GUAI or GGI, based on Tadawul's shareholder register on Thursday, 30/07/1446H (corresponding to 30/01/2025G):

Name	Position	Capacity	Shareholding in GUAI				shareholding in GGI			
			Direct	Indirect Interest ⁽¹⁾	Total	Percentage	Direct	Indirect Interest ⁽¹⁾	Total	Percentage
Mr. Abdul Aziz Ali Al-Turki	Chairman	Non-Executive	454,908	4,717,998	5,172,906	11.27%	N/A	N/A	N/A	N/A
Mr. Zaid Abdullah Al-Yaesh	Vice-Chairman	Independent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Munir Hashem Al-Borno	Member	Executive	1,362	N/A	1,362	0.003%	N/A	N/A	N/A	N/A
Mr. Mohammed Abdulrahman Al Katheer	Member	Independent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Abdullah Abdul Rahman Abdul Wahab	Member	Independent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Ahmed Sulaiman AlMuzain	Member	Independent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Majed Shatti Hamoud Al Dhafeeri	Member	Non-Executive	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Indirect interest includes shares directly owned by: (1) companies controlled by the member, or (2) relatives of the member, i.e. his spouse, parents and children, or (3) the entity represented by the member.

(2) Rawabi Holding Company, a substantial shareholder of the company, in which the member owns (49%).

3.4 Governance of the Board of Directors of GUAI after Merger

Subject to obtaining the relevant regulatory approvals and the approval of the shareholders of the two companies, both companies agreed, under the Merger Agreement, to take the necessary steps to amend the composition of the Board of Directors of GUAI after the issuance of the Merger Resolution, whereby GGI will nominate two members to be appointed to the Board of Directors of GUAI after the issuance of the Merger Resolution. It is worth mentioning that these changes will not come into effect unless the Merger Resolution is issued. The current boards of directors and executive management teams of both companies will continue to manage the companies and operate independently.

Both companies also agreed that after the issuance of the Merger Resolution, Mr. Abdul Aziz Al-Turki (the current Chairman of GUAI) will remain the Chairman of the Board of Directors of GUAI, and Mr. Mesheal Al-Shayea (the current CEO of GUAI) will remain the CEO.



3.5 Related parties and Members of the Board of Directors with an Interest in the Merger

The Merger does not involve any related parties, and none of the members of GUAI's board of directors have any interest in the Merger. With respect to GGI, based on the information provided by it, Tahir bin Muhammad Aqil, a member of the board of directors, has disclosed his interest in the Merger to GGI's board of directors as he is a shareholder in GUAI. Mr. Tahir owns forty (40) shares in GUAI, representing (0.000087%) of GUAI.

3.6 Shareholding Structure prior to and following the Issuance of Merger Resolution

The following table shows the shareholding details in GUAI prior to and following the issuance of the Merger Resolution and the deposit of the Consideration Shares, based on the shareholders' register at the end of trading on Thursday, 30/07/1446H (corresponding to 30/01/2025G):

Shareholder	Prior to Issuance of Merger Resolution		Post Issuance of Merger Resolution ⁽¹⁾	
	Number of Shares in GUAI	Shareholding Rate in GUAI	Number of Shares in GUAI	Shareholding Rate in GUAI
Directors in GUAI ⁽²⁾	456,270	0.99%	456,270	0.66%
Senior Executives in GUAI ⁽³⁾	N/A	N/A	N/A	N/A
Gulf Union Holding Company	2,475,000	5.39%	2,475,000	3.60% ⁽⁴⁾
Rawabi Holding Company	4,717,998	10.28%	4,717,998	6.87%
Public	38,245,660	83.33%	61,068,887	88.87%
Total	45,894,928	100%	68,718,155	100%

⁽¹⁾ Upon the Issuance of Merger Resolution and the deposit of the Consideration Shares, the ownership of the shareholders of GGI will represent 33.21% of the share capital of GUAI. Based on the information provided by GGI, this ownership will be entirely classified as public ownership.

⁽²⁾ Based on the shares directly held by the directors. For more information on the interest in shares, please refer to Section (3.3) ("Shareholding of GUAI'S Board of Directors").

⁽³⁾ Based on the shares directly held by senior executives of GUAI only.

⁽⁴⁾ Gulf Union Holding will not be a major shareholder following the Issuance of The Merger Resolution and the deposit of the Consideration Shares, as its ownership will fall below 5% of the shares of GUAI.

3.7 Overview of GGI's Operations

3.7.1 Incorporation and Shareholding Structure

GGI Cooperative Insurance is a joint stock company whose shares are listed on the Saudi Exchange (Tadawul), operating in the field of cooperative insurance. GGI was established in Jeddah, where its main office is located, pursuant to Cabinet Resolution No. (365) dated 03/12/1429H (corresponding to 01/12/2008G), Royal Decree No. (M/85) dated 05/12/1429H (corresponding to 03/12/2008G), and Ministerial Resolution announcing the incorporation of the company No. (12/Q) dated 17/01/1431H (corresponding to 03/01/2010G), registered in the commercial register under No. (4030196620) dated 09/02/1431 H (corresponding to 24/01/2010G).

GGI's capital is three hundred million (SAR 300,000,000), divided into thirty million (30,000,000) ordinary shares of equal value, the nominal value of each share is ten (SAR 10).

The following table shows the shareholding structure in GGI prior to and following the Effectiveness of the Merger Resolution as established in the shareholders' register as of the end of trading day on Sunday, 29/05/1446H (corresponding to 01/12/2024 G):



Shareholder	Prior to Effectiveness of the Merger Resolution		Post Effectiveness of the Merger Resolution	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Trading Co. for Marketing Services & Agencies Limited	1,800,000	6%	N/A, it will be merged into GUAI	
Saudi General Investments and Services Company	1,800,000	6%		
Members of GGI's Board of Directors ⁽¹⁾	20,916	0.06972%		
Senior Executives in GGI ⁽²⁾	3,900	0.013%		
Public	26,375,184	87.92%		
Total	30,000,000	100%		

Source: GGI

(1) Based on the shares directly held by the directors. For more information on the interest in shares, please refer to Section (3.7.5) ("GGI's Board of Directors and Executive Management").

(2) Based on the shares directly held by senior executives.

3.7.2 GGI's Activities

GGI's activity, according to its articles of association, is practice of cooperative insurance business. According to its commercial register, GGI's activity is general insurance and health insurance. The company obtained the Insurance Authority's license to practice insurance activities No. (T M N / 26/20103) dated 20/03/1431H (corresponding to 06/03/2010G), which was recently renewed by the Insurance Authority for a period of three years ending on 17/03/1449H (corresponding to 19/08/2027G).

The following table shows GGI's Insurance Products:

No	Insurance Product	Insurance Product Description	Approval Status
1	Machinery Damage	General - Engineering	Approved
2	Loss of Profit Insurance due to Machinery Damage	General - Engineering	Approved
3	Contractors All Risks Insurance	General - Engineering	Approved
4	Electronic Device Insurance	General - Engineering	Approved
5	Inventory Deterioration Insurance - Cold Storage	General - Engineering	Approved
6	Installation All Risks Insurance	General - Engineering	Approved
7	Insurance of Contractors' Equipment and Machinery	General - Engineering	Approved
8	Property Fire Insurance	General - Property	Approved
9	Property All Risks (ABI) + Business Interruption	General - Property	Approved
10	Property All Risks (LM7) + Business Interruption	General - Property	Approved
11	Property All Risks + ABI	General - Property	Approved
12	All Risks Insurance - Jewelry	General - Accidents and Liability	Approved
13	Jewelry Block	General - Accidents and Liability	Approved
14	Work Injuries	General - Accidents and Liability	Approved
15	Shipping and Unloading Risks Insurance Policy	General - Accidents and Liability	Approved
16	Land Insurance (One Shipment)	General - Accidents and Liability	Approved
17	Travel Insurance	General - Accidents and Liability	Approved
18	Personal Accident Insurance - Companies	General - Accidents and Liability	Approved
19	Personal Accident Insurance - Individuals	General - Accidents and Liability	Approved
20	General Commercial Liability	General - Accidents and Liability	Approved



No	Insurance Product	Insurance Product Description	Approval Status
21	Fund Insurance	General - Accidents and Liability	Approved
22	Medical Malpractice	General - Accidents and Liability	Approved
23	Breach of Trust	General - Accidents and Liability	Approved
24	Travel Insurance	General – Marine	Approved
25	Yachts Insurance	General – Marine	Approved
26	Sea Freight	General – Marine	Approved
27	Land Transport Insurance	General – Marine	Approved
28	Transported Goods (One Year)	General – Marine	Approved
29	Health Insurance	Health	Approved
30	Comprehensive for Vehicles (Commercial)	General - Vehicles	Approved
31	Comprehensive for Vehicles	General - Vehicles	Approved
32	Obligatory Vehicles Insurance (Against Third Parties)	General - Vehicles	Approved
33	Vehicles Risks Insurance	General - Vehicles	Approved
34	Visitor Visa and Tourist Visa Insurance	Health	Approved
35	Occupational Risks Insurance (for Architects and Civil Engineers)	General - Accidents and Liability	Approved
36	Officers and Members of the Board of Directors Liability Policy	General - Accidents and Liability	Approved
37	Domestic Helper	General - Accidents and Liability	Approved

Source: GGI

3.7.3 Reinsurance

To reduce the risks of insurance business, ensure the stability of operations, reduce the risk of losses and contribute to the stability of profitability, GGI deals with reinsurance companies on a part of the risks it provides insurance for under the insurance operations it carries out, in line with the Insurance Companies Control System and the executive regulations governing the insurance activity.

Reinsurance agreements cover different types of reinsurance coverage, including property, engineering, marine and general accidents. GGI has agreements with ten (10) reinsurance companies as shown in the table below.

The reinsurance companies listed below are rated by A.M. Best and Standard & Poor's Corporation (S&P), two insurance rating companies, and the ratings vary according to several criteria used by these companies, as specified below.

The following table shows A.M. Best's Financial Strength Rating (FSR) scales:

Rating Group	Rating Code	Rating Scale*	Rating Description
Distinguished	A+	A++	Indicates that the rated insurance company has distinguished ability to meet its ongoing insurance obligations.
Excellent	A	A-	Indicates that the rated insurance company has excellent ability to meet its ongoing insurance obligations.
Good	B+	B++	Indicates that the rated insurance company has good ability to meet its ongoing insurance obligations.
Adequate	B	B-	Indicates that the rated insurance company has adequate ability to meet its ongoing insurance obligations, and that Its financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Limited	C+	C++	Indicates that the rated insurance company has limited ability to meet its ongoing insurance obligations, and that Its financial strength is vulnerable to adverse changes in underwriting and economic conditions.



Rating Group	Rating Code	Rating Scale*	Rating Description
Weak	C	C-	Indicates that the rated insurance company has weak ability to meet its ongoing insurance obligations, and that Its financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Inadequate	D	-	Indicates that the rated insurance company has inadequate ability to meet its ongoing insurance obligations, and that Its financial strength is vulnerable to adverse changes in underwriting and economic conditions.

* Reflects the financial strength scale within the rating group, and is expressed by an additional (+) which indicates the highest scale in the rating group, or (-) which indicates the lowest scale in the rating group.

The following table shows the scales of Standard & Poor's Corporation (S&P):

Rating*	Rating Description
A A A	Indicates that the rated company has outstanding strong ability to meet its financial obligations. It is considered the highest rating.
A A	Indicates that the rated company has very strong ability to meet its financial obligations.
A	Indicates that the rated company has strong ability to meet its financial obligations, but is somewhat vulnerable to adverse economic conditions, and changes in circumstances in general.
B B B	Indicates that the rated company has adequate ability to meet its financial obligations, but is somewhat vulnerable to adverse economic conditions, and changes in circumstances in general.
B B	Indicates that the rated company has the ability to meet its financial obligations, and is less vulnerable in the short term but faces ongoing uncertainty due to adverse business, financial and economic conditions.
B	Indicates that the rated company is more vulnerable to adverse business, financial and economic conditions, but currently has the ability to meet its financial obligations.
C C C	Indicates that the rated company is currently in a weak financial position, and is dependent on favorable business, financial and economic conditions to meet its financial obligations.
C C	Indicates that the rated company is at high risk; and that it has not yet defaulted on its financial obligations, but it is expected to default soon.
C	Indicates that the rated company has debt that is currently at high risk of default, and the ultimate recovery is expected to be lower than the recovery of higher-rated obligations.
D	Indicates that the rated company has defaulted on a financial obligation or breached a presumed undertaking; also used when declaring bankruptcy or taking similar action.

* Ratings from (A A) to (C C C) can be modified by adding (+) or (-) sign to show relative position within the main rating categories.

The following table shows the reinsurance companies that GGI deals with:

No	Reinsurer	State	Rating Scale	Rating Company
1	Score S A	France	A-	A.M. Best Company
2	Hannover Re Takaful BSC	Bahrain	A+	Standard & Poor's Corporation (S&P)
3	Saudi Reinsurance Company	Kingdom of Saudi Arabia	A-	Standard & Poor's Corporation (S&P)
4	Deutsche Rückversicherung AG	Germany	A+	Standard & Poor's Corporation (S&P)
5	R+V Versicherung	Germany	A+	Standard & Poor's Corporation (S&P)
6	Helvetia Schweizerische Versicherungsgesellschaft AG	Switzerland	A+	Standard & Poor's Corporation (S&P)
7	Kuwait Reinsurance Company K.S.C.P.	Kuwait	A-	Standard & Poor's Corporation (S&P)
8	African Reinsurance Corporation	United Arab Emirates	A-	Standard & Poor's Corporation (S&P)
9	New Reinsurance Company Ltd.	Switzerland	A A	Standard & Poor's Corporation (S&P)
10	United American Insurance Company	United States of America	A	Standard & Poor's Corporation (S&P)

Source: GGI



3.7.4 Subsidiaries and Investments

GGI has no subsidiaries, and GGI owns a multi-asset investment portfolio, managed by more than one financial institution. The portfolio's investments are distributed across a number of securities such as company shares, fund units and bonds. GGI owns, among its investments, (689,655) shares of Najm for insurance services Company ("Najm Company"), representing (3.45%) of Najm Company's capital.

3.7.5 GGI's Board of Directors and Executive Management

The current Board of Directors of GGI consists of nine (9) members appointed by the General Assembly. GGI has an Audit Committee, a Remuneration and Nominations Committee, an Investment Committee, a Risk Management Committee and an Executive Committee. These committees support the Board of Directors in monitoring and reviewing the activities of GGI and providing management with the necessary guidance and direction.

The current term of the Board of Directors of GGI shall be three years, starting on 10/09/1443H (corresponding to 11/04/2022G) and ending on 12/10/1446H (corresponding to 10/04/2025G). The table below shows the members of the Board of Directors of GGI, their positions, membership capacities, the entities represented by the members, and their shareholding in both GGI and the GUAI as of 29/05/1446H (corresponding to 01/12/2024G):

Name	Position	Membership Capacity	Shareholding in GGI				Shareholding in GUAI			
			Direct	Indirect Interest	Total	Percentage	Direct	Indirect Interest	Total	Percentage
Jamal bin Abdullah Al Dabbagh	Chairman	Non-Executive	3,300	1,800,000 ⁽¹⁾	1,803,300	6.011%	N/A	N/A	N/A	N/A
Saud bin Abdulaziz Al Sulaiman	Vice-Chairman	Non-Executive	600	1,800,000 ⁽²⁾	1,800,600	6.002%	N/A	N/A	N/A	N/A
Muhammad bin Zaher Al-Munajjid	Member	Non-Executive	600	N/A	600	0.002%	N/A	N/A	N/A	N/A
Mohamed Hosni Jazil	Member	Non-Executive	600	N/A	600	0.002%	N/A	N/A	N/A	N/A
Majed bin Diaa El Din Karim	Member	Non-Executive	1,500	N/A	1,500	0.005%	N/A	N/A	N/A	N/A
Tahir bin Muhammad Aqil	Member	Non-Executive	8,400	N/A	8,400	0.028%	40	N/A	40	0.000087%
Abdulwahab bin Musab Abdulwahab	Member	Independent	5,910	N/A	5,910	0.020%	N/A	N/A	N/A	N/A
Faisal bin Adnan Baassiri	Member	Independent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ahmed Siraj Khoqir	Member	Independent	6	N/A	6	0.00002%	N/A	N/A	N/A	N/A

Source: GGI

⁽¹⁾ The ownership of the commercial company for marketing services and agencies limited, which is the entity in which the member controls 30%.

⁽²⁾ The ownership of the Saudi General Investments and Services Company, which is the entity in which the member controls 10%.



As for Senior Executives, the following table shows the Senior Executives of GGI and the positions they hold:

Name	Position
Khaled bin Jaafar Mustafa Al Laqani	CEO
Ammar bin Fawaz Hamza Al Sirafi	CFO
Samer bin Ibrahim Abdulrahman Al Jabhan	Head of Sales and Marketing
Rashid bin Saeed Mohammed Al Ghamdi	Head of Cyber Security
Bandar Suleiman Ali Najjar	Technical Director
Bassem Muhammad Ali Al Khatib	Head of Human Resources and Shared Services
Hanadi Amin Hassan Al Tuwairiqi	Head of Internal Audit
Abdul Malik Ali Hamza Al Hujairi	Head of Claims
Al Bandari Abdullah Saleh Al Hussaini	Head of Customer Service
Waleed Khaled Gharm Allah Al Maliki	Head of Compliance Department
Karam Amin Mohammed Amin	Director of Actuarial Department

Source: GGI

Source of information stated in this subsection: GGI

3.8 Valuation of GUAI and GGI

GUAI and GGI have agreed on the Exchange Ratio, which determines the number of Consideration Shares that GGI's shareholders will receive in GUAI as a result of the Merger, after negotiation and discussion between the companies. During this negotiation phase, GUAI took the advice of its consultants in addition to reviewing the professional due diligence data for GGI's business.

The discussions held regarding the Exchange Ratio were subject to the provisions of the Memorandum of Understanding signed between GUAI and GGI on 03/02/1446H (corresponding to 07/08/2024G), where it was agreed between the companies that in the event of reaching a final decision on the Merger, this would be done by merging GGI into GUAI through the GUAI issuing Consideration Shares to the GGI's shareholders, in exchange for transferring the rights, obligations, assets and contracts of GGI to GUAI.

The companies also agreed that the valuation would be based on the book value of equity method and the adjusted book value of equity method according to the financial statements announced by each of the companies prior to or on the date of signing the Merger Agreement, after making the amendments that will be agreed upon based on the results of the necessary professional due diligence and verification process.

Accordingly, the Financial Adviser of GUAI, Aljazira Capital, has valued GUAI and GGI using the adjusted book value of equity method as in the financial statements for the second quarter of 2024G, after making the adjustments resulting from the conclusions of the necessary professional due diligence studies in order to reach the Exchange Ratio related to the Merger. The final valuation of GUAI, which was reached by Aljazira Capital, amounted to SAR 510,222,318, while the final valuation of GGI, which was reached by Aljazira Capital, amounted to SAR 253,730,000. Below is a table showing the method of valuation and calculation of the Exchange Ratio.



Table 3.3: The method of Valuation and Calculation of the Exchange Ratio

In SAR			
As of the preliminary unaudited financials announced for the second quarter of 2024G	GUAI	GGI	Merging Company
A. Book Value of Equity as of 30/06/2024G	574,622,318	286,982,000	N/A
Adjustments to the Book Value of Equity of GUAI			
(-) Amortized Cost Investments	(5,300,000)		
(-) Impairment of Intangible Assets	(17,600,000)		
(-) Litigation Accruals	(2,500,000)		
(-) Additional Provision for Accounts Receivable – Policyholders	(11,700,000)		
(-) Additional Provision for Accounts Receivable – Brokers	(2,800,000)		
(-) Additional Provision for Accounts Receivable – Reinsurers	(5,900,000)	N/A	
(+) Surplus of Policyholders	6,700,000		
(-) Tax Adjustments	(12,700,000)		
(-) Actuarial Adjustments	(12,600,000)		
B. Total Adjustments for GUAI (represented by the due diligence adjustments and the inputs of GUAI, and GGI, agreed upon by the Parties)	(64,400,000)		
Adjustments to the Book Value of Equity of GGI			
(-) Reinsurance receivable unreconciled difference		(11,910,000)	
(-) Premium Receivables - Legal Dispute		(376,000)	
(-) Other Disputed Receivables		(1,569,000)	
(-) Identified Zakat and Tax exposure		(1,700,000)	
(-) Reinsurance Provisions		(2,600,000)	
(-) Debit Balances to be Written-off		(1,588,000)	
(-) Incurred but not reported adequacy		(1,250,000)	
(-) Reinsurance receivables additional ECL provision		(1,007,000)	
(-) Adjustment of Loss Component	N/A	(756,000)	
(-) Net debit amounts in due to policyholders > 365		(292,000)	
(-) Differences in the Balance due to Najm Company		(77,000)	
(-) Accrued Employee Leaves		(693,000)	
(-) Employee Incentives related to the Merger		(4,700,000)	
(-) Legal Cases		(4,734,000)	
C. Total Adjustments for GGI (represented by due diligence adjustments and inputs of GGI and GUAI agreed upon by the parties)		(33,252,000)	
Final valuation after agreed upon due diligence adjustments and inputs from GUAI and GGI	(A+B) 510,222,318	(A+C) 253,730,000	763,952,318
Shareholding in Merging Company %	66.79%	33.21%	100%
Number of GUAI's currently issued Shares (share)			45,894,928
Number of GGI's currently issued Shares (share)			30,000,000



In SAR			
As of the preliminary unaudited financials announced for the second quarter of 2024G	GUAI	GGI	Merging Company
Number of Shares to be issued to the Shareholders of GGI (share)			22,823,227
Exchange Ratio for each (1) share owned in GGI (number of shares to be issued to the Shareholders of GGI ÷ number of shares of GGI currently issued)			0.7607742333333330
Total Number of Shares of the Merging Company (post the Issuance of Merger Resolution) (share)			68,718,155

Based on the above Exchange Ratio, GUAI will increase its capital and issue twenty-two million, eight hundred and twenty-three thousand, two hundred and twenty-seven (22,823,227) ordinary shares with a nominal value of ten (SAR 10) per share for the benefit of the shareholders of GGI, and the total nominal value of the Consideration Shares is an amount of two hundred and twenty-eight million, two hundred and thirty-two thousand, two hundred and seventy (SAR 228,232,270). The total market value of the Consideration Shares is SAR 363,345,774 (three hundred sixty-three million three hundred forty-five thousand seven hundred seventy-four Saudi Riyals), based on the closing price of (SAR 15.92) for GUAI's share as at 08/06/1446H (corresponding to 09/12/2024G) (which is the last trading day prior to the date of entry into the Merger Agreement). The total market value of the Consideration Shares is in the amount of Three hundred seventy-nine million, three hundred twenty-two thousand, and thirty-three (379,322,033) based on the closing price of GUAI amounting to (16.62) (Saudi Riyals as of the date 27/08/1446H (corresponding to 26/02/2025G) (which is the last trading day preceding the date of publication of this circular). The total value of Consideration Shares to be recorded in the financial statements of GUAI will be determined at a later stage based on the closing price of GUAI's share at the last trading day prior to the date of issuance of the Consideration Shares.

The table below shows the value of the Consideration according to the share price of GUAI and its comparison with the market value of GGI:

Table 3.4: Consideration Value

Total Consideration Shares	Twenty-two million, eight hundred and twenty-three thousand, two hundred and twenty-seven (22,823,227) fully paid ordinary shares, with a nominal value of ten (SAR 10) Saudi Riyals per share.	
Total Nominal Value of Consideration Shares	Two hundred and twenty-eight million, two hundred and thirty-two thousand, two hundred and seventy Saudi Riyals (SAR 228,232,270).	Based on a nominal value per share of (SAR 10).
Total market value of the Consideration Shares (at the end of the trading day on the day preceding the signing of the Merger Agreement on 08/06/1446H (corresponding to 09/12/2024G)	Three hundred sixty-three million three hundred forty-five thousand seven hundred seventy-four Saudi Riyals (SAR 363,345,774)	Closing Price of GUAI SAR 15.92
Total market value of the Consideration Shares (according to the last trading day preceding the date of publication of this circular on 27/08/1446H (corresponding to 26/02/2025G)	Three hundred seventy-nine million, three hundred twenty-two thousand, and thirty-three (SAR 379,322,033) .	Closing Price of GUAI: SAR 16.62.
Total market value of GGI's Shares subject of the Merger (at the end of the trading day on the day preceding the signing of the Merger Agreement on 08/06/1446H (corresponding to 09/12/2024G)	Three hundred and eighteen million and six hundred thousand Saudi Riyals (SAR 318,600,000)	Closing Price of GGI: SAR 10.62 The number of shares currently issued in GGI is 30,000,000 ordinary shares.
Total market value of GGI's Shares subject of the Merger (according to the last trading day preceding the date of publication of this circular on 27/08/1446H (corresponding to 26/02/2025G)	Three hundred thirty-seven million, eight hundred thousand (SAR 337,800,000).	Closing Price of GGI: SAR 11.26. The number of shares currently issued in GGI is 30,000,000 ordinary shares.



The percentage difference between the total market value of the Consideration Shares and the total market value of GGI's Shares subject of the Merger (at the end of the trading day on the day preceding the signing of the Merger Agreement on 08/06/1446H (corresponding to 09/12/2024G))	An increase of approximately (14.04%)
The percentage difference between the total market value of the Consideration Shares and the total market value of GGI's Shares subject of the Merger (according to the last trading day preceding the date of publication of this circular on 27/08/1446H (corresponding to 26/02/2025G))	An increase of approximately (12.29%)

The following is a detailed table showing how to calculate the Exchange Ratio.

Table 3.5: Calculation of Exchange Ratio

Item	Description
Merging Company Valuation (Post Merger)	Final Valuation of GUAI and Final Valuation of GGI
Shareholding percentage of GUAI's Shareholders in the Merging Company (Post Merger)	$\frac{\text{Final Valuation of GUAI}}{\text{Merging Company's Valuation (Post Merger)}}$
Shareholding percentage of GGI's Shareholders in the Merging Company (Post Merger)	$\frac{\text{Final Valuation of GGI}}{\text{Merging Company's Valuation (Post Merger)}}$
Number of shares held by current shareholders of GUAI post the Merger	The same as prior to the capital increase, i.e. (45,894,928) shares
Number of New Shares for GGI's Shareholders	$\frac{\text{Number of GUAI's currently issued Shares}}{\text{Shareholding percentage of GUAI in the Merging Company (Post Merger)}} - \text{Number of GUAI's currently issued Shares}$
Exchange Ratio per (1) share held in GGI	$\frac{\text{Number of Shares to be issued to the Shareholders of GGI for the purpose of the Merger}}{\text{Number of GGI's currently issued Shares}}$



3.9 Consolidated Pro Forma Financials

3.9.1 Pro Forma Financial Position Statement

Table 3.6: Pro Forma Financial Position Statement

Pro Forma Financial Position Statement	As of June 30, 2024G				As of December 31, 2023G			
	GUAI	GGI	Pro Forma Adjust- ments	Pro Forma Financials	GUAI	GGI	Pro Forma Adjust- ments	Pro Forma Fi- nancials
	(Unaudit- ed)	(Unaudit- ed)		Pro Forma (Unaudit- ed)	Historical audited	Historical audited		Pro Forma (Unaudit- ed)
	(Thousand SAR)							
Assets								
Cash and Cash Equivalents	24,801	9,805	10,743	45,349	55,114	14,462	40,743	110,319
Term Deposits	391,496	234,317	-	625,813	342,773	152,926	-	495,699
Financial Assets at Fair Value through Profit or Loss	134,916	54,643	-	189,559	135,145	53,572	-	188,717
Financial Assets at Fair Value through Other Comprehensive Income	86,969	43,462	-	130,431	86,969	43,462	-	130,431
Financial Assets at Amortized Cost	156,998	-	-	156,998	156,102	-	-	156,102
Prepaid Expenses and Other Assets	15,942	18,186	-	34,128	39,913	35,661	-	75,574
Reinsurance Contracts’ Assets	41,836	30,994	-	72,830	50,363	44,583	-	94,946
Insurance Contracts’ Assets	-	14,069	-	14,069	-	-	-	-
Right-of-use Assets	8,971	4,813	-	13,784	10,255	5,407	-	15,662
Property and Equipment	8,474	12,418	-	20,892	8,421	13,532	-	21,953
Intangible Assets	44,821	11,374	-	56,195	42,407	12,113	-	54,520
Accrued Income on statutory deposit	5,297	4,949	-	10,246	3,233	3,233	-	6,466
Goodwill	67,698	36,260	76,364	180,322	67,698	36,260	76,364	180,322
Statutory Deposit	68,834	44,986	(10,743)	103,077	68,834	74,986	(40,743)	103,077
Total Assets	1,057,053	520,276	76,364	1,653,693	1,067,227	490,197	76,364	1,633,788
Liabilities and Equity								
Liabilities								
Accrued and other liabilities	22,968	9,708	-	32,676	24,023	14,123	-	38,146
Insurance Contracts’ liabilities	401,745	208,498	-	610,243	437,356	160,763	-	598,119
Lease liabilities	9,406	4,417	-	13,823	11,108	4,518	-	15,626
Employees Benefits Obligations	19,720	4,453	-	24,173	19,720	4,194	-	23,914
Zakat and Income Tax	23,295	1,269	-	24,564	23,795	2,973	-	26,768



Pro Forma Financial Position Statement	As of June 30, 2024G				As of December 31, 2023G			
	GUAI	GGI	Pro Forma Adjust- ments	Pro Forma Financials	GUAI	GGI	Pro Forma Adjust- ments	Pro Forma Fi- nancials
	(Unaudit- ed)	(Unaudit- ed)		Pro Forma (Unaudit- ed)	Historical audited	Historical audited		Pro Forma (Unaudit- ed)
	(Thousand SAR)							
Accrued commission income payable to insurance authority	5,297	4,949	-	10,246	3,233	3,233	-	6,466
Total Liabilities	482,431	233,294	-	715,725	519,235	189,804	-	709,039
Equity								
Share capital	458,949	300,000	(71,768)	687,181	458,949	500,000	(271,768)	687,181
Share Premium	-	-	135,114	135,114	-	-	135,114	135,114
Statutory Reserve	10,674	2,165	(2,165)	10,674	5,348	2,165	(2,165)	5,348
Retained Earnings / Accumulated Losses	23,153	(57,540)	57,540	23,153	1,849	(244,129)	257,540	15,260
Remeasurement reserve of employee benefit obligation	(1,276)	818	(818)	(1,276)	(1,276)	818	(818)	(1,276)
Fair Value Reserve	83,122	41,539	(41,539)	83,122	83,122	41,539	(41,539)	83,122
Total Equity	574,622	286,982	76,364	937,968	547,992	300,393	76,364	924,749
Total Liabilities and Equity	1,057,053	520,276	76,364	1,653,693	1,067,227	490,197	76,364	1,633,788

3.9.2 Pro Forma Income Statement

Table 3.7: Pro Forma Income Statement

Pro Forma Income Statement	As of June 30, 2024G				As of December 31, 2023G			
	GUAI	GGI	Pro Forma Adjustments	Pro Forma Financials	GUAI	GGI	Pro Forma Adjustments	Pro Forma Financials
	(Unaudited)	(Unaudited)		Pro Forma (Unaudited)	Historical audited	Historical audited		Pro Forma (Unaudited)
	(Thousand SAR)							
Revenues							-	
Insurance Revenues	358,475	192,895	-	551,370	624,483	315,646	-	940,129
Insurance Services Expenses	(294,799)	(188,120)	-	(482,919)	(510,820)	(285,347)	-	(796,167)
Net expense from reinsurance contracts	(32,177)	(17,486)	-	(49,663)	(44,992)	(38,828)	-	(83,820)
Insurance service result from company's directly written business	31,499	(12,711)	-	18,788	68,671	(8,529)	-	60,142
Surplus Share from Insurance Pools	4,038	1,363	-	5,401	35,730	12,258	-	47,988
Total Results of Insurance Services	35,537	(11,348)	-	24,189	104,401	3,729	-	108,130



Pro Forma Income Statement	As of June 30, 2024G				As of December 31, 2023G			
	GUAI	GGI	Pro Forma Adjust-ments	Pro Forma Financials	GUAI	GGI	Pro Forma Adjust-ments	Pro Forma Financials
	(Unaudit-ed)	(Unaudit-ed)		Pro Forma (Unaudit-ed)	Historical audited	Historical audited		Pro Forma (Unaudit-ed)
	(Thousand SAR)							
Interest Revenue from Financial Assets not measured at Fair Value through Profit or Loss	13,701	5,822	-	19,523	22,341	6,821	-	29,162
Interest Revenue from Financial Assets measured at Fair Value through Profit or Loss	1,392	-	-	1,392	2,541	-	-	2,541
Reversal of Expected Credit (Losses) on Financial Assets	1	-	-	1	1	-	-	1
Net (Losses) Profits from Financial Assets measured at Fair Value through Profit or Loss	(2,318)	230	-	(2,088)	12,128	8,705	-	20,833
Dividends Revenues	886	203	-	1,089	866	476	-	1,342
Net Investment Revenues	13,662	6,255	-	19,917	37,877	16,002	-	53,879
Financing (Expenses) Revenues from issued Insurance Contracts	(1,509)	(809)	-	(2,318)	3,262	(7,886)	-	(4,624)
Financing (Expenses) Revenues from retained Reinsurance Contracts	(287)	512	-	225	1,021	3,379	-	4,400
Net Insurance Financing Expenses	(1,796)	(297)	-	(2,093)	4,283	(4,507)	-	(224)
Net Insurance and Investment Results	47,403	(5,390)	-	42,013	146,561	15,224	-	161,785
Financing Cost on lease	(251)	-	-	(251)	(532)	-	-	(532)
Other Operational Expenses	(16,115)	(5,004)	-	(21,119)	(18,991)	(13,823)	-	(32,814)
Other Revenues	-	-	-	-	-	4,918	-	4,918
Total Profit/(Loss) for the Period/Year before Zakat and Income Tax	31,037	(10,394)	-	20,643	127,038	6,319	-	133,357
Zakat Expense	(4,194)	(3,017)	-	(7,211)	(2,000)	(2,787)	-	(4,787)
Income Tax Expense	(212)	-	-	(212)	-	-	-	-
Net Profit/(Loss) for the Period/Year of Shareholders	26,631	(13,411)	-	13,220	125,038	3,532	-	128,570
Profits/Losses per Share (in SAR per Share)								
Basic Earnings per Share	0.58	(0.45)	-	0.19	2.72	0.07	-	1.87
Diluted Earnings per Share	0.58	(0.45)	-	0.19	2.72	0.07	-	1.87
Net Profit/(Loss) for the Period/Year of Shareholders	26,631	(13,411)	-	13,220	125,038	3,532	-	128,570
Other Comprehensive Income								



Pro Forma Income Statement	As of June 30, 2024G				As of December 31, 2023G			
	GUAI	GGI	Pro Forma Adjustments	Pro Forma Financials	GUAI	GGI	Pro Forma Adjustments	Pro Forma Financials
	(Unaudited)	(Unaudited)		Pro Forma (Unaudited)	Historical audited	Historical audited		Pro Forma (Unaudited)
(Thousand SAR)								
Items that will not be Reclassified to the Income Statement in Subsequent Years								
Remeasurement Loss on Employees Benefits Obligations	-	-	-	-	(44)	(552)	-	(596)
Net change in Fair Value of Investments at Fair Value through Other Comprehensive Income	-	-	-	-	7,562	3,759	-	11,321
Total Other Comprehensive Income	-	-	-	-	7,518	3,207	-	10,725
Total Comprehensive Income/Total Loss for the Period/Year of Shareholders	26,631	(13,411)	-	13,220	132,556	6,739	-	139,295
Gross of Written Premiums	473,829	260,748	-	734,577	690,921	330,639	-	1,021,560

3.9.3 Notes to the Pro Forma Financials

1. Basis for preparing and presenting Pro Forma Financials

This consolidated pro forma financials and accompanying notes demonstrate the effects on the statement of financial position, statement of profit or loss and other comprehensive income of the proposed Merger (the "Planned Merger") between GUAI and GGI as if it had occurred on January 01, 2024G. However, the Consideration calculation date used for the purpose of collecting this pro forma consolidated financials is the closing share price of GUAI on the day before the signing of the Merger Agreement, i.e. the closing share price on December 08, 2024G.

The pro forma financial information is based on the unaudited historical financials of GUAI and GGI (referred to jointly as the "Merged Entity") as of June 30, 2024G and the audited historical financial statements of the entities as of December 31, 2023G as adjusted to reflect the impact of the Merger.

The Merger will be implemented through the issuance of a capital of 22,823,227 shares at a value of SAR 10 by GUAI to the shareholders of GGI in a share exchange with Exchange Ratio of 0.7607742333333330 shares of GUAI for each share of GGI.

Post Merger, the capital of the merged entity shall be SAR 687,181,550, consisting of 68,718,155 shares, each with a value of SAR 10.

The presentation of the Consolidated Pro Forma Financials of the merged entity is based on some pro forma assumptions and has been prepared for illustrative purposes only. Due to their nature, the consolidated pro forma statement of financial position and consolidated pro forma statement of profit or loss and other comprehensive income deal with a hypothetical situation and, therefore, do not represent or provide a true status of the financial position and financial performance of the merged entity. Furthermore, the consolidated pro forma financials is only meaningful in conjunction with the historical financials of GUAI and GGI as of June 30, 2024G and December 31, 2023G. The consolidated pro forma financials does not take into account the effects of synergies or the expected costs incurred to achieve such synergies as a result of the Merger.

The pro forma financials has been prepared and presented on the basis of the accounting policies of GUAI as disclosed in its unaudited interim financials for the six-month period ended on June 30, 2024G and for the year ended on December 31, 2023G. The accounting policies used by GUAI are not substantially different from those used by GGI.

Certain reclassifications have been made to the accounts of the entities to ensure that the presentation is consistent with the presentation of the combined entity in a consistent manner.



2. Pro Forma Adjustments

Pro forma adjustments are based on preliminary estimates and assumptions that may change.

The following are the pro forma adjustments included in the consolidated pro forma financials:

A. To record the issuance of shares of GUAI to shareholders of GGI:

For pro forma financials purposes, the Merger Consideration has been calculated on the basis of a share exchange at a ratio of 0.7607742333333330 shares of GUAI for each share of GGI as shown below:

	As of June 30, 2024G
Current Number of Shares of the Merged Company (Shares)	30,000,000
Exchange Ratio	0.7607742333333330
Number of Shares to be issued by GUAI (Shares)	22,823,227
	(Thousand SAR)
The Nominal Value of the Shares issued by GUAI to the GGI (SAR 10 / Share)	228,232
GUAI's Current Capital	458,949
Company's Total Capital Post the Merger	687,181

B. To record the Share Premium on the shares of GUAI that will be issued upon Merger:

The purchase consideration was calculated based on the Company's closing price on the day preceding the signing of the Merger Agreement, i.e. the closing price on December 08, 2024G, where the closing price was SAR 15.92 per share on the Saudi Exchange (Tadawul). The purchase consideration depends on the indicative share price.

	(Thousand SAR)
Total Consideration (22,823,227 shares at a price of SAR 15.92 / share)	363,346
Less: The Nominal Value of the Shares issued by GUAI to the GGI	(228,232)
Share Premium	135,114

C. To record goodwill, which represents the excess of total consideration over the net assets of GGI as of June 30, 2024.

	(Thousand SAR)
Total consideration for equity in GGI (C1)	363,346
Less: Net assets of GGI as of June 30, 2024 (C2)	(286,982)
Goodwill (C1-C2)	76,364

Exchange Ratio pursuant to Merger Agreement:

	GUAI	GGI
Total equity of shareholders as of June 30, 2024 (in SAR thousand)	574,622	286,982
Mutually agreed valuation adjustments (SAR thousand)	(64,400)	(33,252)
Total adjusted equity of shareholders (SAR thousand) (D1)	510,222	253,730
Number of current shares as of June 30, 2024 (shares) (D2)	45,894,928	30,000,000
Adjusted book value per share (SAR) (D1/D2)	11.12	8.46
Exchange Ratio (number of ordinary shares in GUAI to 1 ordinary share in GGI)	0.7607742333333330	



Since GUA is required to maintain a statutory deposit of not less than 15% of its paid-up capital, the new capital structure will result in a change in the statutory deposit. Accordingly, the new statutory deposit was calculated on the capital of GUA after the Merger in accordance with the regulatory policy of GUA. The difference of SAR 34.2 million was recorded as an initial adjustment to the cash and cash equivalents and statutory deposit accounts of the merged entity.

3.10 Comparison of GUA performance indicators in consolidated pro forma financials and audited and unaudited financials

Table 3.8: Comparison of GUA performance indicators in consolidated pro forma financials and the audited financials as of December 31, 2023G

Key Performance Indicators (Thousand SAR)	GUA - December 31, 2023G	Consolidated Pro Forma Financials December 31, 2023G
Insurance Revenues Growth Rate (Pursuant to 2022G Insurance Revenue of GUA)	23,2%	85,5%
Total Insurance Revenues	624,483	940,129
Total Results of Insurance Services	104,402	108,131
Net profit of shareholders	125,037	128,569
Total Assets	1,067,226	1,622,832
Total Equity	547,992	913,793
Profit Margin	20.0%	13.7%

Source: The unaudited consolidated pro forma financials for the year ended on December 31, 2023G, the annual financials for the year ended on December 31, 2023G, including the comparative year ended on December 31, 2022G, of GUA, and the management information of the GUA.

Table 3.9: Comparison of GUA performance indicators in consolidated pro forma financials and the initial unaudited financials as of December 30, 2023G

Key Performance Indicators (Thousand SAR)	GUA June 30, 2024G	Consolidated Pro Forma Financials June 30, 2024G
Insurance Revenues Growth Rate (Pursuant to Insurance Revenue of GUA for the Period of June 30, 2023G)	29.2%	98.7%
Total Insurance Revenues	358,475	551,370
Total Results of Insurance Services	35,537	24,189
Net profit of shareholders	26,631	13,220
Total Assets	1,057,053	1,653,693
Total Equity	574,622	937,968
Profit Margin	7.4%	2.4%

Source: The unaudited consolidated pro forma financials for the period ended on June 30, 2024G, and the unaudited initial financials for the six-month period ended on June 30, 2024G, including comparative numbers for the six-month period ended on June 30, 2023G, of GUA, and the management information of GUA.



3.11 Increase or Decrease in Earnings Per Share as a Result of the Merger

The table below shows dilution in GUAI's earnings per share based on GUAI's unaudited interim financial information for the fiscal period ended 30 June 2024G, and based on the unaudited proforma consolidated financial statements for the fiscal period ended 30 June 2024G:

Earnings per share (based on GUAI's unaudited interim financial information for the fiscal period ended 30 June 2024G) Saudi Riyals	0.58
Earnings per share after the Capital Increase (based on the unaudited proforma consolidated financial statements for the fiscal period ended 30 June 2024G) Saudi Riyals	0.19

3.12 GUAI's price performance

The following table shows the performance of the share price of GUAI at the end of each month during the year preceding its submission of the application to register and offer the Consideration Shares:

Date	The share price of GUAI upon the closing of trading (SAR)
31/12/2023G	16.24
31/01/2024G	15.10
29/02/2024G	17.40
31/03/2024G	24.10
30/04/2024G	23.00
30/05/2024G	19.32
30/06/2024G	19.02
31/07/2024G	19.22
29/08/2024G	16.12
30/09/2024G	15.80
31/10/2024G	15.94
28/11/2024G	15.70
Last Trading Day prior to Firm Intention Announcement	
09/12/2024G	15.92
Last Trading Day prior to the Publication of this Circular	
26/02/2025G	16.62



4. Management Discussion and Analysis of Financial Information

4.1 Introduction

The Management Discussion and Analysis of Financial Information section below provides an analytical review of the Gulf General Cooperative Insurance Company's ("GGI" or the "Company") performance and financial position for the financial years ended 31 December 2022G and 2023G, the six-month period ended 30 June 2024G, and the comparative figures for the six-month period ended 30 June 2023G. It is based on and must be read in conjunction with the Company's audited financial statements for the financial years ended 31 December 2023G, which include the financial statements for the comparative period ended 31 December 2022G, and their notes, (hereinafter referred to as the "Financial Statements"), as well as the unaudited condensed interim financial statements for the six-month period ended 30 June 2024G, which include the comparative figures for the six-month period ended 30 June 2023G, and their notes.

The financial statements for the financial year ended 31 December 2022G were audited by KPMG Professional Services and Al Kharashi & Co. Certified Accountants and Auditors. The financial statements for the financial year ended 31 December 2023G were audited by KPMG Professional Services and Ibrahim Ahmed Al Bassam & Partners Certified Accountants. Moreover, KPMG Professional Services and Kharashi & Co. Certified Accountants and Auditors reviewed the condensed interim financial statements for the six-month period ended 30 June 2024G and the comparative figures for the six-month period ended 30 June 2023G.

The Company adopted IFRS 17 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia, which replaces IFRS 4 "Insurance Contracts", and is effective for annual periods beginning on or after 1 January 2023G. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The Company has applied the full retrospective approach on all insurance contracts issued and reinsurance contracts held. The adoption of IFRS 17 resulted in a transition adjustment to the Company's equity as at 1 January 2022G amounting to SAR 9.5 million.

Further, effective 1 January 2023G, the Company also adopted IFRS 9 "Financial Instruments", as endorsed in the Kingdom of Saudi Arabia which replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 requires the management to assess its business model with respect to different portfolios of investments that drive the measurement and disclosures of the Company's investments. It also introduces the concept of expected credit loss, which is a forward-looking estimate of credit losses for the Company's financial assets. The Company has applied a retrospective approach to align with the transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9. The adoption of IFRS 9 resulted in a positive transition adjustment to the Company's equity as at 1 January 2022G amounting to SAR 34.7 million.

The Company also engaged the services of an appointed actuary and other technical and valuation experts (collectively referred to as "Management Experts") to support them in the implementation process for adoption of these two standards including, amongst others, preparation of technical papers and determining the transition adjustments required to be recorded. The first year of adoption of IFRS 17 and IFRS 9 resulted in fundamental changes to classification and measurement of the main transactions and balances of the Company along with significant changes to presentation and disclosures that were required in the financial statements for the year ended 31 December 2023G.

The financial information presented in this section are extracted without material changes from the audited financial statements for the financial year ended 31 December 2023G and the unaudited condensed interim financial statements for the six-month period ended 30 June 2024G. Comparative figures relating to the financial year ended 31 December 2022G have been presented as classified and restated in the audited financial statements for the financial year ended 31 December 2023G. The comparative figures for the six-month period ended 30 June 2023G have been presented as classified in the unaudited condensed interim financial statements for the six-month period ended 30 June 2024G, and their notes.

All financial information included in this section are presented in Saudi Riyals ("SAR"), unless otherwise stated. All amounts have been rounded to the nearest thousand. Therefore, if summed, the numbers may differ from those stated in the tables. In addition, all percentages, annual growth rates, profit and cost margins have been calculated based on the rounded figures in the tables below.



This section may include forward-looking statements relating to the Company's prospects, based on management's plans and expectations regarding the company's growth, results of operations and financial position, as well as the risks and uncertainties associated therewith. The Company's actual results may differ materially from those anticipated as a result of a number of factors, risks and future events, including those discussed within this section or elsewhere, particularly section (1) "Risk Factors" of this shareholders' circular.

The Gulf Union Al Ahlia Cooperative Insurance Company' Board of Directors Declarations on the Financial Statements:

Members of the Board of Directors of Gulf Union Al Ahlia Cooperative Insurance Company bear no responsibility for the accuracy and completeness of the information presented in this section. The information presented in this section has been obtained from publicly available information, including the financial statements of Gulf General Cooperative Insurance Company, in add.

4.2 Company and Activity

Gulf General Cooperative Insurance Company is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17/01/1431H (corresponding to 3/01/2010G) and registered under Commercial Registration number 4030196620 dated 9/2/1431H (corresponding to 25/1/2010G). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company

Al Gheithy Plaza, Second FlZoor,

Ameer Al Shoura'a Street Jeddah, Kingdom of Saudi Arabia.

The Company also has the following branches, which are operating under separate commercial registrations:

Branch	C.R. No.	Date of Registration
Jeddah	4030376633	12/06/1441H (Corresponding to 6/02/2020G)
Riyadh	1010316823	29/10/1432H (corresponding to 27/9/2011G)
Khobar	2051046836	19/11/1432H (corresponding to 17/10/2011G)

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under insurance cooperative laws in accordance with Royal Decree No. M/85 dated 5/12/1429H (corresponding to 3/12/2008G) pursuant to Council of Ministers' Resolution No. 365 dated 3/12/1429H (corresponding to 1/12/2008G). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20/03/1431H (corresponding to 6/03/2010G). The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24/02/1431H (corresponding to 8/02/2010G).

From 23 November 2023G, the Insurance Authority ("IA") became the authorized regulator of the insurance industry in Saudi Arabia, however, laws and regulations issued previously by SAMA related to the insurance sector will remain in effect until further instructions are issued by the IA, as the principal authority responsible for the application and administration of the Insurance Law and its Insurance Implementing Regulations.

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident and liability, marine, property and engineering.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations	10%
Total	100%

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full. In accordance with Article 70 of SAMA implementing regulations, the Company distributes the net surplus from insurance operations either by directly distributing 10% of the surplus arising from the insurance operations to the policy holders or by netting the amount from policyholders' next period's premiums. The Company transferred 90% of the annual surplus from insurance operations to the shareholders' operations.



The new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to 30/9/2022G) (hereinafter referred as “the New Law”) came into force on 26/06/1444 H (corresponding to 19/01/2023G) as well as the amending implementing regulations issued by the Capital Market Authority (CMA) based on the New Law. For certain provisions of the New Law and the amending CMA implementing regulations, full compliance is expected not later than two years from 26/06/1444H (corresponding to 19/01/2023G). The General Assembly approved the amendment to by-laws on 05/08/1446H corresponding to 10/11/2024G, with the amendments in the provisions required to align with the provisions of the New Law and the amending CMA implementing regulations. Efforts are currently being made to release the official version of by-laws from the Ministry of Commerce within the timeframe stipulated by the Insurance Authority.

Portfolio Transfer

On 19 May 2012G, the Company entered into an agreement with Saudi General Insurance Company E.C. (“SGI”) and Gulf Cooperation Insurance Company Ltd. E.C. (“GCI”) (the “Sellers”) pursuant to which it acquired the sellers’ insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009G, at a goodwill amount of SAR 36.26 million, as approved by SAMA, along with the related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and are also subject to SAMA approval.

In December 2013G, consequent to SAMA’s approval, a sum of SAR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Further, SAMA’s approved additional payment of SAR 5.37 million to the Sellers relating to 2012G profits, which was transferred to amount due to related parties, as at 31 December 2013G, and settled in 2014G. Further, during the year ended 31 December 2014G, consequent to SAMA’s approval, dated 28/10/1435H (corresponding to 24/08/2014G), a payment of SAR 2.96 million was made to the Sellers in respect of goodwill, out of 2013G profits. During the year ended 31 December 2015G, consequent to SAMA’s approval, dated 3/07/1436H (corresponding to 22/04/2015G), a final payment of SAR 9.80 million was made to the Sellers in respect of goodwill, out of 2014G profits. For further details, please refer to the goodwill analysis in Section (4.4.7) (**Goodwill**).

4.3 Basis of Preparation

4.3.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by The Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (referred to as “IFRS as endorsed in KSA”). The financial statement for the year ended 31 December 2023G is the first full set of the Company’s financial statements in which IFRS 17 - Insurance Contracts (“IFRS 17”) and IFRS 9 - Financial Instruments (“IFRS 9”) as endorsed in Kingdom of Saudi Arabia have been applied. Comparable information for the financial year ended 31 December 2022G was restated due to the adoption of IFRS 17 and IFRS 9.

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. SAMA Implementation Regulations require a clear separation between assets, liabilities, revenue and expenses pertaining to insurance operations and shareholders operations. Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts. The statement of financial position, statements of profit or loss, comprehensive income and cashflows of the insurance operations and shareholders operations have been provided as supplementary information to comply with requirements of the SAMA Implementing Regulations and is not required by International Financial Reporting Standards (IFRS).

In preparing the Company’s financial statements in compliance with IFRS accounting standards as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. Inter-operation balances, transactions and unrealized gains and losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders’ operations are uniform for like transactions and events in similar circumstances.

4.3.2 Going Concern

The Company’s management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Although the company’s losses amounted to SAR 13.4 million for the six month period ended 30 June 2024G, however, the Company is confident that it has sufficient resources to continue its business in the foreseeable future. Notably, the Company realized a positive operating cashflows amounted to SAR 42.0 million during the period, further, the Company’s liquidity reached to 118%.



The company's management has prepared and implemented a future business plan for the Company with the approval of the company's Board of Directors, and has taken strategic initiatives to address the accumulated losses, which amounted to SAR 57.4 million as at 30 June 2024G, representing 19% of the share capital. The action taken by the management to improve performance included operational measures to enhance claims management, manage cost rationalization through expense control and reducing discretionary spending, and improve the portfolio mix by focusing on more profitable lines of business and products. The Company has also put in place measures such as actuarial pricing tools and periodic business reviews to support better business decisions.

Moreover, and as part of the efforts to reduce the accumulated losses, the Company has obtained the approval from Capital Market Authority on 9 November 2023G corresponding to 25/04/1445H and the Company's General Assembly in its extraordinary meeting held on 19 March 2024G corresponding to 09/09/1445H to reduce its share capital by SAR 200 million to absorb part of the Company's accumulated losses with the same amount. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Based on the above measures taken by the management, along with positive operating cashflows, and existing cash and cash equivalents and other current assets, the management and those charged with governance remain confident that going concern assumption is valid. Furthermore, the management does not have any intention to liquidate the Company or to cease the operations in the near future. Based on the above, these financial statements have been prepared on a going concern basis.

4.3.3 Basis of Measurement

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

4.3.4 Basis of Presentation

The Company's statement of financial position is not presented using a current/non-current classification and is presented in order of liquidity. However, the following balances would generally be classified as current: cash and cash equivalents, Murabaha deposits, prepaid expenses and other assets, accrued income on statutory deposit, accrued and other liabilities, Zakat payable and accrued income payable to SAMA. The following balances would generally be classified as non-current: investments, property and equipment, intangible assets, statutory deposit, lease liability and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include insurance contract liabilities and reinsurance contract assets.

4.3.5 Functional and Presentation Currency

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

4.3.6 Seasonality of Operational

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

4.3.7 Changes in Products and Services

There were no significant changes in products or services and their terms of the insurance contracts offered by the Company.



4.4 Key Accounting Policies

The key accounting policies used in the preparation of these financial statements are consistently applied for all years presented, unless otherwise stated.

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

A number of new and amending standards became applicable for the period addressed in this prospectus and the Company had to change its accounting policies or make amendments to the amending standards described below:

a. IFRS 17 Insurance contracts ("IFRS 17")

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

On transition to IFRS 17, the Company has applied the full retrospective approach to all insurance contracts issued and reinsurance contracts held. Therefore, on transition date, 1 January 2022G, the Company:

- has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied;
- derecognized any existing balances that would not exist had IFRS 17 always applied; and
- recognized any resulting net difference in equity.

b. IFRS 9 Insurance contracts ("IFRS 9")

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement effective for annual periods beginning on or after 1 January 2018G. However, the Company had met the relevant criteria and had applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023G. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9.

A number of other amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after 1 January 2023G. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments which are described below:

Standards/ Interpretation	Description
Amendment to IAS 12 - International Tax Reform	These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook for international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The Company did not identify any impact as a result of these amendments.
Amendment to IAS 12 'Taxation' ("IAS 12") – deferred tax related to assets and liabilities arising from a single transaction.	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company did not identify any impact as a result of these amendments.
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements distinguish between changes in accounting estimates and changes in accounting policies. The Company did not identify any impact as a result of these amendments.

Certain new standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The list comprises standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. Management is in the process of assessing the impact of such new standards and interpretations on its financial statements. The Company intends to adopt these interpretations when they become effective.



Standards/ Interpretation	Description	Effective Date	Impact Assessment
Amendments to IAS 21 'Foreign currencies' ("IAS 21") - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025G.	Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely	Management is in the process of assessing the impact of such new interpretations on its financial statements. The Company intends to adopt these interpretations when they are effective.

4.4.2 Insurance and Reinsurance Contracts

4.4.2.1 Classification and Summary of Measurement Models

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurance Company 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.

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include marine, property, motor, engineering, accident & liability and medical. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The Company does not issue any contracts with direct participating features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. None of the insurance contracts issued by the Company contain embedded derivatives, investment components or any other goods and services.

4.4.2.2 Level of Contract Aggregation

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

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

The portfolios are further divided by year of issue.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.



The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a policyholder-pricing-groups level.

4.4.2.3 Recognition

The Company recognizes a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- For a group of onerous contracts, the date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The Company recognizes a group of reinsurance contracts held it has entered into from the earlier of the following:

- For reinsurance contracts that provide proportionate coverage, at the later of:
 - i. the beginning of the coverage period of the group of reinsurance contracts
 - ii. the initial recognition of any underlying contract.
- All other groups of reinsurance contracts held are recognized from the beginning of the coverage period of the group of reinsurance contracts.

However, if the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognized prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held, in this case, is recognized at the same time as the group of underlying insurance contracts is recognized.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

4.4.2.4 Insurance Contract Boundaries

The measurement of a group of contracts includes all of the future cashflows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- a. The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- b. Both of the following criteria are satisfied:
 - The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
 - the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date and, therefore, may change over time.



4.4.2.5 Measurement

The general measurement model (“GMM”), also known as the building block approach, consists of the fulfilment cashflows and the contractual service margin. This is the default model under IFRS 17 to measure insurance contracts. However, the Premium Allocation Approach (“PAA”), which is a simplified measurement model, is permitted if, and only if, at the inception of the group:

- The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general measurement model requirements; or
- The coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

The Company uses the PAA to simplify the measurement of groups of contracts on the following bases:

- **Insurance Contracts:**

The coverage period of medical, motor, property, fire, marine and general accident contracts in the group of contracts is one year or less and are therefore eligible to be measured under the PAA.

Upon expiry of the set period, the contract is terminated and the policyholder may receive new coverage under new terms subject to successful subscription. All insurance contracts in this segment offer fixed benefits and cover death for the duration of the contract.

PAA eligibility testing has been performed for the engineering and accident & liability group of contracts since the coverage period is more than one year. The Company reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA would not differ materially from the measurement that would be produced applying the general measurement model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

- **Reinsurance Contracts:**

The Company reasonably expects that the resulting measurement under the PAA measurement model would not differ materially from the result of applying the general measurement model.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cashflows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

Measurement on Initial Recognition under PAA:

On initial recognition of each group of insurance contracts that are not onerous, the book value of the liability for remaining coverage (“LRC”) is measured at the premiums received on initial recognition less any insurance acquisition cashflows paid.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of insurance premiums paid.

On initial recognition of each group of insurance contracts, other than engineering, accidents and liability group of contracts, the Company assesses the time between providing each part of the coverage and the related premium due date will not exceed one year.

For all other groups of contracts, not time value of cash is provisioned for as premiums are received within one year of coverage.

Subsequent Measurement under PAA:

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the LIC, comprising the fulfilment cashflows (“FCF”) related to past service allocated to the group at the reporting date.



The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- b. decreased for insurance acquisition cashflows paid in the period;
- c. decreased for the amounts of expected premium receipts recognized as insurance revenue for the services provided in the period;
- d. increased for the amortization of insurance acquisition cashflows in the period recognized as insurance service expenses; and
- e. increased for any adjustment to the financing component, where applicable.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a. increased for ceding premiums paid in the period; and
- b. decreased for the expected amounts of ceding premiums recognized as reinsurance expenses for the services received in the period

The Company estimates the liability for incurred claims as the fulfilment cashflows related to incurred claims. Fulfilment cashflows comprise estimates of future cashflows, an adjustment to reflect the time value of money and the financial risks related to future cashflows, to the extent that the financial risks are not included in the estimates of future cashflows, and a risk adjustment for non-financial risk.

The Company's objective in estimating future cashflows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cashflows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cashflows that vary based on changes in market variables and other cashflows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cashflows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. The determination of the discount rate that reflects the characteristics of the cashflows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

The fulfilment cashflows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

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 in the estimates of claims liabilities. The provision is the amount that can reasonably be recovered from the disposal of the asset.

Onerous Contract Assessment:

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss in insurance service expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cashflows, determined under the GMM, that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the book value of the liability for remaining coverage. A loss component will be established for the amount of the loss recognized. Subsequently, the loss component will be remeasured at each reporting date as the difference between the amounts of the fulfilment cashflows determined under the GMM relating to the future service and the book value of the LRC without the loss component.

Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes (or adjusts) a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and



the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component adjusts the book value of the asset for remaining coverage.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Non-Performance Risk (NPR) Adjustment:

The Company measures the estimates of the present value of future cashflows using assumptions that are consistent with those used to measure the estimates of the present value of future cashflows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss.

4.4.2.6 De Recognition and Contract Modification

The Company derecognizes a contract when it is extinguished i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Company treats the changes in cashflows caused by the modification as changes in the estimates of fulfilment cashflows. There were no instances of modification or derecognition identified for the year ended 31 December 2023G.

4.4.2.7 Acquisition & Attributable Cost

Insurance acquisition cashflows are the costs directly associated with selling and handling acquired businesses. The Company considers underwriting, sales, and regulatory levies as acquisition costs. Acquisition costs are not expensed when incurred and are deferred over the life of the insurance contract. While attributable costs are the costs that can fully or partially be attributed to the insurance operations. The Company has in place allocation technique to allocate the costs based on direct to indirect costs ratio. Both acquisition and attributable costs fall under the insurance service expense while the non-attributable costs are reported under other operating expenses.

4.4.2.8 Risk Adjustments for Non-Financial Risk

The Company has decided to adopt the value at risk method on incurred claims for the estimation of risk adjustment. The Company has chosen a confidence level based on 70% for motor and 65% for other class of business for the distribution of its claim reserves, considering this level is adequate to cover sources of uncertainty about the amount and timing of the cashflows. While for premium risk, the Learning Resources Ratio for loss component calculation can be taken to be the same due to the similar nature of uncertainty.

4.4.2.9 Presentation

Groups of insurance contracts that are assets and those that are liabilities, and groups of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. The Company recognized in the statement of income (a) an insurance service result, comprising insurance revenue and insurance service expenses and (b) insurance finance income or expenses.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance Revenue:

The insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The Company allocates the expected premium receipts to each period on the passage of time for all groups of contracts except for longer term policies under engineering and accident & liability groups. For longer term policies under engineering and accident & liability groups of contracts, the expected premium receipts are allocated based on the expected timing of incurred insurance service expenses.



Insurance Services Expenses:

Insurance service expenses include the following:

- a. incurred claims for the period.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cashflows amortization.
- d. changes that relate to past service – changes in the FCF relating to the LIC.
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortization of insurance acquisition cashflows is based on the passage of time for all groups of contracts.

Net Expenses from Reinsurance Contracts:

Net expenses from reinsurance contracts comprise reinsurance expenses less amounts recovered from reinsurers. The Company recognizes reinsurance expenses as it receives coverage or other services under groups of reinsurance contracts. For contracts measured under the PAA, the Company recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts except for longer term policies under engineering and accident & liability groups for which amortization is done based on the expected timing of incurred insurance service expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as ‘net expenses from reinsurance contracts’ in the insurance service result.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce insurance premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Umrah and Hajj Insurance:

The Company with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with CCI effective from 1 January 2020G. The compulsory Hajj / Umrah product is offered by the Ministry and approved by SAMA for insurance of pilgrims coming from outside of the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers accidents and healthcare benefits for the pilgrims who enter the Kingdom of Saudi Arabia to perform Hajj / Umrah. The agreement terms are for 4 years starting from 1 January 2020G and it is renewable for another four years subject to the terms and conditions of the agreement. The agreement was not renewed in 2024G as the above arrangement was discontinued.

This co-insurance arrangement, in which the Company is a participant, is an insurance contract as defined in IFRS 17, and the Company has accordingly applied the recognition and measurement principles of IFRS 17. Given the bespoke nature of the arrangement and given that the rights and obligations from the arrangement are managed and settled on a net basis, the Company has accordingly presented the results from the arrangement on a net basis in insurance service results as a separate line item on the statement of comprehensive income.

Insurance Finance Income and Expenses:

Insurance finance income and expenses comprise changes in the book values of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk, and changes therein.

The Company includes all insurance finance income or expenses for the period in profit or loss.



4.4.3 Changes to classification, recognition and measurement

The measurement principles of the PAA differ from the ‘earned premium approach’ used by the Company under IFRS 4 in the following key areas:

- **Deferral of acquisition costs** – Under IFRS 17, insurance acquisition cashflows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. The Company may elect to capitalize and amortize these costs over the coverage period based on the expected timing of incurred insurance services expenses for all groups of contracts except for longer term policies under engineering and accident & liability groups for which amortization is done based on the expected timing of incurred insurance service expenses.
- **Discount rate** – Under IFRS 17, the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, claims liabilities were discounted using a rate that reflected the estimated market yield of the underlying assets backing these claims liabilities at the reporting date. The changes in discounting methodology did not have a significant impact on transition. Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- **Risk Adjustment** - Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk (“risk adjustment”) which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are fairly aligned. As a result, the changes in methodology did not have a significant impact on transition.
- **Onerous contracts** – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. For onerous contracts, the loss component based on projected profitability is recognized immediately in net income, resulting in earlier recognition compared to IFRS 4. Onerous contracts did not have a significant impact on transition to IFRS 17.

Statement of Financial Position

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

- Portfolios of reinsurance contracts held that are assets;
- Portfolios of insurance contracts issued that are liabilities;
- Portfolios of contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

Line items under IFRS 17	Line items under IFRS 4, now combined into one item under IFRS 17
Insurance contract liabilities / assets	- Premiums receivable
	- Deferred policy acquisition costs
	- Unearned premiums
	- Outstanding claims
	- Claims incurred but not reported
	- Premium deficiency reserve
	- Due to brokers and third-party administrator
	- Policyholders payable
	- Najm uploading fee, SAMA fee, CCHI fee, Tameeni expense, third party recoveries and other within prepaid expenses and other assets.
	- Workshop salvagers and third-party payables, within accrued expenses and other liabilities



Line items under IFRS 17	Line items under IFRS 4, now combined into one item under IFRS 17
Reinsurance Contract Assets and Liabilities	- Reinsurers' share of unearned premiums - Reinsurers' share of outstanding claims - Reinsurers' share of claims incurred but not reported - Reinsurance share of excess of loss claims - Value Added Tax (VAT) on reinsurance commission - Due from reinsurers - Due to reinsurer - Unearned reinsurance commission

Statement of comprehensive income

The descriptions line item in the statement of income has been changed significantly compared to presentation in the latest annual financial statements.

Insurance revenue under IFRS 17 includes gross written premium, gross movement in unearned premiums and expected credit losses on receivables from policyholders.

Insurance service expense under IFRS 17 includes gross claims paid, changes in outstanding claims, changes in incurred but not reported claims, changes in loss component, policy acquisition costs, attributable expenses and the impact of release in the risk adjustment. The changes in premium deficiency reserve are eliminated and instead changes in the loss component are made.

Net income / (expenses) from reinsurance contracts held under IFRS 17 includes reinsurance premium ceded, changes in reinsurer's share of unearned premiums, reinsurance commission earned, reinsurance share of paid claims, reinsurance share of outstanding claims, reinsurance share of changes in claims incurred but not reported, change in reinsurance accrual reserve, expected credit losses on reinsurance receivables, the impact of loss adjustment, and the risk adjustment for non-financial risk.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under net insurance financial result.

IFRS 17 resulted in presentation changes to IFRS 4's underwriting expenses, where expenses are classified either as insurance acquisition cashflows and fulfillment cashflows within insurance services expenses or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses classified as general and administrative expenses under IFRS 4 are now presented as other operating expenses under IFRS 17. The following previously reported line items are no longer disclosed: direct premiums written, net earned premiums, net claims incurred, and underwriting expenses.

D. Initial Recognition of Financial Assets

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognized for financial assets measured at amortized cost and investments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Amortized cost and effective interest rate

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative depreciation using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.



The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross book value of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Interest income is recognized using the effective profit rate to the gross book value of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, profit income is recognized by applying the effective interest rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross book value of the financial asset.

First: Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI);
- Held at amortized cost.

Debt instruments:

Classification and subsequent measurement of debt instruments depend on:

- i. the Company's business model for managing the financial assets; and
- ii. the contractual cashflow characteristics of the financial assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cashflows. That is, whether the Company's objective is solely to collect the contractual cashflows from the assets or is to collect both the contractual cashflows and cashflows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cashflows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely Payments of Principal and Profit:

Where the business model is to hold assets to collect contractual cashflows or to collect contractual cashflows and sell, the Company assesses whether the financial instruments' cashflows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cashflows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cashflows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cashflows and whether the contractual terms contain leverage.



Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized Cost:

Assets that are held for collection of contractual cashflows where those cashflows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortized cost. The book value of these assets is adjusted by any expected credit loss allowance recognized. Profit income from these financial assets is included in 'Commission Income' using the effective profit method.

Fair Value through other Comprehensive Income ("FVOCI"):

Financial assets that are held for collection of contractual cashflows and for selling the assets, where the assets' cashflows represent solely payments of principal and profit, and that are not designated at FVTPL, are designated as FVOCI. Movements in the book value are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Profit income from these financial assets is included in 'Commission Income' using the effective profit method. Currently no debt instrument is classified as FVOCI.

Fair value through profit or loss:

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL presented in profit or loss in the period in which it arises. Currently investment in mutual funds and Sukuk which failed SPPI assessment are classified as FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are not expected to be frequent and no such instances have occurred during the year ended 31 December 2023G.

Equity Instruments:

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. The Company has designated its investment in Najm for Insurance Services Company, a Saudi closed joint stock company, as FVOCI.

Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. Currently all equity securities are designated as FVOCI.

Any gain or loss on the disposal of equity classified as FVOCI will be non- recycling i.e. on disposal, fair value movement residing in OCI will be moved directly from OCI to retained earnings.

Third: Impairment of financial assets

The Company assesses on a forward-looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.



The Company applies the three-stage model for impairment of financial assets measured at amortized cost and FVOCI, based on changes in credit quality since initial recognition.

Stage 1 (“Performing”) includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses (“ECL”) are recognized and financial income is calculated on the gross book value of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 (“Under-performing”) includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL are recognized, but financial income is still calculated on the gross book value of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with default risk occurring.

Stage 3 (“Non-performing”) includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these financial assets, lifetime ECL are recognized and financial income is calculated on the net book value (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial asset has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial asset.

Financial assets are written-off only when there is no reasonable expectation of recovery.

Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Recoveries made, after write-off, are recognized in profit or loss.

Impairment losses on financial assets are presented separately on the statement of profit or loss.

Fourth: Derecognition of Financial Assets

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cashflows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cashflows from assets but assumes a contractual obligation to pay those cashflows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s book value and the sum of the consideration received and receivable is recognized in statement of profit or loss.

Fifth: Classification and subsequent measurement of financial liabilities

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

Sixth: Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective book values is recognized in the statement of profit or loss.



To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cashflow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortized cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on disposal;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company); and
- Debt instruments at amortized cost.

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of profit or loss.

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022G for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognized in retained earnings as at 1 January 2022G. There is no impact expected on financial liabilities as a result of transition to IFRS 9.

4.4.4 Changes to Impairment Calculation

Under IFRS 9, the Expected credit loss ("ECL") allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

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

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted to present value.

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

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

Exposure at Default ('EAD'): The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

IFRS 9 impairment applies to financial instruments that are not measured at Fair value through profit or loss (FVTPL). Equity instruments measured at FVOCI are also excluded from the scope of impairment.

Financial assets that are subject to impairment consist of investment portfolio (debt instruments) and cash and cash equivalents.



4.4.5 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses, if any. Subsequent costs are included in the asset's book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred. Land does not depreciate.

The cost of other items of property and equipment is depreciated on the straight-line method to allocate the cost over estimated useful lives, as follows:

Item	Useful Life
Leased buildings renovations	8
Furniture and fixtures	10
Computer and office equipment	4-10
Motor vehicles	4

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the book value and are included in "Other income, net" in the statement of profit or loss.

4.4.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized, and the related expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the book value of the asset and are recognized in the statement of profit or loss when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The estimated useful lives for the current year are as follows:

Item	Useful Life
Software	10

The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.



4.4.7 Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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 relates. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the book value of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

4.4.8 Leases

Definition of Lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assesses whether a contract is or contains a lease based on the new definition of a lease. When transitioning to IFRS 16, the Company elected to apply practical expedients to assess which transactions are leases.

As a lessee

The Company leases its offices and, as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transfers substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – that is, these leases are on the balance sheet.

The Company recognizes right-of-use assets and rent liabilities at the lease contract start date. Right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset cost includes the initial measurement of the lease liability adjusted for any lease payments made at or before the start date, any initial direct costs incurred and the estimated decommissioning costs, less any lease incentives received. The estimated useful life of right-of-use assets is determined taking into account the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not made at the commencement date, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). The lease liability is subsequently increased by the amount of the interest expense on the lease liability and decreased by the amount of the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be paid under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

As a lessor

Lessor accounting under IFRS 16 is not significantly changed from the current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

4.4.9 Impairment of Non-Financial Assets

The Company, at each reporting date, assesses whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset generates cash inflows that are largely independent of those of other assets or groups of assets. When the book value of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When determining fair value less costs to sell, recent market transactions are taken into account, if available. If such transactions are not identified, an appropriate valuation model is used.



These calculations are supported by valuation multiples, quoted stock prices of publicly traded subsidiaries, or other available fair value indicators. The Company relies in calculating the impairment on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets have been allocated. These budgets and forecast accounts generally cover a period of three to five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cashflows beyond the fifth year.

Impairment losses on continuing operations are recognized in the income statement. For assets, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the recoverable amount of the asset. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the book value of the asset does not exceed its recoverable amount, nor exceed the book value that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. This reversal is recognized in the statement of income.

4.4.10 Employee End of Service

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

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are made by an independent actuary based on the projected unit credit method. The costs associated with these plans consist primarily of the present value of benefits attributed equally to each year of service and interest on that obligation in respect of the employee's service in prior years.

Current and past service costs relating to post-employment benefits are recognized immediately in the income statement while the unwinding of the liability at the discount rates used is recorded in the income statement. Any changes in the net liability resulting from actuarial valuations and changes in assumptions are recorded as a remeasurement in the statement of comprehensive income.

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

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

4.4.11 Provisions and Other Liabilities

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

4.4.12 Cash and Equivalent

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition. Murabaha deposits directly managed by the Company that fall due within more than three months from the date of acquisition are classified separately as term deposits.

4.4.13 Commission, Dividend Income and Other Income

Commission income on term deposits is recognized on a time proportion basis using the effective interest rate method and are disclosed under 'Investment and commission income' in statement of income. Dividend income is recognized when the right to receive a dividend is established and is included under realized gain on FVTPL investments in the statement of income. Income from Umrah product, medical, general and accident insurance fund, is recognized as other income based on quarterly financial statements issued by their Fund Manager i.e. The Company for Cooperative Insurance.

4.4.14 Dividend Distribution

Distribution of dividends to the Company's shareholders is recognized as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.



4.4.15 Statutory Reserve

According to the Company's by-laws, the Company allocates 20% of its net income from shareholders' operations annually to the legal reserve until a reserve equal to the capital is formed. The reserve is not distributable.

4.4.16 Fair Values

The fair value of financial assets is based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cashflows 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 similar financial assets or, when fair values cannot be derived from an active market, is determined using a variety of valuation techniques. Inputs to these models are taken from the observable market where possible, but where this is not possible, a degree of judgment is needed in determining fair values.

4.4.17 Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is calculated on the Saudi shareholders' share of equity or net income using the basis specified under the Zakat Regulations. Additional amounts due, if any, will be calculated upon completion of the final assessments when these amounts are determined. 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 statement of profit or loss. Zakat is not calculated as income tax, and therefore no deferred tax is calculated related to Zakat.

4.4.18 Operating Segments

A segment/sector is a distinguishable component of a Company that is engaged in providing products or services (an operating segment) and that is subject to risks and rewards that are different from those of other segments.

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

- Marine provides coverage against losses and liabilities related to marine vessels and marine cargo.
- Property provides fire coverage, and any other insurance included under this class of insurance.
- Motor Comprehensive provides coverage against damages to vehicles due to storm, tempest, flood, fire, theft, and personal accident.
- Motor Third Party Liability provides coverage against liability to third parties arising through accidents.
- Engineering provides coverage for construction risks, mechanical, electrical and electronic breakdowns, machinery breakdown and any other insurance that falls under this class of insurance.
- Accident and Liability provides financial insurance coverage, fidelity insurance, business all risks insurance, business travel insurance and exhibition insurance. It also includes third party liability insurance, product liability, workers' compensation/ employer's liability, damage to vehicles after the expiry of the manufacturer's warranty, and professional indemnity cover that protects the insured's legal liability arising from acts of negligence during their business operations.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

There were no inter-segment transactions during the year/period. In the event of any transaction, transfer prices between business segments are determined on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company



4.5 Critical Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenues and expenses, and the accompanying disclosures and disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

4.5.1 Estimates of Future Cashflows to fulfil Insurance Contracts

In estimating future cashflows, the Company incorporates, in an unbiased manner, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes internal and external historical data about claims and other experiences, and is updated to reflect current expectations of future events. Estimates of future cashflows reflect the Company's view of current conditions at the reporting date, as long as estimates of any relevant market variables are consistent with observable market prices.

The estimates of these future cashflows are based on probability-weighted expected future cashflows. The Company estimates the expected cashflows and their likelihood of occurrence at the measurement date. To make these forecasts, the Company uses information about past events, current conditions and expectations of future conditions. The Company's estimate of future cashflows is an average of a set of scenarios that reflects the full range of possible outcomes. Each scenario specifies the amount, timing, and likelihood of cashflows. The weighted average of future cashflows is calculated using a deterministic scenario that represents the weighted mean of a range of scenarios.

When estimating future cashflows, the Company considers current expectations of future events that may affect those cashflows. However, expectations of future changes in legislation that would alter or eliminate an existing obligation or create new obligations under existing contracts are not taken into account until the change in legislation is materially enacted. Cash flows within the contract limits are directly related to the fulfillment of the contract, including those over which the Company has discretion as to the amount or timing. These include payments to (or on behalf of) policyholders, cashflows for the acquisition of insurance and other costs incurred in fulfilling contracts.

When cashflow estimates related to expenses are determined at the portfolio level or higher, they are allocated to groups of contracts on a regular basis. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. The Company performs regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfil the insurance contracts.

Insurance acquisition cashflows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on premiums receivable within the contract limits. Insurance acquisition cashflows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognized in profit or loss as they are incurred.

4.5.2 Discounting methodology

Discount rates are primarily used to adjust estimates of future cashflows to reflect the time value of money and other financial risks of accruing interest on liabilities for incurred claims.

The bottom-up approach was used to derive the discount rate. Under this approach, the USD based risk free discount rates by European Insurance and Occupational Pensions Authority ("EIOPA") were used as a starting point for preparing the yield curve. The Company then further added a KSA country risk premium from the source to make the yield curve appropriate for application. The Company has used the USD volatility adjustment reported by EIOPA for Solvency II as a proxy for illiquidity premium. The Company is currently discounting liability for incurred claims for all groups of insurance contracts.

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:



Table 4.1: Insurance contracts issued and reinsurance contracts held

2023G	Currency	1 Year	2 Years	3 Years	4 Years	5 Years
Marine	SAR	5.83%	4.43%	4.13%	4.18%	4.28%
Property	SAR	5.83%	4.43%	4.13%	4.18%	4.28%
Motor- Comp	SAR	5.83%	4.43%	4.13%	4.18%	4.28%
Motor- TPL	SAR	5.83%	4.43%	4.13%	4.18%	4.28%
Engineering	SAR	5.83%	4.43%	4.13%	4.18%	4.28%
Accident & liability	SAR	5.83%	4.43%	4.13%	4.18%	4.28%
Medical	SAR	5.83%	4.43%	4.13%	4.18%	4.28%

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

Table 4.2: Insurance contracts issued and reinsurance contracts held

2022G	Currency	1 Year	2 Years	3 Years	4 Years	5 Years
Marine	SAR	5.06%	5.02%	4.98%	4.94%	4.89%
Property	SAR	5.06%	5.02%	4.98%	4.94%	4.89%
Motor- Comp	SAR	5.06%	5.02%	4.98%	4.94%	4.89%
Motor- TPL	SAR	5.06%	5.02%	4.98%	4.94%	4.89%
Engineering	SAR	5.06%	5.02%	4.98%	4.94%	4.89%
Accident & Liability	SAR	5.06%	5.02%	4.98%	4.94%	4.89%
Medical	SAR	5.06%	5.02%	4.98%	4.94%	4.89%

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

Risk Adjustment for Non-Financial Risks

The Company shall adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. Therefore, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk. The Company adopted the Premium Allocation Approach (“PAA”) to calculate liability for remaining coverage. Therefore, the remaining coverage liability risk adjustment will only be estimated in case a group of contracts is recognized as onerous.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cashflows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 70th percentile for Motor while 65th percentile for the remaining business (the target confidence level) over the expected present value of the future cashflows.

Onerous Contract Determination

Under the PAA, the Company must assume that any contracts in the portfolio are onerous upon initial recognition unless “facts and circumstances” indicate otherwise. The Company evaluates onerous contracts on an annual and underwriting-year basis, in conjunction with updated information on product profitability. Furthermore, the evaluation should be repeated if the “facts and circumstances” indicate significant changes in product pricing, product design, plans and forecasts. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment. The Company has established a process for the underwriting team to capture onerous, potentially onerous and profitable contracts by assessing the profitability of the different portfolios at the beginning of the underwriting year. The profitability of each portfolio shall be assessed separately.



Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Estimates for Expected Premium Receipts

The Company has developed a methodology for expected premium receipts based on provision matrix approach. Such balances have been reclassified to insurance contract liabilities in line with the requirements of IFRS 17. To measure the estimates, such balances have been grouped based on shared credit risk characteristics for respective policyholder base portfolio and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, affecting the ability of the customers to settle the receivables. The Company has identified the gross domestic product of the country in which it operates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment of Non-financial Assets Including Goodwill

The Company assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. For goodwill, the Company tests annually whether there has been any impairment of goodwill. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. When the book value of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets are used, and if no estimated prices for similar assets exist, it is determined based on discounted future cashflow calculations.

Presentation of the Umrah and Hajj Insurance Pool

IFRS 17 does not include specific requirements on the presentation of the allocation of insurance revenue and expenses and insurance assets and liabilities when an insurance contract is issued by more than one entity. Accordingly, the Company has applied the requirements of IAS 8 in establishing a policy for presenting an arrangement in which it is a participating insurer. The Company analyzed the contractual terms of the arrangement policy and concluded that given the nature and substance of the arrangement, it is appropriate to present the results within net insurance results as a separate line item in the statement of comprehensive income, with details provided in the notes. The Company believes this approach is appropriate because management does not have the ability to change prices or control expenses, and therefore does not believe it is appropriate to include the results within revenues and expenses that the Company can control. The current presentation of the arrangement is similar to when the entity acts as an agent, where the principle is that there is no control, the net presentation is more appropriate and is disclosed in the notes. Management believes that the presentation and disclosure reflect the substance of the arrangement.

4.6 Impact of New Accounting Standards

4.6.1 IFRS 17

On transition to IFRS 17, the Company has applied the full retrospective approach to all insurance contracts issued and reinsurance contracts held. Therefore, on transition date, 1 January 2022G, the Company:

- has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied;
- derecognized any existing balances that would not exist if IFRS 17 had always been applied; and
- recognized any resulting net difference in equity.



The impact of transition to IFRS 17 on accumulated losses is, as follows:

Table 4.3: (Reduction) / increase in the Company's total equity

(SAR'000)	1 January 2022G	1 January 2023G
Change in measurement of reinsurance contract assets	4,073	2,529
Change in measurement of insurance contract liabilities	(13,547)	(14,271)
Impact of adoption of IFRS 17 on cumulated losses and total equity	(9,474)	(11,742)

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

Table 4.4: Increase / (reduction) in the Company's total assets impacting total equity

(SAR'000)	1 January 2022G	1 January 2023G
Recovery component	3,248	2,857
Risk adjustment	1,860	1,353
Discount	(1,035)	(1,151)
Others	--	(530)
Impact of adoption of IFRS 17 on total assets impacting total equity	4,073	2,529

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

Table 4.5: Increase/ (reduction) in the Company's total liabilities impacting total equity

(SAR'000)	1 January 2022G	1 January 2023G
Risk adjustment	(4,734)	(4,177)
Amortization of premiums receivable	3,534	82
Discount	700	(854)
Loss component	(13,047)	(9,322)
Impact of adoption of IFRS 17 on total liabilities impacting total equity	(13,547)	(14,271)

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

The impact on the net loss for the year ended 31 December 2022G attributable to the shareholders, arising from risk adjustment, discounting, loss component adjustment and expected premium receipts, in line with the requirements of IFRS 17, are as follows:

Table 4.6: The impact on the net loss for the year ended 31 December 2022G attributable to the shareholders

(SAR'000)	1 January 2022G
Net loss after zakat as previously reported	(104,190)
Impact on the Company's net loss	
Loss component	3,334
Risk adjustment, net	50
Discount, net	(1,670)
Estimates for expected premium receipts	(3,452)
Others	(530)
Impact of adoption of IFRS 17	(2,268)
Adjusted loss after zakat and income tax - restated	(106,458)

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.



The impact on the statements of cashflow for the year ended 31 December 2022G as a result of implementing IFRS 17 is not material to the financial statements.

The changes in accounting policies resulting from the application of IFRS 9 have been applied retrospectively. The following assessments were made on the basis of the facts and circumstances that existed at the date of the initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designated financial assets and liabilities measured at FVTPL. This category includes financial assets that were previously classified as held for trading or those that were classified as available for sale; and
- the classification of certain investments in equity instruments not held for trading as FVOCI.

A reconciliation between the book values under IAS 39 and the balances reported under IFRS 9 as at the date of application i.e. 1 January 2023G is, as follows:

Table 4.7: A reconciliation between the book values under IAS 39 and the balances reported under IFRS 9 as at the date of application i.e. 1 January 2023G

Financial Assets (SAR'000)	31 December 2022G		Impact of adjustment New classification under IFRS 9			1 January 2023G	
	Original classification under IAS 39						
	Category	Amount	Re-classification	Re-measurement		Category	Amount
ECL				Others			
Cash and Cash equivalent	Loans & receivables	5,152	--	(1)	--	Held at amortized cost	5,151
Murabaha deposits	Loans & receivables	139,449	751	(20)	--	Held at amortized cost	140,180
Fair value through statement of income investments (FVSI)	Held for trading	39,867	--	--	--	FVTPL	39,867
Alrajhi Bank Sukuk	Held to maturity	3,000	--	--	--	FVTPL	3,000
Saudi Fransi Bank Sukuks	Held to maturity	2,000	--	--	--	FVTPL	2,000
Available-for-sale investment	Available for sale	1,923	--	--	37,780	FVOCI	39,703
Statutory deposit	Loans & receivables	75,000	--	(14)	--	Held at amortized cost	74,986
Accrued income on statutory deposit	Loans & receivables	3,634	--	--	--	Held at amortized cost	3,634
Other assets	Loans & receivables	51,714	(751)	(464)	--	Held at amortized cost	50,499
Other liabilities	Amortized cost	14,565	--	--	--	Held at amortized cost	14,565

Source: Audited financial statements for the financial year ending on 31 December 2023G. Gulf General Cooperative Insurance Company.

Most of the financial assets that were classified as loan and receivables and held to maturity under IAS 39 continues to be measured at amortized costs under IFRS 9 since these form part of business model hold to collect contractual cashflows which are solely payments of principal and interest ("SPPI"). Financial assets held for trading continue to be measured at FVTPL and therefore there was no impact on the transition.



A reconciliation between the book values under IAS 39 and the balances reported under IFRS 9 as at the date of application i.e. 1 January 2022G is, as follows:

Table 4.8: A reconciliation between the book values under IAS 39 and the balances reported under IFRS 9 as at the date of application i.e. 1 January 2022G

Financial Assets (SAR'000)	31 December 2021G		Impact of adjustment IFRS 9			1 January 2022G	
	IAS 39		Re-classification	Re-measurement		Category	Amount
	Category	Amount		ECL	Others		
Cash and Cash equivalent	Loans & receivables	256,112	--	--	--	Held at amortized cost	256,112
Fair value through statement of income investments (FVSI)	Held for trading	39,867	--	--	--	FVTPL	39,867
Alrajhi Bank Sukuk	Held to maturity	3,000	--	--	--	FVTPL	3,000
Saudi Fransi Bank Sukuks	Held to maturity	2,000	--	--	--	FVTPL	2,000
Available-for-sale investments	Available for sale (AFS)	1,923	--	--	35,109	FVOCI	37,032
Statutory deposit	Loans & receivables	75,000	--	(14)	--	Held at amortized cost	74,986
Accrued income on statutory deposit	Loans & receivables	2,495	--	--	--	Held at amortized cost	2,495
Other assets	Loans & receivables	14,665	--	(426)	--	n/a	14,239
Other liabilities	Amortized cost	10,669	--	--	--	Amortized cost	10,669

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

The impact of transition to IFRS 9 on accumulated losses is as follows:

Table 4.9: Increase/(reduction) in the Company's Total Equity

(SAR'000)	1 January 2022G	1 January 2023G
Impairment of Financial Assets	(440)	(499)
Revaluation of Najm Investments	35,109	37,780
Impact of IFRS 9 adoption	34,669	37,281

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

The impact on the net loss and other comprehensive income for the year ended 31 December 2022G upon adoption of IFRS 9 is as follows:

Table 4.10: The impact on the net loss and other comprehensive income for the year ended 31 December 2022G upon adoption of IFRS 9

(SAR'000)	Impact on Net Loss	Impact on other comprehensive income
Revaluation of Najm Investments	--	2,671
Net ECL allowance on financial assets	(59)	--
Impact of initial application of IFRS 9	(59)	2,671

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.



Furthermore, the classification of financial liabilities has changed from ‘Other financial liabilities at amortized cost’ as per IAS 39 to ‘amortized cost’ as per IFRS 9, with no corresponding change in the book value of such financial liabilities.

Overall impact of transition to IFRS 17 and IFRS 9

Table 4.11: Increase/(decrease) in total equity upon transition

(SAR’000)	1 January 2022G	1 January 2023G
Impact of IFRS 17 Adoption	(9,474)	(11,742)
Impact of IFRS 9 Adoption	34,669	37,281
Impact of IFRS 17 and IFRS 9 Adoption	25,195	25,539

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

Table 4.12: Increase/(decrease) upon transition

(SAR’000)	Impact on comprehensive income	Impact on net loss
Impact of IFRS 17 Adoption	--	(2,268)
Impact of IFRS 9 Adoption	2,671	(59)
Impact of IFRS 17 and IFRS 9 Adoption	2,671	(2,327)

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

4.7 Income statement for the two financial years ended 31 December 2022G and 31 December 2023G and the six month period ended 30 June 2024G, and the comparative figures for the six month period ended 30 June 2023G

The following table presents the income statement for the two financial years ended 31 December 2022G and 31 December 2023G and the six-month period ended 30 June 2024G, and the comparative figures for the six-month period ended 30 June 2023G.

Table 4.13: Statement of Income

(SAR’000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Restated)	(Audited)	(Unaudited)	(Unaudited)	2022G–2023G	2023G - 2024G
Insurance revenue	315,686	315,646	163,454	192,895	(0.0%)	18.0%
Insurance service expenses	(373,170)	(285,347)	(161,065)	(188,120)	(23.5%)	16.8%
Net expenses from reinsurance contracts	(49,593)	(38,828)	(17,001)	(17,486)	(21.7%)	2.9%
Insurance service result from the Company’s directly written business	(107,077)	(8,529)	(14,612)	(12,711)	(92.0%)	(13.0%)
Share of surplus from insurance pools	23,778	12,258	13,200	1,363	(48.4%)	(89.7%)
Total insurance service results	(83,299)	3,729	(1,412)	(11,348)	(104.5%)	703.7%
Net (losses) / gains on investments measured at FVTPL	(4,965)	8,705	4,802	230	(275.3%)	(95.2%)
Commission income on financial asset not measured at FVTPL and Murabaha	3,838	6,821	3,684	5,822	77.7%	58.0%
Dividend income	202	476	297	203	135.6%	(31.6%)



(SAR'000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Restated)	(Audited)	(Unaudited)	(Unaudited)	2022G– 2023G	2023G - 2024G
Investment return	(925)	16,002	8,783	6,255	(1829.9%)	(28.8%)
Net finance expenses from insurance contracts	(1,321)	(7,886)	(6,896)	(809)	497.0%	(88.3%)
Net financing income from reinsurance contracts	1,018	3,379	3,024	512	231.9%	(83.1%)
Net insurance finance expense	(303)	(4,507)	(3,872)	(297)	1387.5%	(92.3%)
Net insurance and investment result	(84,527)	15,224	3,499	(5,390)	(118.0%)	(254.0%)
Other income	0	4,918	0	0	n/a	n/a
Operating expenses	(17,472)	(13,823)	(4,616)	(5,004)	(20.9%)	8.4%
Net (loss) / profit for the year/ period before Zakat	(101,999)	6,319	(1,117)	(10,394)	(106.2%)	830.5%
Zakat	(4,018)	(2,787)	(1,800)	(3,017)	(30.6%)	67.6%
Net (loss) / profit for the year/ period	(106,017)	3,532	(2,917)	(13,411)	(103.3%)	359.8%
(Loss) / profit per share (in SAR per share) – restated	(2.12)	0.07	(0.10)	(0.45)	(96.7%)	350.0%
Other comprehensive (loss) / profit:						
Items that will not be reclassified to statement of income in subsequent years						
Net changes in fair value of investment measured at FVOCI – equity	2,671	3,759	0	0	40.7%	n/a
Remeasurement (loss) / gain on defined benefit obligations	933	(552)	0	0	(159.2%)	n/a
Total comprehensive profit / (Loss) For the year / period attributable to the shareholders	(102,413)	6,739	(2,917)	(13,411)	(106.6%)	359.8%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

The following table presents key performance indicators for the two financial years ended 31 December 2022G and 31 December 2023G and the six-month period ended 30 June 2024G, and comparative figures for the six-month period ended 30 June 2023G.

Table 4.14: Key Performance Indicators

Indicator	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G
Total insurance service result as a percentage of insurance revenue	(26.4%)	1.2%	(0.9%)	(5.9%)
Reinsurance recovery ratio	(23.8%)	(32.7%)	(44.9%)	(24.9%)
Acquisition costs ratio	13.3%	13.5%	16.4%	12.1%
Combined ratio	141.7%	117.2%	133.4%	105.9%

Source: Management information



Insurance Revenue

The motor Line of Business (“LoB”) is the Company’s main business segment and has contributed to 65.9% and 70.3% of total insurance revenues during the financial years 2022G and 2023G, respectively, and 71.8% and 77.4% of total insurance revenues during the six-month periods ended 30 June 2023G and 30 June 2024G, respectively.

Insurance revenues remained stable at SAR 315.6 million in the financial years 2022G and 2023G.

Total insurance revenues increased by 18.0% from SAR 163.5 million in the six-month period ended 30 June 2023G to SAR 192.9 million in the six-month period ended 30 June 2024G, driven by:

- increase in insurance revenues from the motor LoB by 27.3% from SAR 117.3 million in the six-month period ended 30 June 2023G to SAR 149.4 million in the six-month period ended 30 June 2024G as a result of the increase in gross written premiums of the motor LoB from SAR 97.6 million in the six-month period ended 30 June 2023G to SAR 208.7 million in the six-month period ended 30 June 2024G, mainly driven by the growth in sales of third party liability motor insurance policies underwritten through online aggregators in the six-month period ended 30 June 2024G.
- increase in insurance revenues from the medical LoB by 8.1% from SAR 19.7 million in the six-month period ended 30 June 2023G to SAR 21.3 million in the six-month period ended 30 June 2024G as a result of the increase in gross written premiums from the medical LoB from SAR 11.5 million in the six-month period ended 30 June 2023G to SAR 19.4 million in the six-month period ended 30 June 2024G, driven mainly by growth in sales of micro and small enterprise policies during the same period, partially offset by
- decrease in insurance revenues from other LoBs by 16.0% from SAR 26.4 million in the six-month period ended 30 June 2023G to SAR 22.2 million in the six-month period ended 30 June 2024G despite the slight increase in gross written premiums from the other LoBs from SAR 31.3 million in the six-month period ended 30 June 2023G to SAR 32.7 million in the six-month period ended 30 June 2024G, as a result of the increase in the change in unearned insurance premiums from SAR (4.6) million in the six-month period ended 30 June 2023G to SAR (10.1) million in the six-month period ended 30 June 2024G.

Insurance service expenses

Insurance service expenses decreased by 23.5% from SAR 373.2 million in 2022G to SAR 285.3 million in 2023G as a result of a decrease in total incurred claims. This is mainly attributable to a decrease in paid claims in the motor and medical LoBs.

Insurance service expenses increased by 16.8% from SAR 161.1 million in the six-month period ended 30 June 2023G to SAR 188.1 million in the six-month period ended 30 June 2024G as a result of an increase in total incurred claims and an increase in the acquisition costs of insurance policies in line with the overall increase in the gross written premiums of the motor LoB.

Net expenses from reinsurance contracts

In 2023G, net expenses from reinsurance contracts decreased by 21.7% to SAR 38.8 million from SAR 49.6 million in 2022G, mainly driven by the decrease in the reinsurers’ share of net earned premiums by 8.0% primarily due to the decrease in the net expenses from reinsurance contracts in the motor LoB from SAR 10.1 million in 2022G to SAR 2.8 million in 2023G. Further, net expenses from reinsurance contracts in the medical LoB decreased from SAR 5.2 million to SAR 1.2 million in the same period.

There is no material change in the net expenses from reinsurance contracts in the six-month period ended 30 June 2024G as compared with the six-month period ended 30 June 2023G.

Share of surplus from insurance pools

Share of surplus from insurance pools represents the Company’s share in the surplus for general accident product arising from the Umrah & Hajj scheme in addition to the Company’s share of surplus for the Travel and Covid-19 product.

The Company, along with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with Company for Cooperative Insurance (“Tawuniya”) effective from 01/01/2020G corresponding to 06/05/1441H. The compulsory hajj/ umrah product is offered by the ministry and approved by SAMA for insurance of pilgrims coming from outside the Kingdom of Saudi Arabia with exception to the citizens of Gulf Cooperation Council states. This covers accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform hajj / umrah. The agreement term is 4 years starting from 01/01/2020G corresponding to 06/05/1441H and it is renewable for another four years subject to the terms and conditions of the agreement. The agreement will not be renewed in 2024G as the above arrangement was discontinued.



On 04/06/2021G corresponding to 08/24/1442H, the Company signed along with 12 other insurance companies (collectively referred to as the “participating insurance companies”) signed the Travel and Covid-19 product agreement relating to compulsory travel insurance in addition to coverage related to Covid-19, which is effective from 04/06/2021G corresponding to 08/24/1442H. The agreement relates to insurance of Saudi citizens traveling abroad. The agreement is for two years and automatically renewable for similar period or periods subject to the terms and conditions of the agreement. The main terms of the Travel and Covid-19 product agreement are the following: :

- Tawuniya receives 2.5% of the total Travel and Covid-19 premiums written as management fee;
- Tawuniya distributes the net surplus after deducting all expenses to the participating insurance companies in accordance with the regulations and circulars issued by SAMA in this regard. The surplus distributable to Tawuniya Insurance and other participating insurance companies is in proportion of the participation in the Travel and Covid-19 product.

This agreement was not renewed in 2023G as the abovementioned arrangement was suspended in the fourth quarter of FY22G.

This co-insurance arrangements, in which the Company is a participant, are insurance contracts as defined in IFRS 17, and the Company has accordingly applied the recognition and measurement principles of IFRS 17. Given the bespoke nature of the arrangements and given that the rights and obligations from the arrangements are managed and settled on a net basis, the Company has accordingly presented the results from the arrangement on a net basis in insurance service results as a separate line item on the statement of comprehensive income.

The Company’s share of income from the Hajj and Umrah program amounted to SAR 14.5 million and SAR 12.2 million in 2022G and 2023G, respectively. The Company’s share of the surplus from the Travel and Covid-19 product amounted to SAR 8.8 million in the 2022G.

Total insurance service results

The Company recorded an income from insurance services of SAR 3.7 million in 2023G compared to a loss of SAR 83.3 million in 2022G, mainly driven by a decrease in the loss from the motor LoB from SAR 81.3 million in 2022G to SAR 3.8 million in 2023G. In addition, the medical LoB recorded an income from insurance services of SAR 2.1 million in 2023G compared to a loss of SAR 19.3 million in 2022G.

In the six-month period ended 30 June 2024G, the loss from insurance services increased to SAR 11.3 million from SAR 1.4 million in the six-month period ended 30 June 2023G, mainly driven by a decrease in income from the medical LoB from SAR 5.3 million in the six-month period ended 30 June 2023G to a loss of SAR 5.7 million in the six-month period ended 30 June 2024G, in addition to a decrease in the share of surplus from insurance pools from SAR 13.2 million in the six-month period ended 30 June 2023G to SAR 1.4 million in the six-month period ended 30 June 2024G.

Net gains / (loss) from investments measured at fair value through profit or loss

Net gains / (loss) from investments measured at fair value through profit or loss increased by 275.3% from SAR (5.0) million in 2022G to SAR 8.7 million in 2023G, as the unrealized gains from the Company’s mutual funds increased by SAR 9.7 million in 2023G compared to 2022G.

In the six-month period ended 30 June 2024G, net unrealized gains on investments measured at fair value through profit or loss decreased by 95.2% from SAR 4.8 million in the six-month period ended 30 June 2023G to SAR 0.2 million, primarily driven by a decrease in the Company’s unrealized gains from mutual funds during the same period.

Commission income on financial asset not measured at fair value through profit or loss and Murabaha

Commission income on financial asset not measured at fair value through profit or loss and Murabaha increased by 77.7% from SAR 3.8 million in 2022G to SAR 6.8 million in 2023G, in line with the increase in the balance of Murabaha deposits from SAR 140.2 million as at 31 December 2022G to SAR 152.9 million as at 31 December 2023G and the increase in the interest rate of these deposits from a range of 2.95% to 5.4% per annum during 2022G to a range of 5.4% to 6.1% per annum during 2023G.

Commission income on financial asset not measured at fair value through profit or loss increased by 58.0% from SAR 3.7 million in the six-month period ended 30 June 2023G to SAR 5.8 million in the six-month period ended 30 June 2024G in line with the increase in Murabaha deposits balance from SAR 152.9 million as at 31 December 2023G to SAR 234.3 million as at 30 June 2024G.



Dividend income

Dividend income increased from SAR 0.2 million in the financial year 2022G to SAR 0.5 million in the financial year 2023G.

Dividend income decreased from SAR 0.3 million in the six-month period ended 30 June 2023G to SAR 0.2 million in the six-month period ended 30 June 2024G.

Net insurance finance expenses

Net insurance finance expenses and income are calculated based on the recommendation of the actuarial expert.

The Company incurred a net insurance finance expenses of SAR 0.3 million in 2022G, which increased to SAR 4.5 million in 2023G, with the medical LoB accounting for 52.6% of the total net insurance finance expenses in 2023G.

In the six-month period ended 30 June 2023G, the net insurance finance expenses amounted to SAR 3.9 million, with the medical LoB accounting for 53.5% of the total net insurance finance expenses in the same period. Net insurance finance expenses decreased to SAR 0.3 million in the six-month period ended 30 June 2024G from SAR 3.9 million in the six-month period ended 30 June 2023G, based on the recommendation of the actuarial expert.

Other income

In 2023G, the management transferred surplus distribution in the amount of SAR 4.9 million aged more than 2015G to “Other income” as per Article 4 of the “Surplus distribution policy” issued by SAMA.

Other operating expenses

Other operating expenses presented in the income statement represent expenses that are non-attributable, which are administrative expenses in nature not related to insurance contracts. As for the attributable operating expenses, those have been analyzed as part of the insurance service expenses.

Other operating expenses decreased by 20.9% from SAR 17.5 million in 2022G to SAR 13.8 million in 2023G. This decrease is mainly due to:

- A decrease in marketing and other expenses by 62.9% from SAR 2.3 million in 2022G to SAR 0.8 million in 2023G in line with the cost saving initiative launched by the new Company leadership;
- A decrease in professional services expenses by 29.6% from SAR 2.9 million in 2022G to SAR 2.0 million in 2023G as the Company incurred consulting related expenses in 2022G in relation to the implementation of IFRS 17;
- A decrease in other expenses by 68.6% from SAR 3.2 million in 2022G to SAR 1.0 million in 2023G;
- A decrease in value added tax paid from SAR 1.3 million in 2022G to nil in 2023G; partially offset by
- An increase in the provision for bonus from nil in 2022G to SAR 2.3 million in 2023G as a result of the overall improvement in the Company’s performance during 2023G.

Other operating expenses increased by 8.4% from SAR 4.6 million in the six-month period ended 30 June 2023G to SAR 5.0 million in the six-month period ended 30 June 2024G, mainly driven by:

- an increase in board of directors’ remuneration from SAR 0.7 million in the six-month period ended 30 June 2023G to SAR 1.4 million in the six-month period ended 30 June 2024G;
- an increase in professional services expenses from SAR 1.2 million in the six-month period ended 30 June 2023G to SAR 1.7 million in the six-month period ended 30 June 2024G;
- This increase was offset by a decrease in salaries and other benefits from SAR 2.3 million in the six-month period ended 30 June 2023G to SAR 1.5 million in the six-month period ended 30 June 2024G, due to a reduction of employee headcount.



Zakat

The Company has filed its zakat assessment returns for the years 31 December 2016G, 2017G, 2018G, 2019G, 2020G, 2021G, 2022G and 2023G and obtained the relevant Zakat certificates.

The Company finalized its Zakat and withholding tax status for the financial years from 2010G to 2015G.

The Authority issued Zakat assessments for the financial years ended 31 December 2016G to 2018G and claimed additional Zakat and withholding tax liabilities (excluding delay fines) of SAR 15.39 million. The Company settled SAR 1.8 million related to Zakat differences and objected against the remaining withholding tax differences.

ZATCA issued the revised assessment claiming the same withholding tax differences of SAR 13.57 million. The Company escalated the aforementioned objection to the Committee for Resolution of Tax Violations and Disputes (“CRTVD”) through the General Secretariat of Zakat Tax and Custom Committees (“GSTC”). Accordingly, the hearing session was held on 29/08/2022G corresponding to 02/02/1444H. However, the committee rejected the objection in full. Accordingly, the Company escalated the case to the Appellate Committee for Resolution of Tax Violations and Disputes (“ACRTVD”). In November 2022G, the Company settled the principal withholding tax amounting to SAR 13.57 million to benefit from ZATCA’s initiative. Hence, all the delay fines have been waived by ZATCA in relation to 2016G to 2018G.

The Company successfully convinced the ACRTVD to accept its point of view regarding the items mentioned in the appeal. On 31/10/2023G corresponding to 16/04/1445H, the ACRTVD issued its final decision ruling in favor of the Company, and accordingly, the Company recovered the original amount paid for withholding tax amounting to SAR 13.57 million.

ZATCA issued Zakat assessment for the two financial years ended 31 December 2019G and 2020G and claimed an additional Zakat liability of SAR 1.39 million. The Company objected against the full assessment. ZATCA issued the revised assessment claiming the same Zakat differences. The Company escalated the aforementioned objection to the CRTVD through the GSTC and the committee accepted only the Deferred policy acquisition cost and the revised zakat liability is SR 0.92 million. Accordingly, the Company escalated the case to the ACRTVD. On 23/11/2023G corresponding to 09/05/1445H, the ACRTVD has ruled its final decision in favour of ZATCA and rejected the Deferred Policy Acquisition Cost. Based on that, the Company had to pay Zakat due subject to the decision amounting to SAR 0.62 million for 2019G. The amount was adjusted against the credit balance with ZATCA. With regards to tax year 2020G, ACRTVD has ruled its final decision almost in favour of ZATCA with partial investment acceptance and rejecting Surplus Distribution Payable, Deferred Policy Acquisition Cost and Accumulated Losses. Therefore, the Company is required to settle the Zakat due as per the decision amounting to SR 0.2 million.

ZATCA has issued zakat assessments for the financial years ended 31 December 2021G and 2022G and has claimed additional Zakat liability of SAR 0.58 million and SAR 0.91 million, respectively. The Company is under an obligation process at the ZATCA level.

Net changes in fair value of investment measured at fair value through other comprehensive income – equity

Financial assets at fair value through other comprehensive income represent the Company’s 3.45% holding in Najm Insurance Services Company, a Saudi closed joint stock company as at 31 December 2022G, 31 December 2023G and 30 June 2024G. These shares are un-quoted and are carried at fair value. The Company determined the fair value of its investment in Najm, which was previously carried at an initial cost of SAR 1.9 million as at 31 December 2022G, but was adjusted as per the implementation of IFRS 9 to SAR 37 million as at 1 January 2022G and SAR 39.7 million as at 31 December 2022G. As such, the adjustments required to raise the carrying value of this investment to its fair value, in accordance with IFRS 9, were recorded in the opening equity balance as at 1 January 2022G.

Net comprehensive profit / (loss) for the year / period attributable to the shareholders

The Company recorded a total comprehensive loss attributable to shareholders of SAR 102.4 million in 2022G, mainly due to the Company recording a loss resulting from insurance services from the Company’s directly written business in the motor LoB, amounting to SAR 81.3 million in 2022G, in addition to a loss resulting from insurance services from the Company’s directly written business in the medical LoB, amounting to SAR 24.2 million in 2022G.

In 2023G, the Company recorded a comprehensive income attributable to shareholders of SAR 6.7 million, with income from insurance services amounting to SAR 3.7 million. The Company also recorded a net investment return of SAR 16.0 million in 2023G, partially offset by a net insurance financing expense of SAR 4.5 million in 2023G.



The Company recorded a total comprehensive loss attributable to shareholders of SAR 2.9 million in the six-month period ended 30 June 2023G, mainly due to the Company recording a loss from insurance services of SAR 1.4 million.

The Company recorded a total comprehensive loss attributable to shareholders of SAR 13.4 million in the six-month period ended 30 June 2024G, mainly due to the Company recording a loss from insurance services from the Company's directly written business in the motor LoB of SAR 9.3 million and in the medical LoB of SAR 6.2 million, partially offset by income from insurance services from the Company's directly written business in the other LoBs of SAR 2.8 million during the same period.

4.7.1 Segmental information

The following table demonstrates segmental information for the financial year ended 31 December 2022G:

Table 4.15: Segmental information for the financial year ended 31 December 2022G (Restated)

(SAR'000)	Medical	Motor	Others	Total
Insurance revenue	50,517	208,027	57,142	315,686
Insurance service expenses	(69,541)	(279,796)	(23,833)	(373,170)
Net expenses from reinsurance contracts	(5,160)	(10,050)	(34,383)	(49,593)
Insurance service result from Company's directly written business	(24,184)	(81,819)	(1,074)	(107,077)
Share of surplus from insurance pools				23,778
Total insurance service results				(83,299)
Net losses of investments measured at fair value through profit or loss				(4,965)
Commission income on financial asset not measured at fair value through profit or loss and Murabaha				3,838
Dividend income				202
Net investment return				(925)
Net finance (expenses) / income from insurance contracts	(191)	(1,238)	108	(1,321)
Net Finance income from reinsurance contracts	41	820	157	1,018
Net insurance finance (expense) / income	(150)	(418)	265	(303)
Net insurance and investment result				(84,527)
Other income				0
Other operating expenses				(17,472)
Net loss for the year attributable to the shareholders before Zakat				(101,999)
Zakat				(4,018)
Net loss for the year attributable to the shareholders				(106,017)

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.



In 2022G, the motor LoBs comprised the majority of the Company's portfolio. Total insurance revenue amounted to SAR 315.7 million, of which the motor LoB was the largest contributor at 65.9% followed by the medical LoB at 16.0% and the other LoBs (which include accident & liability, marine, property and engineering LoBs) at 18.1%. The Company recorded a loss from insurance services from the Company's directly written business in the motor LoB amounting to SAR 81.8 million, and in the medical LoB amounting to SAR 24.2 million, and in the other LoBs amounting to SAR 1.1 million in 2022G.

The following table demonstrates segmental information for the financial year ended 31 December 2023G:

Table 4.16: Segmental information for the financial year ended 31 December 2023G (audited)

(SAR'000)	Medical	Motor	Others	Total
Insurance revenue	39,982	222,046	53,618	315,646
Insurance service expenses	(41,723)	(223,147)	(20,477)	(285,347)
Net expenses from reinsurance contracts	(1,179)	(2,789)	(34,860)	(38,828)
Insurance service result from Company's directly written business	(2,920)	(3,890)	(1,719)	(8,529)
Share of surplus from insurance pools				12,258
Total insurance service results				3,729
Net gains on investments measured at fair value through profit or loss				8,705
Commission income on financial asset not measured at fair value through profit or loss and Murabaha				6,821
Dividend income				476
Net investment return				16,002
Net finance expenses from insurance contracts	(2,610)	(850)	(4,426)	(7,886)
Net finance income from reinsurance contracts	241	216	2,922	3,379
Net insurance finance expense	(2,369)	(634)	(1,504)	(4,507)
Net insurance and investment result				15,224
Other income				4,918
Other operating expenses				(13,823)
Net loss for the year attributable to the shareholders before Zakat				6,319
Zakat				(2,787)
Net loss for the year attributable to the shareholders				3,532

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.



In 2023G, the motor LoB comprised the majority of the Company's portfolio. Total insurance revenue amounted to SAR 315.6 million, of which the motor LoB was the largest contributor at 70.3% followed by the medical LoB at 12.7% and the other LoBs (which include accident & liability, marine, property and engineering LoBs) at 17.0%. The Company recorded a loss from insurance services from the Company's directly written business in all segments with the loss from the motor LoB amounting to SAR 3.9 million, and from the medical LoB amounting to SAR 2.9 million, and from the other LoBs amounting to SAR 1.7 million in 2023G.

The following table demonstrates segmental information for the six-month period ended 30 June 2023G:

Table 4.17: Segmental information for the six-month period ended 30 June 2023G (unaudited)

(SAR'000)	Medical	Motor	Others	Total
Insurance revenue	19,725	117,321	26,408	163,454
Insurance service expenses	(15,281)	(133,043)	(12,741)	(161,065)
Net expenses from reinsurance contracts	(2,851)	(751)	(13,399)	(17,001)
Insurance service result from Company's directly written business	1,593	(16,473)	268	(14,612)
Share of surplus from insurance pools				13,200
Total insurance service results				(1,412)
Net gain of investments measured at fair value through profit or loss				4,802
Commission income on financial asset not measured at fair value through profit or loss and Murabaha				3,684
Dividend income				297
Net investment return				8,783
Net finance expenses from insurance contracts	(2,290)	(762)	(3,844)	(6,896)
Net finance income from reinsurance contracts	220	219	2,585	3,024
Net insurance finance expense	(2,070)	(543)	(1,259)	(3,872)
Net insurance and investment result				(4,616)
Other income				(1,117)
Other operating expenses				(1,800)
Net loss for the period				(2,917)

Source: Audited interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.



In the six-month period ended 30 June 2023G, the motor LoB constituted the majority of the Company's portfolio. Total insurance revenue amounted to SAR 163.5 million, of which the motor LoB was the largest contributor at 71.8% followed by the other LoBs (which include accident & liability, marine, property and engineering LoBs) at 16.2% and the medical LoB at 12.1%. The Company incurred losses from insurance services from the Company's directly written business in the motor LoB amounting to SAR 16.5 million. On the other hand, the Company recorded income from insurance services from the Company's directly written businesses in each of the medical and other LoBs amounting to SAR 1.6 million and SAR 0.3 million, respectively in the same period.

The following table demonstrates segmental information for the six-month period ended 30 June 2024G:

Table 4.18: Segmental information for the six-month period ended 30 June 2024G (unaudited)

(SAR'000)	Medical	Motor	Others	Total
Insurance Revenue	21,324	149,391	22,180	192,895
Insurance service expenses	(25,350)	(156,314)	(6,456)	(188,120)
Net expenses from reinsurance contracts	(2,144)	(2,401)	(12,941)	(17,486)
Insurance service result from Company's directly written business	(6,170)	(9,324)	2,783	(12,711)
Share of surplus from insurance pools				1,363
Total insurance service results				(11,348)
Net gain of investments measured at fair value through profit or loss				230
Commission income on financial asset not measured at fair value through profit or loss and Murabaha				5,822
Dividend income				203
Net investment return				6,255
Net finance income / (expenses) from insurance contracts	57	(534)	(332)	(809)
Net finance income from reinsurance contracts	28	151	333	512
Net insurance finance income / (expense)	85	(383)	1	(297)
Net insurance and investment result				(5,004)
Net loss for the period attributable to the shareholders before Zakat				(10,394)
Zakat				(3,017)
Net loss for the period				(13,411)

Source: Audited interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

In the six-month period ended 30 June 2024G, the motor LoB constituted the majority of the Company's portfolio. Total insurance revenue amounted to SAR 192.9 million, of which the motor LoB was the largest contributor at 77.4% followed by the other LoBs (which include accident & liability, marine, property and engineering LoBs) at 11.5%, then the medical LoB at 11.1%. The Company recorded a loss from insurance services from the Company's directly written business in the motor LoB amounting to SAR 9.3 million and in the medical LoB amounting to SAR 6.2 million. On the other hand, the Company recorded income from insurance services from the Company's directly written business in the other LoBs amounting to SAR 2.8 million in the same period.



4.7.2 Insurance Revenue

The following table presents insurance revenues for the two financial years ended 31 December 2022G and 31 December 2023G and the six-month period ended 30 June 2024G, and comparative figures for the six-month period ended 30 June 2023G:

Table 4.19: Total Insurance Revenue

Insurance Type (SAR'000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Restated)	(Audited)	(Unaudited)	(Unaudited)	2022G - 2023G	2023G - 2024G
Total Insurance Revenue						
Medical LoB	50,517	39,982	19,725	21,324	(20.9%)	8.1%
Motor LoB	208,027	222,046	117,321	149,391	6.7%	27.3%
Other LoBs	57,142	53,618	26,408	22,180	(6.2%)	(16.0%)
Total Insurance Revenue	315,686	315,646	163,454	192,895	(0.0%)	18.0%
% from Total						
Medical LoB	16.0%	12.7%	12.1%	11.1%		
Motor LoB	65.9%	70.3%	71.8%	77.4%		
Other LoBs	18.1%	17.0%	16.2%	11.5%		
Total	100.0%	100.0%	100.0%	100.0%		

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

The motor LoB accounted for 65.9% and 70.3% of total insurance revenue in the financial years 2022G and 2023G, respectively, followed by other LoBs, which contributed 18.1% and 17.0% of total insurance revenue, respectively, during the same period.

The motor LoB accounted for 71.8% and 77.4% of total insurance revenue in the six-month period ended 30 June 2023G and the six-month period ended 30 June 2024G, respectively, followed by other LoBs, which contributed 16.2% and 11.5% of total insurance revenue, respectively, during the same period.

Medical LoB

In 2023G, total medical insurance revenue decreased by 20.9% to SAR 40.0 million from SAR 50.5 million in 2022G. This decline was driven by the Company's loss of some corporate clients to competitors who offered lower prices, and the Company's decision not to renew the policies of a number of loss-making clients, in line with the actuarial expert's recommendations. Total gross written premiums in the medical LoB amounted to SAR 60.0 million and SAR 42.7 million in 2022G and 2023G, respectively.

In the six-month period ended 30 June 2024G, total insurance revenue from the medical LoB increased by 8.1% to SAR 21.3 million from SAR 19.7 million in the six-month period ended 30 June 2023G, driven by an increase in gross written premiums of the medical LoB from SAR 11.5 million in the six-month period ended 30 June 2023G to SAR 19.4 million in the six-month period ended 30 June 2024G.

Motor LoB

Total insurance revenue from the motor LoB increased by 6.7% from SAR 208.0 million in 2022G to SAR 222.0 million in 2023G. This is mainly attributable to an increase in the sales of third-party liability motor insurance policies written through online aggregators in 2023G, which was partially offset by a decline in sales of corporate motor insurance policies.

Total insurance revenue from the motor LoB increased by 27.3% from SAR 117.3 million in the six-month period ended 30 June 2023G to SAR 149.4 million in the six-month period ended 30 June 2024G as a result of the continued increase in sales of third-party liability motor insurance policies written through online aggregators.



Other LoBs

Total insurance revenue from other LoBs decreased by 6.2% from SAR 57.1 million in 2022G to SAR 53.6 million in 2023G as a result of the Company's loss of a major client with total gross written premiums for property insurance of SAR 5.3 million and marine insurance of SAR 2.7 million in 2022G to competition.

Insurance revenue from other LoBs decreased by 16.0% from SAR 26.4 million in the six-month period ended 30 June 2023G to SAR 22.2 million in the six-month period ended 30 June 2024G despite the slight increase in gross written premiums of other LoBs from SAR 31.3 million in the six-month period ended 30 June 2023G to SAR 32.7 million in the six-month period ended 30 June 2024G, as a result of an increase in the change in unearned premiums from SAR (4.6) million in the six-month period ended 30 June 2023G to SAR (10.1) million in the six-month period ended 30 June 2024G.

4.7.3 Insurance Service Expenses

The following table presents insurance service expenses for the two financial years ended 31 December 2022G and 31 December 2023G and the six-month period ended 30 June 2024G, and comparative figures for the six-month period ended 30 June 2023G:

Table 4.20: Insurance Service Expenses

Insurance Type (SAR'000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Restated)	(Audited)	(Unaudited)	(Unaudited)	2022G - 2023G	2023G - 2024G
Medical LoB	(64,475)	(28,122)	(30,681)	(22,873)	(56.4%)	(25.4%)
Motor LoB	(239,884)	(137,774)	(76,850)	(78,976)	(42.6%)	2.8%
Other LoBs	(26,380)	(24,716)	(22,398)	(6,188)	(6.3%)	(72.4%)
Incurred claims and other directly attributable expenses	(330,739)	(190,612)	(129,929)	(108,037)	(42.4%)	(16.8%)
Medical LoB	(1,902)	(8,461)	14,212	(2,760)	344.8%	(119.4%)
Motor LoB	(4,459)	(67,470)	(47,763)	(51,371)	1413.1%	7.6%
Other LoBs	10,750	10,530	12,929	3,323	(2.0%)	(74.3%)
Changes that relate to past service - adjustments to the LIC	4,389	(65,401)	(20,622)	(50,808)	(1590.1%)	146.4%
Medical LoB	328	(2,021)	2,540	2,278	(716.2%)	(10.3%)
Motor LoB	2,584	17,448	9,989	0	575.2%	(100.0%)
Other LoBs	0	0	0	0	n/a	n/a
Losses on onerous contracts and reversal of the losses	2,912	15,427	12,529	2,278	429.8%	(81.8%)
Medical LoB	(3,492)	(3,119)	(1,352)	(1,995)	(10.7%)	47.6%
Motor LoB	(38,037)	(35,351)	(18,419)	(25,967)	(7.1%)	41.0%
Other LoBs	(8,203)	(6,291)	(3,272)	(3,591)	(23.3%)	9.7%
Insurance acquisition cash flows amortisation	(49,732)	(44,761)	(23,043)	(31,553)	(10.0%)	36.9%
Medical LoB	(69,541)	(41,723)	(15,281)	(25,350)	(40.0%)	65.9%
Motor LoB	(279,796)	(223,147)	(133,043)	(156,314)	(20.2%)	17.5%
Other LoBs	(23,833)	(20,477)	(12,741)	(6,456)	(14.1%)	(49.3%)
Total insurance service expenses	(373,170)	(285,347)	(161,065)	(188,120)	(23.5%)	16.8%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.



The motor LoB represented 75.0% and 78.2% of total insurance service expenses in the financial years 2022G and 2023G respectively. This is followed by the medical LoB that contributed to 18.6% and 14.6% of total insurance service expenses, respectively, over the same period.

Motor LoB represented 82.6% and 83.1% of total insurance service expenses in the six-month period ended 30 June 2023G and 30 June 2024G, respectively. This is followed by the medical LoB that contributed to 9.5% and 13.5% of total insurance service expenses, respectively, over the same period.

Medical LoB

Total medical insurance service expenses decreased by 40.0% from SAR 69.5 million in 2022G to SAR 41.7 million in 2023G, due to a 56.4% decrease in incurred claims and other directly attributable expenses from SAR 64.5 million in 2022G to SAR 28.1 million in 2023G, mainly driven by lower insurance revenue from the medical LoB during 2023G.

Total insurance service expenses increased by 65.9% from SAR 15.3 million in the six-month period ended 30 June 2023G to SAR 25.4 million in the six-month period ended 30 June 2024G, driven by the changes relating to the past service recorded as per the recommendation of the actuarial expert.

Motor LoB

Total motor LoB insurance service expenses decreased by 20.2% from SAR 279.8 million in 2022G to SAR 223.2 million in 2023G, mainly due to a decrease in incurred claims and other directly attributable expenses by 42.6% from SAR 239.9 million in 2022G to SAR 137.8 million in 2023G, driven by a decrease in the volume of claims from the motor LoB during 2023G.

Total motor LoB insurance service expenses increased by 17.5% from SAR 133.0 million in the six-month period ended 30 June 2023G to SAR 156.3 million in the six-month period ended 30 June 2024G, mainly due to an increase in the utilization of cashflows to acquire insurance contracts in the motor LoB by 41.0% from SAR 18.4 million in the six-month period ended 30 June 2023G to SAR 26.0 million in the six-month period ended 30 June 2024G, and an increase in changes that relate to past service in the motor LoB by 7.6% from SAR 47.8 million in the six-month period ended 30 June 2023G to SAR 51.4 million in the six-month period ended 30 June 2024G as a result of growth in business in the motor LoB.

Other LoBs

In 2023G, total incurred insurance service expenses in other LoBs decreased by 14.1% to SAR 20.5 million from SAR 23.8 million in 2022G due to a decrease in incurred claims and other directly attributable expenses by 6.3% from SAR 26.4 million in 2022G to SAR 24.7 million in 2023G and a decrease in the utilization of cashflows to acquire insurance contracts in other LoBs by 23.3% from SAR 8.2 million in 2022G to SAR 6.3 million in 2023G.

In the six-month period ended 30 June 2024G, total insurance service expenses for other LoBs decreased by 49.3% to SAR 6.5 million from SAR 12.7 million in the six-month period ended 30 June 2023G as a result of a decrease in incurred claims in the accident, liability and engineering LoBs due to the absence of material claims during the same period.



4.7.4 Net Expenses from reinsurance contracts held

The following table presents net expenses from reinsurance contracts held for the two financial years ended 31 December 2022G and 31 December 2023G and the six-month period ended 30 June 2024G, and comparative figures for the six-month period ended 30 June 2023G:

Table 4.21: Net expenses from reinsurance contracts held

Insurance Type (SAR'000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Restated)	(Audited)	(Unaudited)	(Unaudited)	2022G - 2023G	2023G - 2024G
Medical LoB	(776)	6,066	3,041	496	(881.7%)	(83.7%)
Motor LoB	32,082	14,101	4,356	9	(56.0%)	(99.8%)
Other LoBs	16,436	17,235	8,574	620	4.9%	(92.8%)
Claims recovered	47,742	37,402	15,971	1,125	(21.7%)	(93.0%)
Medical LoB	(8,492)	(3,572)	(1,827)	(2,337)	(57.9%)	27.9%
Motor LoB	(24,197)	(24,795)	(13,253)	(9,710)	2.5%	(26.7%)
Other LoBs	(35,675)	(35,645)	(17,792)	(11,522)	(0.1%)	(35.2%)
Reinsurance premiums ceded	(68,364)	(64,012)	(32,872)	(23,569)	(6.4%)	(28.3%)
Medical LoB	595	592	(241)	(834)	(0.5%)	246.1%
Motor LoB	(986)	(2,262)	(1,366)	0	129.4%	(100.0%)
Other LoBs	0	0	0	0	n/a	n/a
Movement in loss recovery component adjustment to reinsurance	(391)	(1,670)	(1,607)	(834)	327.1%	(48.1%)
Medical LoB	3,513	(4,265)	(3,824)	531	(221.4%)	(113.9%)
Motor LoB	(16,949)	10,167	9,512	7,300	(160.0%)	(23.3%)
Other LoBs	(15,144)	(16,450)	(4,181)	(2,039)	8.6%	(51.2%)
Changes that relate to past service - adjustments to incurred claims	(28,580)	(10,548)	1,507	5,792	(63.1%)	284.3%
Medical LoB	(5,160)	(1,179)	(2,851)	(2,144)	(77.2%)	(24.8%)
Motor LoB	(10,050)	(2,789)	(751)	(2,401)	(72.2%)	219.7%
Other LoBs	(34,383)	(34,860)	(13,399)	(12,941)	1.4%	(3.4%)
Net expenses from reinsurance contracts held	(49,593)	(38,828)	(17,001)	(17,486)	(21.7%)	2.9%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

In 2023G, net expenses from reinsurance contracts held decreased by 21.7% to SAR 38.8 million from SAR 49.6 million in 2022G mainly driven by the decrease in the net expenses from reinsurance contracts held in the motor LoB from SAR 10.1 million in 2022G to SAR 2.8 million in 2023G. Further, net expenses from reinsurance contracts held in the medical LoB decreased from SAR 5.2 million in 2022G to SAR 1.2 million in 2023G.

There is no material change in the net expenses from reinsurance contracts held in the six-month period ended 30 June 2024G in comparison with the six-month period ended 30 June 2023G.



4.7.5 Net investment return

The following table presents net investment return for the two financial years ended 31 December 2022G and 31 December 2023G and the six-month period ended 30 June 2024G, and comparative figures for the six-month period ended 30 June 2023G:

Table 4.22: Net investment return

Insurance Type (SAR'000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	2022G - 2023G	2023G - 2024G
Net (losses) / gains on investments measured at fair value through profit or loss	(4,965)	8,705	4,802	230	(275.3%)	(95.2%)
Commission income on financial asset not measured at fair value through profit or loss and Murabaha	3,838	6,821	3,684	5,822	77.7%	58.0%
Dividend income	202	476	297	203	135.6%	(31.6%)
Net investment return	(925)	16,002	8,783	6,255	(1829.9%)	(28.8%)

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

In 2023G, net investment return increased to SAR 16.0 million from SAR (0.9) million in 2022G, mainly driven by

- an increase in net unrealized gain on investments held at fair value through profit or loss from SAR (5.0) million in 2022G to SAR 8.7 million in 2023G, and
- an increase in commission income on financial assets not measured at fair value through profit or loss and Murabaha from SAR 3.8 million in 2022G to SAR 6.8 million in 2023G.

In the six-month period ended 30 June 2024G, net investment return decreased by 28.8% to SAR 6.3 million from SAR 8.8 million in the six-month period ended 30 June 2023G, mainly driven by a decrease in net unrealized gain on investments held at fair value through profit or loss from SAR 4.8 million in the six-month period ended 30 June 2023G to SAR 0.2 million in the six-month period ended 30 June 2024G, partially offset by an increase in commission income on financial assets not measured at fair value through profit or loss and Murabaha from SAR 3.7 million in the six-month period ended 30 June 2023G to SAR 5.8 million in the six-month period ended 30 June 2024G.

4.7.6 Net finance (expenses)/income from insurance contracts

The following table presents net finance (expenses) / income from insurance contracts for the two financial years ended 31 December 2022G and 31 December 2023G and the six-month period ended 30 June 2024G, and comparative figures for the six-month period ended 30 June 2023G:

Table 4.23: Net finance (expenses) / income from insurance contracts

Insurance Type (SAR'000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Restated)	(Audited)	(Unaudited)	(Unaudited)	2022G– 2023G	2023G– 2024G
Medical LoB	(191)	(2,610)	(2,290)	57	1266.5%	(102.5%)
Motor LoB	(1,238)	(850)	(762)	(534)	(31.3%)	(29.9%)
Other LoBs	108	(4,426)	(3,844)	(332)	(4198.1%)	(91.4%)
Finance expense from insurance contracts issued	(1,321)	(7,886)	(6,896)	(809)	497.0%	(88.3%)
Medical LoB	41	241	220	28	487.8%	(87.3%)



Insurance Type (SAR'000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Restated)	(Audited)	(Unaudited)	(Unaudited)	2022G–2023G	2023G–2024G
Motor LoB	820	216	219	152	(73.7%)	(30.6%)
Other Lobs	157	2,922	2,585	332	1761.1%	(87.2%)
Finance income from reinsurance contracts held	1,018	3,379	3,024	512	231.9%	(83.1%)
Medical LoB	(150)	(2,369)	(2,070)	85	1479.3%	(104.1%)
Motor LoB	(418)	(634)	(543)	(382)	51.7%	(29.7%)
Other LoBs	265	(1,504)	(1,259)	0	(667.5%)	(100.0%)
Net insurance finance expense	(303)	(4,507)	(3,872)	(297)	1387.5%	(92.3%)

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

The Company incurred a net insurance finance expense of SAR 0.3 million in 2022G and SAR 4.5 million in 2023G.

In the six-month period ended 30 June 2024G, the Company incurred a net insurance finance expense of SAR 0.3 million as compared to SAR 3.9 million in the six-month period ended 30 June 2023G.

Finance expenses and income from insurance contracts are calculated based on the recommendation of the actuarial expert.

4.7.7 Other operating expenses

The following table presents other operating expenses for the two financial years ended 31 December 2022G and 31 December 2023G and the six-month period ended 30 June 2024G, and comparable figures for the six-month period ended 30 June 2023G:

Table 4.24: Other operating expenses

Insurance Type (SAR'000)	Financial year 2022G	Financial year 2023G	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	% Annual change	% Period change
	(Restated)	(Audited)	(Management)	(Management)	2022G - 2023G	2023G - 2024G
Professional services	2,867	2,017	1,203	1,723	(29.6%)	43.2%
Salaries and other benefits	5,316	5,466	2,270	1,471	2.8%	(35.2%)
Marketing and other expenses	2,270	843	396	324	(62.9%)	(18.2%)
Value added tax paid	1,297	0	0	0	(100.0%)	n/a
Board of Directors' remuneration	2,567	2,191	659	1,370	(14.6%)	107.9%
Provision for bonus	0	2,300	0	0	n/a	n/a
Others	3,205	1,006	88	116	(68.6%)	31.8%
Total	17,472	13,823	4,616	5,004	(20.9%)	8.4%

Source: Audited financial statements for the financial year ended 31 December 2023G and management information for the six-month period ended 30 June 2024G and comparable figures for the six-month period ended 30 June 2023G of Gulf General Cooperative Insurance Company.

Other operating expenses presented in the income statement represent expenses that are non-attributable, which are administrative expenses in nature not related to insurance contracts. As for the attributable operating expenses, those have been analyzed as part of the insurance service expenses.



Other operating expenses decreased by 20.9% from SAR 17.5 million in 2022G to SAR 13.8 million in 2023G. This decrease is mainly due to:

- A decrease in marketing and other expenses by 62.9% from SAR 2.3 million in 2022G to SAR 0.8 million in 2023G in line with the cost saving initiative launched by the new Company leadership;
- A decrease in professional services expenses by 29.6% from SAR 2.9 million in 2022G to SAR 2.0 million in 2023G as the Company incurred consulting related expenses in 2022G in relation to the implementation of IFRS 17;
- A decrease in other expenses by 68.6% from SAR 3.2 million in 2022G to SAR 1.0 million in 2023G;
- A decrease in value added tax paid from SAR 1.3 million in 2022G to nil in 2023G; partially offset by
- An increase in the provision for bonus from nil in 2022G to SAR 2.3 million in 2023G as a result of the overall improvement in the Company's performance during 2023G.

Other operating expenses increased by 8.4% from SAR 4.6 million in the six-month period ended 30 June 2023G to SAR 5.0 million in the six-month period ended 30 June 2024G, mainly driven by:

- an increase in board of directors' remuneration from SAR 0.7 million in the six-month period ended 30 June 2023G to SAR 1.4 million in the six-month period ended 30 June 2024G;
- an increase in professional services expenses from SAR 1.2 million in the six-month period ended 30 June 2023G to SAR 1.7 million in the six-month period ended 30 June 2024G;
- This increase was offset by a decrease in salaries and other benefits from SAR 2.3 million in the six-month period ended 30 June 2023G to SAR 1.5 million in the six-month period ended 30 June 2024G, due to a reduction of employee headcount.

4.8 Statement of Financial Position as at 31 December 2022G, 31 December 2023G and 30 June 2024G

The following table presents the summary of the financial position of the Company as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.25: Statement of Financial Position

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Total assets	481,552	490,197	520,276	1.8%	6.1%
Total liabilities	187,898	189,804	233,294	1.0%	22.9%
Total equity	293,654	300,393	286,982	2.3%	(4.5%)
Total liabilities and equity	481,552	490,197	520,276	1.8%	6.1%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Total Assets

There was no material change in total assets as at 31 December 2023G compared to 31 December 2022G, which increased by 1.8% from SAR 481.6 million as at 31 December 2022G to SAR 490.2 million as at 31 December 2023G. This was mainly due to an increase in cash and cash equivalents by 180.8% from SAR 5.2 million as at 31 December 2022G to SAR 14.5 million as at 31 December 2023G, an increase in Murabaha deposits by 9.1% from SAR 140.2 million as at 31 December 2022G to SAR 152.9 million as at 31 December 2023G, and an increase in financial assets at fair value through profit or loss by 19.4% from SAR 44.9 million as at 31 December 2022G to SAR 53.6 million as at 31 December 2023G, partially offset by a decrease in prepaid expenses and other assets by 29.4% from SAR 50.5 million as at 31 December 2022G to SAR 35.7 million as at 31 December 2023G, and a decrease in the balance of reinsurance contract assets by 21.5% from SAR 56.8 million as at 31 December 2022G to SAR 44.6 million as at 31 December 2023G.

Total assets increased by 6.1% to SAR 520.3 million as at 30 June 2024G, mainly due to an increase in the balance of Murabaha deposits by 53.2% from SAR 152.9 million as at 31 December 2023G to SAR 234.3 million as at 30 June 2024G, driven by



an increase in gross written premiums during the period, particularly in relation to retail products in the motor LoB. This was partially offset by a 40.0% decrease in the balance of the statutory deposit from SAR 75.0 million as at 31 December 2023G to SAR 45.0 million as at 30 June 2024G after the Company obtained a no-objection certificate from SAMA on 9/5/2024G corresponding to 6/10/1445H regarding the release of SAR 30 million from the statutory deposit, as a result of reducing the Company's capital from SAR 500 million as at 31 December 2023G to SAR 300 million as at 30 June 2024G, pursuant to an extraordinary meeting held on 19/3/2024G corresponding to 9/9/1445H.

Total liabilities

There was no material change in total liabilities as at 31 December 2023G compared to total liabilities as at 31 December 2022G.

Total liabilities increased by 22.9% to SAR 233.3 million as at 30 June 2024G from SAR 189.8 million as at 31 December 2023G, mainly driven by a 29.7% increase in insurance contract liabilities balance from SAR 160.8 million as at 31 December 2023G to SAR 208.5 million as at 30 June 2024G in line with the growth in the Company's business.

Total Shareholder Equity

There was not material change in total shareholder equity balance as at 31 December 2023G compared to total shareholder equity balance as at 31 December 2022G.

Total shareholders' equity decreased by 4.5% to SAR 287.0 million as at 30 June 2024G from SAR 300.4 million as at 31 December 2023G, mainly driven by losses incurred by the Company in the six-month period ended 30 June 2024G.

4.8.1 Assets

The following table presents the Company's total assets as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.26: Assets

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Assets					
Cash and cash equivalents	5,151	14,462	9,805	180.8%	(32.2%)
Murabaha deposits	140,180	152,926	234,317	9.1%	53.2%
Financial assets at fair value through profit or loss ("FVTPL")	44,867	53,572	54,643	19.4%	2.0%
Financial assets at fair value through other comprehensive income ("FVOCI")	39,703	43,462	43,462	9.5%	0.0%
Prepaid expenses and other assets	50,499	35,661	18,186	(29.4%)	(49.0%)
Reinsurance contract assets	56,793	44,583	30,994	(21.5%)	(30.5%)
Insurance contract assets	0	0	14,069	n/a	n/a
Property and equipment	15,499	13,532	12,418	(12.7%)	(8.2%)
Intangible Assets	13,453	12,113	11,374	(10.0%)	(6.1%)
Goodwill	36,260	36,260	36,260	0.0%	0.0%
Right-of-use assets	527	5,407	4,813	926.0%	(11.0%)
Statutory deposit	74,986	74,986	44,986	0.0%	(40.0%)
Accrued income on statutory deposit	3,634	3,233	4,949	(11.0%)	53.1%
Total Assets	481,552	490,197	520,276	1.8%	6.1%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.



4.8.1.1 Cash and Cash Equivalent

The following table presents cash and cash equivalent as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.27: Cash and Cash Equivalent

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Cash in hand	8	17	10	112.5%	(41.2%)
Bank balances	5,144	14,456	9,806	181.0%	(32.2%)
Expected credit loss ("ECL")	(1)	(11)	(11)	1000.0%	0.0%
Total	5,151	14,462	9,805	180.8%	(32.2%)

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Cash and cash equivalents represented 1.1%, 3.0% and 1.9% of total assets as at 31 December 2022G, 31 December 2023G and 30 June 2024G, respectively. Cash and cash equivalents comprise cash in hand and cash at banks.

The bank balances and deposits are with banks registered in Saudi Arabia and are denominated in Saudi Riyals.

The gross carrying amount of cash and cash equivalents represents the Company's maximum exposure to credit risk on these financial assets which are categorized under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of A to BBB. The Company's exposures to credit risk are not collateralized.

Cash and cash equivalents increased by 180.8% from SAR 5.2 million as at 31 December 2022G to SAR 14.5 million as at 31 December 2023G, then decreased by 32.2% to SAR 9.8 million as at 30 June 2024G. For further details, please review cashflows analysis in section 4.9.

4.8.1.2 Murabaha Deposits

Murabaha deposits with original maturity exceeding 3 months are placed with commercial banks registered in Saudi Arabia and yield income at rates of 5.52% to 6.1% per annum at 30 June 2024G (31 December 2023G: between 5.4% to 6.1% per annum, and 31 December 2022G: 2.96% to 5.4% per annum).

The gross carrying amount of Murabaha deposits represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of A to BBB. The Company's exposures to credit risk are not collateralized.

Murabaha Deposits balance increased by 9.1% from SAR 140.2 million as at 31 December 2022G to SAR 152.9 million as at 31 December 2023G.

The balance of Murabaha deposits increased by 53.2% to reach SAR 234.3 million as at 30 June 2024G, in line with the growth in the Company's business, especially in the motor LoB, as a result of the increase in sales of third-party liability insurance policies written through online aggregators.



4.8.1.3 Investments

The following table presents investments as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.28: Investments

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Measured at fair value through profit or loss ("FVTPL")	44,867	53,572	54,643	19.4%	2.0%
Financial assets at fair value through other comprehensive income ("FVOCI")	39,703	43,462	43,462	9.5%	0.0%
Total	84,570	97,034	98,105	14.7%	1.1%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Total investments increased by 14.7% from SAR 84.6 million as at 31 December 2022G to SAR 97.0 million as at 31 December 2023G. This is due to the increase in unrealized gains from financial assets at fair value through profit or loss by 19.4% from SAR 44.9 million as at 31 December 2022G to SAR 53.6 million as at 31 December 2023G as well as the increase in financial assets at fair value through other comprehensive income by 9.5% from SAR 39.7 million as at 31 December 2022G to SAR 43.5 million as at 31 December 2023G.

There is no material change in total investments as at 30 June 2024G compared to 31 December 2023G.

The following table presents movement of financial assets at fair value through profit or loss as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.29: Portfolio movement of financial assets at fair value through profit or Loss

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Balance at beginning of the year / period	49,832	44,867	53,572	(10.0%)	19.4%
Additions during the year/ period	0	0	841	n/a	n/a
Changes in fair value of investments	(4,965)	8,705	230	(275.3%)	(97.4%)
Balance at end of the year / period	44,867	53,572	54,643	19.4%	2.0%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

The following table details financial assets portfolio at FVTPL as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.30: Portfolio breakdown of financial assets at fair value through profit or loss

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Equity securities	14,569	16,800	16,808	15.3%	0.0%
Mutual Funds	25,298	31,772	32,835	25.6%	3.3%
Sukuks	5,000	5,000	5,000	0.0%	0.0%
Total	44,867	53,572	54,643	19.4%	2.0%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.



The portfolio is invested in securities, mutual funds and Sukuks issued by corporates and financial institutions in the Kingdom of Saudi Arabia. The investments are denominated in Saudi Arabian Riyals and US Dollars.

Mutal funds constitute the investments managed by the fund manager within the discretionary investment portfolio where all such investments are stated at fair value as noted by the fund managers. The fund manager maintains such investments in different mutual funds.

The Company invests in Banque Saudi Fransi and AlRajhi Tier 1 Sukuks. These represent two Sukuks at a total face value of SAR 5 million with a coupon rate of 4.50% and 5.5% per annum. These Sukuks have a maturity duration of 5 years commencing from 3 November 2020G. The Company earned commission income of SAR 0.117 million and SAR 0.255 million in the financial years ended 31 December 2022G and 2023G, respectively. The Company also earned commission income of SAR 0.12 million in the six-month period ended 30 June 2024G. The profit distribution on these sukuku is at the discretion of the issuer therefore these sukuku were classified as at fair value through profit or loss.

The Company did not make any additions to the financial assets investment portfolio at fair value through profit or loss during the two financial years ended 31 December 2022G and 2023G. In the six-month period ended 30 June 2024G, the Company made additions amounting to SAR 0.8 million.

The following table presents movement of financial assets at fair value through other comprehensive income as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.31: Financial assets at Fair Value through other Comprehensive Income (“FVOCI”)

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Balance at beginning of the year / period	37,032	39,703	43,462	%7.2	%9.5
Change in fair value of investments	2,671	3,759	0	%40.7	(100.0%)
Balance at end of the year / period	39,703	43,462	43,462	%9.5	%0.0

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Financial assets at fair value through other comprehensive income represent the Company’s 3.45% holding in Najm Insurance Services Company, a Saudi closed joint stock company as at 31 December 2022G, 31 December 2023G and 30 June 2024G. These shares are un-quoted and are carried at fair value. The Company determined the fair value of its investment in Najm, which was previously carried at an initial cost of SAR 1.9 million as at 31 December 2022G, but was adjusted as per the implementation of IFRS 9 to SAR 37 million as at 1 January 2022G and SAR 39.7 million as at 31 December 2022G. As such, the adjustments required to raise the carrying value of this investment to its fair value, in accordance with IFRS 9, were recorded in the opening equity balance as at 1 January 2022G.

All investments are from shareholders’ operations and are made inside the Kingdom of Saudi Arabia.

4.8.1.4 Prepaid expenses and other assets

The following table presents prepaid expenses and other assets as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.32: Prepaid expenses and other assets

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Prepayments	25,802	16,802	9,084	(34.9%)	(45.9%)
Due from Tawuniya (pool deals)	13,877	12,165	1,236	(12.3%)	(89.8%)
Due from Travel and Covid-19 products	5,201	4,294	4,294	(17.4%)	0.0%
Staff receivables	525	462	694	(12.0%)	50.2%
Bank guarantees	312	300	300	(3.8%)	0.0%



(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Others	5,246	1,919	2,667	(63.4%)	39.0%
Expected credit losses	(464)	(281)	(89)	(39.4%)	(68.3%)
Total	50,499	35,661	18,186	(29.4%)	(49.0%)

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Prepaid expenses and other assets decreased by 29.4%, from SAR 50.5 million as at 31 December 2022G to SAR 35.7 million as at 31 December 2023G. This decrease was mainly driven by a 34.9% reduction in the prepayments balance, from SAR 25.8 million as at 31 December 2022G to SAR 16.8 million as at 31 December 2023G, as a result of the company's recovery of an amount paid for withholding tax amounting to SAR 13.6 million. This amount represents the withholding tax differences that the ZATCA requested the company to pay based on the zakat assessments issued for the years ended 31 December 2016G to 2018G.

Prepaid expenses and other assets decreased by 49.0% to SAR 18.2 million as at 30 June 2024G, mainly driven by a decrease in the balance due from Tawuniya by 89.8% from SAR 12.2 million as at 31 December 2023G to SAR 1.2 million as at 30 June 2024G, as these arrangements expired during 2023G. Prepaid expenses balance decreased by 45.9% from SAR 16.8 million as at 31 December 2023G to SAR 9.1 million as at 30 June 2024G.

4.8.1.5 Insurance and Reinsurance Contracts

The following table presents analysis of total insurance and reinsurance contracts as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.33: Insurance and Reinsurance Contracts

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Medical LoB	0	0	0	n/a	n/a
Motor LoB	0	0	14,069	n/a	n/a
Other LoBs	0	0	0	n/a	n/a
Insurance contract assets	0	0	14,069	n/a	n/a
Medical LoB	(43,065)	(32,427)	(25,319)	(24.7%)	(21.9%)
Motor LoB	(86,121)	(94,672)	(159,293)	9.9%	68.3%
Other LoBs	(31,589)	(33,664)	(23,886)	6.6%	(29.0%)
Insurance contract liabilities	(160,775)	(160,763)	(208,498)	(0.0%)	29.7%
Medical LoB	5,298	2,488	440	(53.0%)	(82.3%)
Motor LoB	14,710	19,128	15,689	30.0%	(18.0%)
Other LoBs	36,785	22,967	14,865	(37.6%)	(35.3%)
Reinsurance contract assets	56,793	44,583	30,994	(21.5%)	(30.5%)
Total Insurance and Reinsurance Contracts	(103,982)	(116,180)	(163,435)	11.7%	40.7%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.



The balance of insurance contract assets amounted to SAR 14.1 million as at 30 June 2024G, compared to nil as at 31 December 2022G and 2023G.

Total reinsurance contract assets balance decreased by 21.5% from SAR 56.8 million as at 31 December 2022G to SAR 44.6 million as at 31 December 2023G, mainly driven by a 37.6% decrease in reinsurance contract assets for other LoBs from SAR 36.8 million as at 31 December 2022G to SAR 23.0 million as at 31 December 2023G. This was partially offset by an increase in the balance of reinsurance contracts assets of the motor LoB by 30.0% from SAR 14.7 million as at 31 December 2022 to SAR 19.1 million as at 31 December 2023.

Reinsurance contract assets balance decreased by 30.5% to SAR 31.0 million as at 30 June 2024G, mainly driven by a 35.3% decrease in reinsurance contract assets of the other LoBs from SAR 23.0 million as at 31 December 2023G to SAR 14.9 million as at 30 June 2024G, and by a 18.0% decrease in motor reinsurance contract assets from SAR 19.1 million as at 31 December 2023G to SAR 15.7 million as at 30 June 2024G.

The following table presents insurance contract liabilities as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.34: Insurance contracts liabilities

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G - 2023G	% Period change December 2023G - June 2024G
Liability of remaining coverage (LRC)	(55,281)	(116,527)	(152,811)	110.8%	31.1%
Liability of incurred claims	(105,494)	(44,236)	(55,687)	(58.1%)	25.9%
Insurance contract liabilities	(160,775)	(160,763)	(208,498)	(0.0%)	29.7%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

There is no material change in the balance of insurance contract liabilities as of 31 December 2023G compared to 31 December 2022G. The balance of the liability related to the remaining coverage increased by 110.8%, from SAR 55.3 million as of 31 December 2022G to SAR 116.5 million as of 31 December 2023G. This increase was offset by a decrease in the balance of the liability related to incurred claims by 58.1%, from SAR 105.5 million as of 31 December 2022G to SAR 44.2 million as of 31 December 2023G.

Insurance contracts liabilities balance increased by 29.7% to SAR 208.5 million as at 30 June 2024G mainly driven by a 31.1% increase in the liability related to the remaining coverage from SAR 116.5 million as at 31 December 2023G to SAR 152.8 million as at 30 June 2024G as a result of the growth in the Company's business.

4.8.1.6 Property and Equipment

The following table presents property and equipment, net as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.35: Property and equipment, net

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G- 2023G	% Period change Dec23G- June24G
Leasehold improvement	351	276	247	(21.4%)	(10.5%)
Furniture and fittings	418	334	53	(20.1%)	(84.1%)
Motor vehicles	0	0	0	n/a	n/a
Computers and office equipment	14,730	12,922	12,118	(12.3%)	(6.2%)
Total	15,499	13,532	12,418	(12.7%)	(8.2%)

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

The net book value of property and equipment decreased by 12.7% from SAR 15.5 million as at 31 December 2022G to SAR 13.5 million as at 31 December 2023G. The net book value of property and equipment decreased by 12.7% to SAR 12.4 million as at 30 June 2024G, mainly due to depreciation incurred during the year/period.



4.8.1.7 Intangible Assets

Intangible assets comprise software license fees and other related development costs. Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated productive lifecycle of software is 10 years.

Intangible assets decreased from SAR 13.5 million as at 31 December 2022G to SAR 12.1 million as at 31 December 2023G and then to SAR 11.4 million as at 30 June 2024G, as a result of the amortization incurred during the year / period.

4.8.1.8 Goodwill

There is no material change in goodwill balance as at 30 June 2024G compared to 31 December 2022G and 31 December 2023G.

On 19/05/2012G corresponding to 18/06/1433H, the Company entered into an agreement with Saudi General Insurance Company (“SGI”) and Gulf Cooperation Insurance Company Limited (“GCI”) (“the Sellers”) under which it acquired the Sellers’ insurance operations in the Kingdom of Saudi Arabia, effective 01/01/2009G corresponding to 04/01/1430H, at a goodwill amount of SAR 36.26 million, as approved by SAMA, along with the related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by the rules and regulations issued by Insurance Authority in this regard and the approval of SAMA.

In December 2013G, following the approval of SAMA, a sum of SAR 18.13 million payable to the Sellers for goodwill was adjusted against the amount receivable from them. Furthermore, SAMA approved the payment of an additional amount of SAR 5.37 million to the Sellers in respect of the profits for 2012G, which was transferred to the amount due to related parties, as at 31 December 2013G, and settled in 2014G. In addition, during the year ended 31 December 2014G, following the approval of SAMA on 28 Shawwal 1435H (corresponding to 24 August 2014G), an amount of SAR 2.96 million was paid to the Sellers in respect of goodwill from the profits of 2013G. During the year ended 31 December 2015G, following the approval of SAMA on 3 Rajab 1436H (corresponding to 22 April 2015G), a final payment of SAR 9.80 million was paid to the Sellers in respect of goodwill from the profits of 2014G.

The recoverable amount was determined based on value in use. As at the reporting date, impairment testing based on expected discounted cash flows was performed. Value in use is based on the estimated future cash flows based on 3 -year management’s formal business plan projected up to the year 2026G, discounted to their present value using the following key assumptions:

Table 4.36: key assumptions

Key Assumptions	31 December 2022G	31 December 2023G
EBITDA (average for the next three years)	1.0%	3.0%
Discount rate	13.0%	13.0%
Terminal value growth rate	2.0%	2.0%

Source: Audited financial statements for the financial year ended 31 December 2023G of the Gulf General Cooperative Insurance Company.

The calculation of value-in-use is most sensitive to the assumptions on discount rate applied to cash flow projections, projected EBITDA margins and terminal value growth rate.

Sensitivity to changes in key assumptions:

With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the cash-generating unit (“CGU”) including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are described below.

Projected EBITDA margin:

The projected EBITDA margin in the forecast period has been estimated at an average of 3.0%. If all other assumptions remain the same, a 2.6% reduction in the margin would give a value-in-use equal to the current carrying amount.



Discount rate:

The projected discount rate in the forecasted period has been estimated to be at an average of 13.0% (December 31, 2022: 13.0%). If all other assumptions kept the same; an increase in discount rate by 10.1% would give a value -in-use equal to the current carrying amount.

Terminal value growth rate:

If all other assumptions remain constant, a decrease in the projected terminal value growth rate in the forecast period to 0.0% would give a value in use which exceeds the carrying value by SAR 109.0 million.

Based on the assumptions made, the value in use calculated above exceeded the carrying amount of goodwill and therefore no impairment was recognized. Based on management's expert assessment of the value in use, management believes that no reasonable possible change in any of the above assumptions would cause the carrying value to materially exceed its recoverable amount as at 31 December 2023G. The most significant assumptions used in determining the used value calculations are the weighted average cost of capital and the long-term growth rate.

4.8.1.9 Right of use assets

The following table presents right-of-use assets as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.37: Right-of-use assets

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Management)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Cost					
Balance at the beginning of the year / period	4,803	4,803	10,729	0.0%	123.4%
Additions	0	5,926	0	n/a	(100.0%)
Balance at end of year / period	4,803	10,729	10,729	123.4%	0.0%
Accumulated amortization:					
Balance at the beginning of the year / period	3,248	4,276	5,322	31.7%	24.5%
Amortization for the year/ period	1,028	1,046	593	1.8%	(43.3%)
Balance at end of year / period	4,276	5,322	5,915	24.5%	11.1%
Carrying value	527	5,407	4,814	926.0%	(11.0%)

Source: Audited financial statements for the financial year ended 31 December 2023G and management information for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

The Company rents its offices, and leases are typically entered into for five years with an option to extend. The lease terms are negotiated on a case by case basis and they comprise a wide range of different terms and conditions.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.

The balance of the right-of-use asset increased from SAR 0.5 million as at 31 December 2022G to SAR 5.4 million as at 31 December 2023G. This is mainly due to renewing the Company's office lease contract for five years in 2023G.

The balance of right-of-use assets decreased by 11.0% to SAR 4.8 million as at 30 June 2024G, as a result of the amortization charge for the period.



4.8.1.10 Statutory deposit

As required by SAMA Insurance Regulations, the Company has deposited 15.0% of its capital, equivalent to SAR 75.0 million as at 31 December 2023G (31 December 2022G: SAR 75.0 million) as a statutory deposit. This deposit cannot be withdrawn without the approval of SAMA. The statutory deposit appears in the statement of financial position net of impairment allowance.

The Company obtained a no-objection certificate (“NOC”) from the Insurance Authority on 05/09/2024G corresponding to 06/05/1446H regarding the release of SAR 30 million of the statutory deposit from the bank designated by SAMA. The release was done on account of reduction in the share capital of the Company by SAR 500 million to SAR 300 million based on an extraordinary meeting dated 19/03/2024G corresponding to 09/09/1445H. The statutory deposit amounted to SAR 45 million as at 30 June 2024G, equivalent to 15% of the Company’s share capital, which is in compliance with Article 58 of the “Executive Regulations of the Cooperative Insurance Companies Control Law”.

The accrued income on this deposit is due to be paid to the Insurance Authority in the amount of SAR 4.9 million as at 30 June 2024G (SAR 3.2 million as at 31 December 2023G, and SAR 3.6 million as at 31 December 2022G). At the request received from SAMA, the Company has released the accrued income on statutory deposit with SAMA up to 31 December 2022G amounting to SAR 3.6 million.

4.8.2 Liabilities

The following table presents total liabilities as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.38: Liabilities

(SAR*000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change Decem- ber 2023G - June 2024G
Liabilities					
Accrued expenses and other liabilities	14,565	14,123	9,708	(3.0%)	(31.3%)
Insurance contract liabilities	160,775	160,763	208,498	(0.0%)	29.7%
Employee defined benefit obligations	4,661	4,194	4,453	(10.0%)	6.2%
Zakat payable	4,236	2,973	1,269	(29.8%)	(57.3%)
Lease liabilities	27	4,518	4,417	16633.3%	(2.2%)
Accrued income on statutory deposit	3,634	3,233	4,949	(11.0%)	53.1%
Total liabilities	187,898	189,804	233,294	1.0%	22.9%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Accrued expenses and other liabilities

The following table presents accrued expenses and other liabilities as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.39: Accrued expenses and other liabilities

(SAR*000)	31 December 2022G (Restated)	31 Decem- ber 2023G (Audited)	30 June 2024G (Management)	% Annual change 2022G - 2023G	% Period change December 2023G - June 2024G
Accrued expenses	3,425	4,297	2,829	25.5%	(34.2%)
VAT payable	8,147	5,224	2,986	(35.9%)	(42.8%)
Dues to related parties	309	309	309	0.0%	0.0%
Other liabilities	2,684	4,293	3,584	59.9%	(16.5%)
Total	14,565	14,123	9,708	(3.0%)	(31.3%)

Source: Audited financial statements for the financial year ended 31 December 2023G and management information for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.



There is no material change in the accrued expenses and other liabilities balance as at 31 December 2023G as compared to 31 December 2022G.

Accrued expenses and other liabilities decreased by 31.3% from SAR 14.1 million as at 31 December 2023G to SAR 9.7 million as at 30 June 2024G. This is mainly attributable to a 42.8% decrease in the VAT payable balance from SAR 5.2 million as at 31 December 2023G to SAR 3.0 million as at 30 June 2024G.

4.8.2.1 Employee benefits obligations

The following table presents employee benefits obligations as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.40: Movement of employee benefits obligations

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Management)	% Annual change 2022G - 2023G	% Period change December 2023G - June 2024G
Opening balance at the beginning of the year / period	5,156	4,661	4,194	(9.6%)	(10.0%)
Charge to statement of income	2,199	1,529	716	(30.5%)	(53.2%)
Former Service Cost	0	1,370	0	(100.0%)	n/a
Charge to other comprehensive income	(933)	(552)	0	(40.8%)	(100.0%)
Paid during the Year/ period	(1,761)	(2,814)	(457)	59.8%	(83.8%)
Opening balance at yearend / for the period	4,661	4,194	4,453	(10.0%)	6.2%

Source: Audited financial statements for the financial year ended 31 December 2023G and management information for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

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

Employee benefit obligations decreased by 10.0% from SAR 4.7 million as at 31 December 2022G to SAR 4.2 million as at 31 December 2023G mainly driven by an increase in end of service benefits liabilities and former service cost.

Employee benefit obligations increased by 6.2% to SAR 4.5 million as at 30 June 2023G mainly driven by an increase in end of service benefits liabilities for current employees.

4.8.2.2 Zakat provision

The Company has filed its zakat assessment returns for the years 31 December 2016G, 2017G, 2018G, 2019G, 2020G, 2021G, 2022G and 2023G and obtained the relevant Zakat certificates.

Financial years ended 31 December 2010G to 2015G

The Company finalized its Zakat and withholding tax status for the financial years from 2010G to 2015G.

Financial years ended 31 December 2016G to 2018G

The Authority issued Zakat assessments for the financial years ended 31 December 2016G to 2018G and claimed additional Zakat and withholding tax liabilities (excluding delay fines) of SAR 15.39 million. The Company settled SAR 1.8 million related to Zakat differences and objected against the remaining withholding tax differences.



ZATCA issued the revised assessment claiming the same withholding tax differences of SAR 13.57 million. The Company escalated the aforementioned objection to the Committee for Resolution of Tax Violations and Disputes (“CRTVD”) through the General Secretariat of Zakat Tax and Custom Committees (“GSTC”). Accordingly, the hearing session was held on 29/08/2022G corresponding to 02/02/1444H. However, the committee rejected the objection in full. Accordingly, the Company escalated the case to the Appellate Committee for Resolution of Tax Violations and Disputes (“ACRTVD”). In November 2022G, the Company settled the principal withholding tax amounting to SAR 13.57 million to benefit from ZATCA’s initiative. Hence, all the delay fines have been waived by ZATCA in relation to 2016G to 2018G.

The Company successfully convinced the ACRTVD to accept its point of view regarding the items mentioned in the appeal. On 31/10/2023G corresponding to 16/04/1445H, the ACRTVD issued its final decision ruling in favor of the Company, and accordingly, the Company recovered the original amount paid for withholding tax amounting to SAR 13.57 million.

Financial Year ended 31 December 2019G to 2020G

ZATCA issued Zakat assessment for the two financial years ended 31 December 2019G and 2020G and claimed an additional Zakat liability of SAR 1.39 million. The Company objected against the full assessment. ZATCA issued the revised assessment claiming the same Zakat differences. The Company escalated the aforementioned objection to the CRTVD through the GSTC and the committee accepted only the Deferred policy acquisition cost and the revised zakat liability is SR 0.92 million. Accordingly, the Company escalated the case to the ACRTVD. On 23/11/2023G corresponding to 09/05/1445H, the ACRTVD has ruled its final decision in favour of ZATCA and rejected the Deferred Policy Acquisition Cost. Based on that, the Company had to pay Zakat due subject to the decision amounting to SAR 0.62 million for 2019G. The amount was adjusted against the credit balance with ZATCA. With regards to tax year 2020G, ACRTVD has ruled its final decision almost in favour of ZATCA with partial investment acceptance and rejecting Surplus Distribution Payable, Deferred Policy Acquisition Cost and Accumulated Losses. Therefore, the Company is required to settle the Zakat due as per the decision amounting to SR 0.2 million.

Financial years ended 31 December 2012G and 2022G

ZATCA has issued zakat assessments for the financial years ended 31 December 2021G and 2022G and has claimed additional Zakat liability of SAR 0.58 million and SAR 0.91 million, respectively. The Company is under an obligation process at the ZATCA level.

4.8.2.3 Lease liabilities

The following table presents lease liabilities as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.41: Lease liabilities

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Management)	% Annual change 2022G - 2023G	% Period change December 2023G - June 2024G
Balance at the beginning of the year / period	1,224	27	4,518	(97.79%)	16633.3%
Additions	0	5,926	0	(100.0%)	(100.0%)
Finance cost	0	79	98	(100.0%)	24.1%
Payments during the year / period	(1,197)	(1,514)	(199)	26.48%	(86.9%)
Balance at the end of the year/ period	27	4,518	4,417	16633.33%	(2.2%)

Source: Audited financial statements for the financial year ended 31 December 2023G and management information for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Lease contracts liabilities increased from SAR 0.3 million as at 31 December 2022G to SAR 4.5 million as at 31 December 2023G. This is mainly due to renewing the Company’s office lease contract for five years in 2023G.

There is no material change in the lease contracts liabilities balance as at 30 June 2024G compared to 31 December 2023G.



4.8.3 Shareholder Equity

The following table presents shareholder equity as at 31 December 2022G, 31 December 2023G and 30 June 2024G:

Table 4.42: Shareholder Equity

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G– 2023G	% Period change December 2023G - June 2024G
Share Capital	500,000	500,000	300,000	%0.0	(40.0%)
Statutory Reserve	2,165	2,165	2,165	%0.0	%0.0
Accumulated losses	(247,661)	(244,129)	(57,540)	(1.4%)	(76.4%)
Re-measurement reserve of defined benefit obligations	1,370	818	818	(40.3%)	%0.0
Fair value reserve for investment	37,780	41,539	41,539	%9.9	%0.0
Total Shareholder Equity	293,654	300,393	286,982	%2.3	(4.5%)

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

4.8.3.1 Share Capital

The Company's issued and paid-up capital is SAR 300 million divided into 30 million shares of SAR 10 each (31 December 2023G and 2022G: 50 million shares of SAR 10 each). During the six-month period ended 30 June 2024G, the Company announced the results of the Extraordinary General Assembly held on 19/03/2024G corresponding to 09/09/1445H, which approved the Board of Directors' recommendation to reduce the Company's capital by SAR 200 million. The capital reduction was offset against the Company's accumulated losses.

The shareholding structure of the Company is as follows:

Table 4.43: Financing structure

(SAR'000)	31 December 2022G (Restated)	31 December 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G - 2023G	% Period change December 2023G - June 2024G
Share Capital	500,000	500,000	300,000	%0.00	(40.00%)

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

The Company's core financing structure is based on the authorized, issued and paid-up capital of SAR 300 million as at 30 June 2024G. The Company has no other material sources of financing as at the date herein.

4.8.3.2 Statutory Reserve

As required by the Implementing Regulations issued by SAMA, 20% of the net income for the year after adjusting accumulated losses, has to be set aside from net income for the year as a statutory reserve until this amounts to 100% of the paid-up share capital. In the two financial years ended 31 December 2022G and 2023G and the six-month period ended 30 June 2024G, no transfer was made to the statutory reserve. This reserve is not available for distribution to shareholders until the liquidation of the Company.

4.8.3.3 Accumulated losses

There was not material change in the accumulated losses as at 31 December 2023G compared to 31 December 2022G.

Accumulated losses decreased by 76.4% to SAR 57.5 million as at 30 June 2024G from SAR 244.1 million as at 31 December 2023G, mainly due to offsetting the capital reduction during the period against the Company's accumulated losses.



4.8.3.4 Reserve of remeasurement of employee benefits obligations

The remeasurement reserve of employees benefit obligations decreased by 40.3% from SAR 1.4 million as at 31 December 2022G to SAR 0.8 million as at 31 December 2023G based on the recommendation of the actuarial expert.

There is no material change in the remeasurement reserve of employees benefit obligations as at 30 June 2024G compared to 31 December 2023G.

4.8.3.5 Fair value reserve for investments

Fair value reserve for investments increased from SAR 37.8 million on 31 December 2022G to SAR 41.5 million on 31 December 2023G.

There is no material change in fair value reserve for investments as at 30 June 2024G compared to 31 December 2023G.

4.8.3.6 Balances and Related Party Transactions

Related parties represent the major shareholders, directors and key management personnel of the Company and the companies controlled or significantly impacted by such parties. As part of its regular business, the Company conducts transactions with related parties. Related party transactions are concluded pursuant to terms agreed with such parties and approved by the Company's Board of Directors.

The following details significant related party transactions as at 31 December 2022G, 2023G and 30 June 2024G:

Table 4.44: Related Party Transactions

(SAR'000)	Transaction type	2022G (Restated)	2023G (Audited)	Six-month period June24G (Unaudited)	Six-month period June23G (Unaudited)	% Annual change 2022G- 2023G	% Period change December 2023G - June 2024G
Insurance operations:							
Rolaco Group	Premiums underwritten	133	603	49	521	353.4%	963.3%
	Claims paid	(57)	(17)	(8)	0	(70.2%)	(100.0%)
Al Dabbagh Group	Premiums underwritten	8,010	4,061	3,320	1,162	(49.3%)	(65.0%)
	Claims paid	(8,989)	(4,001)	(3,414)	(462)	(55.5%)	(86.5%)
Raghaf Establishment	Premiums underwritten	18	85	85	74	372.2%	(12.9%)
	Claims paid	(48)	(25)	(1)	(45)	(47.9%)	4400.0%
Key Management Personnel	Short Term incentives	3,589	4,383	2,488	3,112	22.1%	25.1%
	Long Term incentives	100	188	102	130	88.0%	27.5%
Shareholders Operations:							
Board members	Board of directors' remuneration and related expenses	1,800	1,200	300	900	(33.3%)	200.0%

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.



Table 4.45: Due/ Payable balances to/from related parties

(SAR'000)	Transaction type	31 Decem- ber 2022G (Restated)	31 Decem- ber 2023G (Audited)	30 June 2024G (Unaudited)	% Annual change 2022G- 2023G	% Period change December 2023G - June 2024G
Insurance operations:						
Saudi General Insurance LLC	Expenses paid	(309)	(309)	(309)	0.0%	0.0%
Rolaco Group	Premiums underwritten	6	7	6	16.7%	(14.3%)
	Claims paid	(6)	(5)	(12)	(16.7%)	140.0%
Dabbagh Group	Premiums underwritten	3,810	1,734	1,844	(54.5%)	6.3%
	Claims paid	(2,851)	(1,790)	(1,980)	(37.2%)	10.6%
Raghaf Establishment	Premiums underwritten	0	0	0	n/a	n/a
	Claims paid	0	(12)	(5)	n/a	(58.3%)
Key Management Personnel	Short -term benefits	0	0	0	n/a	n/a
	Long-term benefits	(217)	(216)	(396)	(0.5%)	83.3%
Shareholders Operations:						
Board of directors	Board of directors' remuneration and related expenses	1,800	1,800	2,700	0.0%	50.0%

4.8.4 Commitment and contingencies

The Company's bankers have issued payment guarantees of SAR 0.3 million as at 30 June 2024G (31 December 2022G and 2023G: SAR 0.3 million) to its suppliers on behalf of the Company.

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

Saudi General Insurance Company E.C. ("SGI") has raised a lawsuit against the Company requesting the Company to settle zakat and taxes for the financial years 2005G to 2010G. The Primary Committee ruled/decided to decline the case and obligate SGI to pay the zakat and tax amounts for the financial years 2005G to 2008G. Moreover, the Committee ruled/decided to obligate GGI to pay the zakat and tax amounts for the financial years 2009G and 2010G. GGI will object and reject the decision before General Secretariat of Zakat, Tax and Customs Committees ("GSTC") Appealing Committee based on the decision of GSTC in 2018G. The management believes that the Company does not have any financial impact as a result of this case.

4.9 Statement of cashflows for the two financial years 2022G-2023G and the six month period ended 30 June 2024G

Table 4.46: Statement of cash flow

(SAR'000)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Six-month period ended 30 June 2023G (unaudited)	Six-month period ended 30 June 2024G (unaudited)
Cash flow from operating activities				
(Loss) / profit for the year/ period attributable to the shareholders before Zakat	(101,999)	6,319	(1,117)	(10,394)
Adjustment to none-cash items:				
Depreciation	2,322	2,291	1,148	1,139



(SAR'000)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Six-month period ended 30 June 2023G (unaudited)	Six-month period ended 30 June 2024G (unaudited)
Amortization of intangible assets	1,198	1,472	733	739
Amortization of right-to-use assets	1,028	1,046	539	594
Finance cost on lease liability	--	79	41	98
Net gain / loss on financial assets at FVPTL	4,965	(8,705)	(4,802)	(230)
Employees benefits obligations	2,199	1,795	499	716
Commission (expenses) / income on FVTPL investments and Murabaha	(3,838)	(6,821)	(3,684)	(5,822)
Expected credit loss adjustment	59	(208)	0	0
Dividend income	(202)	(476)	(297)	(203)
Total	(94,268)	(3,208)	(6,940)	(13,363)
Changes in operating assets and liabilities:				
Insurance contract liabilities	4,982	(12)	6,894	47,735
Insurance contract assets	0	0	0	(14,069)
Reinsurance contract assets	24,663	12,210	9,237	13,589
Prepaid and other assets	(36,341)	15,058	2,796	17,475
Accrued expenses and other liabilities	3,896	(442)	(18,677)	(4,415)
Cash (used in) / generated from operating activities	(97,068)	23,606	(6,690)	46,952
Zakat paid	(2,069)	(4,050)	(4,050)	(4,721)
End of service payments	(1,761)	(2,814)	(2,142)	(457)
Net cash (used in) / generated from operating activities	(100,898)	16,742	(12,882)	41,774

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Table 4.47: Cashflows from investing activities

(SAR'000)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Six-month period ended 30 June 2023G (unaudited)	Six-month period ended 30 June 2024G (unaudited)
Cashflows from investing activities				
Purchase of property and equipment	(4,701)	(326)	(66)	(25)
Addition of investments	0	0	0	(841)
Additions to intangible assets	(5,025)	(132)	0	0
Additions to Sukuk	(3,000)	--	0	0
Commission income on FVTPL investments and Murabaha	3,838	6,821	3,684	5,822
Dividend income	202	476	297	203
(Increase) / maturity of Murabaha Deposits	(140,180)	(12,756)	20,000	(81,391)
Net cash (used in) / generated from investing activities	(148,866)	(5,917)	23,915	(76,232)

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.



Table 4.48: Cashflows from financing activities

(SAR'000)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Six-month period ended 30 June 2023G (unaudited)	Six-month period ended 30 June 2024G (unaudited)
Cashflows from financing activities				
Repayment of lease liabilities	(1,197)	(1,514)	(19)	(199)
Release of statutory deposit	0	0	0	30,000
Net cash (used in) / generated from financing activities	(1,197)	(1,514)	(19)	29,801
Net change in cash and cash equivalents	(250,961)	9,311	11,014	(4,657)
Cash and cash equivalents at beginning of the year/ period	256,112	5,151	5,152	14,462
Cash and cash equivalents at the end of the year/ period	5,151	14,462	16,166	9,805
Non-cash transactions				
Decrease of capital to absorb accumulated losses	0	0	0	(200,000)
Net changes in fair value of investment measured at FVOCI	2,671	3,759	0	0
Remeasurement gain / (loss) on defined benefit obligations	933	(552)	0	0
Addition of lease	--	5,926	0	0

Source: Audited financial statements for the financial year ended 31 December 2023G and the interim condensed financial statements (unaudited) for the six-month period ended 30 June 2024G of Gulf General Cooperative Insurance Company.

Cash and cash equivalents increased from SAR 5.2 million as at 31 December 2022G to SAR 14.5 million as at 31 December 2023G, mainly driven by net cash from operating activities in the amount of SAR 16.7 million in 2023G, partially offset by net cash used in investment activities in the amount of SAR 5.9 million in 2023G and net cash used in finance activities in the amount of SAR 1.5 million during the financial year 2023G.

Cash and cash equivalents decreased from SAR 14.5 million as at 31 December 2023G to SAR 9.8 million as at 30 June 2024G, mainly driven by net cash from operating activities in the amount of SAR 41.8 million in the six month period ended 30 June 2024G and the net cash generated from financing activities amounting to SAR 29.8 million in the six-month period ended 30 June 2024G, this was partially offset by net cash used in investing activities amounting to SAR 76.2 million in the six-month period ended 30 June 2024G.

Operating Activities

Net cash used in operating activities amounted to SAR 100.9 million in 2022G, mainly driven by loss of the year before Zakat of SAR 102.0 million. In 2023G, net cash generated from operating activities amounted to SAR 16.7 million, as the Company recorded a profit before Zakat of SAR 6.3 million during the year.

In the six-month period ended 30 June 2024G, the Company recorded net cash generated from operating activities of SAR 41.8 million, mainly driven by an increase in insurance contract liabilities of SAR 47.7 million during the period. This was partially offset by a loss before Zakat amounting to SAR 10.4 million incurred by the Company in the same period.

Investment activities

Net cash used in investing activities decreased from SAR 148.9 million in 2022G to SAR 5.9 million in 2023G, mainly due to the Company's purchase of Murabaha deposits worth SAR 140.2 million in 2022G compared to SAR 12.8 million in 2023G.

Net cash used in investing activities amounted to SAR 76.2 million in the six-month period ended 30 June 2024G due to the Company's purchase of Murabaha deposits worth SAR 81.4 million during the period. This was partially offset by commission income on investments at fair value through profit or loss and Murabaha amounting to SAR 5.8 million that was realized by the Company during the same period.



Financing Activities

Net cash used in financing activities decreased from SAR 1.2 million in 2022G to SAR 1.5 million in 2023G.

The Company recorded net cash generated from financing activities of SAR 29.8 million in the six-month period ended 30 June 2024G, due to the Company's release of a portion of the statutory deposit amounting to SAR 30.0 million during the same period.



5. Legal Information

5.1 Declarations of the members of the Board of Directors of GUAI

The members of the Board of Directors of GUAI declare the following:

1. That the Merger does not violate the relevant laws and regulations in the Kingdom of Saudi Arabia.
2. The issuance of Consideration Shares does not prejudice any of the contracts or agreements to which GUAI is a party.
3. This section contains all the material legal information related to the Merger documents that the GUAI's shareholders must take into account in order to vote in an informed manner.
4. There is no other material legal information in this section that the omission of which would cause the other statements to become misleading.

5.2 Merger's Legal Information

5.2.1 Summary of the Merger's Legal Structure

GUAI will make an offer to the shareholders of GGI for the purpose of its merging into GUAI and transferring all the rights, obligations, assets, and contracts of GGI to GUAI. In consideration for this, GUAI will issue twenty-two million, eight hundred twenty-three thousand, two hundred twenty-seven (22,823,227) ordinary shares to the shareholders of GGI through an increase in GUAI's share capital from four hundred fifty-eight million, nine hundred forty-nine thousand, two hundred eighty (458,949,280) Saudi Riyals to six hundred eighty-seven million, one hundred eighty-one thousand, five hundred fifty (687,181,550) Saudi Riyals, and an increase in the number of its shares from forty-five million, eight hundred ninety-four thousand, nine hundred twenty-eight (45,894,928) shares to sixty-eight million, seven hundred eighteen thousand, one hundred fifty-five (68,718,155) shares, representing a (49.73%) increase in GUAI's current share capital.

The total number of consideration shares will be twenty-two million, eight hundred and twenty-three thousand, two hundred and twenty-seven (22,823,227) fully paid shares with a nominal value per share of (10) Saudi Riyals, so that the total nominal value of the consideration shares will be two hundred and twenty-eight million, two hundred and thirty-two thousand, two hundred and seventy (SAR 228,232,270). These shares will be issued through increasing the capital of GUAI by (49.73%) from four hundred fifty eight million nine hundred forty nine thousand two hundred eighty (458,949,280) Saudi Riyals to six hundred eighty seven million one hundred eighty one thousand five hundred fifty (687,181,550) Saudi Riyals, and increasing the number of its shares from forty five millions eight hundred forty nine thousand nine hundred twenty eight (45,894,928) shares to sixty eight million seven hundred eighteen thousand one hundred fifty five (68,718,155) shares.

After the Effectiveness of the Merger Resolution, the shareholding of the current shareholders of GUAI will be (66.79%) of its capital after the capital increase, and the shareholding of shareholders of the GGI will be (33.21%) of the capital of GUAI after the capital increase.

The total value of the Merger will be determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 228,232,270 (two hundred twenty-eight million two hundred thirty-two thousand two hundred seventy Saudi Riyals). The total market value of the Consideration Shares is SAR 363,345,774 (three hundred sixty-three million three hundred forty-five thousand seven hundred seventy-four Saudi Riyals), based on the closing price of **(SAR 15.92) for GUAI's share on 08/06/1446H (corresponding to 09/12/2024G) (which is the last trading day prior to the date of entry into the Merger Agreement)**. The total value of Consideration Shares to be recorded in the financial statements of GUAI will be determined at a later stage based on the closing price of GUAI's share at the last trading day prior to the date of issuance of the Consideration Shares.

If the calculation of the number of shares due to any of the shareholders of GGI based on the Exchange Ratio results in fractions of shares, the resulting number will be rounded to the lowest whole number. For example, if a GGI shareholder owns (10) shares in GGI, they will be allocated (7) shares of the Consideration Shares, not (8) shares. The fractional shares will be collected and sold in the market on behalf of GGI's shareholders, and then the proceeds resulting from the sale of the fractional



shares will be distributed over those entitled to them, each according to their entitlement, after deducting the costs related to the sale of the fractional shares from the total proceeds of the sale of the fractional shares.

The below diagram is a simplified description of the structure of Merger:

5.2.2 Procedures required for the Issuance and Effectiveness of the Merger Resolution

5.2.2.1 Governmental Approvals

The Issuance and effectiveness of Merger Resolution requires obtaining a number of governmental approvals, and they are as follows:

- a. Obtaining a non-objection letter from the General Authority for Competition with respect to the economic concentration arising from the Merger.
- b. Approval of the Insurance Authority on the Merger and resulting procedures and matters.
- c. Obtaining an approval of the Saudi Exchange (Tadawul) on the listing of Consideration Shares.
- d. Obtaining CMA approval of the GUAI's Capital Increase and the publication of Offer Document.
- e. Obtaining non-objection letter from the Ministry of Commerce and the Insurance Authority for the proposed adjustments to GUAI's Bylaws (specified in Annex (1) of this Circular).
- f. Obtaining CMA approval of the GUAI's Merger EGM and GGI's Merger EGM notices. The date and time of the EGM will be announced on the Saudi Exchange (Tadawul) website.
- g. Approval of the Ministry of Commerce of the updates to GUAI's commercial register and GGI's commercial register, as applicable.

With the exception of obtaining the approval of the CMA to invite the EGM of GUAI and GGI of the Merger, and the approval of the Ministry of Commerce to update the commercial register, all the governmental approvals specified above have been obtained.

5.2.3 Extraordinary General Assembly Approval

The terms of the Merger include obtaining the EGM approval for GUAI and GGI of the Merger as follows:

- a. Approval of Merger Resolutions by the required majority, which represents no less than three-quarters of the shares with voting rights represented at the meeting by GUAI's shareholders.
- b. Approval of Merger Resolutions by the required majority, which represents no less than three-quarters of the shares with voting rights represented at the meeting by GGI's shareholders.

GUAI and the GGI have submitted to the CMA a request to call for an EGM of the Merger for each of them after publication of this Circular, and after obtaining the Authority's approval in this regard, both GUAI and GGI will publish the invitation for the EGM for the Merger for each of them, which must be held within a period not exceeding twenty-eight (28) business days as a maximum from the date of publishing this Circular (or any other date approved by the Authority).

GUAI's EGM shall be valid if attended by shareholders representing at least half of the shares of GUAI that have voting rights. If this quorum is not reached at the first meeting, an invitation shall be sent for a second meeting to be held one hour after the end of the period specified for holding the first meeting (provided that the invitation to hold the first meeting includes a statement of the possibility of holding a second meeting one hour after the end of the period specified for holding the first meeting if the legal quorum required to hold the meeting is not reached). The second meeting shall be valid if attended by shareholders representing at least one quarter of the shares of GUAI that have voting rights. If the required quorum is not reached at the second meeting, GUAI will apply to the CMA to obtain its approval to hold a third meeting of the EGM. Upon obtaining its approval, GUAI shall publish the invitation to the EGM, and the EGM shall be held after a period not less than twenty-one (21) days from the date of publication of the invitation. The third meeting shall be valid regardless of the number of shares represented therein.

All shareholders registered in the shareholders' register of GUAI at the end of trading on the day of the Merger EGM are entitled to attend the EGM. The shareholder shall be able to vote on the agenda, by electronic voting in accordance with the procedures followed in this regard. Based on paragraph (n) of Article (3) of the M&A Regulations, a shareholder who owns shares in both GUAI and GGI is not entitled to vote on Merger Resolutions except in the EGM of one of the companies only. If the shareholder votes in both assemblies, their vote shall be excluded from one of them based on the decision of the companies as they deem fit.



Votes at EGM shall be calculated on the basis of one vote per share, and a shareholder who is unable to attend the EGM (by electronic voting) will lose their right to vote at the EGM and the votes associated with their shares will not be taken into account.

5.2.4 Creditors' Objection Period

At least thirty (30) days before the EGM of the companies is held to vote on the Merger Resolutions, the companies announced the Merger and the method of objection of the creditors of GUAI, in accordance with Article (227) of the Companies Law.

GGI shall settle the debt of the Objecting Creditor, if such debt is due and payable, or provide sufficient warranty to settle the debt if it is deferred. The Creditor who notified the GGI Company of its objection to the Merger during the Creditors' Objection Period and the GGI Company fails to settle the debt if it is due or fails to provide such Creditor with sufficient warranty to settle the same if it is deferred, may apply to the competent judicial authority within a period of no less than ten (10) days before the date set for voting on the merger resolutions. In this case, the competent judicial authority may order the payment of the debt if it is due or the provision of a warranty to settle the debt if it is deferred. If the competent judicial authority sees that the Merger will result in serious damages to the objecting creditor without the companies being able to settle the debt or provide the warranty, it may order the suspension or postponement of the Merger, provided that its decision to that effect is issued before the Effectiveness of the Merger Resolution. If the Creditor's objection is not disposed by the competent judicial authority before the Effectiveness of the Merger Resolution, and it subsequently finds that the objecting creditor's claim is valid, it may issue a decision to compensate such creditor for the damages suffered by it as a result of the merger.

After the expiry of the Creditors' Objection Period, GGI will announce the results of the Creditors' Objection Period on the Saudi Exchange (Tadawul) website as follows:

- a. That no objections were received during such period, or that objections were received but were withdrawn or settled, or that the competent judicial authority rejected the creditor's request to terminate the Merger as the case may be
- b. Demonstration of the details of the objections received that have not yet been settled and are still pending, according to what is agreed upon with GUAI. In such case, the Merger will continue unless a judicial decision to suspend the Merger is issued, and GGI, after settling all received objections, will announce the same on the website of the Saudi Exchange (Tadawul) if necessary.

5.2.5 Effectiveness of Merger Resolution

Pursuant to Article (228) of the Companies Law, the Merger Resolution shall be effective and deemed valid from the date of registration of GGI's data in the commercial register of the GUAI. As soon as possible after Issuance of Merger Resolution:

- a. GGI will take all necessary measures to suspend trading of its shares on Tadawul, allowing Edaa to withdraw the register of GGI's shareholders entitled to receive Consideration Shares, at the end of the second trading day following the date of such suspension or any other day specified by CMA or the Saudi Exchange (Tadawul) or the Depository Center.
- b. GUAI will take all necessary procedures to enable the issuance of the new fully paid shares and deposit them in the portfolios of GGI's shareholders included in the agreed list according to the Exchange Ratio.
- c. The Companies will take all necessary procedures to update the commercial records for the Effectiveness of the Merger Resolution simultaneously with the deposit of the Consideration Shares or as soon as possible thereafter.

5.2.6 Summary of Merger Agreement

+GUAI and GGI concluded the Merger Agreement on 08/06/1446H (corresponding to 09/12/2024G), pursuant to which, they agreed on the terms and conditions of the Merger, and the parties' obligations in connection with the implementation of the Merger. The Merger Agreement also includes a number of Warranties provided by each Company to the other in addition to a number of restrictions related to the practice of business.

The Merger shall be subject to the approval of both the shareholders of GUAI and the shareholders of GGI. Based on paragraph (n) of Article (3) of the M&A Regulations, a shareholder who owns shares in both GUAI and GGI is not entitled to vote on Merger Resolutions except in the EGM of one of the companies only. For more details on shareholders' voting in the EGM, please refer to Section (5.2.3) ("Extraordinary General Assembly Approval").



5.2.6.1 Conditions of the Merger Agreement

The Merger Agreement includes a number of conditions that must be met, which the companies are committed to meet as soon as possible before the Issuance of Merger Resolution, and to coordinate between them in this regard. The companies also agreed that none of these conditions may be amended or waived except upon the written consent of both companies or in accordance with the consent of GUAI with regard to the commercial conditions related to GGI. Such conditions are summarized as follows:

1. Obtaining all required approvals from the Insurance Authority in relation to the Merger.
2. Obtaining all required approvals from the CMA in relation to the Merger.
3. Obtaining the approval of the Saudi Exchange (Tadawul) to list the Consideration Shares and any other approvals (or providing any notices) required in connection with the Merger.
4. Obtaining non-objection letter from the Ministry of Commerce and the Insurance Authority for the proposed adjustments to GUAI's Bylaws.
5. Obtaining the approval of the required majority of the shareholders of GUAI on the Merger Resolutions.
6. Obtaining the approval of the required majority of the shareholders of GGI on the Merger Resolutions.
7. The non-occurrence and continuation of a Material Adverse Event.
8. Non-prejudice of the Warranties provided by each of GUAI and GGI under the Merger Agreement as set out in Section (5.2.6.4) ("**Warranties**"), unless the party in breach remedies the breach in a manner acceptable to the other party if such breach is remediable.
9. Non-issuance of any decision, law, instruction, order, ruling or decree from any governmental body or authority in the Saudi Arabia that may make the implementation of the Merger Resolution - in accordance with the provisions of the Merger Agreement - a non-statutory or illegal matter.
10. The expiry of the Creditors' Objection Period without any objection, or the objections submitted have been dealt with in accordance with the provisions of the Companies Law, in accordance with the provisions agreed upon in the merger Agreement.
11. Obtaining the approval of the reinsurers of GGI on the Merger. This approval has been obtained,
12. Update of the commercial register of GGI to reflect its current capital. The commercial register has been updated and this condition has been met.
13. Obtaining an exemption from the Vice-Chairman of the Board of Directors of GGI for its use of GGI's logo registered in their name previously. This exemption has been obtained and this condition has been met.

5.2.6.2 Restrictions on the Conduct of Business

The Merger Agreement included an obligation on the companies not to take any action that violates specific restrictions in the Agreement regarding how the companies practice their business during the period between the date of signing the Merger Agreement and the date of the Effectiveness of the Merger Resolution or the date of termination of the Merger Agreement in accordance with the terms and conditions contained therein (whichever is sooner) without obtaining the approval of the other party, noting that the other party cannot withhold or delay its approval without reasonable reason.

In the event that either party breaches any of these restrictions, the other party shall have the right to consider such breach as a Material Adverse Event (in accordance with the reasonable assessment of the non-breaching party) and to terminate the Agreement accordingly upon a written notice to the breaching party. For more details on the Termination Provisions of the Merger Agreement, please refer to Section (5.2.6.5) ("**Merger Agreement's Termination Provisions**").

The restrictions on the practice of business contained in the Merger Agreement stipulate that neither company shall take any action, or agree to take any action, that would violate any of those restrictions unless required by law. Such restrictions are summarized as follows:

1. The company's business shall be limited to its regular business in a manner that is substantially consistent with its previous practices, provided that, in all cases, it takes into account not to violate the relevant laws.
2. Refraining from making a material change in the nature or scope of the company's business or engaging in any new material activities.
3. Not declaring, distributing or paying any dividends or other distributions, whether in cash, in kind or any other form, for any financial period.
4. Refraining from concluding or amending an agreement, assuming any obligation or taking any action if such action would result in incurring compensation, expenses or obligations exceeding (5%) of the company's related revenues.



5. Refraining from concluding any financing or loan agreement exceeding (5%) of the company's total obligations.
6. Refraining from taking any action that would result in the liquidation, merger, dissolution or transformation of the legal form of the company.
7. Not employing or making any offer to employ any Senior Executive (i.e., any person who reports directly to the CEO or the Board), and not taking any action or making any material change relating to the terms and conditions of the employment contract of any such Senior Executive (except as required by law).
8. Refraining from concluding any lease agreement for a period exceeding one year.
9. Refraining from approving, recommending or executing any purchase of shares, sale of treasury shares, stock split, merger, change in nominal value or cancellation of shares for any reason.
10. Refraining from making any change in the capital or amending its incorporation documents.

5.2.6.3 Exceptions to Restrictions of the Conduct of Business

Subject to the foregoing, the Companies have agreed to specify a number of exceptions to the restrictions of the practice of business which allow each of the Companies to practice specific businesses and take actions without such practices being considered a breach of the restrictions of the practice of business referred to above, as follows:

1. Taking any actions publicly disclosed or privately disclosed to the other party in writing prior to the date of the Merger Agreement.
2. Taking any procedures included in the Merger Agreement.

5.2.6.4 Warranties

The Companies have provided a number of Warranties under the Merger Agreement, as follows:

1. Both GUAI and GGI have the power to conclude the Merger Agreement and perform their obligations arising from it.
2. The obligations arising from the Merger Agreement are binding on both parties.
3. The conclusion of the Merger Agreement and the performance of the obligations thereunder will not result in:
 - a. A material breach of the provisions of the Bylaws of either party.
 - b. Materially breaching or causing an event of default or giving any other party the right to terminate or materially modify any material agreement (as defined in the Merger Agreement) to which either party is a party.
4. That parties do not practice any business or activity other than the insurance activities authorized by the Insurance Authority.
5. Neither party has been declared bankrupt and there are no circumstances known or which may be known upon reasonable investigation which would give any person the right to require the liquidation of either party or the appointment of a receiver over its property or assets, whether in whole or in part.
6. Neither party has any unpaid obligations including: (1) securities convertible into shares or exchangeable for shares of any class of any party, or (2) options, warranties or other rights to underwrite for shares or purchase shares of any class of any party, or (3) agreements of any kind relating to the issuance of any shares of any class of any party, or any securities convertible into shares or exchangeable for shares or any options, warranties or rights.
7. The audited financials for the financial periods after January 01, 2021, which were disclosed to the other party, provide a true, non-misleading and accurate presentation of that party's results for the related period and its financial position at the end of the related period.
8. All information relating to the party provided to the other party in connection with the Merger or the party (including information provided during the due diligence stage or for the purpose of preparing the Merger documents) is true and complete in all material aspects and not materially misleading as at the date thereof.
9. No material information has been withheld by the other party in the context of the Merger, or any other information requested during the due diligence stage.



Each party also undertakes to the other party that all information provided by it about itself to the other party after the conclusion of the Merger Agreement (including all information reasonably required by the other party or as required by applicable laws, for the purpose of preparing the Shareholders' Circular and the Offer Document issued by GUAI and GGI's Board of Directors' Circular) is true and accurate in all material aspects and not misleading in any material aspect on its date.

5.2.6.5 Merger Agreement's Termination Provisions

The Merger Agreement shall immediately be terminated and accordingly, all rights and obligations of the Companies under the Agreement shall terminate (except for certain rights and obligations that remain binding even after termination, such as confidentiality and dispute resolution) in the event of the occurrence of certain conditions, including the following:

1. Either party shall give notice of termination to the other party in the event of a Material Adverse Event to the other party, without remedying such event to the satisfaction of the party within fourteen days.
2. Either party shall give notice of termination of the Agreement to the other party in the event that either party breaches any of the terms and conditions of the Agreement (including breach of warranties and undertakings), without remedying such breach to the satisfaction of the party within fourteen days.
3. Failure to meet with the conditions of the Merger (unless waived upon written agreement between the parties) before the end of six months from the date of the Merger Agreement (unless the parties agree in writing to another date).
4. The parties agree in writing to terminate the Agreement.

5.2.6.6 Material Adverse Event Notice

In the event that an event occurs to one of the parties that the other party considers to be a Material Adverse Event prior to the Effectiveness of the Merger Resolution, the party that considers such event to be a Material Adverse Event must promptly send a written notice to the other party explaining the same (referred to as the "**Material Adverse Event**"), and representatives of the parties must meet within ten (10) business days of receiving the Material Adverse Event Notice to consider the situation. If neither party agrees that a specific event or incident has resulted in what constitutes a Material Adverse Event, the parties must cooperate to appoint an independent expert from one of the auditors licensed by the Authority (referred to as the "**Expert**"), who will act as an expert - not an arbitrator - to study the circumstances and issue a final report binding on the parties, stating whether the elements of a Material Adverse Event have been met in the event or incident. Both parties shall initially bear all fees, costs and expenses related to the appointment of such expert equally, and in the event that the expert's report concludes that no Material Adverse Event has occurred, the party claiming the occurrence of such event shall bear the responsibility of compensating the other party for the costs incurred in appointing such expert. The expert must be appointed by agreement of the parties. If the representatives of the parties are unable to meet within ten (10) business days from the date of receipt of the notice of the Material Adverse Event, or if they do not agree to appoint the expert within twenty (20) Working Days from the date of receipt of the notice of the Material Adverse Event, the party claiming the occurrence of a Material Adverse Event may apply to the Saudi Center for Commercial Arbitration for the purpose of nominating an expert, and this nomination shall be binding on both parties.

The parties may, immediately upon their agreement or upon the expert issuing their final binding report to determine whether or not a Material Adverse Event has occurred, to negotiate in good faith to continue the Merger or amend its terms within fourteen (14) Working Days, or terminate the Agreement in accordance with its terms by the party not affected by the Material Adverse Event (or the Merger shall be deemed to be effective according to its terms if the affected party does not exercise its right within ten (10) Working Days after the end of the amicable negotiation period).

5.2.6.7 Breakup Fees

Pursuant to the Merger Agreement, the companies agreed to pay termination fees as compensation for the time, effort, and expenses incurred by each party in connection with the Merger. Pursuant to the Merger Agreement, in the event that either party takes (or fails to take) any action that causes the Merger to fail, such party shall pay to the other party a lump sum of SAR Four Million (4,000,000) within ten (10) days of the termination of the Merger Agreement, provided that such party shall not be obligated to pay such fees in the event of fraud, bad faith, or material breach by the other party.

5.2.7 Other Agreements

Except for the Non-binding MOU and the Merger Agreement, there are no other material agreements between the Companies in connection with the Merger.



5.3 Cases and Claims filed against GUAI

As of December 31, 2024G, there are: (a) seven (7) material cases filed against GUAI before the Primary Committee for Settlement of Insurance Disputes and Violations, in the context of regular insurance business, in which the plaintiffs are claiming amounts totaling (SAR 51,832,957), and (b) one material case in which an Interlocutory judgment was rendered against GUAI but is being heard before the Court of Appeal, in which the plaintiff is claiming an amount of (SAR 6,323,795).

As of December 31, 2024G, GUAI is a plaintiff in a material insurance case, and the Interlocutory judgment was issued in favor of the Company in the amount of (SAR 1,742,271.53). In addition, the GUAI is a plaintiff in another insurance case in which it is demanding an amount of (SAR 1,002,657.76), and the judgment has not yet been issued.

Other than the foregoing, there is no case or claim (including any pending or threatened case) that could materially affect the business or financial position of GUAI.

5.4 Cases and Claims filed against GGI

As of December 31, 2024G, there are: (a) (152) cases filed against GGI Company before the Primary Committee for the Resolution of Insurance Disputes and Violations, related to ordinary insurance business, in which the Plaintiffs claim a total amount of SAR (6,896,485); (b) 18 cases in which a Interlocutory judgment has been rendered against GGI Company but are currently being heard before the Appeals Committee for the Resolution of Insurance Disputes and Violations, related to ordinary insurance business, in which the Plaintiffs claim a total amount of SAR (1,034,639); and (c) two substantial cases, the first being a labor case in which the Plaintiff claims SAR (3,262,053) and the second being an insurance claim in which the Plaintiff claims SAR (5,529,000). GGI Company failed to allocate any funds to any of the above-mentioned cases, thereby implying that a loss incurred in relation to any of these cases may have a direct adverse impact on the GGI Company's financial statements.

Furthermore, as of December 31, 2024G, GGI Company filed the following lawsuits: (1) An insurance claim amounting to SAR (805,000); (2) a substantive commercial contractual dispute in which GGI Company is claiming SAR (11,995,550). Furthermore, GGI Company is seeking to enforce 15 final judgments against other parties for a total amount of SAR (2,197,449.52), which has not been collected yet.

Other than the foregoing, there is no case or claim (including any pending or threatened case) that could materially affect the business or financial position of GGI. For more details on risks related to jurisdictional disputes, please refer to Section (1.4.2) (**"Risks related to Jurisdictional disputes"**).

5.5 Bankruptcy

There is no bankruptcy case for any of the members of the Board of Directors of GUAI, the proposed members, its senior executives, or the Secretary of its Board of Directors.

5.6 Insolvency

None of the Members of the Board of Directors of GUAI, the proposed members, its senior executives or the Secretary of its Board of Directors have been appointed by any insolvent company to a managerial or supervisory position during the previous five years.



6. Experts Statements

The advisers and auditors, whose names are stated in Section (“**Corporate Directory**”) have given and, as at the date of this Circular, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them that appear in this Circular (as applicable). This Circular does not include any statement provided by an expert in relation to the Merger.



7. Expenses

The costs of GUAI related to the Merger are estimated at approximately (6.5) one million Saudi Riyals (excluding VAT). These expenses include the fees of the Financial Adviser, the legal adviser, the necessary professional due diligence adviser for financial, tax, zakat, actuarial and other advisers, in addition to the fees of governmental authorities, marketing, printing and distribution expenses and other costs related to the Merger. It should be noted that the amount of costs and expenses referred to above is an estimate, and does not include the costs related to merging the businesses of GUAI and GGI after the Effectiveness of the Merger Resolution or any other costs after the Effectiveness of the Merger Resolution.



8. Waivers

A waiver was obtained from CMA from the requirements of subparagraph (2) of paragraph (b) of Article (36) of the M&A Regulations, as the Companies agreed on a termination fee of four million Saudi Riyals (SAR 4,000,000). For more details on termination fees, please refer to Section (5.2.6.7) (“**Breakup Fees**”).



9. Documentation available for inspection.

GUAI will provide copies of the following documents for review at its headquarters from nine in the morning until three in the afternoon on Working Days, from the date of publication of this Circular until the date of the EGM (which will not be less than (14) days):

1. GGI's bylaws and articles of association.
2. The Non-binding MOU.
3. Merger Agreement (which includes the breakup fees arrangements).
4. The audited financials of GGI for the fiscal years ending December 31, 2021G, 2022G and 2023G and the unaudited interim financials for the six-month period ending June 30, 2024G.
5. Unaudited consolidated pro forma financial statements for the period ended June 30, 2024G.
6. GGI's valuation Report issued by the Financial Adviser.
7. Consents from advisers and auditors for the use of their names, logos and statements (as applicable) in this Circular.



Annex (1): Proposed amendments to the Bylaws of GUAI

Article	Article before Amendment	Article after Amendment
Article (8) Capital	The Company's capital is (SAR 458,949,280) four hundred and fifty-eight million, nine hundred and forty-nine thousand, two hundred and eighty Saudi Riyals, divided into (SAR 45,894,928) forty-five million, eight hundred and ninety-four thousand, nine hundred and twenty-eight shares of equal value with a nominal value of (SAR 10) ten Saudi Riyals per share, all of which are ordinary cash shares.	The company's capital is ~~(SAR 458,949,280) four hundred and fifty-eight million, nine hundred and forty-nine thousand, two hundred and eighty~~ , <u>six hundred and eighty-seven million, one hundred and eighty-one thousand, five hundred and fifty Saudi Riyals (SAR 687,181,550)</u> , divided into ~~(SAR 45,894,928) forty-five million, eight hundred and ninety-four thousand, nine hundred and twenty-eight~~ , <u>sixty-eight million, seven hundred and eighteen thousand, one hundred and fifty-five (68,718,155)</u> shares of equal value with a nominal value of (SAR 10) ten Saudi Riyals per share, all of which are ordinary cash shares.



Annex (2): Opinion of the Financial Adviser submitted to the Board of Directors of GUAI



الجزيرة كابيتال

ALJAZIRA CAPITAL للأسواق المالية



التاريخ: 1446/06/04 هـ.

الموافق: 2024/12/05 م

مجلس إدارة شركة اتحاد الخليج الأهلية للتأمين التعاوني

المكتب الرئيسي

الدمام – الخالدية الجنوبية – 8217 شارع سلمان الفارسي، الوحدة 3-2-1 من Q2، بعب الأعمال، الدمام 32221 - 3677
المملكة العربية السعودية

رأي المستشار المالي حيال معامل المبادلة

أعضاء مجلس إدارة شركة اتحاد الخليج الأهلية للتأمين التعاوني المحترمين:

عطفًا على دراسة شركة اتحاد الخليج الأهلية للتأمين التعاوني ("المصدر" أو "شركة اتحاد الخليج الأهلية") للاندماج مع الشركة الخليجية العامة للتأمين التعاوني ("الشركة الخليجية العامة") عن طريق نقل أصول والتزامات الشركة الخليجية العامة إلى شركة اتحاد الخليج الأهلية وذلك من خلال عرض مبادلة أوراق مالية ("صفقة الاندماج") وفقًا لقواعد وأنظمة هيئة السوق المالية ("الهيئة") وقواعد الإدراج ونظام الشركات ولائحته التنفيذية، وبالإشارة إلى طلبكم منا بتزويد شركة اتحاد الخليج الأهلية برأي شركة الجزيرة للأسواق المالية ("الجزيرة كابيتال") بصفتنا مستشاراً مالياً لشركة اتحاد الخليج الأهلية فيما يخص صفقة الاندماج طبقاً للمادة 18 من لائحة الاندماج والاستحواذ، فإننا بهذا الخطاب نقدم لكم رأينا فيما يتعلق بعبالة معامل المبادلة المشار إليه والمستند عليه في اتفاقية الاندماج والمذكور في الملحق 1 من هذا الرأي ("معامل المبادلة") للمصدر ومساهميه، وفقًا لشروط وأحكام صفقة الاندماج. سوف تصدر شركة اتحاد الخليج الأهلية (0.7607742333333333) سهم عادي جديد لكل سهم واحد مملوك في الشركة الخليجية العامة لصالح المساهمين المستحقين في الشركة الخليجية العامة (أي المساهمين المالكين للأسهم المصدرة في الشركة الخليجية العامة بتاريخ صدور قرار الاندماج مع الأخذ بعين الاعتبار إجراءات التسوية (T+2) بنهاية ثاني يوم تداول الذي يلي اليوم الأخير لصدور قرار الاندماج)، وبالتالي إصدار 22,823,227 سهم عادي جديد لمساهمي الشركة الخليجية العامة ("الأسهم الجديدة").

الجزيرة كابيتال

ALJAZIRA CAPITAL الأسواق المالية



نطاق المراجعة والافتراضات التي قامت بها الجزيرة كابيتال فيما يتعلق بتقديم هذا الرأي – على سبيل المثال لا

الحصر:

1. الاطلاع على البيانات المالية المدققة لشركة اتحاد الخليج الأهلية والشركة الخليجية العامة للسنوات المالية المنتهية في 31 ديسمبر 2022م و31 ديسمبر 2023م، والبيانات المالية غير المراجعة لفترة الستة أشهر المنتهية في 30 يونيو 2024م.
2. مراجعة تقارير العناية المهنية الواجبة المالية والضريبية والقانونية والاكتوارية المعدة من قبل مستشارين مستقلين آخرين.
3. مراجعة اتفاقية الاندماج ومقارنة شروط العرض مع شروط بعض عمليات الاندماج المماثلة التي اعتبرناها ذات صلة.
4. مراجعة الشروط المالية للعرض.
5. استعراض بعض البيانات المالية المتاحة للجمهور التي اعتبرتها الجزيرة كابيتال أنها ذات علاقة.
6. تنفيذ جملة من المتطلبات الأخرى ومراجعة معلومات أخرى والأخذ في الاعتبار مجموعة من الحقائق والاعتبارات الأخرى التي رأتها الجزيرة كابيتال مناسبة.

لقد افترضت الجزيرة كابيتال دقة واكتمال البيانات والمواد المقدمة لها أو المناقشة معها أو المتاحة للعموم، دون التحقق منها بصورة مستقلة، ولا تتحمل الجزيرة كابيتال أي مسؤولية فيما يتعلق بمثل هذه البيانات والمعلومات والمواد، ولا فيما يتعلق بصحتها. علاوة على ذلك، اطّلعنا الجزيرة كابيتال على أحدث القوائم المالية المنشورة للشركتين ولم نرَ ما يستلزم إعادة التقييم كما بتاريخ هذا الرأي. وتفترض الجزيرة كابيتال أنه لا توجد أي معلومات أو وقائع من شأنها أن تجعل أي من المعلومات المراجعة من قبلها ناقصة أو مضللة. فضلاً عن ذلك، افترضت الجزيرة كابيتال أيضاً أنه سيتم الحصول على جميع الموافقات الحكومية والنظامية وغيرها من الموافقات اللازمة لتنفيذ قرار صفقة الاندماج، دون أن يترتب على ذلك أي أثر سلبي على شركة اتحاد الخليج الأهلية والشركة الخليجية العامة أو على الفوائد المرجوة من صفقة الاندماج. علاوة على ذلك، لم تقدم الجزيرة كابيتال رأياً فيما يتعلق بقيمة تصفية أي كيان أو منشأة. هذا ويقوم هذا الرأي بالضرورة على أساس الشروط المالية والاقتصادية والسوقية وغيرها من الشروط الحالية والمعلومات المتاحة للجزيرة كابيتال وفقاً لما هي عليه وحسبما يتم الإفصاح عنها لنا في تاريخ هذا الخطاب. كما أن هذا الرأي لا يغطي الشروط الأخرى المشمولة في صفقة الاندماج على وجه التحديد أو قرار شركة اتحاد الخليج الأهلية بإجراء صفقة الاندماج أو تأثير صفقة الاندماج أو الصفقات ذات الصلة على شركة اتحاد الخليج الأهلية والشركة الخليجية العامة، ولم نُعبر الجزيرة كابيتال عن أي رأي فيما يتعلق بصحة أو عدالة الهيكل القانوني لصفقة الاندماج. لا تلزم الجزيرة كابيتال بتحديث أو تنقيح أو إعادة تأكيد أو سحب هذا الرأي أو بالتعليق على أو النظر في الأحداث التي قد تطرأ بعد تاريخ هذا الخطاب أو بالنظر فيها. وقد اعتمدت الجزيرة كابيتال دون التحقق بصورة مستقلة على تقييم أجراه فريق شركة اتحاد الخليج الأهلية المسؤول عن صفقة الاندماج بخصوص الأساس الاستراتيجي للصفقة بما في

١٣٠

الجزيرة كابيتال

ALJAZIRA CAPITAL الأسواق المالية



ذلك المعلومات المتعلقة ببعض الفوائد الاستراتيجية والمالية والتشغيلية المتوقعة من صفقة الاندماج والتي التحنية والخدمات وتمادج الأعمال فضلاً عن المخاطر المصاحبة لهذه العمليات. وقد اعتمدت الجزيرة كابيتال على تقييم شركة اتحاد الخليج الأهلية والشركة الخليجية العامة بشأن قدرتهما على الاحتفاظ بموظفيهما الرئيسيين بعد نفاذ قرار الاندماج، دون أن تتحقق من هذه القدرة بصورة مستقلة.

تعمل الجزيرة كابيتال بصفتها المستشار المالي لشركة اتحاد الخليج الأهلية فيما يتعلق بصفقة الاندماج. وسوف تتقاضى رسوماً من شركة اتحاد الخليج الأهلية لقاء الخدمات التي تقدمها الجزيرة كابيتال والمشروطة بتقديم هذا الرأي وصدر قرار صفقة الاندماج. يُقدم هذا الرأي لغرض استخدامه من قبل مجلس إدارة شركة اتحاد الخليج الأهلية حصراً في إطار دراسته للصفقة وسيتم تضمين هذا الرأي ضمن تعميم المساهمين. وليس المقصود منه تقديم أي حقوق أو تعويضات لأي شخص آخر، وليس المقصود منه استخدامه ولا يجوز استخدامه لأي غرض آخر، كما لا يجوز الاعتماد عليه أو استخدامه من قبل أي شخص آخر دون موافقة خطية مسبقة من الجزيرة كابيتال. كما أن هذا الرأي لا يُقصد ولا يشكل أي توصية لأي حامل لأوراق مالية أو لأي شخص آخر عن كيفية التعامل مع صفقة الاندماج أو التصويت عليها. كما يجدر بالذكر بأنه يجوز للجزيرة كابيتال - في إطار نشاطها الاعتيادي - وبالأخذ بالأنظمة والقوانين والإفصاحات المطلوبة ذات العلاقة، التداول في الأوراق المالية لشركة اتحاد الخليج الأهلية و/أو الشركة الخليجية العامة لحسابها الخاص أو لحسابات العملاء الحاليين بموجب الشروط التجارية المعتادة في تعاملاتها معهم وفقاً لما هو منصوص عليه في لائحة مؤسسات السوق المالية، فقد تكون الجزيرة كابيتال حائزة على مراكز شراء أو مراكز بيع على المكشوف في الأوراق المالية لشركة اتحاد الخليج الأهلية و/أو الشركة الخليجية العامة في أي وقت وذلك بما لا يتعارض مع الأنظمة والقوانين ذات العلاقة. لا يشمل رأينا القرار الذي اتخذته شركة اتحاد الخليج الأهلية بخصوص الدخول في صفقة الاندماج أو المزايا النسبية لها مقارنة بأي بدائل استراتيجية قد تكون متاحة لشركة اتحاد الخليج الأهلية؛ كما لا يتناول أي أمور نظامية أو تنظيمية أو ضريبية أو محاسبية. يتناول هذا الرأي فقط عدالة معامل المبادلة من وجهة نظر مالية بالنسبة لشركة اتحاد الخليج الأهلية ومساهميها بموجب اتفاقية الاندماج كما في التاريخ المبين في هذا الخطاب.

وبناء على ما تقدم ووفقاً لشروطه، بما في ذلك مختلف الافتراضات والقيود المنصوص عليها أعلاه، وبناء على اعتمادنا عليها ترى الجزيرة كابيتال أن معامل المبادلة في هذه صفقة الاندماج عادل من وجهة نظر مالية لشركة اتحاد الخليج الأهلية ومساهميها.



الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



وتقبلوا خالص التحية والتقدير،

مدير المصرفية الاستثمارية:

عاصم ممتاز

شركة الجزيرة للأسواق المالية
(الجزيرة كابيتال)

الرئيس التنفيذي والعضو المنتدب:



نايف بن مسند المستند

شركة الجزيرة للأسواق المالية (الجزيرة كابيتال)



الجزيرة كابيتال

الجزيرة للأسواق المالية ALJAZIRA CAPITAL



ملحق (1) جدول التقييم ومعامل المبادلة

45,894,928 سهم عادي	عدد الأسهم القائمة في شركة إتحاد الخليج الأهلية
458,949,280 ريال سعودي	رأس المال في شركة إتحاد الخليج الأهلية (قبل الزيادة)
22,823,227 سهم عادي	عدد الأسهم الجديدة في شركة إتحاد الخليج الأهلية والمزيج إصدارها كأسهم عوض للاندماج
228,232,270 ريال سعودي	القيمة الاسمية لأسهم العوض
68,718,155 سهم عادي	إجمالي عدد الأسهم في شركة إتحاد الخليج الأهلية (بعد زيادة رأس المال)
687,181,550 ريال سعودي	رأس المال في شركة إتحاد الخليج الأهلية (بعد زيادة رأس المال)
%49.73	نسبة الزيادة في رأس المال في شركة إتحاد الخليج الأهلية (قبل زيادة رأس المال)
%33.21	نسبة الزيادة في رأس المال في شركة إتحاد الخليج الأهلية (بعد زيادة رأس المال)
0.7607742333333330	معامل المبادلة لكل سهم مملوك في الشركة الخليجية العامة

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Annex (3): Audited Annual Financial Statements of GGI for the Last Three Years



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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Statement of changes in equity	9
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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company

Opinion

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

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

Basis for Opinion

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

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



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company (continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of ultimate claim liability arising from insurance contract As at 31 December 2021, the outstanding claims, claims Incurred but Not Reported (IBNR) and other reserves amounted to SR 78.30 million and SR 16.94 million respectively. The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims as projected by both the management expert and management. We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates. Refer to note 2.5.1 which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the ultimate liability arising from claims under insurance contracts and note 3.3.8 which discloses accounting policies for claims.	We performed following procedures: - updated our understanding, evaluation and testing of key controls around the claims handling and provision setting processes - performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. - Using actuarial specialists we performed re-projections on selected operating segments, where we compared our re-projected claims incurred but not reported to those booked by management, and sought to understand any significant differences. For the remaining operating segments, we assessed the reasonableness of methodologies and assumptions used by the management against recognized actuarial practices and industry standards to identify and evaluate any anomalies. - evaluated the completeness and accuracy of data used by management in their calculation of ultimate insurance contract liabilities and evaluated the results of liability adequacy test. - evaluated the adequacy of the disclosures in the financial statements



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill As at 31 December 2021, carrying value of the goodwill amounted to SR 36 million, which represents the fair value of the consideration paid in excess of the fair value of assets and liabilities acquired as described in note 1.2. There is a risk regarding the potential impairment of the carrying value of the goodwill given the judgements management are required to make in respect of the assumptions used to determine the recoverable amount. The key judgements include identification of cash generating units, growth rates in future cash flow forecasts both short term and long term, terminal value, discount rates applied to these forecasts and determining the impact of reasonably possible changes in these assumptions. We considered this as a key audit matter as the valuation of goodwill require the use of significant judgement and estimates.	We performed the following procedures: - evaluated the appropriateness of the methodology used by an external specialist ("management's expert") to assess the impairment of goodwill - engaged our specialist to assess the methodologies and assumptions used by the management in determining the impairment for goodwill. - assessed the appropriateness of the key assumptions used in the impairment test model including projected cash flows, growth rate, terminal value and weighted average cost of capital (discount rate) etc. - evaluated the adequacy of the disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include 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 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 when it becomes available 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company

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

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

In preparing the financial statements, the management is 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 management either intends 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of **Gulf General Cooperative Insurance Company** (the "Company").

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

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

For KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



For Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants



Salman B. AlSudairy
License No. 283

Jeddah, Kingdom of Saudi Arabia
27 Sha'aban, 1443H
Corresponding to 30 March 2022





GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		31 December 2021 SR '000	31 December 2020 SR '000
	Notes		
ASSETS			
Cash and cash equivalents	4	256,112	161,394
Murabaha deposits	5	--	--
Premiums receivable, net	6	63,940	43,403
Due from reinsurers, net	7	32,967	16,246
Reinsurers' share of unearned premiums	9.1	21,707	37,666
Reinsurers' share of outstanding claims	9.2	11,596	10,295
Reinsurers' share of claims incurred but not reported	9.2	11,850	3,924
Reinsurers' excess of loss claims		4,892	443
Deferred policy acquisition costs	9.4	7,283	8,615
Investments	8	48,755	36,869
Prepayments and other assets	10	41,892	33,649
Right-of-use assets	11	1,555	2,644
Property and equipment	12	13,120	6,429
Intangible assets	13	9,626	7,621
Goodwill	1.2	36,260	36,260
Statutory deposit	14	75,000	20,000
Accrued income on statutory deposit	14	2,495	2,230
TOTAL ASSETS		639,050	427,688
LIABILITIES AND EQUITY			
LIABILITIES			
Due to policyholders	15	12,739	11,468
Accrued expenses and other liabilities	16	22,131	26,499
Due to reinsurers		1,249	2,503
Due to brokers		8,692	11,450
Unearned premiums	9.1	103,835	131,439
Unearned reinsurance commission	9.5	4,380	6,531
Outstanding claims	9.2	40,950	29,850
Claims incurred but not reported	9.2	37,355	20,411
Premium deficiency reserve	9.6	12,273	1,311
Other technical reserves	9.2	4,672	2,770
Employees' defined benefit obligations	17	5,157	4,171
Lease liabilities	11	1,224	1,911
Surplus distribution payable	18	8,738	8,742
Accrued Zakat	19	2,287	3,268
Accrued income payable to SAMA	14	2,495	2,230
TOTAL LIABILITIES		268,177	264,554
EQUITY			
Share capital	20	500,000	200,000
Statutory reserve	21	2,165	2,165
Accumulated losses		(131,729)	(40,135)
Re-measurement reserve of defined benefit obligations		437	1,104
TOTAL SHAREHOLDERS' EQUITY		370,873	163,134
TOTAL LIABILITIES AND EQUITY		639,050	427,688
COMMITMENTS AND CONTINGENCIES	33	300	300

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR'000	2020 SR'000
REVENUES			
Gross written premiums	9.1 & 23	296,751	320,955
Less: Reinsurance premiums ceded			
- Local	9.7	(2,085)	(2,610)
- Foreign	9.7	(61,422)	(89,859)
Excess of loss expenses	9.8	(13,856)	(11,120)
Net written premiums		219,388	217,366
Changes in unearned premiums, net		11,645	(710)
Net premiums earned	9.1	231,033	216,656
Reinsurance commissions	9.5	19,615	19,827
Other underwriting income		89	109
TOTAL REVENUES		250,737	236,592
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		241,888	185,673
Expenses incurred related to claims		6,391	9,143
Less: Reinsurers' share of claims paid		(43,840)	(41,908)
Net claims and other benefits paid		204,439	152,908
Change in outstanding claims, net		5,353	275
Changes in claims incurred but not reported, net		9,021	(6,624)
Net claims and other benefits incurred		218,813	146,559
Provision / (reversal) for premium deficiency reserve	9.6	10,962	(2,490)
Other technical reserves		1,900	558
Policy acquisition costs	9.4	35,361	21,603
TOTAL UNDERWRITING COSTS AND EXPENSES		267,036	166,230
NET UNDERWRITING INCOME		(16,299)	70,362
OTHER OPERATING (EXPENSES) / INCOME			
(Provision) / reversal for impairment of premium receivables	6.1	(1,204)	4,091
Provision for impairment of due from reinsurance	7.1	(574)	(24)
General and administration expenses	24	(82,135)	(76,088)
Commission income on deposits		1,073	1,697
Realized loss on investments	8.1	--	(1,899)
Unrealized gain on investments	8.1	11,886	4,162
Other income	25	3,178	7,604
TOTAL OTHER OPERATING EXPENSES NET		(67,776)	(60,457)
(Loss) / Income before Surplus and Zakat		(84,075)	9,905
Income attributed to the insurance operations (transfer to surplus payable)	28 & 31	--	(1,043)
(Loss) / Income attributed to the shareholders before Zakat		(84,075)	8,862
Zakat charge for the year	19.1	(2,164)	(3,114)
Zakat charge for prior years	19.2	(537)	(1,995)
NET (LOSS) / INCOME ATTRIBUTED TO THE SHAREHOLDERS		(86,776)	3,753
Basic and diluted (loss) / earnings per share (SR per share)	32	(3.16)	0.19

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

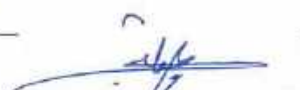


GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR '000	2020 SR '000
NET (LOSS) / INCOME ATTRIBUTED TO THE SHAREHOLDERS	31	(86,776)	3,753
Other comprehensive (loss) / income			
<i>Items that will not be reclassified to statement of income in subsequent years</i>			
Actuarial (loss) / gain on defined benefit obligations	17	(667)	797
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(87,443)	4,550


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.



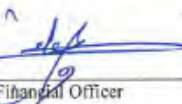
GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations SR'000	Total SR'000
Balance as at 1 January 2021	200,000	2,165	(40,135)	1,104	163,134
<i>Total comprehensive loss for the year</i>					
Total loss for the year attributable to shareholders	--	--	(86,776)	--	(86,776)
Actuarial loss on defined benefit obligations	--	--	--	(667)	(667)
<i>Transactions with owners of the Company</i>					
Increase in share capital	300,000	--	--	--	300,000
Transaction costs	--	--	(4,818)	--	(4,818)
Balance as at 31 December 2021	500,000	2,165	(131,729)	437	370,873

	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations SR'000	Total SR'000
Balance as at 1 January 2020	200,000	2,165	(43,888)	307	158,584
<i>Total comprehensive income for the year</i>					
Total income for the year attributable to shareholders	--	--	3,753	--	3,753
Actuarial gain on defined benefit obligations	--	--	--	797	797
Balance as at 31 December 2020	200,000	2,165	(40,135)	1,104	163,134


Director


Chief Financial Officer


Chief Executive Officer

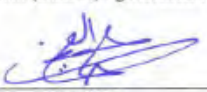
The accompanying notes 1 to 35 form an integral part of these financial statements.

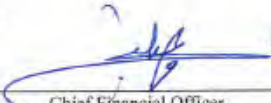


GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR'000	2020 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Total (loss) / income for the year before zakat		(84,075)	9,905
<u>Adjustments for non-cash items:</u>			
Depreciation	12 & 24	432	2,250
Amortization of intangible assets	13 & 24	1,848	1,414
Amortization of right-of-use assets	11 & 24	1,088	1,092
Provision / (reversal) for impairment of premiums receivables	6.1	1,204	(4,091)
Provision for impairment of reinsurance receivables	7.1	574	24
Realised loss on investments held at FVIS	8.1	--	1,899
Unrealised gain on investments held at FVIS	8.1	(11,886)	(4,162)
		(90,815)	8,331
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(21,741)	27,269
Due from reinsurers		(17,295)	1,208
Reinsurers' share of unearned premiums		15,959	(4,469)
Reinsurers' share of outstanding claims		(1,301)	2,146
Reinsurers' share of claims incurred but not reported		(7,926)	10,028
Reinsurers' excess of loss claims		(4,449)	(243)
Deferred policy acquisition costs		1,332	707
Prepayments and other assets		(8,243)	(17,274)
Due to policy holders		1,271	718
Accrued expenses and other liabilities		(4,369)	12,255
Due to reinsurers		(1,251)	(1,531)
Due to brokers		(2,758)	(1,636)
Unearned premiums		(27,604)	5,179
Unearned reinsurance commission		(2,151)	523
Outstanding claims		11,100	(1,628)
Claims incurred but not reported		16,944	(16,649)
Premium deficiency reserve		10,962	(2,490)
Other technical reserves		1,902	558
Employees defined benefit obligations, net		319	116
		(39,299)	14,787
Zakat paid	19	(3,682)	(5,183)
Surplus paid to policy holders	18	(4)	(1,340)
Net cash (used in) / generated from operating activities		(133,800)	16,595


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR'000	2020 SR'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	(7,124)	(3,220)
Purchase of intangible assets	13	(7,639)	(3,171)
Proceeds from disposal of Intangible Assets		3,786	--
Purchase of investments held to maturity	8.2	--	(2,000)
Proceeds from disposal of investments	8.1	--	10,742
Proceeds from maturity of Murabaha deposits		--	30,000
Net cash (used in) / generated from investing activities		(10,977)	32,351
CASH FLOWS FROM FINANCING ACTIVITIES			
Right issue		300,000	--
Transaction costs		(4,818)	--
Statutory deposit		(55,000)	--
Repayment of lease liabilities		(687)	(1,367)
Net cash generated from/ (used) in financing activities		239,495	(1,367)
Net increase in cash and cash equivalents		94,718	47,579
Cash and cash equivalents at the beginning of the year		161,394	113,815
Cash and cash equivalents at the end of the year	4	256,112	161,394
SUPPLEMENTAL NON-CASH TRANSACTIONS			
Actuarial (loss) /gain on defined benefit obligation	17	(667)	797


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

1. GENERAL

1.1. Organization and principal activities

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company
Al Gheithy Plaza, Second Floor,
Ameer Al Shoura'a Street
Jeddah, Kingdom of Saudi Arabia

The Company also has the following branches, which are operating under separate commercial registrations:

<u>Branch</u>	<u>Commercial Registration No.</u>	<u>Date of Registration</u>
Riyadh	1010316823	29 Shawwal 1432H (corresponding to 27 September 2011)
Al Khobar	2051046836	19 Dhul Qa'dah 1432H (corresponding to 17 October 2011)

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24 Safar 1431H (corresponding to 8 February 2010).

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident & liability, marine, property and engineering.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations	10%
	<u>100%</u>

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL (continued)

1.2. Portfolio transfer

On 19 May 2012, the Company entered into an agreement with Saudi General Insurance Company E.C. ("SGI") and Gulf Cooperation Insurance Company Ltd. E.C. ("GCI") (the "Sellers") pursuant to which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009, at a goodwill amount of SR 36.26 million, as approved by SAMA, along with the related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and are also subject to SAMA approval.

In December 2013, consequent to SAMA approval, a sum of SR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Further, SAMA approved additional payment of SR 5.37 million to the Sellers relating to 2012 profits, which was transferred to amount due to related parties, as at 31 December 2013, and settled in 2014. Further, during the year ended 31 December 2014, consequent to SAMA's approval, dated 28 Shawwal 1435H (corresponding to 24 August 2014), a payment of SR 2.96 million was made to the Sellers in respect of goodwill, out of 2013 profits. During the year ended 31 December 2015, consequent to SAMA's approval, dated 3 Rajab 1436H (corresponding to 22 April 2015), a final payment of SR 9.80 million was made to the Sellers in respect of goodwill, out of 2014 profits.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").

As required by Saudi Arabian Insurance Regulations, the Company maintains separate book of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. 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 expenses from joint operations is determined by the management and Board of Directors of the Company.

The statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 31 of the financial statement have been provided as supplementary financial information and to comply with the requirements of regulations. The regulations requires the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders Operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred below in note 31 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% is to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Central Bank. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION (continued)

2.2. Basis of measurement

The financial statements have been prepared under the going concern basis and historical cost convention, except for the measurement of investments held at fair value through income statement ("FVIS"), available-for-sale investment that are measured at fair value, and employees defined benefit obligations which is recognised at present value of future obligations using the projected unit credit method.

The Company's statement of financial position is presented in order of liquidity. Except for available-for-sale investment, held to maturity investment, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, employees' defined benefit obligations, lease liabilities and accrued income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

2.3. Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals ("SR"), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyals have been rounded off to the nearest thousands, except where otherwise indicated.

2.4. Fiscal year

The Company follows a fiscal year ending 31 December of each year

2.5. Critical accounting judgements, estimates and assumptions

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

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

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

2.5.1. 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. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the date of the statement of financial position, for which the insured event has occurred prior to the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using the past claims settlement trends to predict future claims settlement trends.

A range of methods such as Chain Ladder Method and Cape Code Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION (continued)

2.5 Critical accounting judgements estimates and assumptions (continued)

2.5.2. Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per the Company's policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

2.5.3. Impairment of receivables

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

2.5.4. Goodwill

The recoverable amount of goodwill is estimated based on present value of future cashflows expected to be derived from assets. The key assumptions used are the discount rate and estimated future cash flows from the business. Where the recoverable amount is less than its carrying value, the difference as an impairment loss is recognized in the statement of income.

2.5.5. Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of mutual funds. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistently applied for all years presented, unless otherwise stated.

3.1. New IFRS, International Financial Reporting and Interpretations Committee's interpretations ("IFRICs") and Amendments thereof, adopted by the Company

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) and are applicable from January 1, 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.

3.2. New IFRSs, IFRICs and Amendments thereof, issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards, where applicable when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	January 1, 2022
IAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
IFRS 3	Reference to the conceptual framework	January 1, 2022
IFRS 17	Insurance contracts	See below
IFRS 9	Financial Instrument	See below
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2023
IAS 8	Definition of Accounting Estimate - Amendment	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	January 1, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts

Overview:

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

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

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

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

Measurement:

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

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

- a) the fulfilment cash flows (“FCF”), which comprises:
 - 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 CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are 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).



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Measurement (continued):

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;

- i) changes in the entity’s share of the fair value of underlying items,
- ii) changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for 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 1 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 1 January 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 assessing the impact of the application and implementation of IFRS 17. As of the date of publication of these financials, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact (continued):

<u>Impact area</u>	<u>Summary of impact</u>
Financial impact	Not yet fully assessed by the Company.
Data impact	The Company believes that the data impact is not likely to be significant as a major proportion of the company's business would qualify for measurement under the premium allocation approach.
IT systems	The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17
Process impact	The process impact is under evaluation, but no significant process changes are anticipated.
Impact on reinsurance arrangements	The Company's reinsurance arrangements are currently under testing to determine the suitable measurement approach
Impact on policies & control's frameworks	The Company is currently working with an external consultant to review and modify the current policy control framework
Human resources	The Company needs to recruit suitably qualified personnel who have a comprehensive understanding of IFRS 17

At the date of publication of these financial statements, it was not practicable to quantify the potential impact of adopting IFRS 17

IFRS 9 – Financial Instruments

This standard was published on 24 July 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").



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

a) Classification and measurement continued:

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.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

b) Hedge accounting (continued):

This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date:

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

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
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 performed a detailed assessment: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the Company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of IFRS 17. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment:

As at 31 December 2021, the Company has total financial assets and insurance related assets amounting to SR 536 million (31 December 2020: SR 294 million) and SR 154 million (31 December 2019: SR 70 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents, held to maturity investment, murabaha deposits and certain other receivables amounting to SR 300 million (31 December 2020: SR 163 million). Investments are carried currently at fair value through statement of income at SR 44.83 million (31 December 2020: SR 32.95 million).

The Company is yet to fully assess changes from the application and implementation of IFRS 9, however at this stage, the Company does not expect the classification and measurement of financial assets to be significantly impacted by IFRS 9 implementation.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies

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

3.3.1 Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company 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. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations extinguish or expire.

Insurance contracts are principally divided into medical, motor, property, engineering, marine, and accident and liability and are principally short-term insurance contracts.

Medical insurance is designed to compensate holders for expenses incurred in the treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicle holders to have minimum third-party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident. Various extensions cover natural perils, personal accident benefits and dealer repairs.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, natural perils, business interruption and burglary.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings, or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and business interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

General accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance, personal accident, jeweller block, jewellery all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.1 Insurance contracts (continued)

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

3.3.2 Revenue recognition

Recognition of premiums and commissions earned

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

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

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

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 recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Commission income

Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income

Dividend income on equity instruments classified under investments is recognized when the right to receive payment is established.

3.3.3 Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.3 Claims (continued)

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

3.3.4 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.

3.3.5 Reinsurance contracts held

In line with other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts 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. All of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Reinsurance is distributed between treaty, facultative 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 3.3.1 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 and in accordance with the reinsurance contract. These amounts are shown as "reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers. Reinsurance assets or liabilities are derecognized 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. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recorded in the statement of income as incurred. For further details, please refer note 3.3.11.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized 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.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.6 Deferred policy acquisition costs

Commissions 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, to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded under "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the 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. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. If the assumptions relating to the future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

3.3.7 Liability adequacy test

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

3.3.8 Insurance contract liabilities

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

3.3.9 Premiums and reinsurance receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded as "Allowance for impairment of premium / reinsurance receivables" separately in the statement of income. Receivable balances are derecognized when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in notes 6 and 7 fall under the scope of IFRS 4 "Insurance Contracts".



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.10 Investments

All investments, are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. Financial assets are initially recognized at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

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

i. Investments held at fair value through income statement ("FVIS")

Investments in this category are classified if they are held for trading or designated by management as fair value through statement of income ("FVIS") on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in the short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in statement of income.

An investment may be designated at FVIS by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments are classified as FVIS if the fair value of the investment can be reliably measured and the classification as investments held at fair value through income statement is as per the documented strategy of the Company. Investments classified as investments held at FVIS are initially recognized at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVIS investments. Commission income and dividend income on financial assets held as FVIS are reflected as other income from FVIS financial instruments in the statement of income.

ii. Held to maturity investments

Investments having fixed or determinable payments and fixed maturity that the Company has a positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Any permanent decline in value of investments is adjusted for and reported in the statement income as impairment charges.

iii. Available-for-sale investments

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

Dividend, commission income and foreign currency gain / loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.10 Investments (continued)

i. Available for sale investments (continued)

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

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

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

3.3.11 Financial instruments

i. Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurers' share of outstanding claims, due from reinsurers, statutory deposit, investments and other receivables. Financial liabilities consist of outstanding claims, due to reinsurers and brokers, due to policyholders, surplus distribution payable and certain other liabilities.

Date of recognition

Regular way sale and purchase of financial instruments are recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the marketplace.

Measurement of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortized cost except for investments held at fair value through income statement which are carried at fair value.

ii. Derecognition of financial instrument

Financial assets

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

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.11 Financial instruments (continued)

iii. Derecognition of financial instrument (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

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

III. Offsetting

Financial assets and financial 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 recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

3.3.12 Impairment of financial assets

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

Evidence of impairment may include:

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

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

- For assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.12 Impairment of financial assets (continued)

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

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

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

The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

3.3.13 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

During the year ended 31 December 2021, the Company reviewed the estimated useful lives of property and equipment. Based on an independent technical assessment, advice from the Company's technical teams and comparable market practices, the estimated useful lives of property and equipment have been revised by the Company as follows:



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.13 Property and equipment (continued)

	<u>Upto June 30, 2021</u>	<u>Effective July 1, 2021</u>
	Number of years	
Leasehold Improvements	8	8
Furniture and fittings	10	10
Computers and office equipment	4	4-10
Motor vehicles	4	4
Leasehold Improvements	8	8

The change in estimated useful lives has resulted in decrease in depreciation and increase in operating profit for the year ended 31 December 2021 by Saudi Riyals 1.2 million.

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 being the higher of their fair value less costs to sell and their value-in-use.

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

3.3.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of income when it is incurred.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The estimated useful lives for the current year are as follows:

<u>Category</u>	<u>Years</u>
Computer software	4

The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.15 Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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 recognized in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

3.3.16 Leases

Definition of lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases.

As a lessee

The Company leases its offices, and as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.17 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation / amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

Impairment losses related to goodwill cannot be reversed in future periods.

3.3.18 Employees' defined benefit obligations

The Company operates a defined 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 year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. This involves making various assumptions which may differ from actual developments in the future. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, the employees' defined benefit obligations valuation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income.

3.3.19 Provisions, accrued expenses and other liabilities

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



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.20 Zakat

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

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3.3.21 Cash and cash equivalents

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

3.3.22 Murabaha deposits

Murabaha deposits, with an original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortized cost using the effective yield method, less any impairment changes.

3.3.23 Prepayments and other assets

Prepayments and other assets represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to the statement of income as they are consumed or expire with the passage of time.

3.3.24 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 and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gains or losses on available-for-sale investments are recognized under "other income" in the statements of income and comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

3.3.25 Expenses

Due to the nature of the operations of the Company, all expenses incurred are classified as general and administration expenses.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.26 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and Companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, and the Chief Financial Officer of the Company.

3.3.27 Operating segments

An operating segment is a distinguishable component of the Company that is engaged in business activities from which it is subject to risk and rewards that are different from those of other segments. Further, an operating segment earns revenues and incur expenses and has discrete financial information which is available that is evaluated regularly by the chief operating decision-maker.

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

- Medical
- Motor
- Property
- Engineering
- Marine marine
- Accident and liability

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business 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 business segments which will then be eliminated at the level of the financial statements of the Company.

3.3.28 Statutory reserve

In accordance with the Company's by-laws, 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.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.29 Fair values

The fair values 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 similar financial assets or where the fair values cannot be derived from an active market; they are determined using a variety of valuation techniques. The inputs of this model are taken from an observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Fair value disclosures are disclosed in note 27.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2021 SR'000	2020 SR'000
Insurance operations		
Cash in hand	21	20
Cash at banks	10,350	19,530
Murabaha deposits with maturity less than three months (see note below)	14,449	64,225
	<u>24,820</u>	<u>83,775</u>
Shareholders' operations		
Cash at banks	6,292	3,354
Murabaha deposits with maturity less than three months	225,000	74,265
	<u>231,292</u>	<u>77,619</u>
Total	<u>256,112</u>	<u>161,394</u>

Murabaha deposits earn commission at an average rate of 0.67% per annum as at 31 December 2021 (31 December 2020: 0.69 % per annum).

5. MURABAHA DEPOSITS

Murabaha deposits comprises the following:

	2021 SR'000	2020 SR'000
Insurance operations		
Murabaha deposits	14,449	64,225
Less: Murabaha deposits with maturity less than three months (see note 4)	(14,449)	(64,225)
	<u>--</u>	<u>--</u>
Shareholders' operations		
Murabaha deposits	225,000	74,265
Less: Murabaha deposits with maturity less than three months (see note 4)	(225,000)	(74,265)
	<u>--</u>	<u>--</u>
Total	<u>--</u>	<u>--</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. MURABAHA DEPOSITS (continued)

- a) Murabaha deposits represent deposits with local banks that have an original maturity of more than three months from the date of acquisition.
- b) These investments earn commission at an average rate of 0.67% per annum as at 31 December 2021 (2020: 0.69% per annum)

6. PREMIUMS RECEIVABLE, NET

Premiums receivable comprise amounts due from the following:

	2021 SR'000	2020 SR'000
Policyholders	80,429	61,679
Related parties (note 29)	4,837	1,841
	<u>85,266</u>	<u>63,520</u>
Provision for doubtful receivables (note 6.1)	(21,326)	(20,117)
Total	<u>63,940</u>	<u>43,403</u>

6.1. Movement in provision for doubtful receivables:

	2021 SR'000	2020 SR'000
Balance as at 1 January,	20,117	24,862
Provision / (Reversal) during the year	1,204	(4,091)
Write-off	(5)	(654)
Balance as at 31 December,	<u>21,326</u>	<u>20,117</u>

6.2. Aging analysis of unimpaired premiums receivable:

	Total SR'000	Less than 90 days SR'000	Past due but not impaired		
			91 – 180 days SR'000	181 – 360 days SR'000	More than 360 days SR'000
31 December, 2021	<u>63,940</u>	<u>52,985</u>	<u>2,764</u>	<u>3,834</u>	<u>4,357</u>
31 December, 2020	<u>43,403</u>	<u>32,106</u>	<u>5,205</u>	<u>2,086</u>	<u>4,006</u>

Premiums receivable comprise a large number of customers and are mainly within the Kingdom of Saudi Arabia. In respect of premiums receivable, the five largest customer balances accounted for approximately 32 % of this balance as at 31 December 2021 (2020: 26%). The company's terms of business generally require amounts to be paid in accordance with credit terms agreed with the customers.

Management considers its external customers to be individual policyholders. Four customers (2020: four customers) of the Company accounts for more than 31 % of the gross written premiums for the year ended 31 December 2021 (2020: 39%).



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

7. DUE FROM REINSURERS, NET

	2021 SR'000	2020 SR'000
Due from reinsurers	34,093	16,798
Provision for doubtful receivables (note 7.1)	(1,126)	(552)
Total	32,967	16,246

These represent net claims due from reinsurers under facultative deals and treaty arrangements. Three reinsurance brokers represent 90% (2020: Three represents: 90%) of the total amount due from reinsurers.

7.1 Movement in provision for doubtful receivables:

	2021 SR'000	2020 SR'000
Balance as at 1 January,	552	528
Provision during the year	574	24
Balance as at 31 December,	1,126	552

7.2 Aging analysis of unimpaired due from reinsurers:

	Total SR'000	Less than 90 days SR'000	Past due but not impaired		
			91 – 180 days SR'000	181 – 360 days SR'000	More than 360 days SR'000
31 December, 2021	32,967	28,014	4,097	499	357
31 December, 2020	16,246	10,071	5,928	67	180

The Company only enters into reinsurance contracts with recognized, creditworthy third parties.

8. INVESTMENTS

Investments of the shareholders' operations comprise the following:

	2021 SR'000	2020 SR'000
Shareholders' operations		
Investments held at fair value through income statement ("FVIS") (note 8.1)		
-Equity securities	16,303	11,231
-Mutual funds	28,529	21,715
	44,832	32,946
Held-to-maturity	2,000	2,000
Available-for-sale investment (note 8.2)	1,923	1,923
Total	48,755	36,869



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

8. INVESTMENTS (continued)

8.1. Investments held at fair value through income statement ("FVIS")

Movement in investments classified as fair value through income statement ("FVIS") is as follows:

	2021 SR'000	2020 SR'000
Balance as at 1 January,	32,946	41,425
Disposals during the year	--	(10,742)
Realized loss during the year	--	(1,899)
Unrealized gain during the year	11,886	4,162
Balance as at 31 December,	44,832	32,946

- The investments held at fair value through income statement of shareholders' operations comprise of portfolio amounting to SR 44.83 million (2020: SR 32.95 million) which is invested in mutual funds and equity shares in the Kingdom of Saudi Arabia.
- The investments are denominated in Saudi Arabian Riyals and US Dollars. All investments held at fair value through income statement are quoted. The portfolio is invested in securities and mutual funds issued by corporates and financial institutions in the Kingdom of Saudi Arabia.

8.2. Available-for-sale investment

The Company holds 3.85% of the equity in Najm for Insurance Services Company ("Najm"), a Saudi Closed Joint Stock Company. The investment is classified as an available-for-sale investment and is stated at cost.

9. TECHNICAL RESERVES

9.1. Net premiums

	2021 SR'000	2020 SR'000
Gross written premiums	296,751	320,955
Gross unearned premiums at the beginning of the year	131,439	126,260
	428,190	447,215
Gross unearned premiums at the end of the year	(103,835)	(131,439)
Gross premiums earned	324,355	315,776
Reinsurance premiums ceded	(77,363)	(103,589)
Reinsurers' share of unearned premiums at the beginning of the year	(37,666)	(33,197)
	(115,029)	(136,786)
Reinsurers' share of unearned premiums at the end of the year	21,707	37,666
Insurance premium ceded to reinsurers	(93,322)	(99,120)
Net premiums earned	231,033	216,656



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

9. TECHNICAL RESERVES (continued)

9.2. Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2021 SR'000	2020 SR'000
Outstanding claims	40,950	29,850
Claims incurred but not reported	37,355	20,411
Premium deficiency reserve (note 9.6)	12,273	1,311
Other technical reserves	4,672	2,770
	<u>95,250</u>	<u>54,342</u>
Less:		
Reinsurers' share of outstanding claims	11,596	10,295
Reinsurers' share of claims incurred but not reported	11,850	3,924
	<u>23,446</u>	<u>14,219</u>
Net outstanding claims and reserves	<u>71,804</u>	<u>40,123</u>

9.3. Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	<i>For the year ended 31 December 2021</i>		
	<i>Gross SR'000</i>	<i>Reinsurance SR'000</i>	<i>Net SR'000</i>
Balance as at 1 January,	131,439	(37,666)	93,773
Premiums written during the year	296,751	(77,363)	219,388
Premiums earned during the year	(324,355)	93,322	(231,033)
Balance as at 31 December,	<u>103,835</u>	<u>(21,707)</u>	<u>82,128</u>
	<i>For the year ended 31 December 2020</i>		
	<i>Gross SR'000</i>	<i>Reinsurance SR'000</i>	<i>Net SR'000</i>
Balance as at 1 January,	126,260	(33,197)	93,063
Premiums written during the year	320,955	(103,589)	217,366
Premiums earned during the year	(315,776)	99,120	(216,656)
Balance as at 31 December,	<u>131,439</u>	<u>(37,666)</u>	<u>93,773</u>

9.4. Movement in deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

	2021 SR'000	2020 SR'000
Balance as at 1 January,	8,615	9,322
Incurred during the year	34,029	20,896
Amortized during the year	(35,361)	(21,603)
Balance as at 31 December,	<u>7,283</u>	<u>8,615</u>



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

9. TECHNICAL RESERVES (continued)

9.5. Movement in unearned reinsurance commission

Movement in unearned reinsurance commission comprise of the following:

	2021 SR'000	2020 SR'000
Balance as at 1 January,	6,531	6008
Accrued during the year	17,464	20,350
Earned during the year	(19,615)	(19,827)
Balance as at 31 December,	<u>4,380</u>	<u>6,531</u>

9.6. Movement in premium deficiency reserve

Movement in premium deficiency reserve comprise of the following:

	2021 SR'000	2020 SR'000
Balance as at 1 January,	1,311	3,801
Provided /(reversal) for the year	10,962	(2,490)
Balance as at 31 December,	<u>12,273</u>	<u>1,311</u>

9.7 Reinsurance premiums ceded

	2021 SR'000	2020 SR'000
<u>Reinsurance premiums ceded - General</u>		
- Local reinsurance brokers to foreign companies	57,298	84,921
- Direct foreign reinsurance companies	3,072	3,537
- Local reinsurance brokers to local companies	1,586	1,640
- Direct to local reinsurance companies	499	970
	<u>62,455</u>	<u>91,068</u>
<u>Reinsurance premiums ceded – Life</u>		
- Local reinsurance brokers to foreign companies	1,052	1,401
	<u>63,507</u>	<u>92,469</u>

9.8 Excess of loss expenses

	2021 SR'000	2020 SR'000
Local reinsurance brokers to foreign companies	13,575	10,857
Local reinsurance brokers to local companies	281	263
	<u>13,856</u>	<u>11,120</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

10. PREPAYMENTS AND OTHER ASSETS

	2021 SR'000	2020 SR'000
Insurance operations		
Prepayments	8,023	3,909
Other asset (note 10.1 & 10.2)	33,606	29,416
	<u>41,629</u>	<u>33,325</u>
Shareholders' operations		
Accrued interest and other receivable	158	250
Prepayments	105	74
	<u>263</u>	<u>324</u>
Total	<u>41,892</u>	<u>33,649</u>

10.1 Other assets include payment made by the Company in relation to VAT assessment raised by Zakat, Tax and consultant Authority ("ZATCA") for 2018 and 2019 financial years amounting to SR 7.3 million. The payments were made to ZATCA to avoid penalties. However, the Company has submitted objections to the ZATCA assessment. The Company's management believes that there is strong basis that the assessment raised by the ZATCA will be reversed and the full amount will be returned in due course

10.2 Other assets include and claims recovery of SR 19.1 million as third-party claims receivables. The amount is recoverable from third party, both individuals and corporate customers.

11. LEASES

11.1 Right-of-use assets

	2021 SR'000	2020 SR'000
Cost:		
Balance as at 1 January,	4,803	4,803
Additions	--	--
Balance as at 31 December,	<u>4,803</u>	<u>4,803</u>
Accumulated amortization:		
Balance as at 1 January,	2,160	1,068
Amortization for the year (note 24)	1,088	1,092
Balance as at 31 December,	<u>3,248</u>	<u>2,160</u>
Carrying value	<u>1,555</u>	<u>2,644</u>

11.2 Lease liabilities

Lease liabilities as at 1 January and 31 December 2021 are as follows:

	<i>Minimum lease payments</i> SR'000	<i>Interest</i> SR'000	<i>Present value of minimum lease payments</i> SR'000
31 December 2021	<u>1,911</u>	<u>687</u>	<u>1,224</u>
1 January 2021	<u>3,280</u>	<u>1,369</u>	<u>1,911</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
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11. LEASES (continued)

11.2 Lease liabilities (continued)

At 31 December, the maturity of lease liabilities are as follows:

	2021 SR'000	2020 SR'000
Non-current portion	386	603
Current portion	838	1,308
Balance as at 31 December,	<u>1,224</u>	<u>1,911</u>

The minimum lease payments together with the present value of minimum lease payments as at 31 December 2021 are as follows:

	Minimum lease payments SR'000	Present value of minimum lease payments SR'000
Less than one year	75	48
More than one year	1,836	1,176
Total minimum lease payments	<u>1,911</u>	<u>1,224</u>
Finance charges	(687)	--
Present value of minimum lease payments	<u>1,224</u>	<u>1,224</u>

12. PROPERTY AND EQUIPMENT

	Leasehold improvements SR'000	Furniture and fittings SR'000	Computer and office equipment SR'000	Motor vehicles SR'000	Total SR'000
Cost:					
Balance as at 1 January 2020	3,763	2,254	11,416	277	17,710
Additions during the year	302	356	2,562	--	3,220
Disposals during the year	--	(95)	--	--	(95)
Balance as at 31 December 2020	<u>4,065</u>	<u>2,515</u>	<u>13,978</u>	<u>277</u>	<u>20,835</u>
Additions during the year	27	--	7,097	--	7,124
Balance as at 31 December 2021	<u>4,092</u>	<u>2,515</u>	<u>21,075</u>	<u>277</u>	<u>27,959</u>
Accumulated depreciation:					
Balance as at 1 January 2020	3,505	1,979	6,519	248	12,251
Depreciation for the year (note 24)	72	73	2,091	14	2,250
Disposals during the year	--	(94)	--	--	(94)
Balance as at 31 December 2020	<u>3,577</u>	<u>1,958</u>	<u>8,610</u>	<u>262</u>	<u>14,407</u>
Depreciation for the year (note 24)	100	84	233	15	432
Balance as at 31 December 2021	<u>3,677</u>	<u>2,042</u>	<u>8,843</u>	<u>277</u>	<u>14,839</u>
Net book value:					
31 December 2021	<u>415</u>	<u>473</u>	<u>12,232</u>	<u>--</u>	<u>13,120</u>
31 December 2020	<u>488</u>	<u>558</u>	<u>5,368</u>	<u>15</u>	<u>6,429</u>



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

13. INTANGIBLE ASSETS

	<i>Computer software SR'000</i>	<i>Capital work in progress SR'000</i>	<i>Total SR'000</i>
Cost:			
Balance as at 1 January 2020	7,070	3,569	10,639
Additions during the year	3,171	--	3,171
Transferred from capital work in process	3,569	(3,569)	--
Balance as at 31 December 2020	13,810	--	13,810
Additions during the year	7,639	--	7,639
Disposal during the year	(3,786)	--	(3,786)
Balance as at 31 December 2021	17,663	--	17,663
Accumulated amortization:			
Balance as at 1 January 2020	4,775	--	4,775
Amortization for the year (note 24)	1,414	--	1,414
Balance as at 31 December 2020	6,189	--	6,189
Amortization for the year (note 24)	1,848	--	1,848
Balance as at 31 December 2021	8,037	--	8,037
Net book value:			
31 December 2021	9,626	--	9,626
31 December 2020	7,621	--	7,621

14. STATUTORY DEPOSIT

	<i>2021 SR'000</i>	<i>2020 SR'000</i>
Statutory deposit	75,000	20,000

- a) As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 20 million, in a bank designated by SAMA. During 2021, the company has increased its share capital, by SR 300 million and the legal formalities have been finalized, however the company deposited an additional amount of statutory deposit equivalent to 15 % of its new paid-up share capital amounting to SR 45 million. The Statutory balance as at 31 December 2021 amounting to SR 75 million (31 December 2020: SR 20 million). Accrued income on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.
- b) In accordance with the instruction received from the SAMA vide their circular dated 1 March, 2016, the Company has disclosed the commission due on the statutory deposit as at 31 December, 2021 and 2020 as an asset and a liability in these financial statements.

15. DUE TO POLICYHOLDERS

Due to policyholders represent claims and surplus due to certain policyholders. Five policyholders (2020: five policyholders) balance comprises 21% (2020: 34%) of the outstanding balance due to policyholders as at 31 December 2021.



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2021 SR'000	2020 SR'000
Insurance operations		
Accrued expenses	1,812	985
Value added tax payable	4,979	312
Due to related parties (note 29)	309	309
Payable to garages and workshops	1,701	904
Third party claims payable	9,587	8,761
Other liabilities	1,204	12,928
	<u>19,592</u>	<u>24,199</u>
Shareholders' operations		
Accrued expenses	2,539	2,300
	<u>2,539</u>	<u>2,300</u>
Total	<u>22,131</u>	<u>26,499</u>

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	2021 SR'000	2020 SR'000
Employees' defined benefit obligations	<u>5,157</u>	<u>4,171</u>

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

17.1 Movement of defined benefit obligations

	2021 SR'000	2020 SR'000
Balance as at 1 January,	4,171	4,852
Charged to the statement of income	1,858	635
Charged to the of other comprehensive income/ (loss)	667	(797)
Payment of benefits during the year	<u>(1,539)</u>	<u>(519)</u>
Balance as at 31 December,	<u>5,157</u>	<u>4,171</u>

17.2 Reconciliation of present value of defined benefit obligation

	2021 SR'000	2020 SR'000
Present value of defined benefit obligation as at 1 January,	4,171	4,852
Current service costs	988	473
Financial costs	870	162
Actuarial gain /(loss) from experience adjustments	667	(797)
Payment of benefits during the year	<u>(1,539)</u>	<u>(519)</u>
Present value of defined benefit obligation as at 31 December,	<u>5,157</u>	<u>4,171</u>



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17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

17.3 Principal actuarial assumptions

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

	2021	2020
Valuation discount rate	3.2%	3.2%
Expected rate of increase in salary level across different age bands	5%	5%

17.4 Sensitivity analysis

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

	2021	2020
Current	5,157	4,171
Valuation discount rate		
- Increase by 0.5%	4,441	4,268
- Decrease by 0.5%	4,820	4,633
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	4,817	4,630
- Decrease by 0.5%	4,440	4,267

The average duration of the defined benefit plan obligation is 4.2 years (2020: 4.2 years) as at 31 December 2021.

18. SURPLUS DISTRIBUTION PAYABLE

	2021 SR'000	2020 SR'000
Balance as at 1 January,	8,742	9,038
Total income attributed to the insurance operation during the year	--	1,043
Surplus paid to policyholders	(4)	(1,339)
Balance as at 31 December,	8,738	8,742

19. ZAKAT

19.1 Zakat base

The Zakat base calculated as at 31 December on the following:

	2021 SR'000	2020 SR'000
Equity	314,768	202,165
Opening provision and adjustments	(7,932)	(10,419)
Net book value of long-term assets	(158,192)	(75,502)
	148,644	116,244
Amended net (loss) / profit for the year	(62,085)	8,321
Zakat base	86,559	124,565
Zakat due	2,164	3,114



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NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

19. ZAKAT

19.2 Zakat provision

The differences between the financial and the results subject to Zakat are mainly due to certain adjustments in accordance with the relevant Zakat regulations. The movement in the Zakat provision for the year is as follows:

	2021 SR'000	2020 SR'000
Balance as at 1 January,	3,268	3,342
Provided during the year	2,164	3,114
Provision for prior years	537	1,995
Paid during the year	(3,682)	(5,183)
Balance as at 31 December,	2,287	3,268

19.3 Status of assessments

The Company filed its Zakat returns for years December 31, 2016, 2017, 2018, 2019 and 2020 obtained the related Zakat certificates.

The Company has finalized its Zakat and withholding status for the period/years from December 31, 2010 to 2015, after reaching a final settlement for Zakat and withholding tax of SR 2,846,754, at the Dispute Resolution Committee.

In line with the disclosure initiative, the Company obtained ZATCA's approval to apply the same withholding tax treatment for the above years and settled additional withholding tax of SR 1,805,884.

ZATCA issued the Zakat and WHT assessment for the years ended December 31, 2016 to 2018 and claimed additional Zakat and withholding liabilities, and delay fine of SR 19,934,125. The Company settled Zakat and WHT and its related delay fine for a total of SR 1,994,738 and objected against the remaining differences. The ZATCA rejected the Company's objection. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD", to assign a hearing session. A hearing session was assigned on June 12, 2022.

ZATCA issued the Zakat assessment for the years ended December 31, 2019 and 2020 and claimed additional Zakat liability of SR 1,386,080. The Company objected against the full assessment. ZATCA did not issue the revised assessment until now

20. SHARE CAPITAL

The share capital of the Company is SR 500 million divided into 50 million shares of SR 10 each (31 December 2020: 20 million shares of SR 10 each). The shareholding structure of the Company is as below. The shareholders of the Company are subject to Zakat tax:

	2021		2020	
	Percentage of holding	Amount SR '000	Percentage of holding	Amount SR '000
Founding shareholders	15%	75,000	35%	75,800
General public	85%	425,000	65%	124,200
	100%	500,000	100%	200,000



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NOTES TO THE FINANCIAL STATEMENTS (continued)
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20. SHARE CAPITAL (continued)

During 2021, the Company completed the increase of capital from SR 200 million to SR 500 million through right issue of shares of amounting to SR 300 million.

21. STATUTORY RESERVE

As required by Article 70 of the Saudi Arabian Insurance Regulations, 20% of the net shareholders' income (after deducting losses brought forward) shall be set aside as a statutory reserve until this reserve amounts to 100% of paid up share capital. No reserve has been set aside during the year as the Company has accumulated losses as at 31 December 2021.

22. CAPITAL MANAGEMENT

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

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings. As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2021 consists of paid-up share capital of SR 500 million, statutory reserves of SR 2.17 million and accumulated losses of SR 131.73 million (2020: paid-up share capital of SR 200 million, statutory reserves of SR 2.17 million and accumulated losses of SR 40.14 million) in the statement of financial position. In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year. The following information summarizes the minimum regulatory capital of the Company:

	2021 SR'000	2020 SR'000
Available capital	288,560	108,236
Minimum regulatory capital	(100,000)	(100,000)
Surplus	188,560	8,236



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FOR THE YEAR ENDED 31 DECEMBER 2021

23. GROSS WRITTEN PREMIUMS

<i>For the year ended 31 December 2021</i>						
	Corporate				Individual SR '000	Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000	Total Corporate SR '000		
Medical	12,303	18,973	28,546	59,822	402	60,224
Motor	6,365	16,016	57,586	79,967	96,900	176,867
Property, accident and others	5,423	8,568	42,621	56,612	1,535	58,147
Life	664	164	685	1,513	--	1,513
	24,755	43,721	129,438	197,914	98,837	296,751

<i>For the year ended 31 December 2020</i>						
	Corporate				Individual SR '000	Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000	Total Corporate SR '000		
Medical	17,402	11,792	33,143	62,337	77	62,414
Motor	7,203	5,508	84,925	97,636	92,208	189,844
Property, accident and others	6,185	6,584	51,687	64,456	2,075	66,531
Life	817	161	1,188	2,166	-	2,166
	31,607	24,045	170,943	226,595	94,361	320,955

24. GENERAL AND ADMINISTRATION EXPENSES

	<i>2021 SR'000</i>	<i>2020 SR'000</i>
Insurance operations		
Employee costs	46,139	42,239
Regulatory fees	2,103	1,380
Repairs and maintenance	6,913	3,747
Depreciation of property and equipment (note 12)	432	2,250
Amortization of intangible assets (note 13)	1,848	1,414
Amortization of right-of-use assets (note 11)	1,088	1,092
Professional fees	4,380	5,127
Marketing expenses	4,218	2,619
Withholding tax expenses and delay fines	588	644
VAT expenses	2,479	2,736
Others	8,067	8,692
	78,255	71,940
Shareholders' operations		
Legal and professional fees	986	1,301
Board of Directors' remuneration and related expenses	2,592	2,507
Others	302	340
	3,880	4,148
Total	82,135	76,088



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NOTES TO THE FINANCIAL STATEMENTS (continued)
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25. OTHER INCOME

	2021 SR'000	2020 SR'000
Share of surplus from travel and Covid-19 product (note 25.1)	2,343	--
Share of surplus from Al Manafeth	--	713
Income on road assistance services	428	1,539
Investment income	91	--
Dividend income	316	508
Others	--	4,844
Total	3,178	7,604

25.1 Share of Surplus from travel and Covid-19 product:

On April 6, 2021, the Company together with 12 other insurance companies (collectively "participant insurance companies") signed the Travel and COVID-19 product agreement relating to compulsory travel insurance in addition to coverage related to COVID-19 which is effective from April 6, 2021. The agreement relates to insurance of Saudi citizens traveling abroad. The agreement is for two years and automatically renewable for similar period or periods subject to the terms and conditions of the agreement. The main terms of the Travel and COVID-19 product agreement are the following: - The Company obtains 2.5% of Travel and COVID-19 gross premiums written as management fee; and - The Company distributes the net surplus after deducting all expenses to the participant insurance Companies in accordance with the regulations and circulars issued by the Saudi Central Bank ("SAMA") in this regard. The surplus distributable to The Company for Cooperative Insurance and other participant insurance companies is in proportion of the participation in the Travel and COVID-19 product.

26. CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the years beginning from the year 2016 onwards whose claim experience has not been fully developed.

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

Accident Year	Prior years	2017	2018	2019	2020	2021	Total
At the end of accident year	291,557	73,236	90,389	104,721	134,376	204,664	898,943
One year later	452,251	112,186	141,774	152,634	174,732	264,089	1,297,666
Two years later	483,989	119,758	147,819	155,792	182,054	268,152	1,357,564
Three years later	495,249	119,949	149,313	157,514	182,885	268,990	1,373,900
Four years later	496,374	120,389	149,722	158,083	183,046	269,092	1,376,706
Five years later	497,769	122,144	149,759	158,099	183,018	269,027	1,379,816
Six years later	499,934	122,126	149,741	158,081	182,930	268,981	1,381,793
Seven years later	500,100	122,121	149,738	158,076	182,919	268,968	1,381,922
Ultimate paid claims (estimated)	500,100	122,121	149,738	158,076	182,919	268,968	1,381,922
Cumulative paid claims	498,727	120,389	149,313	155,792	174,732	204,664	1,303,617
Outstanding claims and IBNR		1,373	1,732	425	2,283	8,187	78,304



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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.

Carrying amounts and fair value

The following table shows the carrying amount and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value. At 31 December 2021 there were no financial instruments held by the Company that were measured at fair value, apart from the investments which are carried at fair value.

31 December 2021	Carrying value SR'000	Fair Value			
		Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
Shareholders' operations					
Investments held at FVIS					
- Equity securities	16,303	16,303	--	--	16,303
- Mutual funds	28,529	--	28,529	--	28,529
Available for sale investment					
-Equity Shares	1,923	--	--	1,923	1,923
Held-to-maturity	2,000	--	--	2,000	2,000
	48,755	16,303	28,529	3,923	48,755
31 December 2020	Carrying value SR'000	Fair Value			
		Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
Shareholders' operations					
-Equity securities	11,231	11,231	---	--	11,231
-Mutual funds	21,715	--	21,715	--	21,715
Investments held at FVSI					
-Equity Share	1,923	--	--	1,923	1,923
Held-to-maturity	2,000	--	--	2,000	2,000
	36,869	11,231	21,715	3,923	36,869



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

27. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

- a) The fair value of investments in mutual funds at level 2 is based on the net asset's values communicated by the fund manager, and the daily prices are available on Tadawul. The fair value of investments in equity securities at level 1 is based on quoted prices that are available on Tadawul.
- b) As at 31 December 2021, the Company has an investment amounting to SR 1.9 million (31 December 2020: SR 1.9 million) in an unquoted available for sale investment. This investment is held as part of Company's shareholder operations and is stated at cost in the absence of active markets or other means of reliably measuring their fair value.
- c) There were no transfers between levels during the years ended 31 December 2021 and 31 December 2020. Further, there were no changes in the valuation techniques during the year from previous years.

28. OPERATING SEGMENTS

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

All of the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in six major lines of business. Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed income statement. Segment assets and liabilities comprise operating assets and liabilities. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December, 2018.

Segment assets do not include cash and cash equivalents, Murabaha deposits, premiums receivable-net, due from reinsurers-net, investments, prepayments and other assets, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include due to policyholders, due to reinsurers, due to brokers, employees' defined benefit obligations, lease liabilities, surplus distribution payable, accrued expenses and other liabilities, accrued Zakat and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis. The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December, 2021 and 31 December, 2020, its total revenues, expenses, and net income / (loss) for the year then ended, are as follows:

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28. OPERATING SEGMENTS (continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Medical SR'000	Motor SR'000	Property SR'000	Engineering SR'000	Marine SR'000	Insurance Operations			Total SR'000
						Accident & Liability SR'000	Total Insurance Operations SR'000	Shareholders' Operations SR'000	
ASSETS									
Reinsurers' share of unearned premiums	--	7,955	7,407	2,053	2,249	2,043	21,707	--	21,707
Reinsurers' share of outstanding claims	--	2,049	251	469	4,610	4,217	11,596	--	11,596
Reinsurers' share of claims IBNR	--	8,640	5	926	1,344	935	11,850	--	11,850
Reinsurers' excess of loss claims	4,342	150	--	--	--	400	4,892	--	4,892
Deferred policy acquisition costs	455	4,755	1,036	241	266	530	7,283	--	7,283
Unallocated assets	--	--	--	--	--	--	187,658	394,064	581,722
TOTAL ASSETS	4,797	23,549	8,699	3,689	8,469	8,125	244,986	394,064	639,050
LIABILITIES									
Unearned premiums	15,851	68,298	9,465	2,365	3,424	4,432	103,835	--	103,835
Unearned reinsurance commission	--	940	1,607	504	597	732	4,380	--	4,380
Outstanding claims	10,621	13,450	360	503	6,042	9,974	40,950	--	40,950
Claims incurred but not reported	8,365	25,336	17	1,005	1,598	1,034	37,355	--	37,355
Premium deficiency reserve	3,691	8,582	--	--	--	--	12,273	--	12,273
Other technical reserves	157	3,083	702	200	224	306	4,672	--	4,672
Unallocated liabilities	--	--	--	--	--	--	57,391	7,321	64,712
TOTAL LIABILITIES	38,685	119,689	12,151	4,577	11,885	16,478	260,856	7,321	268,177



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NOTES TO THE FINANCIAL STATEMENTS (continued)
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28. OPERATING SEGMENTS (continued)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2020

	Medical SR'000	Motor SR'000	Property SR'000	Engineering SR'000	Marine SR'000	Insurance Operations			Shareholders' Operations SR'000	Total SR'000
						Accident & liability SR'000	Total Insurance Operations SR'000	Shareholders' Operations SR'000		
ASSETS										
Reinsurers' share of unearned premiums	--	18,416	10,364	3,478	3,161	2,247	37,666	--	--	37,666
Reinsurers' share of outstanding claims	--	1,568	654	2,493	2,111	3,469	10,295	--	--	10,295
Reinsurers' share of claims IBNR	245	5,198	(776)	(125)	(55)	(563)	3,924	--	--	3,924
Reinsurers' excess of loss claims	--	443	--	--	--	--	443	--	--	443
Deferred policy acquisition costs	917	5,299	1,207	325	285	582	8,615	--	--	8,615
Unallocated assets	--	--	--	--	--	--	193,443	173,302	--	366,745
TOTAL ASSETS	1,162	30,924	11,449	6,171	5,502	5,735	254,386	173,302	173,302	427,688
LIABILITIES										
Unearned premiums	18,336	88,637	11,372	3,885	4,118	5,091	131,439	--	--	131,439
Unearned reinsurance commission	--	2,071	2,394	651	755	660	6,531	--	--	6,531
Outstanding claims	10,880	7,370	703	2,758	2,549	5,590	29,850	--	--	29,850
Claims incurred but not reported	5,671	16,768	(987)	(153)	(163)	(725)	20,411	--	--	20,411
Premium deficiency reserve	--	1,311	--	--	--	--	1,311	--	--	1,311
Other technical reserves	145	1,959	171	127	137	231	2,770	--	--	2,770
Unallocated liabilities	--	--	--	--	--	--	64,444	7,798	--	72,242
TOTAL LIABILITIES	35,032	118,116	13,653	7,268	7,396	10,847	256,756	7,798	7,798	264,554





GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME

	<i>For the year ended 31 December 2021</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
REVENUES							
Gross written premiums	60,224	176,867	28,911	4,169	14,119	12,461	296,751
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(1,003)	(336)	(562)	(184)	(2,085)
- Foreign reinsurance	--	(20,195)	(23,139)	(3,255)	(8,879)	(5,954)	(61,422)
Excess of loss expenses	(6,286)	(3,820)	(1,390)	(214)	(1,373)	(773)	(13,856)
Net written premiums	53,938	152,852	3,379	364	3,305	5,550	219,388
Changes in unearned premiums, net	2,485	9,879	(1,051)	95	(218)	455	11,645
Net premiums earned	56,423	162,731	2,328	459	3,087	6,005	231,033
Reinsurance commissions	--	5,052	4,906	1,476	5,821	2,360	19,615
Other underwriting income	10	20	12	4	25	18	89
Total revenues	56,433	167,803	7,246	1,939	8,933	8,383	250,737
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	66,211	168,312	462	1,888	3,245	1,770	241,888
Expenses incurred related to claims	1,833	4,558	--	--	--	--	6,391
Less: Reinsurers' share of claims paid	(8,020)	(30,201)	(334)	(1,692)	(2,554)	(1,039)	(43,840)
Net claims and other benefits paid	60,024	142,669	128	196	691	731	204,439
Changes in outstanding claims, net	(4,601)	5,894	60	(232)	992	3,240	5,353
Changes in IBNR, net	2,939	5,127	224	107	363	261	9,021
Net claims and other benefits incurred	58,362	153,690	412	71	2,046	4,232	218,813
Provision for premium deficiency reserve	3,691	7,271	--	--	--	--	10,962
Other technical reserves	12	1,125	531	70	87	75	1,900
Policy acquisition costs	2,073	26,815	3,102	519	1,324	1,528	35,361
Total underwriting costs and expenses	64,138	188,901	4,045	660	3,457	5,835	267,036
NET UNDERWRITING (LOSS) / INCOME	(7,705)	(21,098)	3,201	1,279	5,476	2,548	(16,299)



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	<i>For the year ended 31 December 2021</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>& liability</i>	<i>SR '000</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
NET UNDERWRITING (LOSS) / INCOME	(7,705)	(21,098)	3,201	1,279	5,476	2,548	(16,299)
OTHER OPERATING (EXPENSES) / INCOME:							
Provision for impairment of premium receivables							(1,204)
Provision for impairment of due from reinsurance							(574)
General and administration expenses							(82,135)
Commission income on deposits							1,073
Unrealized gain on investments							11,886
Other income							3,178
Total other operating expenses, net							(67,776)
Loss for the year							(84,075)
Total income attributed to insurance operations							--
Net loss for the year attributable to the shareholders, before Zakat							(84,075)
Zakat expense for the year							(2,164)
Zakat expense for prior years							(537)
Net loss for the year							(86,776)



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	<i>For the year ended 31 December 2020</i>						
	<i>Medical SR '000</i>	<i>Motor SR '000</i>	<i>Property SR '000</i>	<i>Engineering SR '000</i>	<i>Marine SR '000</i>	<i>Accident & liability SR '000</i>	<i>Total SR '000</i>
REVENUES							
Gross written premiums	62,414	189,844	32,765	4,872	15,625	15,435	320,955
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(1,474)	(333)	(603)	(200)	(2,610)
- Foreign reinsurance	--	(39,443)	(28,388)	(4,029)	(11,389)	(6,610)	(89,859)
Excess of loss expenses	(4,036)	(3,575)	(1,301)	(200)	(1,285)	(723)	(11,120)
Net written premiums	58,378	146,826	1,602	310	2,348	7,902	217,366
Changes in unearned premiums, net	10,370	(11,132)	137	(105)	(65)	85	(710)
Net premiums earned	68,748	135,694	1,739	205	2,283	7,987	216,656
Reinsurance commissions	--	5,767	6,883	1,051	4,156	1,970	19,827
Other underwriting income	33	20	11	4	24	17	109
Total revenues	68,781	141,481	8,633	1,260	6,463	9,974	236,592
Gross claims paid	45,686	125,488	3,617	701	3,720	6,461	185,673
Expenses incurred related to claims	2,414	6,729	--	--	--	--	9,143
Less: Reinsurers' share of claims paid	(4,998)	(24,930)	(3,196)	(635)	(3,023)	(5,126)	(41,908)
Net claims and other benefits paid	43,102	107,287	421	66	697	1,335	152,908
Changes in outstanding claims, net	(715)	939	(283)	174	116	44	275
Changes in IBNR, net	(3,339)	(51)	(847)	(279)	(886)	(1,222)	(6,624)
Net claims and other benefits incurred	39,048	108,175	(709)	(39)	(73)	157	146,559
Provision / (reversal) for premium deficiency reserve	(2,355)	311	--	(376)	(70)	--	(2,490)
Other technical reserves	(1)	458	131	(244)	90	124	558
Policy acquisition costs	3,166	11,651	3,250	494	1,749	1,293	21,603
Total underwriting costs and expenses	39,858	120,595	2,672	(165)	1,696	1,574	166,230
NET UNDERWRITING INCOME	28,923	20,890	5,961	1,425	4,767	8,396	70,362



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	<i>For the year ended 31 December 2020</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
NET UNDERWRITING INCOME	28,923	20,890	5,961	1,425	4,767	8,396	70,362
OTHER OPERATING (EXPENSES) / INCOME							
Reversal for impairment of premium receivables							4,091
Provision for impairment of reinsurance receivables							(24)
General and administration expenses							(76,088)
Commission income on deposits							1,697
Realized loss on investments							(1,899)
Unrealized gain on investments							4,162
Other income							7,604
Total other operating expenses, net							<u>(60,457)</u>
Income for the year							9,905
Total income attributed to insurance operations							<u>(1,043)</u>
Net loss for the year attributable to the shareholders, before Zakat							8,862
Zakat expense for the year							(3,114)
Zakat expense for prior year							<u>(1,995)</u>
Net income for the year							<u>3,753</u>



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Transactions for the year ended</u>		<u>Balance receivable / (payable) as at</u>	
			<u>2021</u> <u>SR'000</u>	<u>2020</u> <u>R'000</u>	<u>2021</u> <u>SR'000</u>	<u>2020</u> <u>SR'000</u>
<i>Insurance operations</i>						
Saudi General Insurance Company Ltd. E.C.	Shareholder	Expenses paid	--	--	(309)	(309)
Rolaco Group	Related to Shareholders	Premiums underwritten (note 6)	105	162	(25)	8
		Claims paid	(12)	(9)	(19)	(1)
Dabbagh Group	Related to Shareholders	Premiums underwritten (note 6)	10,743	11,686	4,862	1,833
		Claims paid	(11,010)	(7,284)	(1,761)	(1,275)
Raghaf Establishment	Related to Shareholders	Premiums underwritten (note 6)	21	113	--	--
		Claims paid	(25)	(78)	(11)	--
Key Management Personnel		Short-term benefits	(3,072)	(3,072)	--	--
		Long-term benefits	(149)	(149)	(853)	(705)
<i>Shareholders' operations</i>						
Board of Directors		Board of Directors remuneration and related expenses	1,800	1,800	1,800	(1,800)

- The above balances are included in prepayments and other assets, accrued expenses and other liabilities, premiums receivable - net and due to policyholders. Furthermore, due to related parties in respect of goodwill settled in prior periods is disclosed in the statement of financial position (see note 1.2).
- Outstanding balances at the financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment of related party balances was made at the financial reporting date. This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

30. RISK MANAGEMENT

a. Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 78% of total reinsurance assets at the reporting date.

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through its strategic planning process.

Risk management structure

Board of Directors

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

Audit Committee

The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

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.

Internal Audit

All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the Company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 0.5% of shareholders' equity on a gross basis and 0.5% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 0.5% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The Company monitors the concentration of insurance risks primarily by class of business. The table below sets out the concentration of outstanding claims and unearned premiums (in percentage) by class of business at the date of financial positions.

<u>2021</u>	<i>Gross unearned premiums</i>	<i>Net unearned premiums</i>	<i>Gross outstanding claims</i>	<i>Net outstanding claims</i>
Medical	15%	19%	26%	36%
Motor	66%	73%	33%	39%
Property	10%	3%	1%	0%
Engineering	2%	0%	1%	0%
Marine	3%	2%	15%	5%
Accident & Liability	4%	3%	24%	20%
	100%	100%	100%	100%
<u>2020</u>	<i>Gross unearned premiums</i>	<i>Net unearned premiums</i>	<i>Gross outstanding claims</i>	<i>Net outstanding claims</i>
Medical	14%	20%	36%	56%
Motor	67%	75%	25%	30%
Property	9%	1%	2%	0%
Engineering	3%	0%	9%	1%
Marine	3%	1%	9%	2%
Accident & Liability	4%	3%	19%	11%
	100%	100%	100%	100%



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Concentration of insurance risk

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

The Company also monitors the 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 neighbouring 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 the concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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

Sources of uncertainty in the estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to the 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.

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.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details, please refer note 2.5.1.

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 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 the result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired year of the contracts and expectations of future events that are believed to be reasonable.

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 various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

b. Reinsurance risk

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

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RISK MANAGEMENT (continued)

b. Reinsurance risk (continued)

Reinsurers are selected using the following parameters and guidelines set by the Company's management. The criteria may be summarized as follows:

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

The exception to this rule is in respect of local companies which do not carry any such credit rating. This, however, is limited to those Companies registered and approved by the Local Insurance Regulators. Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's management before approving them for the exchange of reinsurance business. As at 31 December 2020 and 2021, there is no significant concentration of reinsurance balances.

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

The credit risk exposure in respect of reinsurer's share of outstanding claims is SR 11.59 million (2020: SR 10.29 million) and in respect of due from reinsurers is SR 32.69 million (2020: SR 16.24 million).

c. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations
- The Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall
- There is strict control over hedging activities (e.g. equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk)

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

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RISK MANAGEMENT (continued)

c. Market risk (continued)

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 transactions are principally in Saudi Arabian Riyals and US Dollars. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure.

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 100 basis points in interest yields would result in a change in the (loss) /profit for the year of SR 87.44 million (2020: SR 3.75 million).

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

	<i>Less than 3 months SR '000</i>	<i>3 months to 5 years SR '000</i>	<i>No fixed maturity SR '000</i>	<i>Total SR '000</i>
Insurance operations				
2021	14,449	--	--	14,449
2020	64,225	--	--	64,225
Shareholders' operations				
2021	225,000	--	--	225,000
2020	74,265	--	--	74,265

Other price risk

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

The Company's investments amounting to SR 48.6 million (2020: SR 36.9 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

	<i>Fair value change</i>	<i>Effect on Company's profit / (loss) SR '000</i>
31 December 2021	+ / - 10 %	+ / - 4,876
31 December 2020	+ / - 10 %	+ / - 3,687

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2021 and 2020. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. 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 instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The Company seeks to limit its credit risk with respect to customers by following its credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premium receivables. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of the creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowances for impairment.

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

SAR'000	2021 SR' 000		2020 SR'000	
	Insurance Operations	Shareholders' Operations	Insurance Operations	Shareholders' Operations
Assets				
Cash and cash equivalents	24,820	231,292	83,775	77,619
Murabaha deposits	---	--	--	--
Premiums receivable, net	63,940	--	43,403	--
Due from reinsurers, net	32,967	--	16,246	--
Reinsurers' share of outstanding claims	11,596	--	10,295	--
Reinsurers' share of claims incurred but not reported	11,850	--	3,924	--
Investments	--	48,755	--	36,869
Statutory deposit	--	75,000	--	20,000
Accrued commission income on statutory deposit	--	2,495	--	2,230
	145,173	357,542	157,643	136,718



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RISK MANAGEMENT (continued)

d. Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. All of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the management's best estimate. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

	<u>Non-investment grade</u>			
	<u>Investment grade</u>	<u>Satisfactory</u>	<u>Past due but not impaired</u>	<u>Total</u>
	<u>SR' 000</u>	<u>SR' 000</u>	<u>SR' 000</u>	<u>SR' 000</u>
Cash and cash equivalents	256,112	--	--	256,112
Murabaha deposits	--	--	--	--
Premiums receivable, net	--	52,985	10,955	63,940
Due from reinsurers, net	--	28,014	4,953	32,967
Reinsurance share of outstanding claims	--	11,596	--	11,596
Reinsurance share of outstanding Claims Incurred but not reported	--	11,850	--	11,850
Investments	48,755	--	--	48,755
Statutory deposit	75,000	--	--	75,000
Accrued income on statutory deposit	2,495	--	--	2,495
As at 31 December 2021	382,362	104,445	15,908	502,715

	<u>Non-investment grade</u>			
	<u>Investment grade</u>	<u>Satisfactory</u>	<u>Past due but not impaired</u>	<u>Total</u>
	<u>SR' 000</u>	<u>SR' 000</u>	<u>SR' 000</u>	<u>SR' 000</u>
Cash and cash equivalents	161,394	--	--	161,394
Premiums receivable, net	--	32,106	11,297	43,403
Due from reinsurers, net	--	10,071	6,175	16,246
Reinsurance share of outstanding claims	--	10,925	--	10,295
Reinsurance share of outstanding Claims Incurred but not reported	--	3,924	--	3,924
Investments	36,869	--	--	36,869
Statutory deposit	20,000	--	--	20,000
Accrued income on statutory deposit	2,230	--	--	2,230
As at 31 December 2020	220,493	56,396	17,472	294,361



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RISK MANAGEMENT (continued)

e. Liquidity risk

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

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

The table below summarizes the maturities of the Company's undiscounted contractual obligations relating to financial liabilities:

<u>Financial liabilities</u>	<u>Up to</u> <u>one year</u> <u>SR' 000</u>	<u>More than</u> <u>one year</u> <u>SR' 000</u>	<u>Total</u> <u>SR' 000</u>
Due to policyholders	6,684	6,055	12,739
Accrued expenses and other liabilities	22,131	--	22,131
Due to reinsurers	1,034	215	1,249
Due to brokers	8,572	120	8,692
Outstanding claims	29,788	11,162	40,950
Surplus distribution payable	8,738	--	8,738
Accrued Zakat	2,287	--	2,287
Accrued income payable to SAMA	--	2,495	2,495
As at 31 December 2021	79,234	20,047	99,281

<u>Financial liabilities</u>	<u>Up to</u> <u>one year</u> <u>SR' 000</u>	<u>More than</u> <u>one year</u> <u>SR' 000</u>	<u>Total</u> <u>SR' 000</u>
Due to policyholders	6,800	4,688	11,468
Accrued expenses and other liabilities	26,499	--	26,499
Due to reinsurers	2,294	209	2,503
Due to brokers	11,320	130	11,450
Outstanding claims	21,730	8,120	29,850
Surplus distribution payable	8,742	--	8,742
Accrued Zakat	3,268	--	3,268
Accrued income payable to SAMA	--	2,230	2,230
As at 31 December 2020	80,653	15,357	96,010

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RISK MANAGEMENT (continued)

e. Liquidity risk (continued)

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

- Murabaha deposits and fair value through income statement investments include investments in mutual funds and are held for cash management purposes and expected to be matured/ settled within 12 months from the statement of financial position date
- Murabaha deposits classified as 'cash and cash equivalents' are deposits placed with high credit rating financial institutions with a maturity of less than three months from the date of placement
- Cash and bank balances are available on demand
- Reinsurers' share of outstanding claims mainly pertain to property and engineering segment and are generally realized within 6 to 9 months based on the settlement of balances with reinsurers

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

- Reinsurers' balances payable are settled on a periodic basis as per terms of reinsurance agreements
- Majority of gross outstanding claims are expected to be settled within 12 months in accordance with statutory timelines for payment. Property and engineering policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report
- The claims payable, accrued expenses and other liabilities are expected to settle within a year of 12 months from the year end date
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved

f. Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities. The operations of the Company are also subject to regulatory requirements within the jurisdiction within which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

g. Operational risk

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

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

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

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

31. SUPPLEMENTARY INFORMATION

As required by the Implementing Regulations, the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows separately for insurance operations and shareholders operations are as follows:

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	31 December 2021			31 December 2020		
	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000
ASSETS						
Cash and cash equivalents	24,820	231,292	256,112	83,775	77,619	161,394
Premiums receivable – net	63,940	--	63,940	43,403	--	43,403
Due from reinsurers – net	32,967	--	32,967	16,246	--	16,246
Reinsurers' share of unearned premiums	21,707	--	21,707	37,666	--	37,666
Reinsurers' share of outstanding claims	11,596	--	11,596	10,295	--	10,295
Reinsurers' share of claims incurred but not reported	11,850	--	11,850	3,924	--	3,924
Deferred excess of loss claims	4,892	--	4,892	443	--	443
Deferred policy acquisition costs	7,283	--	7,283	8,615	--	8,615
Investments	--	48,755	48,755	--	36,869	36,869
Prepayments and other assets	41,630	262	41,892	33,325	324	33,649
Right-of-use assets	1,555	--	1,555	2,644	--	2,644
Property and equipment	13,120	--	13,120	6,429	--	6,429
Intangible assets	9,626	--	9,626	7,621	--	7,621
Goodwill	--	36,260	36,260	--	36,260	36,260
Statutory deposit	--	75,000	75,000	--	20,000	20,000
Accrued income on statutory deposit	--	2,495	2,495	--	2,230	2,230
TOTAL OPERATIONS ASSETS	244,986	394,064	639,050	254,386	173,302	427,688
TOTAL ASSETS	244,986	394,064	639,050	254,386	173,302	427,688



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 December 2021			As at 31 December 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
LIABILITIES						
Due to policyholders	12,739	--	12,739	11,468	--	11,468
Accrued expenses and other liabilities	19,592	2,539	22,131	24,199	2,300	26,499
Due to reinsurers	1,249	--	1,249	2,503	--	2,503
Due to brokers	8,692	--	8,692	11,450	--	11,450
Unearned premiums	103,835	--	103,835	131,439	--	131,439
Unearned reinsurance commission	4,380	--	4,380	6,531	--	6,531
Outstanding claims	40,950	--	40,950	29,850	--	29,850
Claims incurred but not reported	37,355	--	37,355	20,411	--	20,411
Provision for premium deficiency reserve	12,273	--	12,273	1,311	--	1,311
Other technical reserves	4,672	--	4,672	2,770	--	2,770
Due to shareholders' operations	(16,307)	16,307	--	(3,470)	3,470	--
End of service indemnities	5,157	--	5,157	4,171	--	4,171
Lease liabilities	1,224	--	1,224	1,911	--	1,911
Surplus distribution payable	8,738	--	8,738	8,742	--	8,742
Accrued Zakat	--	2,287	2,287	--	3,268	3,268
Accrued return on statutory deposit	--	2,495	2,495	--	2,230	2,230
TOTAL OPERATIONS LIABILITIES	244,549	23,628	268,177	253,286	11,268	264,554
Less: Inter-operations eliminations	16,307	(16,307)	--	3,470	(3,470)	--
TOTAL LIABILITIES	260,856	7,321	268,177	256,756	7,798	264,554
EQUITY						
Share capital	--	500,000	500,000	--	200,000	200,000
Statutory reserve	--	2,165	2,165	--	2,165	2,165
Accumulated losses	--	(131,729)	(131,729)	--	(40,135)	(40,135)
TOTAL EQUITY	--	370,436	370,436	--	162,030	162,030
Re-measurement reserve of defined benefit obligations	437	--	437	1,104	--	1,104
TOTAL EQUITY	437	370,436	370,873	1,104	162,030	163,134
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	261,293	377,757	639,050	257,860	169,828	427,688



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF INCOME

For the year ended

REVENUES

Gross written premiums	
Less: Reinsurance contracts premiums ceded	
- Local	
- Foreign	
Excess of loss expenses	
Net written premiums	
Changes in unearned premiums, net	
Net premiums earned	
Reinsurance commissions	
Other underwriting income	
TOTAL REVENUES	

	31 December 2021			31 December 2020		
	Insurance operations	Shareholder' operations	Total	Insurance operations	Shareholder' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
	296,751	--	296,751	320,955	--	320,955
	(2,085)	--	(2,085)	(2,610)	--	(2,610)
	(61,422)	--	(61,422)	(89,859)	--	(89,859)
	(13,856)	--	(13,856)	(11,120)	--	(11,120)
	219,388	--	219,388	217,366	--	217,366
	11,645	--	11,645	(710)	--	(710)
	231,033	--	231,033	216,656	--	216,656
	19,615	--	19,615	19,827	--	19,827
	89	--	89	109	--	109
	250,737	--	250,737	236,592	--	236,592

UNDERWRITING COSTS AND EXPENSES

Gross claims paid	
Expenses incurred related to claims	
Less: Reinsurers' share of claims paid	
Net claims and other benefits paid	
Change in outstanding claims, net	
Changes in IBNR, net	
Net claims and other benefits incurred	
(Reversal) / Provision for premium deficiency reserve	
Other technical reserves	
Policy acquisition costs	
TOTAL UNDERWRITING COSTS AND EXPENSES	
NET UNDERWRITING INCOME	

	241,888	--	241,888	185,673	--	185,673
	6,391	--	6,391	9,143	--	9,143
	(43,840)	--	(43,840)	(41,908)	--	(41,908)
	204,439	--	204,439	152,908	--	152,908
	5,353	--	5,353	275	--	275
	9,021	--	9,021	(6,624)	--	(6,624)
	218,813	--	218,813	146,559	--	146,559
	10,962	--	10,962	(2,490)	--	(2,490)
	1,900	--	1,900	558	--	558
	35,361	--	35,361	21,603	--	21,603
	267,036	--	267,036	166,230	--	166,230
	(16,299)	--	(16,299)	70,362	--	70,362



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF INCOME (continued)

For the year ended

	31 December 2021			31 December 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
OTHER OPERATING (EXPENSES) / INCOME						
(Provision) / Reversal for impairment of premium receivables	(1,204)	--	(1,204)	4,091	--	4,091
Provision for impairment of reinsurance receivables	(574)	--	(574)	(24)	--	(24)
General and administration expenses	(78,255)	(3,880)	(82,135)	(71,940)	(4,148)	(76,088)
Commission income on deposits	257	816	1,073	846	851	1,697
Realized loss on investments	--	--	--	--	(1,899)	(1,899)
Unrealized gain on investments	--	11,886	11,886	--	4,162	4,162
Other income	2,771	407	3,178	7,096	508	7,604
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(77,005)	9,229	(67,776)	(59,931)	(526)	(60,457)
(Loss) / Income before surplus and zakat	(93,304)	9,229	(84,075)	10,431	(526)	9,905
(Deficit) / Surplus transferred to shareholders	93,304	(93,304)	--	(9,388)	9,388	--
Net loss for the year after transfer of deficit to the shareholders before zakat	--	(84,075)	(84,075)	1,043	8,862	9,905
ZAKAT						
Zakat charge for the year	--	(2,164)	(2,164)	--	(3,114)	(3,114)
Zakat charge for prior years	--	(537)	(537)	--	(1,995)	(1,995)
NET (LOSS) / INCOME FOR THE YEAR	--	(86,776)	(86,776)	1,043	3,753	4,796
EARNINGS / (LOSS) PER SHARE (Expressed in SR per share)						
Weighted average number of shares (in thousands share)		27,500			20,000	
Earning/(Loss) per share(SR/share)		(3.16)			0.19	



GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended

	31 December 2021			31 December 2020		
	Insurance operations SR'000	Shareholder' operations SR'000	Total SR'000	Insurance operations SR'000	Shareholder' operations SR'000	Total SR'000
NET INCOME / (LOSS) FOR THE YEAR	--	(86,776)	(86,776)	1,043	3,753	4,796
Other comprehensive income / (loss)						
Items that will not be reclassified to statement of income in subsequent years						
Actuarial gain on defined benefit obligations	(667)	--	(667)	797	--	797
TOTAL COMPREHENSIVE INCOME (LOSS) / INCOME FOR THE YEAR	(667)	(86,776)	(87,443)	1,840	3,753	5,593
Less: Net income attributable to insurance operations			--			(1,043)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR			(87,443)			4,550



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF CASH FLOWS

For the year ended

CASH FLOWS FROM OPERATING ACTIVITIES

Total (loss) / income for the year before zakat

Adjustments for non-cash items:
Depreciation
Amortization of intangible assets
Amortization of right-of-use assets
Provision / (Reversal) for impairment of premiums receivables
Provision for impairment of reinsurance receivables
Realized gain on investments held at FVSI
Unrealized gain on investments held at FVSI

Changes in operating assets and liabilities:

Premiums receivable
Due from reinsurers
Reinsurers' share of unearned premiums
Reinsurers' share of outstanding claims
Reinsurer's share of claims incurred but not reported
Reinsurers' excess of loss claims
Deferred policy acquisition costs
Prepayments and other assets
Due from shareholders' operations, net
Due to policyholders
Accrued expenses and other liabilities
Due to reinsurers
Due to brokers
Unearned premiums
Unearned reinsurance commission

	31 December 2021			31 December 2020		
	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000
Total (loss) / income for the year before zakat	--	(84,075)	(84,075)	1,043	8,862	9,905
Adjustments for non-cash items:						
Depreciation	432	-	432	2,250	--	2,250
Amortization of intangible assets	1,848	--	1,848	1,414	--	1,414
Amortization of right-of-use assets	1,088	--	1,088	1,092	--	1,092
Provision / (Reversal) for impairment of premiums receivables	1,204	--	1,204	(4,091)	--	(4,091)
Provision for impairment of reinsurance receivables	574	--	574	24	--	24
Realized gain on investments held at FVSI	--	--	--	--	1,899	1,899
Unrealized gain on investments held at FVSI	--	(11,886)	(11,886)	--	(4,162)	(4,162)
	5,146	(95,961)	(90,815)	1,732	6,599	8,331
Changes in operating assets and liabilities:						
Premiums receivable	(21,741)	--	(21,741)	27,269	--	27,269
Due from reinsurers	(17,295)	--	(17,295)	1,208	--	1,208
Reinsurers' share of unearned premiums	15,959	--	15,959	(4,469)	--	(4,469)
Reinsurers' share of outstanding claims	(1,301)	--	(1,301)	2,146	--	2,146
Reinsurer's share of claims incurred but not reported	(7,926)	--	(7,926)	10,028	--	10,028
Reinsurers' excess of loss claims	(4,449)	--	(4,449)	(243)	--	(243)
Deferred policy acquisition costs	1,332	--	1,332	707	--	707
Prepayments and other assets	(8,305)	62	(8,243)	(17,011)	(276)	(17,287)
Due from shareholders' operations, net	(12,837)	12,837	--	837	(837)	--
Due to policyholders	1,271	--	1,271	718	--	718
Accrued expenses and other liabilities	(4,608)	239	(4,369)	12,251	30	12,281
Due to reinsurers	(1,251)	--	(1,251)	(1,531)	--	(1,531)
Due to brokers	(2,758)	--	(2,758)	(1,636)	--	(1,636)
Unearned premiums	(27,604)	--	(27,604)	5,179	--	5,179
Unearned reinsurance commission	(2,151)	--	(2,151)	523	--	523



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF CASH FLOWS (continued)

For the year ended

CASH FLOWS FROM OPERATING ACTIVITIES (continued)

Changes in operating assets and liabilities: (continued)

Outstanding claims
Claims incurred but not reported
Premium deficiency reserve
Other technical reserves
Employees' defined benefit obligations, net

Zakat paid

Surplus paid to policy holders

Net cash (used in) / generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment
Purchase of intangible assets
Disposal of intangible Assets
Purchase of investments
Proceeds from disposal of investments
Maturity of Murabaha deposits

Net cash (used in) / generated from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Right Issue
Statutory deposit
Transaction costs
Payment of lease liabilities

Net cash (used) / generated in from financing activities

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

SUPPLEMENTAL NON-CASH INFORMATION

Actuarial (loss) / gain on defined benefit obligations

	31 December 2021		31 December 2020	
	Insurance operations SR'000	Shareholders' operations SR'000	Insurance operations SR'000	Shareholders' operations SR'000
				Total SR'000
	11,100	--	(1,628)	--
	16,944	--	(16,649)	--
	10,962	--	(2,490)	--
	1,902	--	558	--
	319	--	116	--
	(52,433)	13,138	15,883	(1,083)
	--	(3,682)	--	(5,183)
	(4)	--	(1,340)	--
	(47,291)	(86,505)	16,275	333
				16,608
	(7,124)	--	(3,220)	--
	(7,639)	--	(3,171)	--
	3,786	--	--	--
	--	--	--	--
	--	--	--	--
	--	--	--	--
	--	--	--	--
	(10,977)	--	30,000	(2,000)
			10,742	10,742
			--	30,000
			23,609	8,742
				32,351
	--	300,000	--	--
	--	(55,000)	--	--
	--	(4,818)	--	--
	(687)	--	(1,367)	--
	(687)	240,182	--	(1,367)
	(58,955)	153,677	38,517	9,062
	83,775	77,619	45,258	68,557
	24,820	231,292	83,775	77,619
				161,394
	(667)	--	797	--
				797





**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

32. EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings per share have been calculated by dividing the income for the year by weighted average number of shares outstanding during the year.

33. COMMITMENTS AND CONTINGENCIES

a) The Company's commitments and contingencies are as follows:

	2021 SR'000	2020 SR'000
Letters of guarantee	<u>300</u>	<u>300</u>

b) Zakat and withholding tax contingencies have been disclosed in note 19.3.

c) The Company is not subject to any significant legal proceedings in the ordinary course of business.

34. IMPACT OF COVID-19

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to Covid-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results for the year ended 31 December 2021 including the significant accounting judgements and estimates.

The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

35. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on 17 March 2022 (corresponding to 14 Shaban 1443H).



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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Statement of cash flows	10 – 11
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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company

Opinion

We have audited the financial statements of **Gulf General Coopertaive Insurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to Note 2.2 of the financial statements, which indicates that the Company incurred a net loss of SR 104.19 million during the year ended 31 December 2022 and, as of that date, the Company's accumulated losses amounted to SR 235.92 million which represents 47.2% of the share capital. These conditions along with other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company (continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of ultimate claims liability arising from insurance contract As at 31 December 2022, the gross outstanding claims including claims incurred but not reported and other reserves amounted to SR 65.9 million and SR 20 million respectively. The estimation of ultimate insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims. Due to the estimation uncertainty and subjectivity involved in the assessment of valuation of ultimate claim liabilities arising from insurance contracts, we have considered this as a key audit matter. Refer to note 2.6.1 which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the ultimate liability arising from claims under insurance contracts and note 3.3.8 which discloses accounting policies for claims.	We performed following procedures: - understood, evaluated and tested key controls around the claims handling process; - performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the gross outstanding claims amount to appropriate source documentation to evaluate the valuation of gross outstanding claim reserves; - evaluated the competence, capabilities and objectivity of the management's actuarial expert based on their professional qualifications and experience and assessed their independence; - checked the completeness and accuracy of the underlying data used by the management in estimating the insurance contract liabilities; - engaged our actuarial specialists to assess the methodology and reasonableness of the key assumptions and judgments used by the management in determining the insurance contract liabilities; and - assessed the adequacy and appropriateness of the related disclosures in the financial statements



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include 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 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 when it becomes available 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of **Gulf General Cooperative Insurance Company** (the "Company").

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



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

For KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382



For Al Kharashi & Co

Certified Accountants and Auditors

Abdullah Suleiman Almsned
License No. 456



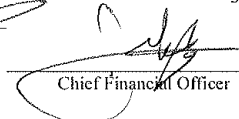
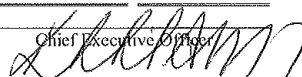
Jeddah, Kingdom of Saudi Arabia
11 Ramadan 1444H
Corresponding to 02 April 2023



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		31 December 2022	31 December 2021
	Notes	SR '000	SR '000
ASSETS			
Cash and cash equivalents	4	5,151	256,112
Murabaha deposits	5	139,449	--
Premiums receivable, net	6	120,771	63,940
Due from reinsurers, net	7	19,305	32,967
Reinsurers' share of unearned premiums	9.1	27,257	21,707
Reinsurers' share of outstanding claims	9.2	10,967	11,596
Reinsurers' share of claims incurred but not reported	9.2	4,518	11,850
Reinsurers' excess of loss claims		2,064	4,892
Deferred policy acquisition costs	9.4	12,892	7,283
Investments	8	46,790	48,755
Prepayments and other assets	10	68,974	41,892
Right-of-use assets	11	527	1,555
Property and equipment	12	15,499	13,120
Intangible assets	13	13,453	9,626
Goodwill	1.2	36,260	36,260
Statutory deposit	14	75,000	75,000
Accrued income on statutory deposit	14	3,634	2,495
TOTAL ASSETS		602,511	639,050
LIABILITIES AND EQUITY			
LIABILITIES			
Due to policyholders	15	9,978	12,739
Accrued expenses and other liabilities	16	40,655	22,131
Due to reinsurers		5,215	1,249
Due to brokers		16,965	8,692
Unearned premiums	9.1	149,652	103,835
Unearned reinsurance commission	9.5	5,144	4,380
Outstanding claims	9.2	31,235	40,950
Claims incurred but not reported	9.2	34,733	37,355
Premium deficiency reserve	9.6	13,086	12,273
Other technical reserves	9.2	6,936	4,672
Employees' defined benefit obligations	17	4,661	5,157
Lease liabilities	11	27	1,224
Surplus distribution payable	18	8,738	8,738
Accrued Zakat	19	4,236	2,287
Accrued income payable to SAMA	14	3,634	2,495
TOTAL LIABILITIES		334,895	268,177
EQUITY			
Share capital	20	500,000	500,000
Statutory reserve	21	2,165	2,165
Accumulated losses		(235,919)	(131,729)
Re-measurement reserve of defined benefit obligations		1,370	437
TOTAL SHAREHOLDERS' EQUITY		267,616	370,873
TOTAL LIABILITIES AND EQUITY		602,511	639,050
COMMITMENTS AND CONTINGENCIES			
	33	300	300

 Director
 Chief Financial Officer
 Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 SR'000	2021 SR'000
REVENUES			
Gross written premiums	9.1 & 23	373,293	296,751
Less: Reinsurance premiums ceded			
- Local	9.7	(6,656)	(2,085)
- Foreign	9.7	(65,011)	(61,422)
		<u>(71,667)</u>	<u>(63,507)</u>
Less: Excess of loss expenses			
- Local		(1,384)	(281)
- Foreign		(14,967)	(13,575)
		<u>(16,351)</u>	<u>(13,856)</u>
Net written premiums		285,275	219,388
Changes in unearned premiums, net		(40,265)	11,645
Net premiums earned	9.1	245,010	231,033
Reinsurance commissions	9.5	13,594	19,615
Other underwriting income		98	517
TOTAL REVENUES		258,702	251,165
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		275,212	241,888
Expenses incurred related to claims		8,386	6,391
Less: Reinsurers' share of claims paid		(31,609)	(43,840)
Net claims and other benefits paid		251,989	204,439
Change in outstanding claims, net		(6,258)	5,353
Changes in claims incurred but not reported, net		4,711	9,021
Other technical reserves		2,264	1,900
Net claims and other benefits incurred		252,706	220,713
Provision for premium deficiency reserve	9.6	813	10,962
Policy acquisition costs	9.4	40,630	40,940
TOTAL UNDERWRITING COSTS AND EXPENSES		294,149	272,615
NET UNDERWRITING LOSS		(35,447)	(21,450)
OTHER OPERATING (EXPENSES) / INCOME			
Provision for impairment of premium receivables	6.1	(4,551)	(1,204)
Reversal / (provision) for impairment of reinsurance receivables	7.1	509	(574)
General and administration expenses	24	(83,536)	(76,556)
Investment income	8.1	(925)	13,366
Other income	25	23,778	2,343
TOTAL OTHER OPERATING EXPENSES NET		(64,725)	(62,625)
Loss before Surplus and Zakat		(100,172)	(84,075)
Income attributed to the insurance operations (transfer to surplus payable)	28 & 31	--	--
Loss attributed to the shareholders before Zakat		(100,172)	(84,075)
Zakat charge for the year	19.1	(4,018)	(2,164)
Zakat charge for prior years	19.2	--	(537)
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS		(104,190)	(86,776)
Basic and diluted loss per share (SR per share)	32	(2.08)	(3.16)

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.



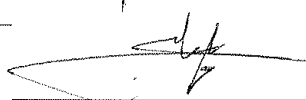
GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 SR'000	2021 SR'000
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS	31	(104,190)	(86,776)
Other comprehensive income / (loss)			
<i>Items that will not be reclassified to statement of income in subsequent years</i>			
Actuarial gain / (loss) on defined benefit obligations	17	933	(667)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(103,257)</u>	<u>(87,443)</u>



Director



Chief Financial Officer



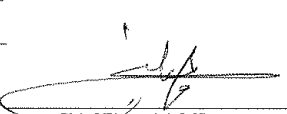
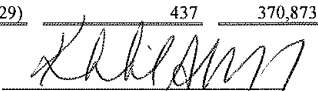
Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations SR'000	Total SR'000
Balance as at 1 January 2022	500,000	2,165	(131,729)	437	370,873
<i>Total comprehensive loss for the year</i>					
Total loss for the year attributable to shareholders	--	--	(104,190)	--	(104,190)
Actuarial gain on defined benefit obligations	--	--	--	933	933
Balance as at 31 December 2022	500,000	2,165	(235,919)	1,370	267,616
	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations SR'000	Total SR'000
Balance as at 1 January 2021	200,000	2,165	(40,135)	1,104	163,134
<i>Total comprehensive loss for the year</i>					
Total loss for the year attributable to shareholders	--	--	(86,776)	--	(86,776)
Actuarial loss on defined benefit obligations	--	--	--	(667)	(667)
<i>Transactions with owners of the Company</i>					
Increase in share capital	300,000	--	--	--	300,000
Transaction costs	--	--	(4,818)	--	(4,818)
Balance as at 31 December 2021	500,000	2,165	(131,729)	437	370,873
					
Director					
					
Chief Financial Officer					
					
Chief Executive Officer					

The accompanying notes 1 to 35 form an integral part of these financial statements.



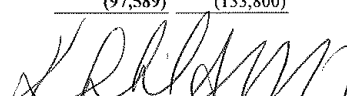
GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 SR'000	2021 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before zakat		(100,172)	(84,075)
<u>Adjustments for non-cash items:</u>			
Depreciation	12 & 24	2,322	432
Amortization of intangible assets	13 & 24	1,198	1,848
Amortization of right-of-use assets	11 & 24	1,028	1,088
Provision for impairment of premiums receivables	6.1	4,551	1,204
Provision for impairment of reinsurance receivables	7.1	(509)	574
Unrealised gain on investments held at FVIS	8.1	4,966	(11,886)
		(86,616)	(90,815)
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(61,382)	(21,741)
Due from reinsurers		14,171	(17,295)
Reinsurers' share of unearned premiums		(5,550)	15,959
Reinsurers' share of outstanding claims		629	(1,301)
Reinsurers' share of claims incurred but not reported		7,332	(7,926)
Reinsurers' excess of loss claims		2,828	(4,449)
Deferred policy acquisition costs		(5,609)	1,332
Prepayments and other assets		(27,083)	(8,243)
Due to policy holders		(2,761)	1,271
Accrued expenses and other liabilities		18,524	(4,369)
Due to reinsurers		3,966	(1,251)
Due to brokers		8,273	(2,758)
Unearned premiums		45,817	(27,604)
Unearned reinsurance commission		764	(2,151)
Outstanding claims		(9,715)	11,100
Claims incurred but not reported		(2,622)	16,944
Premium deficiency reserve		813	10,962
Other technical reserves		2,264	1,902
Employees defined benefit obligations, net		437	319
		(95,520)	(130,114)
Zakat paid	19	(2,069)	(3,682)
Surplus paid to policy holders	18	--	(4)
Net cash used in operating activities		(97,589)	(133,800)


Director


Chief Financial Officer


Chief Executive Officer

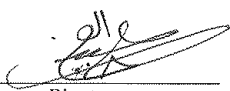
The accompanying notes 1 to 35 form an integral part of these financial statements.

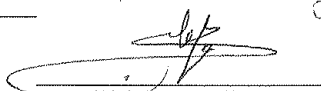


GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 SR'000	2021 SR'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	(4,701)	(7,124)
Purchase of intangible assets	13	(5,025)	(7,639)
Proceeds from disposal of Intangible Assets		--	3,786
Purchase of investments held to maturity	8.2		--
Proceeds from disposal of investments	8.1		--
Purchase of Murabaha deposits		(142,449)	--
Net cash used in investing activities		(152,175)	(10,977)
CASH FLOWS FROM FINANCING ACTIVITIES			
Right issue		--	300,000
Transaction costs		--	(4,818)
Statutory deposit		--	(55,000)
Repayment of lease liabilities		(1,197)	(687)
Net cash generated (used in) / from financing activities		(1,197)	239,495
Net (decrease) / increase in cash and cash equivalents		(250,961)	94,718
Cash and cash equivalents at the beginning of the year		256,112	161,394
Cash and cash equivalents at the end of the year	4	5,151	256,112
SUPPLEMENTAL NON-CASH TRANSACTIONS			
Actuarial gain / (loss) on defined benefit obligation	17	933	(667)


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL

1.1. Organization and principal activities

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company
Al Gheithy Plaza, Second Floor,
Amcer Al Shoura'a Street
Jeddah, Kingdom of Saudi Arabia

The Company also has the following branches, which are operating under separate commercial registrations:

<u>Branch</u>	<u>Commercial Registration No.</u>	<u>Date of Registration</u>
Riyadh	1010316823	29 Shawwal 1432H (corresponding to 27 September 2011)
Al Khobar	2051046836	19 Dhul Qa'dah 1432H (corresponding to 17 October 2011)

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24 Safar 1431H (corresponding to 8 February 2010).

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident & liability, marine, property and engineering.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations	10%
	<u>100%</u>

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL (continued)

1.2. Portfolio transfer

On 19 May 2012, the Company entered into an agreement with Saudi General Insurance Company E.C. ("SGI") and Gulf Cooperation Insurance Company Ltd. E.C. ("GCI") (the "Sellers") pursuant to which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009, at a goodwill amount of SR 36.26 million, as approved by SAMA, along with the related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and are also subject to SAMA approval.

In December 2013, consequent to SAMA approval, a sum of SR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Further, SAMA approved additional payment of SR 5.37 million to the Sellers relating to 2012 profits, which was transferred to amount due to related parties, as at 31 December 2013, and settled in 2014. Further, during the year ended 31 December 2014, consequent to SAMA's approval, dated 28 Shawwal 1435H (corresponding to 24 August 2014), a payment of SR 2.96 million was made to the Sellers in respect of goodwill, out of 2013 profits. During the year ended 31 December 2015, consequent to SAMA's approval, dated 3 Rajab 1436H (corresponding to 22 April 2015), a final payment of SR 9.80 million was made to the Sellers in respect of goodwill, out of 2014 profits.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").

As required by Saudi Arabian Insurance Regulations, the Company maintains separate book of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. 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 expenses from joint operations is determined by the management and Board of Directors of the Company.

The statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 31 of the financial statement have been provided as supplementary financial information and to comply with the requirements of regulations. The regulations requires the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders Operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred below in note 31 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% is to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Central Bank. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (continued)

2.2. Going Concern

The Company incurred a net loss of SR 104.19 million (31 December 2021: SR 86.78 million) during the year ended 31 December 2022 and, as of that date, the Company's accumulated losses amounted to SR 235.91 million (31 December 2021: SR 131.73 million) which represents 47.2% of the share capital, also the Company had net operating cash outflows of SR 97.58 million for the year ended 31 December 2022. Since the accumulated losses of the Company amounted to 47.2 % of the share capital, the requirements of Article 4, Part 2 of 'CMA's Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or More of Their Share Capital' were also triggered. These events and conditions, indicate that a material uncertainty exists that may cast a significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The management of the Company has prepared a detailed business plan for future prospects of the Company which is approved by the Board of Directors and has undertaken strategic initiatives to address the material uncertainty. The steps being taken by the management to improve performance include operational measures to enhance claims management and recoveries from salvage and subrogation; manage cost rationalization through expense control and reducing discretionary spending, and improve the portfolio mix by focusing on more profitable lines of business and products. Company is also putting in place measures such as actuarial pricing tools and periodic business reviews to support better business decisions, focus on digital marketing to improve market share and increase process efficiencies leveraging core system capabilities

Based on the above measures taken by the management, along with existing cash and cash equivalents and other liquid assets, the management and those charged with governance remain confident that going concern assumption is valid. Furthermore, the management does not have any intention to liquidate the Company or to cease the operations in the near future. Based on the above these financial statements have been prepared on going concern basis.

2.3. Basis of measurement

The financial statements have been prepared under the going concern basis and historical cost convention, except for the measurement of investments held at fair value through income statement ("FVIS"), available-for-sale investment that are measured at fair value, and employees defined benefit obligations which is recognised at present value of future obligations using the projected unit credit method.

The Company's statement of financial position is presented in order of liquidity. Except for available-for-sale investment, held to maturity investment, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, employees' defined benefit obligations, lease liabilities and accrued income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

2.4. Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals ("SR"), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyals have been rounded off to the nearest thousands, except where otherwise indicated.

2.5. Fiscal year

The Company follows a fiscal year ending 31 December of each year



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (continued)

2.6. Critical accounting judgements, estimates and assumptions

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

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

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

2.6.1. 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. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the date of the statement of financial position, for which the insured event has occurred prior to the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using the past claims settlement trends to predict future claims settlement trends.

A range of methods such as Chain Ladder Method and Cape Code Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2.6.2. Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per the Company's policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

2.6.3. Impairment of receivables

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

2.6.4. Goodwill

The recoverable amount of goodwill is estimated based on present value of future cashflows expected to be derived from assets. The key assumptions used are the discount rate and estimated future cash flows from the business. Where the recoverable amount is less than its carrying value, the difference as an impairment loss is recognized in the statement of income.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (continued)

2.6 Critical accounting judgements estimates and assumptions (continued)

2.6.5. Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of mutual funds. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022 except as explained below:

3.1. New IFRS, International Financial Reporting and Interpretations Committee's interpretations ("IFRICs") and Amendments thereof, adopted by the Company

A number of new standards and amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after 01 January 2022. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting amended standards which are described below:

<u>Standard / Interpretation</u>	<u>Description</u>
IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contracts (Amendments to IAS 37)</i>
IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)</i>
IFRS 3	<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>
Annual improvements	<i>Annual Improvements to IFRS Standards 2018–2020</i>

3.2. New IFRSs, IFRICs and Amendments thereof, issued but not yet effective

Standards and interpretation issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing the financial statements. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	See note below
IFRS 17	Insurance Contracts	See note below
IAS 1	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	January 1, 2023
IAS 16	Lease liability in a sale and leaseback – Amendments to IFRS 16	January 1, 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the operational accounting for insurance and reinsurance contracts and financial instruments and presentation of financial statement and are expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 17 – Insurance Contracts

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

Structure and status of the Implementation project

The Company has significantly completed its implementation process which is managed internally through a dedicated IFRS 17 team and governed by audit committee. The preparation for IFRS 17 has required significant changes to the Company's reporting systems. the Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the FY20, FY21 and June 2022 data to SAMA.

Significant Judgements and Accounting Policy Choices

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 17 – Insurance Contracts (Continued)

Significant Judgements and Accounting Policy Choices (continued)

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. Cash flows from insurance contracts are split into Liability for Incurred Claims (“LIC”) and Liability for Remaining Coverage (“LRC”).

Measurement model

The premium allocation approach (“PAA”) is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage (“LRC”) is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Company will be adopting the PAA measurement model for the measurement of LRC for the whole business. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

Initial and subsequent measurement

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the Liability for Incurred Claims (“LIC”), comprising the fulfillment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

There are no investment components within insurance contracts issued by the Company.

LIC

The Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Company presents the entire change in risk adjustment as part of insurance service results.

The Company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. Likewise, the Company has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Company will regularly monitor the time it takes in settling claims from the date they are incurred.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 17 – Insurance Contracts (Continued)

Significant Judgements and Accounting Policy Choices (continued)

Insurance acquisition costs

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts.

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from IFRS 9 Expected Loss Model.

Insurance service expenses

Insurance service expenses include the following:

- a. incurred claims for the period.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cash flows amortization.
- d. changes that relate to past service – changes in the FCF relating to the LIC.
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contract

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones.

Disclosures

The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its insurance contracts particularly in the year of the adoption of the new standard.

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to include insurance service result, consisting of insurance revenue less insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 17 – Insurance Contracts (Continued)

Transition Impact

The Company estimates that, on adoption of IFRS 17, the impact before Zakat and Tax is a reduction in the Company's total equity by SR 9.9 million to SR 14.9 million (i.e. 2.6% to 3.8% of total equity) at 1 January 2022.

Impact on Equity

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on 1 January 2022
Changes in measurement of insurance contract liabilities	Decrease by SR 13.3 million to SR 18.2 million
Changes in measurement of reinsurance contract assets	Increase by SR 3.4 million to SR 4.3 million
	Decrease by SR 9.9 million to SR 13.9 million

Impact on Insurance Contract Liabilities

Drivers of Changes	Impact on liabilities on transition to IFRS 17 on 1 January 2022
Risk adjustment	Increase by SR 1.01 million to SR 21.3 million
Loss component	increase by SR 11.7 million to Increase by SR 13.9 million
Allowance for all possible outcomes	Decrease by SR 4.02 million to SR 10.8 million
Other drivers	Increase by SR 1.21 million to SR 3.8 million
Total Impact	Increase SR 9.9 million to SR 13.9 million

Impact on Reinsurance Contract Asset

Drivers of Changes	Impact on assets on transition to IFRS 17 on 1 January 2022
Reinsurance risk adjustment	Increase by SR 0.923 million to SR 0.75 million

The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim condensed consolidated financial statements for the period ending 31 March 2023. The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimate. The Company continues to refine its models, methodologies and systems as well as monitoring regulatory developments ahead of the IFRS 17 adoption on 1 January 2023.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Structure and status of the Implementation project

The Company has significantly completed its implementation process which is managed internally through a dedicated IFRS 9 team and governed by audit committee. The preparation for IFRS 9 has required some changes to the Company's reporting systems. The Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the two-phase approach for the transition from IAS 39 to IFRS 9 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted a gap analysis, financial impact assessment, implementation plan and multiple dry runs using the FY21 and June 2022 data.

Significant Judgements and Accounting Policy Choices

Financial assets – Classification

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

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Financial assets at FVOCI (continued)

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the Statement of Income.

For an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis on initial recognition.

Financial assets at FVTPL

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

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

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Business model assessment-continued

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the Statement of Income.

For an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL

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

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The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the Statement of Income.

For an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis on initial recognition.

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

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Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Business model assessment-continued

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

Overview of Expected Credit Loss ('ECL') principles

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

- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

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

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

The Company will measure loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company will consider debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is typically determined by using a matrix which uses historical credit loss experience of the Company.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Staging of financial assets

Investments

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

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

Credit impaired financial asset

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

ECL methodology and measurement

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required. For all contracts, lifetime ECL is computed.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Probability of Default ('PD')

The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD')

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

Exposure at Default ('EAD')

The exposure at default is an estimate of the exposure at a future default date.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Forward looking estimate

While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

Presentation of allowance for ECL in the Balance sheet

Loss allowances for ECL are presented in the statement of financial position as follows:

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

Financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI;
- The remaining amount of the change in the fair value will be presented in the statement of income.

Transition

The Company estimates that, on adoption of IFRS 9, the impact of these changes before zakat and tax is a reduction in the Company's total equity by SR 2.6 million up to SR 2.65 million (i.e. 0.07% to 0.08% of total equity) at 1 January 2022. Reclassification of certain financial assets will result in the transfer of respective fair value reserves from OCI to retained earnings with no impact on total equity. The transfer as at 1 January 2022 is expected to be an increase/decrease in retained earnings/ OCI fair value reserve of SR 34.35 million up to SR 35.35 million, respectively.

Drivers of Changes in Equity	Impact on equity on transition to IFRS 9 on 1 January 2022
Impairment of financial assets	Decrease by SR 2.27 million up to SR 2.39 million

The estimated decrease in total equity includes the impact of the increase in credit impairment provisions compared to those applied at December 31, 2021 under IAS 39. The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 9 on the Company could vary from this estimate. The Company continues to refine models, methodologies and systems and monitor regulatory developments in advance of IFRS 9 adoption on 1 January 2023.

The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim condensed consolidated financial statements for the period ending 31 March 2023. The Company is not expecting material changes in the classification and measurement of financial assets.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies

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

3.3.1 Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company 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. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations extinguish or expire.

Insurance contracts are principally divided into medical, motor, property, engineering, marine, and accident and liability and are principally short-term insurance contracts.

Medical insurance is designed to compensate holders for expenses incurred in the treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicle holders to have minimum third-party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident. Various extensions cover natural perils, personal accident benefits and dealer repairs.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, natural perils, business interruption and burglary.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings, or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and business interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

General accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance, personal accident, jeweller block, jewellery all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.1 Insurance contracts (continued)

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

3.3.2 Revenue recognition

Recognition of premiums and commissions earned

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

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

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

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 recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Commission income

Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income

Dividend income on equity instruments classified under investments is recognized when the right to receive payment is established.

3.3.3 Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.3 Claims (continued)

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

3.3.4 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.

3.3.5 Reinsurance contracts held

In line with other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts 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. All of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Reinsurance is distributed between treaty, facultative 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 3.3.1 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 and in accordance with the reinsurance contract. These amounts are shown as "reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers. Reinsurance assets or liabilities are derecognized 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. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recorded in the statement of income as incurred. For further details, please refer note 3.3.11.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized 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.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.6 Deferred policy acquisition costs

Commissions 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, to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded under "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the 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. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. If the assumptions relating to the future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

3.3.7 Liability adequacy test

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

3.3.8 Insurance contract liabilities

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

3.3.9 Premiums and reinsurance receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded as "Allowance for impairment of premium / reinsurance receivables" separately in the statement of income. Receivable balances are derecognized when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in notes 6 and 7 fall under the scope of IFRS 4 "Insurance Contracts".



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.10 Investments (continued)

iii. Available for sale investments (continued)

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

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

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

3.3.11 Financial instruments

i. Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurers' share of outstanding claims, due from reinsurers, statutory deposit, investments and other receivables. Financial liabilities consist of outstanding claims, due to reinsurers and brokers, due to policyholders, surplus distribution payable and certain other liabilities.

Date of recognition

Regular way sale and purchase of financial instruments are recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the marketplace.

Measurement of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortized cost except for investments held at fair value through income statement which are carried at fair value.

ii. Derecognition of financial instrument

Financial assets

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

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.10 Investments

All investments, are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. Financial assets are initially recognized at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

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

i. Investments held at fair value through income statement ("FVIS")

Investments in this category are classified if they are held for trading or designated by management as fair value through statement of income ("FVIS") on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in the short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in statement of income.

An investment may be designated at FVIS by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments are classified as FVIS if the fair value of the investment can be reliably measured and the classification as investments held at fair value through income statement is as per the documented strategy of the Company. Investments classified as investments held at FVIS are initially recognized at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVIS investments. Commission income and dividend income on financial assets held as FVIS are reflected as other income from FVIS financial instruments in the statement of income.

ii. Held to maturity investments

Investments having fixed or determinable payments and fixed maturity that the Company has a positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Any permanent decline in value of investments is adjusted for and reported in the statement income as impairment charges.

iii. Available-for-sale investments

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

Dividend, commission income and foreign currency gain / loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.11 Financial instruments (continued)

ii. Derecognition of financial instrument (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

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

iii. Offsetting

Financial assets and financial 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 recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

3.3.12 Impairment of financial assets

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

Evidence of impairment may include:

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

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

- For assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.12 Impairment of financial assets (continued)

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

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

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

The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

3.3.13 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

The property and equipment is depreciated on the straight-line method to allocate the cost over estimated useful lives, as follows:



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.13 Property and equipment (continued)

Category

Leasehold Improvements	8
Furniture and fittings	10
Computers and office equipment	4-10
Motor vehicles	4
Leasehold Improvements	8

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 being the higher of their fair value less costs to sell and their value-in-use.

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

3.3.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of income when it is incurred.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The estimated useful lives for the current year are as follows:

<u>Category</u>	<u>Years</u>
Computer software	4

The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.15 Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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 recognized in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

3.3.16 Leases

Definition of lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases.

As a lessee

The Company leases its offices, and as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.17 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation / amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

Impairment losses related to goodwill cannot be reversed in future periods.

3.3.18 Employees' defined benefit obligations

The Company operates a defined 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 year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. This involves making various assumptions which may differ from actual developments in the future. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, the employees' defined benefit obligations valuation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income.

3.3.19 Provisions, accrued expenses and other liabilities

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.20 Zakat

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

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3.3.21 Cash and cash equivalents

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

3.3.22 Murabaha deposits

Murabaha deposits, with an original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortized cost using the effective yield method, less any impairment changes.

3.3.23 Prepayments and other assets

Prepayments and other assets represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to the statement of income as they are consumed or expire with the passage of time.

3.3.24 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 and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gains or losses on available-for-sale investments are recognized under "other income" in the statements of income and comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

3.3.25 Expenses

Due to the nature of the operations of the Company, all expenses incurred are classified as general and administration expenses.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.26 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and Companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, and the Chief Financial Officer of the Company.

3.3.27 Operating segments

An operating segment is a distinguishable component of the Company that is engaged in business activities from which it is subject to risk and rewards that are different from those of other segments. Further, an operating segment earns revenues and incur expenses and has discrete financial information which is available that is evaluated regularly by the chief operating decision-maker.

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

- Medical
- Motor
- Property
- Engineering
- Marine marine
- Accident and liability

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business 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 business segments which will then be eliminated at the level of the financial statements of the Company.

3.3.28 Statutory reserve

In accordance with the Company's by-laws, 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.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.29 Fair values

The fair values 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 similar financial assets or where the fair values cannot be derived from an active market; they are determined using a variety of valuation techniques. The inputs of this model are taken from an observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Fair value disclosures are disclosed in note 27.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2022 SR'000	2021 SR'000
<i>Insurance operations</i>		
Cash in hand	8	21
Cash at banks	4,354	10,350
Murabaha deposits with maturity less than three months (see note below)	--	14,449
	<u>4,362</u>	<u>24,820</u>
<i>Shareholders' operations</i>		
Cash at banks	789	6,292
Murabaha deposits with maturity less than three months	--	225,000
	<u>789</u>	<u>231,292</u>
Total	<u>5,151</u>	<u>256,112</u>

5. MURABAHA DEPOSITS

Murabaha deposits comprises the following:

	2022 SR'000	2021 SR'000
<i>Insurance operations</i>		
Murabaha deposits	14,449	14,449
Less: Murabaha deposits with maturity less than three months (see note 4)	--	(14,449)
	<u>14,449</u>	<u>--</u>
<i>Shareholders' operations</i>		
Murabaha deposits	125,000	225,000
Less: Murabaha deposits with maturity less than three months (see note 4)	--	(225,000)
	<u>125,000</u>	<u>--</u>
Total	<u>139,449</u>	<u>--</u>

Murabaha deposits earn commission at an average rate of 2.49% per annum as at 31 December 2022 (31 December 2021: 0.67 % per annum).



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. MURABAHA DEPOSITS (continued)

- a) Murabaha deposits represent deposits with local banks that have an original maturity of more than three months from the date of acquisition.
- b) These investments earn commission at an average rate of 0.67% per annum as at 31 December 2022 (2021: 0.69% per annum)

6. PREMIUMS RECEIVABLE, NET

Premiums receivable comprise amounts due from the following:

	2022 SR'000	2021 SR'000
Policyholders	142,832	80,429
Related parties (note 29)	3,816	4,837
	146,648	85,266
Provision for doubtful receivables (note 6.1)	(25,877)	(21,326)
Total	120,771	63,940

6.1. Movement in provision for doubtful receivables:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	21,326	20,117
Provision / (Reversal) during the year	4,551	1,204
Write-off	--	5
Balance as at 31 December,	25,877	21,326

6.2. Aging analysis of unimpaired premiums receivable:

	Total SR'000	Less than 90 days SR'000	Past due but not impaired		
			91 – 180 days SR'000	181 – 360 days SR'000	More than 360 days SR'000
31 December, 2022	120,771	99,062	9,860	6,695	5,154
31 December, 2021	63,940	52,985	2,764	3,834	4,357

Premiums receivable comprise a large number of customers and are mainly within the Kingdom of Saudi Arabia. In respect of premiums receivable, the five largest customer balances accounted for approximately 32 % of this balance as at 31 December 2022 (2021: 26%). The company's terms of business generally require amounts to be paid in accordance with credit terms agreed with the customers.

Management considers its external customers to be individual policyholders. Four customers (2021: four customers) of the Company accounts for more than 31 % of the gross written premiums for the year ended 31 December 2022 (2021: 39%).



GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

7. DUE FROM REINSURERS, NET

	2022 SR'000	2021 SR'000
Due from reinsurers	19,922	34,093
Provision for doubtful receivables (note 7.1)	(617)	(1,126)
Total	19,305	32,967

These represent net claims due from reinsurers under facultative deals and treaty arrangements. Three reinsurance brokers represent 90% (2021: Three represents: 90%) of the total amount due from reinsurers.

7.1 Movement in provision for doubtful receivables:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	1,126	552
(Reversal) /provision during the year	(509)	574
Balance as at 31 December,	617	1,126

7.2 Aging analysis of unimpaired due from reinsurers:

	Total SR'000	Less than 90 days SR'000	Past due but not impaired		
			91 – 180 days SR'000	181 – 360 days SR'000	More than 360 days SR'000
31 December, 2022	19,305	18,047	838	223	197
31 December, 2021	32,967	28,014	4,097	499	357

The Company only enters into reinsurance contracts with recognized, creditworthy third parties.

8. INVESTMENTS

Investments of the shareholders' operations comprise the following:

	2022 SR'000	2021 SR'000
Shareholders' operations		
Investments held at fair value through income statement ("FVIS") (note 8.1)		
-Equity securities	14,569	16,303
-Mutual funds	25,298	28,529
	39,867	44,832
Held-to-maturity	5,000	2,000
Available-for-sale investment (note 8.2)	1,923	1,923
Total	46,790	48,755



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

8. INVESTMENTS (continued)

8.1. Investments held at fair value through income statement ("FVIS")

Movement in investments classified as fair value through income statement ("FVIS") is as follows:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	44,832	32,946
Disposals during the year	--	--
Realized loss during the year	--	--
Unrealized (loss) /gain during the year	(4,965)	11,886
Balance as at 31 December,	39,867	44,832

- a) The investments held at fair value through income statement of shareholders' operations comprise of portfolio amounting to SR 39.86 million (2021: SR 44.83 million) which is invested in mutual funds and equity shares in the Kingdom of Saudi Arabia.
- b) The investments are denominated in Saudi Arabian Riyals and US Dollars. All investments held at fair value through income statement are quoted. The portfolio is invested in securities and mutual funds issued by corporates and financial institutions in the Kingdom of Saudi Arabia.

8.2. Available-for-sale investment

The Company holds 3.85% of the equity in Najm for Insurance Services Company ("Najm"), a Saudi Closed Joint Stock Company. The investment is classified as an available-for-sale investment and is stated at cost.

9. TECHNICAL RESERVES

9.1. Net premiums

	2022 SR'000	2021 SR'000
Gross written premiums	373,293	296,751
Gross unearned premiums at the beginning of the year	103,835	131,439
	477,128	428,190
Gross unearned premiums at the end of the year	(149,652)	(103,835)
Gross premiums earned	327,476	324,355
Reinsurance premiums ceded	(88,018)	(77,363)
Reinsurers' share of unearned premiums at the beginning of the year	(21,707)	(37,666)
	(109,725)	(115,029)
Reinsurers' share of unearned premiums at the end of the year	27,257	21,707
Insurance premium ceded to reinsurers	(82,468)	(93,322)
Net premiums earned	245,009	231,033



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

9. TECHNICAL RESERVES (continued)

9.2. Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2022 SR'000	2021 SR'000
Outstanding claims	31,235	40,950
Claims incurred but not reported	34,733	37,355
Premium deficiency reserve (note 9.6)	13,086	12,273
Other technical reserves	6,936	4,672
	<u>85,990</u>	<u>95,250</u>
Less:		
Reinsurers' share of outstanding claims	10,967	11,596
Reinsurers' share of claims incurred but not reported	4,518	11,850
	<u>15,485</u>	<u>23,446</u>
Net outstanding claims and reserves	<u>70,505</u>	<u>71,804</u>

9.3. Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	For the year ended 31 December 2022		
	Gross SR'000	Reinsurance SR'000	Net SR'000
Balance as at 1 January,	103,835	(21,707)	82,128
Premiums written during the year	373,293	(88,018)	285,275
Premiums earned during the year	(327,476)	82,468	(245,008)
Balance as at 31 December,	<u>149,652</u>	<u>(27,257)</u>	<u>122,395</u>

	For the year ended 31 December 2021		
	Gross SR'000	Reinsurance SR'000	Net SR'000
Balance as at 1 January,	131,439	(37,666)	93,773
Premiums written during the year	296,751	(77,363)	219,388
Premiums earned during the year	(324,355)	93,322	(231,033)
Balance as at 31 December,	<u>103,835</u>	<u>(21,707)</u>	<u>82,128</u>

9.4. Movement in deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	7,283	8,615
Incurred during the year	46,239	34,029
Amortized during the year	(40,630)	(35,361)
Balance as at 31 December,	<u>12,892</u>	<u>7,283</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
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9. TECHNICAL RESERVES (continued)

9.5. Movement in unearned reinsurance commission

Movement in unearned reinsurance commission comprise of the following:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	4,380	6,531
Accrued during the year	14,358	17,464
Earned during the year	(13,594)	(19,615)
Balance as at 31 December,	<u>5,144</u>	<u>4,380</u>

9.6. Movement in premium deficiency reserve

Movement in premium deficiency reserve comprise of the following:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	12,273	1,311
Provided for the year	813	10,962
Balance as at 31 December,	<u>13,086</u>	<u>12,273</u>

9.7 Reinsurance premiums ceded

	2022 SR'000	2021 SR'000
<u>Reinsurance premiums ceded - General</u>		
- Local reinsurance brokers to foreign companies	61,176	57,298
- Direct foreign reinsurance companies	3,833	3,072
- Local reinsurance brokers to local companies	5,798	1,586
- Direct to local reinsurance companies	858	499
	<u>71,665</u>	<u>62,455</u>
<u>Reinsurance premiums ceded - Life</u>		
- Local reinsurance brokers to foreign companies	2	1,052
	<u>71,667</u>	<u>63,507</u>

9.8 Excess of loss expenses

	2022 SR'000	2021 SR'000
Local reinsurance brokers to foreign companies	14,967	13,575
Local reinsurance brokers to local companies	1,384	281
	<u>16,351</u>	<u>13,856</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

10. PREPAYMENTS AND OTHER ASSETS

	2022 SR'000	2021 SR'000
<i>Insurance operations</i>		
Prepayments	32,103	8,023
Other asset (note 10.1 & 10.2)	36,095	33,606
	<u>68,198</u>	<u>41,629</u>
<i>Shareholders' operations</i>		
Accrued interest and other receivable	624	158
Prepayments	152	105
	<u>776</u>	<u>263</u>
Total	<u>68,974</u>	<u>41,892</u>

10.1 Other assets include payment made by the Company in relation to VAT assessment raised by Zakat, Tax and consultant Authority ("ZATCA") for 2018 and 2019 financial years amounting to SR 7.3 million. The payments were made to ZATCA to avoid penalties. However, the Company has submitted objections to the ZATCA assessment. The Company's management believes that there is strong basis that the assessment raised by the ZATCA will be reversed and the full amount will be returned in due course

11. LEASES

11.1 Right-of-use assets

	2022 SR'000	2021 SR'000
Cost:		
Balance as at 1 January,	4,803	4,803
Additions	--	--
Balance as at 31 December,	<u>4,803</u>	<u>4,803</u>
Accumulated amortization:		
Balance as at 1 January,	3,248	2,160
Amortization for the year (note 24)	1,028	1,088
Balance as at 31 December,	<u>4,276</u>	<u>3,248</u>
Carrying value	<u>527</u>	<u>1,555</u>

11.2 Lease liabilities

Lease liabilities as at 1 January and 31 December 2022 are as follows:

	<i>Minimum lease payments</i> SR'000	<i>Interest</i> SR'000	<i>Present value of minimum lease payments</i> SR'000
31 December 2022	<u>1,224</u>	<u>(1,197)</u>	<u>27</u>
1 January 2022	<u>1,911</u>	<u>(687)</u>	<u>1,224</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
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11. LEASES (continued)

11.2 Lease liabilities (continued)

At 31 December, the maturity of lease liabilities are as follows:

	2022 SR'000	2021 SR'000
Non-current portion	27	386
Current portion	--	838
Balance as at 31 December,	27	1,224

The minimum lease payments together with the present value of minimum lease payments as at 31 December 2022 are as follows:

	Minimum lease payments SR'000	Present value of minimum lease payments SR'000
Less than one year	1,224	27
More than one year	--	--
Total minimum lease payments	1,224	27
Finance charges	(1,197)	--
Present value of minimum lease payments	27	27

12. PROPERTY AND EQUIPMENT

	Leasehold improvements SR'000	Furniture and fittings SR'000	Computer and office equipment SR'000	Motor vehicles SR'000	Total SR'000
Cost:					
Balance as at 1 January 2021	4,065	2,515	13,978	277	20,835
Additions during the year	27	--	7,097	--	7,124
Balance as at 31 December 2021	4,092	2,515	21,075	277	27,959
Additions during the year	38	32	4,631	--	4,701
Balance as at 31 December 2022	4,130	2,547	25,706	277	32,660
Accumulated depreciation:					
Balance as at 1 January 2021	3,577	1,958	8,610	262	14,407
Depreciation for the year (note 24)	100	84	233	15	432
Balance as at 31 December 2021	3,677	2,042	8,843	277	14,839
Depreciation for the year (note 24)	102	87	2,133	--	2,322
Balance as at 31 December 2022	3,779	2,129	10,976	277	17,161
Net book value:					
31 December 2022	351	418	14,730	--	15,499
31 December 2021	415	473	12,232	--	13,120



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

13. INTANGIBLE ASSETS

	<i>Computer software</i> <i>SR'000</i>
Cost:	
Balance as at 1 January 2021	13,810
Additions during the year	7,639
Disposal during the year	(3,786)
Balance as at 31 December 2021	17,663
Additions during the year	5,025
Balance as at 31 December 2022	22,688
Accumulated amortization:	
Balance as at 1 January 2021	6,189
Amortization for the year (note 24)	1,848
Balance as at 31 December 2021	8,037
Amortization for the year (note 24)	1,198
Balance as at 31 December 2022	9,235
Net book value:	
31 December 2022	13,453
31 December 2021	9,626

14. STATUTORY DEPOSIT

	<i>2022</i> <i>SR'000</i>	<i>2021</i> <i>SR'000</i>
Statutory deposit	75,000	75,000

- a) In compliance with Article 58 of the Implementing Regulations of the Saudi Central Bank ("SAMA"), the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SAR 75 million in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA and commission accruing on this deposit is payable to SAMA. Accrued income on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.
- b) In accordance with the instruction received from the SAMA vide their circular dated 1 March, 2016, the Company has disclosed the commission due on the statutory deposit as at 31 December, 2022 and 2021 as an asset and a liability in these financial statements.

15. DUE TO POLICYHOLDERS

Due to policyholders represent claims and surplus due to certain policyholders. Five policyholders (2021: five policyholders) balance comprises 21% (2021: 34%) of the outstanding balance due to policyholders as at 31 December 2022.



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FOR THE YEAR ENDED 31 DECEMBER 2022

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022 SR'000	2021 SR'000
<i>Insurance operations</i>		
Accrued expenses	1,503	1,812
Value added tax payable	8,147	4,979
Due to related parties (note 29)	309	309
Payable to garages and workshops	5,862	1,701
Third party claims payable	6,546	9,587
Other liabilities	15,957	1,204
	<u>38,324</u>	<u>19,592</u>
<i>Shareholders' operations</i>		
Accrued expenses	2,331	2,539
	<u>2,331</u>	<u>2,539</u>
Total	40,655	22,131

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	2022 SR'000	2021 SR'000
Employees' defined benefit obligations	<u>6,031</u>	<u>5,594</u>

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

17.1 Movement of defined benefit obligations

	2022 SR'000	2021 SR'000
Balance as at 1 January,	5,594	4,171
Charged to the statement of income	1,265	1,858
Charged to the of other comprehensive income/ (loss)	933	667
Payment of benefits during the year	<u>(1,761)</u>	<u>(1,102)</u>
Balance as at 31 December,	<u>6,031</u>	<u>5,594</u>

17.2 Reconciliation of present value of defined benefit obligation

	2022 SR'000	2021 SR'000
Present value of defined benefit obligation as at 1 January,	5,594	4,171
Current service costs	1,058	988
Financial costs	207	870
Actuarial gain from experience adjustments	933	667
Payment of benefits during the year	<u>(1,761)</u>	<u>(1,102)</u>
Present value of defined benefit obligation as at 31 December,	<u>6,031</u>	<u>5,594</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

17.3 Principal actuarial assumptions

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

	2022	2021
Valuation discount rate	4.50%	3.2%
Expected rate of increase in salary level across different age bands	5%	5%

17.4 Sensitivity analysis

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

	2022	2021
Current	6,031	5,594
Valuation discount rate		
- Increase by 1%	5,817	4,441
- Decrease by 1%	6,264	4,820
Expected rate of increase in salary level across different age bands		
- Increase by 1%	6,275	4,817
- Decrease by 1%	5,803	4,440

The average duration of the defined benefit plan obligation is 4.2 years (2021: 4.2 years) as at 31 December 2022.

18. SURPLUS DISTRIBUTION PAYABLE

	2022 SR'000	2021 SR'000
Balance as at 1 January,	8,738	8,742
Total income attributed to the insurance operation during the year	--	--
Surplus paid to policyholders	--	(4)
Balance as at 31 December,	<u>8,738</u>	<u>8,738</u>

19. ZAKAT

19.1 Zakat base

The Zakat base calculated as at 31 December on the following:

	2022 SR'000	2021 SR'000
Equity	427,112	314,768
Opening provision and adjustments	(12,892)	(7,932)
Net book value of long-term assets	<u>(162,231)</u>	<u>(158,192)</u>
	251,989	148,644
Amended net (loss) / profit for the year	<u>(91,261)</u>	<u>(62,085)</u>
Zakat base	<u>160,728</u>	<u>86,559</u>
Zakat due	<u>4,018</u>	<u>2,164</u>



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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. ZAKAT (continued)

19.2 Zakat provision

The differences between the financial and the results subject to Zakat are mainly due to certain adjustments in accordance with the relevant Zakat regulations. The movement in the Zakat provision for the year is as follows:

	2022 SR '000	2021 SR '000
Balance as at 1 January,	2,287	3,268
Provided during the year	4,018	2,164
Provision for prior years	--	537
Paid during the year	(2,069)	(3,682)
Balance as at 31 December,	4,236	2,287

19.3 Status of assessments

The Company filed its Zakat returns for years December 31, 2016, 2017, 2018, 2019, 2020 and 2021 obtained the related Zakat certificates.

The Company has finalized its Zakat and withholding status for the period/years from December 31, 2010 to 2015, after reaching a final settlement for Zakat and withholding tax of SR 2,846,754, at the Dispute Resolution Committee.

ZATCA issued the Zakat and WHT assessment for the years ended December 31, 2016 to 2018 and claimed additional Zakat and withholding liabilities, and delay fine of SR 19,934,125. The Company settled Zakat and WHT and its related delay fine for a total of SR 1,994,738 and objected against the remaining differences. The ZATCA rejected the Company's objection. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD", to assign a hearing session. Accordingly, the hearing session was held on August 29, 2022. However, the committee rejected the objection in full. The company is under the appealing process.

ZATCA issued the Zakat assessment for the years ended December 31, 2019 and 2020 and claimed additional Zakat liability of SR 1,386,080. The Company objected against the full assessment. ZATCA issued the revised assessment claiming the same Zakat differences. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD". Accordingly, the hearing session was held on October 3, 2022. Further, please note that the committee has accepted only the Deferred policy acquisition cost and the revised zakat liability is SR 923,112.

20. SHARE CAPITAL

The share capital of the Company is SR 500 million divided into 50 million shares of SR 10 each (31 December 2021: 20 million shares of SR 10 each). The shareholding structure of the Company is as below. The shareholders of the Company are subject to Zakat tax:

	2022		2021	
	Percentage of holding	Amount SR '000	Percentage of holding	Amount SR '000
Founding shareholders	15%	75,000	15%	75,000
General public	85%	425,000	85%	425,000
	100%	500,000	100%	500,000



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. STATUTORY RESERVE

As required by Article 70 of the Saudi Arabian Insurance Regulations, 20% of the net shareholders' income (after deducting losses brought forward) shall be set aside as a statutory reserve until this reserve amounts to 100% of paid up share capital. No reserve has been set aside during the year as the Company has accumulated losses as at 31 December 2022.

22. CAPITAL MANAGEMENT

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

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings. As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2022 consists of paid-up share capital of SR 500 million, statutory reserves of SR 2.17 million and accumulated losses of SR 236.05 million (2021: paid-up share capital of SR 500 million, statutory reserves of SR 2.17 million and accumulated losses of SR 131.73 million) in the statement of financial position. In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year. The following information summarizes the minimum regulatory capital of the Company:

	2022 SR '000	2021 SR '000
Available capital	140,588	288,560
Minimum regulatory capital	(100,000)	(100,000)
Surplus	40,588	188,560

23. GROSS WRITTEN PREMIUMS

For the year ended 31 December 2022

	Corporate					Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000	Total Corporate SR '000	Individual SR '000	
Medical	2,853	5,004	52,186	60,043	--	60,043
Motor	11,335	45,987	135,091	192,413	62,482	254,895
Property, accident and others	6,782	10,430	40,404	57,616	739	58,355
Life	--	--	--	--	--	--
	20,970	61,421	227,681	310,072	63,221	373,293



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NOTES TO THE FINANCIAL STATEMENTS (continued)
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23. GROSS WRITTEN PREMIUMS (continued)

	For the year ended 31 December 2021				
	Corporate			Individual SR '000	Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000	Total Corporate SR '000	
Medical	12,303	18,973	28,546	59,822	60,224
Motor	6,365	16,016	57,586	79,967	176,867
Property, accident and others	5,423	8,568	42,621	56,612	58,147
Life	664	164	685	1,513	1,513
	24,755	43,721	129,438	197,914	296,751

24. GENERAL AND ADMINISTRATION EXPENSES

	2022 SR '000	2021 SR '000
Insurance operations		
Employee costs	51,294	46,139
Regulatory fees	2,245	2,103
Repairs and maintenance	7,012	6,913
Depreciation of property and equipment (note 12)	2,322	432
Amortization of intangible assets (note 13)	1,198	1,848
Amortization of right-of-use assets (note 11)	1,028	1,088
Professional fees	5,604	4,380
Marketing expenses	2,270	4,218
Withholding tax expenses and delay fines	1,014	588
VAT expenses	283	2,479
Others	5,329	2,488
	<u>79,599</u>	<u>72,676</u>
Shareholders' operations		
Legal and professional fees	834	986
Board of Directors' remuneration and related expenses	2,568	2,592
Others	535	302
	<u>3,937</u>	<u>3,880</u>
Total	<u>83,536</u>	<u>76,556</u>

25. OTHER INCOME

	2022 SR '000	2021 SR '000
Share of surplus from travel and Covid-19 product (note 25.1)	8,815	2,343
Share of surplus from Al Manafeth	504	--
Ummrah products	14,459	--
Total	<u>23,778</u>	<u>2,343</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

25. OTHER INCOME (continued)

25.1 Share of Suplus from travel and Covid-19 product:

On April 6, 2021, the Company together with 12 other insurance companies (collectively "participant insurance companies") signed the Travel and COVID-19 product agreement relating to compulsory travel insurance in addition to coverage related to COVID-19 which is effective from April 6, 2021. The agreement relates to insurance of Saudi citizens traveling abroad. The agreement is for two years and automatically renewable for similar period or periods subject to the terms and conditions of the agreement. The main terms of the Travel and COVID-19 product agreement are the following: - The Company obtains 2.5% of Travel and COVID-19 gross premiums written as management fee; and - The Company distributes the net surplus after deducting all expenses to the participant insurance Companies in accordance with the regulations and circulars issued by the Saudi Central Bank ("SAMA") in this regard. The surplus distributable to The Company for Cooperative Insurance and other participant insurance companies is in proportion of the participation in the Travel and COVID-19 product.

26. CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the years beginning from the year 2016 onwards whose claim experience has not been fully developed.

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

Accident Year	Prior years	2017	2018	2019	2020	2021	2022	Total
At the end of accident	291,557	116,128	131,490	130,804	151,826	227,185	271,771	1,320,761
One year later	452,251	120,192	148,204	166,034	182,537	240,962	--	1,310,180
Two years later	483,989	118,145	148,803	167,801	179,098	--	--	1,097,836
Three years later	495,249	118,099	150,123	166,089	--	--	--	929,560
Four year later	496,374	118,461	149,955	--	--	--	--	764,790
Five years later	497,769	118,436	--	--	--	--	--	616,205
Six or more years later	501,043	--	--	--	--	--	--	501,043
Ultimate paid claims (estimated)	501,043	118,436	149,955	166,089	179,098	240,962	271,771	1,627,354
Cumulative paid claims	500,620	116,739	149,558	165,119	178,630	240,225	210,495	1,561,386
Outstanding claims and IBNR		423	1,697	397	970	468	737	65,968

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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



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27. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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.

Carrying amounts and fair value

The following table shows the carrying amount and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value. At 31 December 2022 there were no financial instruments held by the Company that were measured at fair value, apart from the investments which are carried at fair value.

31 December 2022	Carrying value SR'000	Fair Value			
		Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<i>Shareholders' operations</i>					
<i>Investments held at FVIS</i>					
- <i>Equity securities</i>	14,569	14,569	--	--	14,569
- <i>Mutual funds</i>	25,298	--	25,298	--	25,298
Available for sale investment					
- <i>Equity Shares</i>	1,923	--	--	1,923	1,923
Held-to-maturity	5,000	--	--	5,000	5,000
	<u>46,790</u>	<u>14,569</u>	<u>25,298</u>	<u>6,923</u>	<u>46,790</u>
31 December 2021	Carrying value SR'000	Fair Value			
		Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<i>Shareholders' operations</i>					
- <i>Equity securities</i>	16,303	16,303	--	--	16,303
- <i>Mutual funds</i>	28,529	--	28,529	--	28,529
Investments held at FVSI					
- <i>Equity Share</i>	1,923	--	--	1,923	1,923
Held-to-maturity	2,000	--	--	2,000	2,000
	<u>48,755</u>	<u>16,303</u>	<u>28,529</u>	<u>3,923</u>	<u>48,755</u>

- The fair value of investments in mutual funds at level 2 is based on the net asset's values communicated by the fund manager, and the daily prices are available on Tadawul. The fair value of investments in equity securities at level 1 is based on quoted prices that are available on Tadawul.
- As at 31 December 2022, the Company has an investment amounting to SR 1.9 million (31 December 2021: SR 1.9 million) in an unquoted available for sale investment. This investment is held as part of Company's shareholder operations and is stated at cost in the absence of active markets or other means of reliably measuring their fair value.
- There were no transfers between levels during the years ended 31 December 2022 and 31 December 2021. Further, there were no changes in the valuation techniques during the year from previous years.



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NOTES TO THE FINANCIAL STATEMENTS (continued)
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28. OPERATING SEGMENTS

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

All of the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in six major lines of business. Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed income statement. Segment assets and liabilities comprise operating assets and liabilities. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December, 2018.

Segment assets do not include cash and cash equivalents, Murabaha deposits, premiums receivable-net, due from reinsurers-net, investments, prepayments and other assets, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include due to policyholders, due to reinsurers, due to brokers, employees' defined benefit obligations, lease liabilities, surplus distribution payable, accrued expenses and other liabilities, accrued Zakat and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis. The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December, 2022 and 31 December, 2021, its total revenues, expenses, and net income / (loss) for the year then ended, are as follows:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

28. OPERATING SEGMENTS (continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Medical SR'000	Motor SR'000	Property SR'000	Engineering SR'000	Marine SR'000	Accident & liability SR'000	Insurance Operations		Shareholders' Operations SR'000	Total SR'000
							Total Insurance Operations SR'000	Total Insurance Operations SR'000		
ASSETS										
Reinsurers' share of unearned premiums	--	12,632	6,742	3,155	3,084	1,644	27,257	27,257	--	27,257
Reinsurers' share of outstanding claims	--	(178)	5,734	369	2,012	3,030	10,967	10,967	--	10,967
Reinsurers' share of claims IBNR	--	3,251	270	190	426	381	4,518	4,518	--	4,518
Reinsurers' excess of loss claims	1,956	10	98	--	--	--	2,064	2,064	--	2,064
Deferred policy acquisition costs	802	10,339	886	186	213	466	12,892	12,892	--	12,892
Unallocated assets	--	--	--	--	--	--	256,564	256,564	276,447	533,011
TOTAL ASSETS	2,758	26,054	13,730	3,898	5,735	5,521	314,262	314,262	276,447	590,709
LIABILITIES										
Unearned premiums	20,205	109,733	8,249	3,585	3,974	3,906	149,652	149,652	--	149,652
Unearned reinsurance commission	--	1,472	1,760	457	872	583	5,144	5,144	--	5,144
Outstanding claims	15,674	(2,006)	7,890	450	2,670	6,557	31,235	31,235	--	31,235
Claims incurred but not reported	6,251	26,827	320	218	556	561	34,733	34,733	--	34,733
Premium deficiency reserve	1,181	11,905	--	--	--	--	13,086	13,086	--	13,086
Other technical reserves	685	5,046	837	170	67	131	6,936	6,936	--	6,936
Unallocated liabilities	--	--	--	--	--	--	72,106	72,106	10,201	82,307
TOTAL LIABILITIES	43,996	152,977	19,056	4,880	8,139	11,738	312,892	312,892	10,201	323,093





**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. OPERATING SEGMENTS (continued)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021

	Medical SR '000	Motor SR '000	Property SR '000	Engineering SR '000	Marine SR '000	Accident & liability SR '000	Insurance Operations		Shareholders' Operations SR '000	Total SR '000
							Total Insurance Operations SR '000	Total Insurance Operations SR '000		
ASSETS										
Reinsurers' share of unearned premiums	--	7,955	7,407	2,053	2,249	2,043	21,707	21,707	--	21,707
Reinsurers' share of outstanding claims	--	2,049	251	469	4,610	4,217	11,596	11,596	--	11,596
Reinsurers' share of claims [BNR]	--	8,640	5	926	1,344	935	11,850	11,850	--	11,850
Reinsurers' excess of loss claims	4,342	150	--	--	--	400	4,892	4,892	--	4,892
Deferred policy acquisition costs	455	4,755	1,036	241	266	530	7,283	7,283	--	7,283
Unallocated assets	--	--	--	--	--	--	187,658	187,658	377,757	565,415
TOTAL ASSETS	4,797	23,549	8,699	3,689	8,469	8,125	244,986	244,986	377,757	622,743
LIABILITIES										
Unearned premiums	15,851	68,298	9,465	2,365	3,424	4,432	103,835	103,835	--	103,835
Unearned reinsurance commission	--	940	1,607	504	597	732	4,380	4,380	--	4,380
Outstanding claims	10,621	13,450	360	503	6,042	9,974	40,950	40,950	--	40,950
Claims incurred but not reported	8,365	25,336	17	1,005	1,598	1,034	37,355	37,355	--	37,355
Premium deficiency reserve	3,691	8,582	--	--	--	--	12,273	12,273	--	12,273
Other technical reserves	157	3,083	702	200	224	306	4,672	4,672	--	4,672
Unallocated liabilities	--	--	--	--	--	--	41,084	41,084	7,321	48,405
TOTAL LIABILITIES	38,685	119,689	12,151	4,577	11,885	16,478	244,549	244,549	7,321	251,870



GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME

	For the year ended 31 December 2022						
	Medical SR '000	Motor SR '000	Property SR '000	Engineering SR '000	Marine SR '000	Accident & liability SR '000	Total SR '000
REVENUES							
Gross written premiums	60,043	254,895	28,741	3,926	15,713	9,975	373,293
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	(2,410)	(2,205)	(521)	(1,195)	(325)	(6,656)
- Foreign reinsurance	--	(25,279)	(22,585)	(2,910)	(9,971)	(4,266)	(65,011)
	--	(27,689)	(24,790)	(3,431)	(11,166)	(4,591)	(71,667)
Less: Excess of loss expenses							
- Local	(240)	(582)	(208)	(32)	(206)	(116)	(1,384)
- Foreign	(8,356)	(3,424)	(1,181)	(182)	(1,167)	(657)	(14,967)
	(8,596)	(4,006)	(1,389)	(214)	(1,373)	(773)	(16,351)
Net written premiums	51,447	223,200	2,562	281	3,174	4,611	285,275
Changes in unearned premiums, net	(4,354)	(36,759)	551	(117)	284	130	(40,265)
Net premiums earned	47,093	186,441	3,113	164	3,458	4,741	245,010
Reinsurance commissions	--	2,519	5,641	874	2,911	1,649	13,594
Other underwriting income	--	32	12	2	37	15	98
Total revenues	47,093	188,992	8,766	1,040	6,406	6,405	258,702
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	53,756	215,605	721	190	2,164	2,776	275,212
Expenses incurred related to claims	2,085	6,301	--	--	--	--	8,386
Less: Reinsurers' share of claims paid	(5,063)	(23,075)	(425)	(169)	(1,711)	(1,166)	(31,609)
Net claims and other benefits paid	50,778	198,831	296	21	453	1,610	251,989
Changes in outstanding claims, net	7,439	(13,090)	1,950	48	(774)	(1,831)	(6,258)
Changes in IBNR, net	(2,113)	6,879	37	(49)	(125)	82	4,711
Other technical reserves	529	1,963	135	(29)	(157)	(177)	2,264
Net claims and other benefits incurred	56,633	194,583	2,418	(9)	(603)	(316)	252,706
Provision for premium deficiency reserve	(2,510)	3,323	--	--	--	--	813
Policy acquisition costs	1,336	33,400	3,197	438	1,180	1,079	40,630
Total underwriting costs and expenses	55,459	231,306	5,615	429	577	763	294,149
NET UNDERWRITING (LOSS) / INCOME	(8,366)	(42,314)	3,151	611	5,829	5,642	(35,447)



GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	<i>For the year ended 31 December 2022</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident & liability</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
NET UNDERWRITING (LOSS) / INCOME	(8,366)	(42,314)	3,151	611	5,829	5,642	(35,447)
OTHER OPERATING (EXPENSES) / INCOME:							
Provision for impairment of premium receivables							(4,551)
Reversal of impairment of due from reinsurance							509
General and administration expenses							(83,536)
Investment loss							(925)
Other income							23,778
Total other operating expenses, net							(64,725)
Loss for the year							(100,172)
Total income attributed to insurance operations							--
Net loss for the year attributable to the shareholders, before Zakat							(100,172)
Zakat expense for the year							(4,018)
Zakat expense for prior years							--
Net loss for the year							(104,190)



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	<i>For the year ended 31 December 2021</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
REVENUES							
Gross written premiums	60,224	176,867	28,911	4,169	14,119	12,461	296,751
Less: Reinsurance contracts premiums ceded							
- Local	--	--	(1,003)	(336)	(562)	(184)	(2,085)
- Foreign	--	(20,195)	(23,139)	(3,255)	(8,879)	(5,954)	(61,422)
		(20,195)	(24,142)	(3,591)	(9,441)	(6,138)	(63,507)
Less: Excess of loss expenses							
- Local	--	--	(104)	(16)	(103)	(58)	(281)
- Foreign	(6,286)	(3,820)	(1,285)	(198)	(1,270)	(715)	(13,575)
	(6,286)	(3,820)	(1,389)	(214)	(1,373)	(773)	(13,856)
Net written premiums	53,938	152,852	3,379	364	3,305	5,550	219,388
Changes in unearned premiums, net	2,485	9,879	(1,051)	95	(218)	455	11,645
Net premiums earned	56,423	162,731	2,328	459	3,087	6,005	231,033
Reinsurance commissions	--	5,052	4,906	1,476	5,821	2,360	19,615
Other underwriting income	10	448	12	4	25	18	517
Total revenues	56,433	168,231	7,246	1,939	8,933	8,383	251,165
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	66,211	168,312	462	1,888	3,245	1,770	241,888
Expenses incurred related to claims	1,833	4,558	--	--	--	--	6,391
Less: Reinsurers' share of claims paid	(8,020)	(30,201)	(334)	(1,692)	(2,554)	(1,039)	(43,840)
Net claims and other benefits paid	60,024	142,669	128	196	691	731	204,439
Changes in outstanding claims, net	(4,601)	5,894	60	(232)	992	3,240	5,353
Changes in IBNR, net	2,939	5,127	224	107	363	261	9,021
Other technical reserves	12	1,125	531	70	87	75	1,900
Net claims and other benefits incurred	58,374	154,815	943	141	2,133	4,307	220,713
Provision for premium deficiency reserve	3,691	7,271	--	--	--	--	10,962
Policy acquisition costs	2,073	32,394	3,102	519	1,324	1,528	40,940
Total underwriting costs and expenses	64,138	194,480	4,045	660	3,457	5,835	272,615
NET UNDERWRITING (LOSS) / INCOME	(7,705)	(26,249)	3,201	1,279	5,476	2,548	(21,450)



GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	<i>For the year ended 31 December 2021</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>& liability</i>	<i>SR '000</i>
NET UNDERWRITING (LOSS) / INCOME	(7,705)	(26,249)	3,201	1,279	5,476	2,548	(21,450)
OTHER OPERATING (EXPENSES) / INCOME:							
Provision for impairment of premium receivables							(1,204)
Provision for impairment of due from reinsurance							(574)
General and administration expenses							(76,556)
Investment income							13,366
Other income							2,343
Total other operating expenses, net							(62,625)
Loss for the year							(84,075)
Total income attributed to insurance operations							--
Net loss for the year attributable to the shareholders, before Zakat							(84,075)
Zakat expense for the year							(2,164)
Zakat expense for prior years							(537)
Net loss for the year							(86,776)



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NOTES TO THE FINANCIAL STATEMENTS
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29. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Transactions for the year ended</u>		<u>Balance receivable / (payable) as at</u>	
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
			<u>SR'000</u>	<u>R'000</u>	<u>SR'000</u>	<u>SR'000</u>
<i>Insurance operations</i>						
Saudi General Insurance Company Ltd. E.C.	Shareholder	Expenses paid		--	(309)	(309)
Rolaco Group	Related to Shareholders	Premiums underwritten (note 6)	133	105	6	(25)
		Claims paid	(57)	(12)	(6)	(19)
Dabbagh Group	Related to Shareholders	Premiums underwritten (note 6)	8,010	10,743	3,810	4,862
		Claims paid	(8,989)	(11,010)	(2,851)	(1,761)
Raghaf Establishment	Related to Shareholders	Premiums underwritten (note 6)	18	21	--	--
		Claims paid	(48)	(25)	--	(11)
Key Management Personnel		Short-term benefits	(3,589)	(3,072)	--	--
		Long-term benefits	100	(149)	(217)	(853)
<i>Shareholders' operations</i>						
Board of Directors		Board of Directors remuneration and related expenses	1800	1,800	1800	1,800

- The above balances are included in prepayments and other assets, accrued expenses and other liabilities, premiums receivable - net and due to policyholders. Furthermore, due to related parties in respect of goodwill settled in prior periods is disclosed in the statement of financial position (see note 1.2).
- Outstanding balances at the financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment of related party balances was made at the financial reporting date. This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT

a. Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 78% of total reinsurance assets at the reporting date.

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through its strategic planning process.

Risk management structure

Board of Directors

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

Audit Committee

The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

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.

Internal Audit

All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the Company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 0.5% of shareholders' equity on a gross basis and 0.5% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 0.5% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The Company monitors the concentration of insurance risks primarily by class of business. The table below sets out the concentration of outstanding claims and unearned premiums (in percentage) by class of business at the date of financial positions.

<u>2022</u>	<i>Gross unearned premiums</i>	<i>Net unearned premiums</i>	<i>Gross outstanding claims</i>	<i>Net outstanding claims</i>
Medical	14%	17%	50%	77%
Motor	73%	79%	-6%	-9%
Property	6%	1%	25%	11%
Engineering	2%	0%	1%	0%
Marine	3%	1%	9%	3%
Accident & Liability	2%	2%	21%	18%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<u>2021</u>	<i>Gross unearned premiums</i>	<i>Net unearned premiums</i>	<i>Gross outstanding claims</i>	<i>Net outstanding claims</i>
Medical	15%	19%	26%	36%
Motor	66%	73%	33%	39%
Property	10%	3%	1%	0%
Engineering	2%	0%	1%	0%
Marine	3%	2%	15%	5%
Accident & Liability	4%	3%	24%	20%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Concentration of insurance risk

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

The Company also monitors the 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 neighbouring 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 the concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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

Sources of uncertainty in the estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to the 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.

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.

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. For details, please refer note 2.5.1.

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.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Process used to decide on assumptions (continued)

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 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 the result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired year of the contracts and expectations of future events that are believed to be reasonable.

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 various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

b. Reinsurance risk

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

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

Reinsurers are selected using the following parameters and guidelines set by the Company's management. The criteria may be summarized as follows:

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

The exception to this rule is in respect of local companies which do not carry any such credit rating. This, however, is limited to those Companies registered and approved by the Local Insurance Regulators. Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's management before approving them for the exchange of reinsurance business. As at 31 December 2021 and 2022, there is no significant concentration of reinsurance balances.



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT (continued)

b. Reinsurance risk (continued)

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

The credit risk exposure in respect of reinsurer's share of outstanding claims is SR 10.96 million (2021: SR 11.59 million) and in respect of due from reinsurers is SR 19.31 million (2021: SR 32.69 million).

c. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations
- The Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall
- There is strict control over hedging activities (e.g. equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk)

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

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals and US Dollars. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure.

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 100 basis points in interest yields would result in a change in the (loss) /profit for the year of SR 87.44 million (2021: SR 3.75 million).



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT (continued)

c. Market risk (continued)

Commission rate risk (continued)

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

	<i>Less than 3 months SR '000</i>	<i>3 months to 5 years SR '000</i>	<i>No fixed maturity SR '000</i>	<i>Total SR '000</i>
Insurance operations				
2022	--	14,449	--	14,449
2021	14,449	--	--	14,449
Shareholders' operations				
2022	--	125,000	--	125,000
2021	225,000	--	--	225,000

Other price risk

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

The Company's investments amounting to SR 48.6 million (2021: SR 36.9 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

	<i>Fair value change</i>	<i>Effect on Company's profit / (loss) SR '000</i>
31 December 2022	+ / - 10 %	+ / -4,679
31 December 2021	+ / - 10 %	+ / - 4,876

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



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. 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 instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The Company seeks to limit its credit risk with respect to customers by following its credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premium receivables. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of the creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowances for impairment.

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

SAR'000	2022 SR' 000		2021 SR'000	
	Insurance Operations	Shareholders' Operations	Insurance Operations	Shareholders' Operations
Assets				
Cash and cash equivalents	4,362	789	24,820	231,292
Murabaha deposits	14,449	125,000	--	--
Premiums receivable, net	120,771	--	63,940	--
Due from reinsurers, net	19,305	--	32,967	--
Reinsurers' share of outstanding claims	10,967	--	11,596	--
Reinsurers' share of claims incurred but not reported	4,518	--	11,850	--
Investments	--	46,790	--	48,755
Statutory deposit	--	75,000	--	75,000
Accrued commission income on statutory deposit	--	3,634	--	2,495
	<u>174,372</u>	<u>251,213</u>	<u>145,173</u>	<u>357,542</u>



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT (continued)

d. Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. All of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the management's best estimate. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

	<i>Investment grade</i> SR' 000	<i>Non-investment grade</i>		<i>Total</i> SR' 000
		<i>Satisfactory</i> SR' 000	<i>Past due but not impaired</i> SR' 000	
Cash and cash equivalents	5,151	--	--	5,151
Murabaha deposits	139,449	--	--	139,449
Premiums receivable, net	--	109,474	11,297	120,771
Due from reinsurers, net	--	13,130	6,175	19,305
Reinsurance share of outstanding claims	--	10,967	--	10,967
Reinsurance share of outstanding Claims Incurred but not reported	--	4,518	--	4,518
Investments	46,790	--	--	46,790
Statutory deposit	75,000	--	--	75,000
Accrued income on statutory deposit	3,634	--	--	3,634
As at 31 December 2022	270,024	138,089	17,472	425,585

	<i>Investment grade</i> SR' 000	<i>Non-investment grade</i>		<i>Total</i> SR' 000
		<i>Satisfactory</i> SR' 000	<i>Past due but not impaired</i> SR' 000	
Cash and cash equivalents	256,112	--	--	256,112
Murabaha deposits	--	--	--	--
Premiums receivable, net	--	52,985	10,955	63,940
Due from reinsurers, net	--	28,014	4,953	32,967
Reinsurance share of outstanding claims	--	11,596	--	11,596
Reinsurance share of outstanding Claims Incurred but not reported	--	11,850	--	11,850
Investments	48,755	--	--	48,755
Statutory deposit	75,000	--	--	75,000
Accrued income on statutory deposit	2,495	--	--	2,495
As at 31 December 2021	382,362	104,445	15,908	502,715



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT (continued)

c. Liquidity risk

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

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

The table below summarizes the maturities of the Company's undiscounted contractual obligations relating to financial liabilities:

<i><u>Financial liabilities</u></i>	<i><u>Up to one year SR' 000</u></i>	<i><u>More than one year SR' 000</u></i>	<i><u>Total SR' 000</u></i>
Due to policyholders	5,235	4,743	9,978
Accrued expenses and other liabilities	40,655	--	40,655
Due to reinsurers	5,000	215	5,215
Due to brokers	16,965	--	16,965
Outstanding claims	26,135	5,100	31,235
Surplus distribution payable	8,738	--	8,738
Accrued Zakat	4,236	--	4,236
Accrued income payable to SAMA	--	3,634	3,634
As at 31 December 2022	106,964	13,692	120,656

<i><u>Financial liabilities</u></i>	<i><u>Up to one year SR' 000</u></i>	<i><u>More than one year SR' 000</u></i>	<i><u>Total SR' 000</u></i>
Due to policyholders	6,684	6,055	12,739
Accrued expenses and other liabilities	22,131	--	22,131
Due to reinsurers	1,034	215	1,249
Due to brokers	8,572	120	8,692
Outstanding claims	29,788	11,162	40,950
Surplus distribution payable	8,738	--	8,738
Accrued Zakat	2,287	--	2,287
Accrued income payable to SAMA	--	2,495	2,495
As at 31 December 2021	79,234	20,047	99,281

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



GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. RISK MANAGEMENT (continued)

e. Liquidity risk (continued)

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

- Murabaha deposits and fair value through income statement investments include investments in mutual funds and are held for cash management purposes and expected to be matured/ settled within 12 months from the statement of financial position date
- Murabaha deposits classified as 'cash and cash equivalents' are deposits placed with high credit rating financial institutions with a maturity of less than three months from the date of placement
- Cash and bank balances are available on demand
- Reinsurers' share of outstanding claims mainly pertain to property and engineering segment and are generally realized within 6 to 9 months based on the settlement of balances with reinsurers

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

- Reinsurers' balances payable are settled on a periodic basis as per terms of reinsurance agreements
- Majority of gross outstanding claims are expected to be settled within 12 months in accordance with statutory timelines for payment. Property and engineering policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjuster report
- The claims payable, accrued expenses and other liabilities are expected to settle within a year of 12 months from the year end date
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved

f. Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities. The operations of the Company are also subject to regulatory requirements within the jurisdiction within which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

g. Operational risk

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

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

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

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

31. SUPPLEMENTARY INFORMATION

As required by the Implementing Regulations, the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows separately for insurance operations and shareholders operations are as follows:

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS						
Cash and cash equivalents	4,362	789	5,151	24,820	231,292	256,112
Murabaha deposits	14,449	125,000	139,449	--	--	--
Premiums receivable – net	120,771	--	120,771	63,940	--	63,940
Due from reinsurers – net	19,305	--	19,305	32,967	--	32,967
Reinsurers' share of unearned premiums	27,257	--	27,257	21,707	--	21,707
Reinsurers' share of outstanding claims	10,967	--	10,967	11,596	--	11,596
Reinsurers' share of claims incurred but not reported	4,518	--	4,518	11,850	--	11,850
Deferred excess of loss claims	2,064	--	2,064	4,892	--	4,892
Deferred policy acquisition costs	12,892	--	12,892	7,283	--	7,283
Investments	--	46,790	46,790	--	48,755	48,755
Prepayments and other assets	68,198	776	68,974	41,630	262	41,892
Right-of-use assets	527	--	527	1,555	--	1,555
Property and equipment	15,499	--	15,499	13,120	--	13,120
Intangible assets	13,453	--	13,453	9,626	--	9,626
Goodwill	--	36,260	36,260	--	36,260	36,260
Statutory deposit	--	75,000	75,000	--	75,000	75,000
Accrued income on statutory deposit	--	3,634	3,634	--	2,495	2,495
Due from Shareholder's operations	--	(11,802)	(11,802)	--	(16,307)	(16,307)
TOTAL ASSETS	314,262	276,447	590,709	244,986	377,757	622,743



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
LIABILITIES AND EQUITY						
LIABILITIES						
Due to policyholders	9,978	--	9,978	12,739	--	12,739
Accrued expenses and other liabilities	38,324	2,331	40,655	19,592	2,539	22,131
Due to reinsurers	5,215	--	5,215	1,249	--	1,249
Due to brokers	16,965	--	16,965	8,692	--	8,692
Unearned premiums	149,652	--	149,652	103,835	--	103,835
Unearned reinsurance commission	5,144	--	5,144	4,380	--	4,380
Outstanding claims	31,235	--	31,235	40,950	--	40,950
Claims incurred but not reported	34,733	--	34,733	37,355	--	37,355
Provision for premium deficiency reserve	13,086	--	13,086	12,273	--	12,273
Other technical reserves	6,936	--	6,936	4,672	--	4,672
Due to shareholders' operations	(11,802)	--	(11,802)	(16,307)	--	(16,307)
End of service indemnities	4,661	--	4,661	5,157	--	5,157
Lease liabilities	27	--	27	1,224	--	1,224
Surplus distribution payable	8,738	--	8,738	8,738	--	8,738
Accrued Zakat	--	4,236	4,236	--	2,287	2,287
Accrued return on statutory deposit	--	3,634	3,634	--	2,495	2,495
TOTAL LIABILITIES	312,892	10,201	323,093	244,549	7,321	251,870
EQUITY						
Share capital	--	500,000	500,000	--	500,000	500,000
Statutory reserve	--	2,165	2,165	--	2,165	2,165
Accumulated losses	--	(235,919)	(235,919)	--	(131,729)	(131,729)
Re-measurement reserve of defined benefit obligations	1,370	--	1,370	437	--	437
TOTAL SHAREHOLDERS' EQUITY	1,370	266,246	267,616	437	370,436	370,873
TOTAL LIABILITIES AND EQUITY	314,262	276,447	590,709	244,986	377,757	622,743

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF INCOME

For the year ended

	31 December 2022			31 December 2021		
	Insurance operations	Shareholder operations	Total	Insurance operations	Shareholder operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUES						
Gross written premiums	373,293	--	373,293	296,751	--	296,751
Less: Reinsurance contracts premiums ceded	(6,656)	--	(6,656)	(2,085)	--	(2,085)
- Local	(65,011)	--	(65,011)	(61,422)	--	(61,422)
- Foreign	(71,667)	--	(71,667)	(63,507)	--	(63,507)
Excess of loss expenses	(1,384)	--	(1,384)	(281)	--	(281)
- Local	(14,967)	--	(14,967)	(13,575)	--	(13,575)
- Foreign	(16,351)	--	(16,351)	(13,856)	--	(13,856)
Net written premiums	285,275	--	285,275	219,388	--	219,388
Changes in unearned premiums, net	(40,265)	--	(40,265)	11,645	--	11,645
Net premiums earned	245,010	--	245,010	231,033	--	231,033
Reinsurance commissions	13,594	--	13,594	19,615	--	19,615
Other underwriting income	98	--	98	517	--	517
TOTAL REVENUES	258,702	--	258,702	251,165	--	251,165
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	275,212	--	275,212	241,888	--	241,888
Expenses incurred related to claims	8,386	--	8,386	6,391	--	6,391
Less: Reinsurers' share of claims paid	(31,609)	--	(31,609)	(43,840)	--	(43,840)
Net claims and other benefits paid	251,989	--	251,989	204,439	--	204,439
Change in outstanding claims, net	(6,258)	--	(6,258)	5,353	--	5,353
Changes in IBNR, net	4,711	--	4,711	9,021	--	9,021
Other technical reserves	2,264	--	2,264	1,900	--	1,900
Net claims and other benefits incurred	252,706	--	252,706	220,713	--	220,713
Provision for premium deficiency reserve	40,813	--	40,813	10,962	--	10,962
Policy acquisition costs	40,630	--	40,630	40,940	--	40,940
TOTAL UNDERWRITING COSTS AND EXPENSES	294,149	--	294,149	272,615	--	272,615
NET UNDERWRITING LOSS	(35,447)	--	(35,447)	(21,450)	--	(21,450)



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF INCOME (continued)

For the year ended	31 December 2022			31 December 2021		
	Insurance operations SR '000	Shareholders' operations SR '000	Total SR '000	Insurance operations SR '000	Shareholders' operations SR '000	Total SR '000
OTHER OPERATING (EXPENSES) / INCOME						
Provision for impairment of premium receivables	(4,551)	--	(4,551)	(1,204)	--	(1,204)
Reversal / (provision) for impairment of reinsurance receivables	509	--	509	(574)	--	(574)
General and administration expenses	(79,599)	(3,937)	(83,536)	(72,676)	(3,880)	(76,556)
Investment income	281	(1,206)	(925)	257	13,109	13,366
Other income	23,778	--	23,778	2,343	--	2,343
TOTAL OTHER OPERATING EXPENSES/ INCOME	(59,582)	(5,143)	(64,725)	(71,854)	9,229	(62,625)
(Loss) / Income before surplus and zakat	(95,029)	(5,143)	(100,172)	(93,304)	9,229	(84,075)
Deficit transferred to shareholders	95,029	(95,029)	--	93,304	(93,304)	--
Net loss for the year after transfer of deficit to the shareholders before zakat	--	(100,172)	(100,172)	--	(84,075)	(84,075)
ZAKAT						
Zakat charge for the year	--	(4,018)	(4,018)	--	(2,164)	(2,164)
Zakat charge for prior years	--	--	--	--	(537)	(537)
NET LOSS FOR THE YEAR	--	(104,190)	(104,190)	--	(86,776)	(86,776)
LOSS PER SHARE						
Weighted average number of shares (in thousands share)		50,000			27,500	
Loss per share(SR/share)		(2.08)			(3.16)	



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended

	31 December 2022			31 December 2021		
	Insurance operations SR '000	Shareholder operations SR '000	Total SR '000	Insurance operations SR '000	Shareholder operations SR '000	Total SR '000
NET LOSS FOR THE YEAR	--	(104,190)	(104,190)	--	(86,776)	(86,776)
Other comprehensive income / (loss)						
Items that will not be reclassified to statement of income in subsequent years						
Actuarial gain / (loss) on defined benefit obligations	933	--	933	(667)	--	(667)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(104,190)	(103,257)	(667)	(86,776)	(87,443)
Less: Net income attributable to insurance operations		--	--		--	--
TOTAL COMPREHENSIVE LOSS THE YEAR			(103,257)			(87,443)



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF CASH FLOWS

For the year ended

CASH FLOWS FROM OPERATING ACTIVITIES

	31 December 2022			31 December 2021		
	Insurance operations SR '000	Shareholders' operations SR '000	Total SR '000	Insurance operations SR '000	Shareholders' operations SR '000	Total SR '000
Total loss for the year before zakat	--	(100,172)	(100,172)	--	(84,075)	(84,075)
Adjustments for non-cash items:						
Depreciation	2,322	--	2,322	432	--	432
Amortization of intangible assets	1,198	--	1,198	1,848	--	1,848
Amortization of right-of-use assets	1,028	--	1,028	1,088	--	1,088
Provision / (Reversal) for impairment of premiums receivables	4,551	--	4,551	1,204	--	1,204
Provision for impairment of reinsurance receivables	(509)	--	(509)	574	--	574
Unrealized gain on investments held at FVSI	--	4,966	4,966	--	(11,886)	(11,886)
	8,590	(95,206)	(86,616)	5,146	(95,961)	(90,815)
Changes in operating assets and liabilities:						
Premiums receivable	(61,382)	--	(61,382)	(21,741)	--	(21,741)
Due from reinsurers	14,171	--	14,171	(17,295)	--	(17,295)
Reinsurers' share of unearned premiums	(5,550)	--	(5,550)	15,959	--	15,959
Reinsurer's share of outstanding claims	629	--	629	(1,301)	--	(1,301)
Reinsurer's share of claims incurred but not reported	7,332	--	7,332	(7,926)	--	(7,926)
Reinsurers' excess of loss claims	2,828	--	2,828	(4,449)	--	(4,449)
Deferred policy acquisition costs	(5,609)	--	(5,609)	1,332	--	1,332
Prepayments and other assets	(26,568)	(515)	(27,083)	(8,305)	62	(8,243)
Due from shareholders' operations, net	4,505	(4,505)	--	(12,837)	12,837	--
Due to policyholders	(2,761)	--	(2,761)	1,271	--	1,271
Accrued expenses and other liabilities	18,732	(208)	18,524	(4,608)	239	(4,369)
Due to reinsurers	3,966	--	3,966	(1,251)	--	(1,251)
Due to brokers	8,273	--	8,273	(2,758)	--	(2,758)
Unearned premiums	45,817	--	45,817	(27,604)	--	(27,604)
Unearned reinsurance commission	764	--	764	(2,151)	--	(2,151)





**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

32. EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings per share have been calculated by dividing the income for the year by weighted average number of shares outstanding during the year.

33. COMMITMENTS AND CONTINGENCIES

a) The Company's commitments and contingencies are as follows:

	2022 SR'000	2021 SR'000
Letters of guarantee	300	300

b) Zakat and withholding tax contingencies have been disclosed in note 19.3.

c) The Company is not subject to any significant legal proceedings in the ordinary course of business.

34. SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The Company is in the process of assessing the impact of the new Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. However, the Company is awaiting guidance from the Saudi Central Bank (SAMA) before proceeding with any implementation.

Except for the above and as stated in note 19.3, there have been no significant subsequent events since the year end, that would require disclosures or adjustments in these financial statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on 20th March 2023.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company - A Saudi Joint Stock Company

Opinion

We have audited the financial statements of **Gulf General Cooperative Insurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2023 and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standard) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 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. We have determined the matters described below to be the key audit matters to be communicated in our report.



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company - A Saudi Joint Stock Company
(continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of estimates of present value of cashflows, risk adjustment for non-financial risk and loss component - insurance contract liabilities As at December 31, 2023, estimate of present value of future cash flows, loss component and risk adjustment for non-financial risk amounts to SR 41.7 million, SR 6.9 million and SR 2.6 million (2022: SR 101.3 million, SR 22.4 million and SR 4.1 million) respectively, as reported in Note 10 to the financial statements. The estimation of the liability for incurred claims involves a significant degree of judgement. This entails estimating the present value of future cash flows, loss component and the risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. The present value of future cash flows are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs and the assessment related to onerous contracts based on estimated cash outflows to identify the contract that are loss making at inception. The Company uses an external actuary ("Appointed Actuary") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Due to the inherent estimation uncertainty, subjectivity and complexity involved in the assessment of valuation of the liability for incurred claims items arising from insurance contracts and the loss component, we have considered this as a key audit matter. Refer to Notes 3,4 and 5 for the material accounting policies and significant accounting judgements, estimates and assumptions adopted by the Company, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to Note 10 for the movement in insurance contract liabilities.	We performed the following procedures: - We assessed the appropriateness of the Company's accounting policies for determining insurance contract liabilities in accordance with the applicable financial reporting framework. - Understood, evaluated and tested key controls around the claims handling and provision setting processes. - Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. - Performed substantive tests, on sample basis, on the amounts recorded for claims notified and paid, including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. - Checked the completeness and accuracy, on sample basis, of the underlying data used by the management in estimating the liability for incurred claims and loss component. - Involved our actuarial specialists to assess the Company's methodologies and evaluate the appropriateness of the key assumptions used and its consistency with the actuarial practices and provisions established including the actuarial report issued by management's expert. - Assessed the adequacy and appropriateness of the related disclosures in the financial statements.



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company - A Saudi Joint Stock Company
(Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include 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 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 when it becomes available 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company - A Saudi Joint Stock Company
(Continued)

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

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

- Identify and assess the risks of material misstatement of the 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 management.
- Conclude on the appropriateness of managements' 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, then 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 of **Gulf General Cooperative Insurance Company** ("the Company").

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



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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company - A Saudi Joint Stock Company
(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

For KPMG Professional Service

Ebrahim Oboud Baeshen
License No. 382



For Al Bassasm & Co
Certified Public Accountant

Ahmed AbdulMajeed Mohandis
Certified Public Accountant
License No. 477



March 27, 2024
Corresponding to Ramadan 17, 1445 H
Jeddah, Kingdom of Saudi Arabia



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

Statement of financial position

As at December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

		December 31, 2023	December 31 2022 (Restated - Notes 3 and 5)	January 1, 2022 (Restated - Notes 3 and 5)
	Note			
ASSETS				
Cash and cash equivalents	6	14,462	5,151	256,112
Murabaha deposits	7	152,926	140,180	--
Financial assets at fair value through profit or loss ("FVTPL")	8.1	53,572	44,867	46,832
Financial assets at fair value through other comprehensive income ("FVOCI")	8.2	43,462	39,703	37,032
Prepaid expenses and other assets	9	35,661	50,499	14,215
Reinsurance contract assets	10	44,583	56,793	81,456
Property and equipment	11	13,532	15,499	13,122
Intangible assets	12	12,113	13,453	9,626
Right-of-use assets	13	5,407	527	1,555
Goodwill	14	36,260	36,260	36,260
Statutory deposit	15	74,986	74,986	74,986
Accrued income on statutory deposit	15	3,233	3,634	2,495
TOTAL ASSETS		490,197	481,552	573,691
LIABILITIES AND EQUITY				
LIABILITIES				
Accrued expenses and other liabilities	16	14,123	14,565	10,669
Insurance contract liabilities	10	160,763	160,775	155,793
Employee defined benefit obligations	17	4,194	4,661	5,156
Zakat payable	18	2,973	4,236	2,287
Lease liabilities	13	4,518	27	1,224
Accrued income on statutory deposit	15	3,233	3,634	2,495
TOTAL LIABILITIES		189,804	187,898	177,624
EQUITY				
Share capital	20	500,000	500,000	500,000
Statutory reserve	21	2,165	2,165	2,165
Accumulated losses		(244,129)	(247,661)	(141,644)
Re-measurement reserve of defined benefit obligation	17	818	1,370	437
Fair value reserve for investments	8.2	41,539	37,780	35,109
TOTAL EQUITY		300,393	293,654	396,067
TOTAL LIABILITIES AND EQUITY		490,197	481,552	573,691


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 37 form an integral part of these financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Statement of profit or loss

For the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

		December 31, 2023	December, 31 2022 (Restated - Notes 3 and 5)
	Note		
Insurance revenue	23	315,646	315,686
Insurance service expenses	23	(285,347)	(373,170)
Net expenses from reinsurance contracts	23	(38,828)	(49,593)
Insurance service result from Company's directly written business		(8,529)	(107,077)
Share of surplus from insurance pools	26	12,258	23,778
Total insurance service result		3,729	(83,299)
Net gains / (loss) on investments measured at FVTPL	24	8,705	(4,965)
Commission income on financial asset not measured at FVTPL and Murabaha	24	6,821	3,838
Dividend income	24	476	202
Net investment return		16,002	(925)
Net finance income from reinsurance contracts	25	3,379	1,018
Net finance expense from insurance contracts	25	(7,886)	(1,321)
Net insurance finance expense		(4,507)	(303)
Net insurance and investment result		15,224	(84,527)
Other income	19	4,918	-
Other operating expenses	27	(13,823)	(17,472)
Profit / (loss) for the year attributable to the shareholders before zakat, net of surplus		6,319	(101,999)
Zakat	18	(2,787)	(4,018)
Net profit / (loss) for the year attributable to the shareholders		3,532	(106,017)
Earnings / (loss) per share (Basic and diluted) (expressed in SR per share)	20	0.07	(2.12)


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 37 form an integral part of these financial statements



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Statement of comprehensive income

For the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

		December, 31 2022	December, 31 2023	(Restated - Notes 3 and 5)
	Note			
Net profit / (loss) for the year attributable to the shareholders			3,532	(106,017)
Other comprehensive income:				
Items that will not be reclassified to statement of income in subsequent years				
Net changes in fair value of investment measured at FVOCI – equity instruments	8.2		3,759	2,671
Remeasurement gain on defined benefit obligations	17		(552)	933
Total comprehensive income / (loss) for the year attributable to the shareholders			6,739	(102,413)


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 37 form an integral part of these financial statements



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of changes in equity
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

For the year ended December 31, 2023

Note	Share capital	Statutory reserve	Accumulated losses	Fair value reserve for investments	Re-measurement reserve of defined benefit obligation	Total
	500,000	2,165	(247,661)	37,780	1,370	293,654
Balance at the beginning of the year - (Restated - Notes 3 and 5)						
Total comprehensive income for the year						
	--	--	3,532	--	--	3,532
	--	--	--	3,759	--	3,759
	--	--	--	--	(552)	(552)
	--	--	3,532	3,759	(552)	6,739
	500,000	2,165	(244,129)	41,539	818	300,393


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 37 form an integral part of these financial statements



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of changes in equity
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

For the year ended December 31, 2022

	Share Capital	Statutory reserve	Accumulated losses	Fair value reserve for investments	Re-measurement reserve of defined benefit obligation	Total
Balance at the beginning of the year, as previously reported	500,000	2,165	(131,730)	—	437	370,872
Impact of initial application of IFRS 17	—	—	(9,474)	—	—	(9,474)
Impact of initial application of IFRS 9	—	—	(440)	35,109	—	34,669
Balance at the beginning of the year - (Restated - Notes 3 and 5)	500,000	2,165	(141,644)	35,109	437	396,067
<i>Total comprehensive loss for the year - (Restated - Notes 3 and 5)</i>						
Net loss for the year attributable to the shareholders	—	—	(106,017)	—	—	(106,017)
Net changes in fair value of investment measured at FVOCI	—	—	—	2,671	—	2,671
Remeasurement gain on defined benefit obligation	—	—	—	—	933	933
Total comprehensive loss for the year attributable to the shareholders - (Restated - Notes 3 and 5)	—	—	(106,017)	2,671	933	(102,413)
Balance at the end of the year - (Restated - Notes 3 and 4)	500,000	2,165	(247,661)	37,780	1,370	293,654


Chief Financial Officer


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 37 form an integral part of these financial statements
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GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Statement of cash flow

December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

		December 31, 2023	December, 31 2022 (Restated - Notes 3 and 5)
	Note		
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) for the year attributable to the shareholders before zakat		6,319	(101,999)
Adjustments for non-cash items:			
Depreciation	11	2,291	2,322
Amortization of intangible assets	12	1,472	1,198
Amortization of right-of-use assets	13.1	1,046	1,028
Finance cost on lease liability	13.2	79	—
Net (gain) / loss on financial assets at FVTPL	8.1	(8,705)	4,965
Commission income on FVTPL investments and Murabaha	24	(6,821)	(3,838)
Dividend income	24	(476)	(202)
Employee defined benefit obligation	17.1	1,795	333
Expected credit loss adjustment		(208)	59
		(3,208)	(94,268)
Changes in operating assets and liabilities:			
Insurance contract liabilities		(12)	4,982
Reinsurance contract assets		12,210	24,663
Prepaid and other assets		15,058	(36,341)
Accrued expenses and other liabilities		(442)	3,896
		23,606	(97,068)
Zakat paid	18	(4,050)	(2,069)
Payment of employee defined benefit obligations	17.1	(2,814)	(1,761)
Net cash generated from operating activities		16,742	(100,898)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property and equipment	11	(326)	(4,701)
Additions to intangible assets	8	(132)	(5,025)
Placements in Murabaha deposits		(12,756)	(140,180)
Addition of Sukuk		—	(3,000)
Commission income on FVTPL investments and Murabaha	24	6,821	3,838
Dividend income	24	476	202
Net cash used in investing activities		(5,917)	(148,866)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of lease liabilities	13.2	(1,514)	(1,197)
Net cash used in financing activities		(1,514)	(1,197)
Net change in cash and cash equivalents		9,311	(250,961)
Cash and cash equivalents at the beginning of the year		5,151	256,112
Cash and cash equivalents at the end of the year	6	14,462	5,151
SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION			
Net changes in fair value of investment measured at FVOCI	8.2	3,759	2,671
Remeasurement gain on defined benefit obligations	17.1	(552)	933
Addition of lease	13	5,926	—


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 37 form an integral part of these financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements

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(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to January 3, 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to January 25, 2010). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company
Al Gheithy Plaza, Second Floor,
Ameer Al Shoura'a Street
Jeddah, Kingdom of Saudi Arabia

The Company also has the following branches, which are operating under separate commercial registrations:

Branch	Commercial Registration No.	Date of Registration
Riyadh	1010316823	29 Shawwal 1432H (corresponding to 27 September 2011)
Al Khobar	2051046836	19 Dhul Qa'dah 1432H (corresponding to 17 October 2011)
Jeddah	4030376633	12 Jumada Al Khira 1441H (Corresponding to 6 February 2020)

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to December 3, 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to December 1, 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to March 6, 2010). The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24 Safar 1431H (corresponding to February 8, 2010).

From November 23, 2023 the Insurance Authority (IA) became the authorized regulator of the insurance industry in Saudi Arabia, however, laws and regulations issued previously by SAMA related to the insurance sector will remain in effect until further instructions are issued by the IA. Insurance Authority (IA), as the principal authority responsible for the application and administration of the Insurance Law and its Insurance Implementing Regulations.

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident & liability, marine, property and engineering.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations	10%
	<u>100%</u>

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full. In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

The new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to September 30, 2022) (hereinafter referred as "the New Law") came into force on 26/06/1444 H (corresponding to January 19, 2023) as well as the amended implementing regulations issued by the Capital Market Authority (CMA) based on the New Law. For certain provisions of the New Law and the amended CMA implementing regulations, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Law and will amend its By-laws with the amendments in the provisions required to align with the provisions of the New Law and the amended CMA implementing regulations, and with any other amendments that may take advantage of the New Law and the amended CMA implementing regulations. Consequently, the Company shall present the amended By-laws, within the timeframe allowed, to the shareholders in its Extraordinary General Assembly meeting for their ratification.

2 Basis of preparation

(a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by The Saudi Organization for Chartered and Professional Accountants ("SOCPA"). (referred to as "IFRS as endorsed in KSA"). This is the first full set of the Company's financial statements in which IFRS 17 - Insurance Contracts ("IFRS 17") and IFRS 9 - Financial Instruments ("IFRS 9") as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant judgments, estimates and accounting policies are described in Note 3 and Note 4. Comparative information was restated due to the adoption of IFRS 17 and IFRS 9.



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2. Basis of preparation (continued)

a) Statement of compliance (continued)

As required by the Saudi Arabian Insurance Regulations "SAMA Implementation Regulations", the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". SAMA Implementation Regulations require a clear segregation of assets, liabilities, income and expenses of the insurance and shareholders operations. Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. The statement of financial position, statements of profit or loss, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 32 have been provided as supplementary information to comply with requirements of the SAMA Implementing Regulations and is not required by IFRS Accounting Standards.

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

(c) Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Although the Company's accumulated losses amounted to SR 240.02 million which represents 48.8% of its share capital as of December 31, 2023, however the Company realized a profit of SR 3.53 million and a positive operating cashflows amounted to SR 16.7 million for the year ended December 31, 2023, further, as of that date, the Company's liquidity reached to 120%.

The management of the Company has prepared and implemented a detailed business plan for future prospects of the Company with approval by the Board of Directors and has undertaken strategic initiatives to address the accumulated losses. The steps being taken by the management to improve performance included operational measures to enhance claims management and recoveries from salvage and subrogation; manage cost rationalization through expense control and reducing discretionary spending, and improve the portfolio mix by focusing on more profitable lines of business and products. Company has also put in place measures such as actuarial pricing tools and periodic business reviews to support better business decisions.

Moreover, and as part of the efforts to reduce the accumulated losses, the Company has obtained recommendation from the Board of Directors on November 9, 2023, and the approval from Capital Market Authority on November 29, 2023 to reduce its share capital by SR 200 million to absorb part of the Company's accumulated losses with the same amount. The Company in the process of obtaining the approval from its shareholders through an extraordinary general assembly. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Based on the above measures taken by the management and the improvement in the profitability of the Company, along with positive operating cashflows, and existing cash and cash equivalents and other liquid assets, the management and those charged with governance remain confident that going concern assumption is valid. Furthermore, the management does not have any intention to liquidate the Company or to cease the operations in the near future. Based on the above these financial statements have been prepared on a going concern basis. Since the accumulated losses of the Company amounted to 48.8% of its share capital, the requirements of Article 4, Part 2 of 'CMA's Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or More of Their Share Capital' continued to be triggered.

(b) Basis of measurement

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

(c) Basis of presentation

The Company's statement of financial position is not presented using a current/non-current classification and is presented in order of liquidity. However, the following balances would generally be classified as current: cash and cash equivalents, Murabaha deposits, prepaid expenses and other assets, accrued income on statutory deposit, accrued and other liabilities, zakat payable and accrued income payable to SAMA. The following balances would generally be classified as non-current: investments, property and equipment, intangible assets, statutory deposit, lease liability and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include insurance contract liabilities and reinsurance contract assets.

(d) Functional and presentation currency

The financial statements are expressed in Saudi Arabian Riyals (SR), which is also the functional currency of the Company. All financial information presented in SR has been rounded to the nearest thousands, except where otherwise indicated.



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2 Basis of preparation (continued)

(e) Seasonality of operations

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

(f) Changes in products and services

During the year ended December 31, 2023, there were no significant changes in products or services and their terms of the insurance contracts offered by the Company. Refer Note 3 for details regarding impact of adoption of IFRS 17 - Insurance Contracts ("IFRS 17") and IFRS 9 - Financial Instruments ("IFRS 9").

3. Material accounting policies

The material accounting policies used in the preparation of these financial statements are consistently applied for all years presented. Refer Note 3.1 for details relating to adoption of IFRS 17 and IFRS 9. In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of material rather than significant, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 3.

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

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards:

a) IFRS 17 Insurance contracts ("IFRS 17")

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

On transition to IFRS 17, the Company has applied the full retrospective approach to all insurance contracts issued and reinsurance contracts held. Therefore, on transition date, January 1, 2022, the Company:

- has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied;
- derecognised any existing balances that would not exist had IFRS 17 always applied; and
- recognised any resulting net difference in equity.

The new accounting policies and the impact of the adoption of IFRS 17 are disclosed in Notes 3.3 and 5.1, respectively.

b) IFRS 9 Financial Instruments ("IFRS 9").

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and was effective for annual periods beginning on or after January 1, 2018. However, the Company had met the relevant criteria and had applied the temporary exemption from IFRS 9 for annual periods before January 1, 2023. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9. The new accounting policies and the impact of the adoption of IFRS 9 are disclosed in Notes 3.4 and 5.2, respectively. A number of other amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after January 01, 2023. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments which are described below:

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

<u>Interpretation</u>	<u>Description</u>
Amendment to IAS 12 - International tax reform	These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The Company did not identify an impact as a result of these amendments.
Amendment to IAS 12 'Taxation' ("IAS 12") – deferred tax related to assets and liabilities arising from a single transaction.	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company did not identify an impact as a result of these amendments.
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Company did not identify an impact as a result of these amendments.



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3. Material accounting policies (continued)

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

Certain new standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. Management is in the process of assessing the impact of such new standards and interpretations on its financial statements. The Company intends to adopt these interpretations when they are effective.

<u>Interpretation</u>	<u>Description</u>	<u>Effective date</u>	<u>Impact assessment</u>
Amendment to IFRS 16 'Leases' ("IFRS 16") – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	Annual periods beginning on or after January 1, 2024	Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.
Amendments to IAS 1 - Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	Annual periods beginning on or after January 1, 2024	Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.
Amendment to IAS 7 'Cash flow statements' ("IAS 7") and IFRS 7 'Financial instruments: Disclosures' ("IFRS 7") – Supplier finance	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	Annual periods beginning on or after January 1, 2024	Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.
Amendments to IAS 21 'Foreign currencies' ("IAS 21") - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after January 1, 2025.	Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.
IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	Annual periods beginning on or after January 1, 2024	Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	Annual periods beginning on or after January 1, 2024	Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.



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3. Material accounting policy

3.3 Insurance and reinsurance contracts

i. Classification and summary of measurement models

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.

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include marine, property, motor, engineering, accident & liability and medical. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The Company does not issue any contracts with direct participating features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. None of the insurance contracts issued by the Company contain embedded derivatives, investment components or any other goods and services.

ii. Level of aggregation

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

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

The portfolios are further divided by year of issue.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a policyholder-pricing-groups level.

iii. Recognition

The Company recognises a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- For a group of onerous contracts, the date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- For reinsurance contracts that provide proportionate coverage, at the later of:
 - (i) the beginning of the coverage period of the group of reinsurance contracts and
 - (ii) the initial recognition of any underlying contract.
- All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts;



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3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

However, if the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held, in this case, is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

iv. Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- i) The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- ii) Both of the following criteria are satisfied:
 - The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
 - the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date and, therefore, may change over time.

v. Measurement

The general measurement model (GMM), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin. This is the default model under IFRS 17 to measure insurance contracts. However, the Premium Allocation Approach (PAA), which is a simplified measurement model, is permitted if, and only if, at the inception of the group:

- The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general measurement model requirements; or
- The coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

The Company uses the PAA to simplify the measurement of groups of contracts on the following bases:

- Insurance contracts:

The coverage period of Marine, Property, Motor TPL, Motor Comprehensive and Medical contracts in the group of contracts is one year or less and are therefore eligible to be measured under the PAA.

The coverage period for term life contracts is one year or less. Once the selected term has ended, the insurance contract is terminated and a policyholder could potentially obtain new coverage on the new terms, subject to successful underwriting. All insurance contracts in this product line offer fixed and guaranteed death benefits over the contractual term.

PAA eligibility testing has been performed for the Engineering and Accident & liability group of contracts since the coverage period is more than one year. The Company reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA would not differ materially from the measurement that would be produced applying the general measurement model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.



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3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

- Reinsurance contracts:

The Company reasonably expects that the resulting measurement under the PAA measurement model would not differ materially from the result of applying the general measurement model.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

Measurement on initial recognition under PAA:

On initial recognition of each group of insurance contracts that are not onerous, the carrying amount of the liability for remaining coverage ("LRC") is measured at the premiums received on initial recognition less any insurance acquisition cash flows paid. For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

On initial recognition of each group of insurance contracts, the Company assesses the time between providing each part of the coverage and the related premium due date. If the period is no more than a year i.e. no significant financing component exists, the Company does not adjust the carrying amount of the LRC and ARC to reflect the time value of money and the effect of financial risk using the discount rates.

Subsequent measurement under PAA:

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the LIC, comprising the fulfilment cash flows ("FCF") related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- b. decreased for insurance acquisition cash flows paid in the period;
- c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
- d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and
- e. increased for any adjustment to the financing component, where applicable.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a. increased for ceding premiums paid in the period; and
- b. decreased for the expected amounts of ceding premiums recognised as reinsurance expenses for the services received in the period

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation, which are covered in Note 3.4(ii).



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3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

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 in the estimates of claims liability as it can reasonably be recovered from the disposal of the asset.

Onerous contract assessment:

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in insurance service expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows, determined under the GMM, that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. A loss component will be established for the amount of the loss recognised. Subsequently, the loss component will be remeasured at each reporting date as the difference between the amounts of the fulfilment cash flows determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Non-performance risk (NPR) adjustment:

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

vi. De-recognition and contract modification

The Company derecognises a contract when it is extinguished i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in the estimates of fulfilment cash flows. There were no instances of modification or derecognition identified for the year ended December 31, 2023.

vii. Acquisition & Attributable Cost

Insurance acquisition cash flows are the costs that directly associated with selling and handling acquired businesses. The company considers underwriting, sales, and regulatory levies as acquisition costs. Acquisition costs are not expensed when incurred and are deferred over the life of the insurance contract. While attributable costs are the costs that can fully or partially attributed to the insurance operations. The Company has in place allocation technique to allocate the costs based on direct to indirect costs ratio. Both acquisition and attributable costs fall under the insurance service expense while the non-attributable costs are reported under other operating expenses.

viii. Risk adjustment for non-financial risk

The Company has decided to adopt ODS bootstrap method on incurred claims for all lines of business in the estimation of risk adjustment. The Company has chosen a confidence level based on the 70th percentile for motor and 65% for other class of business for the distribution of its claim reserves, considering this level is adequate to cover sources of uncertainty about the amount and timing of the cash flows. While for premium risk, the LRC for loss component calculation can be taken to be the same due to the similar nature of uncertainty.



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3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

ix. Presentation

Groups of insurance contracts that are assets and those that are liabilities, and groups of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. The Company recognised in the statement of income (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue:

The insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The Company allocates the expected premium receipts to each period on the passage of time for all groups of contracts except for longer term policies under engineering and accident & liability groups. For longer term policies under engineering and accident & liability groups of contracts, the expected premium receipts are allocated based on the expected timing of incurred insurance service expenses.

Insurance service expenses:

Insurance service expenses include the following:

- a. incurred claims for the period.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cash flows amortization.
- d. changes that relate to past service – changes in the FCF relating to the LIC.
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time for all groups of contracts except for longer term policies under engineering and accident & liability groups for which amortisation is done based on the expected timing of incurred insurance service expenses.

Net expenses from reinsurance contracts:

Net expenses from reinsurance contracts comprise reinsurance expenses less amounts recovered from reinsurers. The Company recognises reinsurance expenses as it receives coverage or other services under groups of reinsurance contracts. For contracts measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts except for longer term policies under engineering and accident & liability groups for which amortisation is done based on the expected timing of incurred insurance service expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Umrah and Hajj insurance pool:

The Company with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with CCI effective from January 1, 2020. The compulsory Hajj / Umrah product is offered by the ministry and approved by SAMA for insurance of pilgrims coming from outside of the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Hajj / Umrah. The agreement terms are for 4 years starting from January 1, 2020 and it is renewable for another four years subject to the terms and conditions of the agreement.

This co-insurance arrangement, in which the Company is a participant, is an insurance contract as defined in IFRS 17, and the Company has accordingly applied the recognition and measurement principles of IFRS 17. Given the bespoke nature of the arrangement and given that the rights and obligations from the arrangement are managed and settled on a net basis, the Company has accordingly presented the results from the arrangement on a net basis in insurance service results as a separate line item on the statement of comprehensive income and has provided more details in the notes.



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3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

ix. Presentation (continued):

Insurance finance income and expenses:

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk, and changes therein.

The Company includes all insurance finance income or expenses for the period in profit or loss.

3.3.1 Changes to classification, recognition and measurement

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- **Deferral of acquisition costs** – Under IFRS 17, insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. The Company has elected to capitalise and amortise these costs over the coverage period based on the passage of time for all groups of contracts except for longer term policies under engineering and accident & liability groups for which amortisation is done based on the expected timing of incurred insurance service expenses.

3.3.1 Changes to classification, recognition and measurement (continued)

- **Discount rate** – Under IFRS 17, the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, claims liabilities were discounted using a rate that reflected the estimated market yield of the underlying assets backing these claims liabilities at the reporting date. The changes in discounting methodology did not have a significant impact on transition. Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart
- **Risk Adjustment** - Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk ("risk adjustment") which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are fairly aligned. As a result, the changes in methodology did not have a significant impact on transition.
- **Onerous contracts** – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. For onerous contracts, the loss component based on projected profitability is recognized immediately in Net income, resulting in earlier recognition compared to IFRS 4. Onerous contracts did not have a significant impact on transition to IFRS 17.

3.3.2 Changes to presentation and disclosure

Statement of financial position

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.



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3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

3.3.2 Changes to presentation and disclosure (continued)

Statement of financial position (continued)

Line items under IFRS 17	Line items under IFRS 4, now combined under one line item under IFRS 17
Insurance contract liabilities / assets	- Premiums receivable - Deferred policy acquisition costs - Unearned premiums - Outstanding claims - Claims incurred but not reported - Surplus distribution - Premium deficiency reserve - Other technical reserve - Due to brokers and third-party administrator - Policyholders payable - Najm uploading fee, SAMA fee, CCHI fee, Tameeni expense, Third party recoveries and other within prepaid expenses and other assets. - Workshop salvagers and third-party payables, within accrued expenses and other liabilities
Reinsurance contract assets / liabilities	- Reinsurers' share of unearned premiums - Reinsurers' share of outstanding claims - Reinsurers' share of claims incurred but not reported - Reinsurance share of excess of loss claims - Value Added Tax (VAT) on reinsurance commission - Due from reinsurers - Due to reinsurer - Unearned reinsurance commission

Statement of comprehensive income

The line item descriptions in the statement of income have been changed significantly compared to presentation in the latest annual financial statements.

Insurance revenue under IFRS 17 includes gross written premium, gross movement in unearned premiums and estimates for expected premium receipts.

Insurance service expense under IFRS 17 includes gross claims paid, changes in outstanding claims, changes in incurred but not reported claims, changes in loss component, policy acquisition costs, attributable expenses and the impact of release in the risk adjustment. The changes in premium deficiency reserve is eliminated and instead changes in loss component is taken.

Net income / (expenses) from reinsurance contracts held under IFRS 17 includes reinsurance premium ceded, changes in reinsurer's share of unearned premiums, reinsurance commission earned, reinsurance share of paid claims, reinsurance share of outstanding claims, reinsurance share of changes in claims incurred but not reported, change in reinsurance accrual reserve, expected credit losses on reinsurance receivables and the impact of loss adjustment the risk adjustment for non-financial risk.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under net insurance financial result.

IFRS 17 resulted in presentation changes to IFRS 4's underwriting expenses, claims handling expenses, policy acquisition costs and general and administrative expenses since such expenses are classified either as 'Incurred claims and other directly attributable expenses' within insurance service expense or as other operating expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses classified as general and administrative expenses under IFRS 4 are now presented as other operating expenses under IFRS 17. The following previously reported line items are no longer disclosed: direct premiums written, net earned premiums, net claims incurred, and underwriting expenses.

3.4 Financial assets and liabilities

i. Initial recognition of financial assets

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.



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3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

i Initial recognition of financial assets (continued)

Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost and investments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

Interest income is recognised using the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, profit income is recognised by applying the effective interest rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

i. Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through Other Comprehensive Income (FVOCI)
- Held at amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.



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3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

ii. Classification and subsequent measurement of financial assets (continued)

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Profit income from these financial assets is included in 'Interest income' using the effective profit method.

Fair value through other comprehensive income ("FVOCI"):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are designated as FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Profit income from these financial assets is included in 'Interest income' using the effective profit method. Currently no debt instrument is classified as FVOCI.

Fair value through profit or loss (FVTPL):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL presented in profit or loss in the period in which it arises. Currently investment in mutual funds and Sukuk which failed SPPI assessment are classified as FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are not expected to be frequent and no such instances have occurred for the year ended December 31, 2023.

Equity instruments:

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.



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3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

ii. Classification and subsequent measurement of financial assets (continued)

The Company classifies all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. The Company has designated its investment in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company, as FVOCI.

Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. Currently all equity securities are designated as FVOCI.

Any gain or loss on the disposal of equity classified as FVOCI will be non-recycling i.e. on disposal, fair value movement residing in OCI will be moved directly from OCI to retained earnings.

iii. Impairment of financial assets

The Company assesses on a forward-looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company applies the three-stage model for impairment of financial assets measured at amortised cost and FVOCI, based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses ("ECL") are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 ("Under-performing") includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial asset has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial asset.

Financial assets are written-off only when there is no reasonable expectation of recovery.



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3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

3. Impairment of financial assets (continued)

Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Recoveries made, after write-off, are recognized in profit or loss.

Impairment losses on financial assets are presented separately on the statement of profit or loss.

iv. Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss.

v. Classification and subsequent measurement of financial liabilities

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

vi. Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

3.4.1 Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company); and
- Debt instruments at amortised cost.

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of profit or loss.



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3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

3.4.1 Changes to classification and measurement (continued)

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of January 1, 2022. There is no impact expected on financial liabilities as a result of transition to IFRS 9.

3.4.2 Changes to the impairment calculation

Under IFRS 9, the Expected credit loss ("ECL") allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

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

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted to present value.

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

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

Exposure at Default ('EAD'): The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

IFRS 9 impairment applies to financial instruments that are not measured at Fair value through profit or loss (FVTPL). Equity instruments measured at FVOCI are also excluded from the purview of impairment.

Financial assets that are subject to impairment consist of investment portfolio (debt instruments) and cash and cash equivalents.

3.5 Property and equipment

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

	Years
Leasehold Improvements	8
Furniture and fixtures	10
Computer and office equipment	4 - 10
Motor vehicles	4

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of profit or loss.



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3. Material accounting policies (continued)

3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized, and the related expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The estimated useful lives for the current year are as follows:

	Years
Software	10

The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

3.7 Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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 recognized in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

3.8 Leases

Definition of lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases.

As a lessee

The Company leases its offices, and as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.



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3. Material accounting policies (continued)

3.8 Leases (Continued)

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

As Lessor

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

3.9 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of income. For assets, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

3.10 Employee benefit obligations

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

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

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

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



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3. Material accounting policies (continued)

3.10 Employee benefit obligations (continued)

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

3.11 Provisions, accrued expenses and other liabilities

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

3.12 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition. Murabaha deposits having maturities more than three months from the date of acquisition and managed directly by the Company are classified separately as term deposits.

3.13 Commission, dividend income and other income

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

3.14 Dividend distribution

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

3.14 Statutory reserve

In accordance with the Company's by-laws, 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.

3.15 Fair values

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

3.16 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company is subject to zakat in accordance with the regulations of the ZATCA. Zakat expense is charged to the statement of 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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3. Material accounting policies (continued)

3.17 Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (an operating segment), which is subject to risk and rewards that are different from those of other segments.

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

- Marine provides coverage against losses and liability related to marine vessels and marine cargo.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Motor Comprehensive provides coverage against damages to vehicles due to storm, tempest, flood, fire, theft, and personal accident.
- Motor Third Party Liability provides coverage against liability to third parties arising through accidents.
- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Accident & liability provides coverage against money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability provides general third-party liability, product liability, workmen's compensation/employer's liability, damages to motor vehicles after the manufacturer warranty expires and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

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

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

4. Critical accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

i. Estimates of future cash flows to fulfil insurance contracts

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.



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4. Critical accounting judgments, estimates and assumptions

i. Estimates of future cash flows to fulfil insurance contracts

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. The Company performs regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfil the insurance contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in profit or loss as they are incurred. Refer Note 30.1 for the sensitivity analysis in relation to the significant assumptions.

ii. Discounting methodology

Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and other financial risks to accrete interest on the liability for incurred claims.

The bottom-up approach was used to derive the discount rate. Under this approach, the USD based risk free discount rates by European Insurance and Occupational Pensions Authority (EIOPA) were used as a starting point for preparing the yield curve. The Company then further added a KSA country risk premium from the source to make the yield curve appropriate for application. The Company has used the USD volatility adjustment reported by EIOPA for Solvency II as a proxy for illiquidity premium. The Company is currently discounting liability for incurred claims for all groups of insurance contracts.

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

Insurance contracts issued and reinsurance contracts held

	Currency	1 year	2 years	3 years	4 years	5 years
Marine	SR	5.83%	4.43%	4.13%	4.18%	4.28%
Property	SR	5.83%	4.43%	4.13%	4.18%	4.28%
Motor-Comp	SR	5.83%	4.43%	4.13%	4.18%	4.28%
Motor-TPL	SR	5.83%	4.43%	4.13%	4.18%	4.28%
Engineering	SR	5.83%	4.43%	4.13%	4.18%	4.28%
Accident & liability	SR	5.83%	4.43%	4.13%	4.18%	4.28%
Medical	SR	5.83%	4.43%	4.13%	4.18%	4.28%

Insurance contracts issued and reinsurance contracts held

	Currency	1 year	2 years	3 years	4 years	5 years
Marine	SR	5.06%	5.02%	4.98%	4.94%	4.89%
Property	SR	5.06%	5.02%	4.98%	4.94%	4.89%
Motor-Comp	SR	5.06%	5.02%	4.98%	4.94%	4.89%
Motor-TPL	SR	5.06%	5.02%	4.98%	4.94%	4.89%
Engineering	SR	5.06%	5.02%	4.98%	4.94%	4.89%
Accident & liability	SR	5.06%	5.02%	4.98%	4.94%	4.89%
Medical	SR	5.06%	5.02%	4.98%	4.94%	4.89%



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4. Critical accounting judgments, estimates and assumptions (Continued)

iii. Risk adjustment for non-financial risks

The Company shall adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. So, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk. The Company adopted the PAA simplification for the calculation of liability for remaining coverage. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognized as onerous. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 70th percentile for Motor while 65th percentile for the remaining business (the target confidence level) over the expected present value of the future cash flows. Refer Note 30.1 for the sensitivity analysis in relation to the significant assumptions.

iv. Onerosity determination

Under the PAA, the Company shall assume no contracts in the portfolio are onerous at initial recognition unless "facts and circumstances" indicate otherwise. The Company performs the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if "facts and circumstances" indicate that there are significant changes in product pricing, product design, plans and forecasts. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment. The Company has established a process for the underwriting team to capture onerous, potentially onerous and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately. Refer Note 3.3.1 for further details in this regard and refer Note 30 for the sensitivity analysis in relation to the significant assumptions.

v. Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period. Refer to Note 29 for details relating to fair valuation techniques and a sensitivity analysis in relation to the significant assumptions.

vi. Estimates for expected premium receipts

The Company has developed a methodology for expected premium receipts based on provision matrix approach. Such balances have been reclassified to insurance contract liabilities in line with the requirements of IFRS 17. To measure the estimates, such balances have been grouped based on shared credit risk characteristics for respective policyholder base portfolio and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, affecting the ability of the customers to settle the receivables. The Company has identified the Gross domestic product of the country in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

vii. Impairment of non-financial assets including goodwill

The Company assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. For goodwill, the Company tests annually whether goodwill has suffered any impairment. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.



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4. Critical accounting judgments, estimates and assumptions (continued)

viii. Presentation of the Umrah and Hajj insurance pool

IFRS 17 does not have specific requirements on the presentation of assigning insurance income and expenses, and insurance assets and liabilities when an insurance contract is issued by more than one entity. Accordingly, the Company applied the requirements in IAS 8 in developing a policy for the presentation of the arrangement in which it is a co-insurer (refer to note 3.3 ix). The Company analysed the contractual terms of the arrangement policy and concluded that given the nature and substance of the arrangement, it is appropriate to present the results within net insurance results as a separate line item in the statement of comprehensive income, with details provided in the notes. The Company believes this is appropriate as management has no ability to change the pricing or control the expenditure and as such do not think it is appropriate to include the results within revenue and expenses that are controllable by the Company. The current presentation of the arrangement is similar where an entity is acting as an agent, where the principle is as there is no control net presentation is more appropriate and disclosure is provided in the notes. Management believes the presentation and disclosure reflects the substance of the arrangement.

5 Impact of adoption of new accounting standards

5.1 IFRS 17

On transition to IFRS 17, the Company has applied the full retrospective approach to all insurance contracts issued and reinsurance contracts held. Therefore, on transition date, January 1, 2022, the Company:

- has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied;
- derecognised any existing balances that would not exist had IFRS 17 always applied; and
- recognised any resulting net difference in equity.

The impact of transition to IFRS 17 on accumulated losses is, as follows:

	January 1, 2023	January 1, 2022
(Reduction) / increase in the Company's total equity		
Change in measurement of reinsurance contract assets	2,529	4,073
Change in measurement of insurance contract liabilities	(14,271)	(13,547)
Impact of adoption of IFRS 17 on accumulated losses and total equity	(11,742)	(9,474)
	January 1, 2023	January 1, 2022
Increase / (reduction) in the Company's total assets impacting total equity		
Recovery component	2,857	3,248
Risk adjustment	1,353	1,860
Discounting	(1,151)	(1,035)
Others	(530)	--
Impact of adoption of IFRS 17 on total assets impacting total equity	2,529	4,073
	January 1, 2023	January 1, 2022
(Increase) / reduction in the Company's total liabilities impacting total equity		
Risk adjustment	(4,177)	(4,734)
Estimates for expected premium receipts	82	3,534
Discounting	(854)	700
Loss component	(9,322)	(13,047)
Impact of adoption of IFRS 17 on total liabilities impacting total equity	(14,271)	(13,547)



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5 Impact of adoption of new accounting standards (continued)

The impact on the net loss for the year ended December 31, 2022 attributable to the shareholders, arising from risk adjustment, discounting, loss component adjustment and expected premium receipts, in line with the requirements of IFRS 17, are as follows:

	For the year ended December 31, 2022
Net loss after zakat as previously reported	(104,190)
Impact on the Company's net loss	
Loss component	3,334
Risk adjustment, net	50
Discounting, net	(1,670)
Estimates for expected premium receipts	(3,452)
Others	(530)
Impact of adoption of IFRS 17	(2,268)
Adjusted loss after zakat - restated	(106,458)

The impact on the statements of cashflow for the year ended 31 December 2022 as a result of implementing IFRS 17 is not material to the financial statements.

5.2 IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designated financial assets and liabilities as measured at FVTPL. This category includes financial assets that were previously designated as held for trading or those that were classified as available for sale; and
- the designation of certain investments in equity instruments not held for trading as FVOCI.

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of the date of application i.e. January 1, 2023 is, as follows:

Financial assets	December 31, 2022 IAS 39		Re- classification	Re-measurement		January 1, 2023 IFRS 9	
	Category	Amount		ECL	Others	Category	Amount
Cash and cash equivalents	Loans & receivables	5,152	--	(1)	--	Held at amortised cost	5,151
Murabaha deposits	Loans & receivables	139,449	751	(20)	--	Held at amortised cost	140,180
Fair value through statement of income investments (FVSI)	Held for trading (HFT)	39,867	--	--	--	FVTPL	39,867
Alrajhi Bank Sukuk	Held to maturity (HTM)	3,000	--	--	--	FVTPL	3,000
Saudi Fransi Bank Sukuks	Held to maturity (HTM)	2,000	--	--	--	FVTPL	2,000
Available-for-sale investment (Refer Note 6.3)	Available for sale (AFS)	1,923	--	--	37,780	FVOCI	39,703
Statutory deposit	Loans & receivables	75,000	--	(14)	--	Held at amortised cost	74,986
Accrued income on statutory deposit	Loans & receivables	3,634	--	--	--	Held at amortised cost	3,634
Other assets	Loans & receivables	51,714	(751)	(464)	--	Amortized cost	50,499
Other liabilities	Amortised cost	14,565	--	--	--	Amortised cost	14,565



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5 Impact of adoption of new accounting standards (continued)

5.2 IFRS 9 (continued)

Most of the financial assets that were classified as loan & receivables and held to maturity under IAS 39 continues to be measured at amortised costs under IFRS 9 since these form part of business model hold to collect contractual cash flows which are SPPI. Financial assets held for trading continue to be measured at fair value through profit or loss and as such there was no impact on transition.

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of the date of transition i.e. January 1, 2022 is, as follows:

Financial assets	December 31, 2021 IAS 39		Re- classification	Re-measurement		January 1, 2022 IFRS 9	
	Category	Amount		ECL	Others	Category	Amount
Cash and cash equivalents	Loans & receivables	256,112	--	--	--	Held at amortised cost	256,112
Fair value through statement of income investments (FVSI)	Held for trading (HFT)	39,867	--	--	--	FVTPL	39,867
Alrajhi Bank Sukuk	Held to maturity (HTM)	3,000	--	--	--	FVTPL	3,000
Saudi Fransi Bank Sukuks	Held to maturity (HTM)	2,000	--	--	--	FVTPL	2,000
Available-for-sale investment (Refer Note 6.3)	Available for sale (AFS)	1,923	--	--	35,109	FVOCI	37,032
Statutory deposit	Loans & receivables	75,000	--	(14)	--	Held at amortised cost	74,986
Accrued income on statutory deposit	Loans & receivables	2,495	--	--	--	Held at amortised cost	2,495
Other assets	Loans & receivables	14,665	--	(426)	--	Not applicable	14,239
Other liabilities	Amortised cost	10,669	--	--	--	Amortised cost	10,669

The impact of transition to IFRS 9 on accumulated losses is as follows:

	January 1, 2023	January 1, 2022
Increase / (reduction) in the Company's total equity		
Classification of financial assets	-	-
Impairment of financial assets	(499)	(440)
Revaluation of Najm investments (Refer Note 8.3)	37,780	35,109
Impact of adoption of IFRS 9 on accumulated losses and total equity	37,281	34,669

The impact on the net loss and other comprehensive income for the year ended December 31, 2022 upon adoption of IFRS 9, is as follows:

	Impact on net loss	Impact on other comprehensive income
Revaluation of Najm investments	--	2,671
Net ECL allowance on financial assets	(59)	--
Impact of initial application of IFRS 9 for the year ended December 31, 2022	(59)	2,671

Furthermore, the classification of financial liabilities has changed from 'Other financial liabilities at amortised cost' as per IAS 39 to 'amortised cost' as per IFRS 9, with no corresponding change in carrying value of such financial liabilities.



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5 Impact of adoption of new accounting standards (continued)

5.3 Overall impact on transition to IFRS 17 and IFRS 9

	January 1, 2023	January 1, 2022
Increase / (decrease) in total equity on transition to:		
IFRS 17 (see note 5.1)	(11,742)	(9,474)
IFRS 9 (see note 5.2)	37,281	34,669
Total impact on transition to IFRS 17 and IFRS 9	25,539	25,195
	Impact on net loss	Impact on other comprehensive income
Increase / (decrease) on transition to:		
IFRS 17 (see note 5.1)	(2,268)	--
IFRS 9 (see note 5.2)	(59)	2,671
Impact of adoption of IFRS 17 and IFRS 9 for the year ended December 31, 2022	(2,327)	2,671

6 Cash and cash equivalents

	December 31, 2023	December 31, 2022 (Restated)
Cash in hand	17	8
Bank balances	14,456	5,144
Expected credit loss ("ECL")	(11)	(1)
	14,462	5,151

The bank balances and deposits are with banks, registered in Saudi Arabia and are denominated in Saudi Riyals and US Dollars.

The gross carrying amount of cash and cash equivalents represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of A to BBB. The Company's exposures to credit risk are not collateralized.

Movement in allowance for expected credit losses on cash and cash equivalents is as follows:

	December 31, 2023	December 31, 2022 (Restated)
Balance at beginning of the year	1	--
ECL allowance recognised in profit or loss during the year	10	1
Balance at end of the year	11	1

7 Murabaha deposits

	December 31, 2023	December 31, 2022 (Restated)
Murabaha deposits	149,449	139,449
Accrued income	3,498	751
Expected credit loss	(21)	(20)
	152,926	140,180



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7 Murabaha deposits (continued)

Murabaha deposits with original maturity exceeding 3 months are placed with commercial banks registered in Saudi Arabia and yield income at rates of 5.4% to 6.1% per annum (December 31, 2022: 2.95% to 5.4% per annum). The gross carrying amount of Murabaha deposits represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of A to BBB. The Company's exposures to credit risk are not collateralized.

Movement in allowance for expected credit losses on term deposits is as follows:

	December 31, 2023	December 31, 2022 (Restated)
Balance at beginning of the year	20	--
ECL allowance recognised in profit or loss during the year	1	20
Balance at end of the year	<u>21</u>	<u>20</u>

8 Investments

	Note	December 31, 2023	December 31, 2022 (Restated)
Measured at fair value through profit or loss	8.1	53,572	44,867
Financial assets at fair value through other comprehensive income	8.2	43,462	39,703
		<u>97,034</u>	<u>84,570</u>

8.1 Measured at fair value through profit or loss ("FVTPL")

Movement in investment portfolio is as follows:

	December 31, 2023	December 31, 2022 (Restated)
Balance at beginning of the year	44,867	49,832
Changes in fair value of investments	8,705	(4,965)
Balance at end of the year	<u>53,572</u>	<u>44,867</u>

8.1.1 The following is the portfolio wise breakdown:

	December 31, 2023	December 31, 2022 (Restated)
Equity securities	16,800	14,569
Mutual funds	31,772	25,298
Sukuks	5,000	5,000
	<u>53,572</u>	<u>44,867</u>

8.1.2 Investment in Tier-1 sukuks:

	December 31, 2023	December 31, 2022 (Restated)
Saudi Fransi Bank Sukuks	2,000	2,000
Al Rajhi Bank – Sukuks	3,000	3,000
	<u>5,000</u>	<u>5,000</u>

These represents the Company's investment in Banque Saudi Fransi and AlRajhi Tier 1 Sukuks. These represent 2 Sukuks at a face value of SR 5 million with a coupon rate of 4.50% and 5.5% per annum. These Sukuks have a maturity duration of 5 years commencing from 3 November 2020. The Company has earned commission income of SR 0.255 million during the year (December, 31 2022: SR 0.117 million). The profit distribution on these sukuks is at the discretion of the issuer therefore these sukuks classified as FVTPL.



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8 Investments (continued)

8.2 Financial assets at fair value through other comprehensive income ("FVOCI")

	December 31, 2023	December 31, 2022 (Restated)
Balance at beginning of the year	39,703	37,032
Changes in fair value of investments	3,759	2,671
Balance at end of the year	43,462	39,703

8.2 Financial assets at fair value through other comprehensive income ("FVOCI") (continued)

This above represents the Company's 3.45% (December 31, 2022: 3.45%) holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at fair value. The Company has determined the fair value of its investment in Najm, which was previously carried at initial cost of SR 1.9 million until December 31, 2022, but adjusted based on IFRS 9 implementation to be SR 37 million as at January 1, 2022 and SR 39.7 million as at December 31, 2022. Accordingly, the required adjustments to bring the carrying value of such investment to its fair value, in accordance with the requirements of IFRS 9, have been recorded in the opening equity as of January 1, 2022 and December 31, 2022. Refer to Note 29 for details relating to fair valuation techniques and a sensitivity analysis in relation to the significant assumptions.

8.3 All investments are from the shareholders operations and are placed inside the Kingdom of Saudi Arabia.

9 Prepaid expenses and other assets

		December 31, 2023	December 31, 2022 (Restated)
	Note		
Prepayments		16,802	25,802
Due from Tawuniya for pool deals	26.1	12,165	13,877
Due from travel and covid products	26.2	4,294	5,201
Staff receivables		462	525
Bank guarantee		300	312
Others		1,919	5,246
		35,942	50,963
Expected credit loss		(281)	(464)
		35,661	50,499

Movement in allowance for expected credit losses on other receivables is as follows:

	December 31, 2023	December 31, 2022 (Restated)
Balance at beginning of the year	451	440
ECL allowance recognised in profit or loss during the year	(170)	11
Balance at end of the year	281	451



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10 Insurance and reinsurance contracts

10.1 Composition of the statement of financial position

An analysis of the amounts presented on the statement of financial position for insurance contracts and reinsurance contracts has been included in the table below:

	Medical	Motor- Third party liability	Motor- Compre hensive	Property	Engineering	Marine	Accident & liability	Total
As at December 31, 2023								
Insurance contracts								
Insurance contract assets	--	--	--	--	--	--	--	--
Insurance contract liabilities	32,427	66,957	27,715	14,740	3,030	3,382	12,512	160,763
	32,427	66,957	27,715	14,740	3,030	3,382	12,512	160,763
Reinsurance contracts								
Reinsurance contract assets	2,488	12,041	7,087	12,388	2,886	2,331	5,362	44,583
Reinsurance contract liability	--	--	--	--	--	--	--	--
	2,488	12,041	7,087	12,388	2,886	2,331	5,362	44,583
	Medical	Motor- Third party liability	Motor- Compre hensive	Property	Engineering	Marine	Accident & liability	Total
As at December 31, 2022 – (Restated)								
Insurance contracts								
Insurance contract assets	--	--	--	--	--	--	--	--
Insurance contract liabilities	43,065	12,142	73,979	10,524	3,332	4,941	12,792	160,775
	43,065	12,142	73,979	10,524	3,332	4,941	12,792	160,775
Reinsurance contracts								
Reinsurance contract assets	5,298	1,359	13,351	17,808	3,556	6,826	8,595	56,793
Reinsurance contract liability	--	--	--	--	--	--	--	--
	5,298	1,359	13,351	17,808	3,556	6,826	8,595	56,793



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	As at December 31, 2023						As at December 31, 2022					
	Liability for remaining coverage			Liability for incurred claims			Liability for remaining coverage			Liability for incurred claims		
	Excluding loss component	Loss component	Total	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Excluding loss component	Loss component	Total	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Insurance contracts												
Insurance contract liabilities – opening	32,873	22,408	4,148	101,346	4,148	160,775	37,769	25,320	87,970	4,734		155,793
Insurance contract assets – opening	32,873	22,408	4,148	101,346	4,148	160,775	37,769	25,320	87,970	4,734		155,793
Opening balance – net												
Insurance revenue (note 23)	(315,646)	--	--	--	--	(315,646)	(315,686)	--	--	--	--	(315,686)
Insurance service expenses												
Incurred claims and other directly attributable expenses * (note 23)	--	--	188,846	1,766	--	190,612	--	--	331,842	(1,103)	--	330,739
Reversal of losses on onerous contracts (note 23)	--	(15,427)	--	--	--	(15,427)	--	(2,912)	--	--	--	(2,912)
Changes that relate to past service - adjustments to the LIC (note 23)	--	--	68,788	(3,387)	--	65,401	--	--	(4,906)	517	--	(4,389)
Insurance acquisition cashflows amortisation (note 23)	44,761	--	--	--	--	44,761	49,732	--	--	--	--	49,732
Insurance service expenses (note 23)	44,761	(15,427)	257,634	(1,621)	--	285,347	49,732	(2,912)	326,936	(586)	--	373,170
Finance expense from insurance contracts	--	--	7,886	--	--	7,886	--	--	1,321	--	--	1,321
Total changes in the statement of income	(270,885)	(15,427)	265,520	(1,621)	--	(224,133)	(265,954)	(2,912)	328,257	(586)	--	58,805
Cashflows												
Premiums received	395,970	--	--	--	--	395,970	308,124	--	--	--	--	308,124
Claims and other directly attributable expenses paid	(48,412)	--	(325,157)	--	--	(325,157)	--	--	(314,881)	--	--	(314,881)
Insurance acquisition cashflows paid	347,558	--	(325,157)	--	--	22,401	261,058	--	(314,881)	--	--	(53,823)
Total cash inflows / (outflows)												
Insurance contracts	109,546	6,981	41,709	2,527	160,763	32,873	22,408	101,346	4,148	160,775	--	--
Insurance contract liabilities – closing	109,546	6,981	41,709	2,527	160,763	32,873	22,408	101,346	4,148	160,775	--	--
Insurance contract assets – closing	109,546	6,981	41,709	2,527	160,763	32,873	22,408	101,346	4,148	160,775	--	--
Closing balance – net												

*This includes surplus distribution of SR 2.3 million for the year ended December 31, 2023 (December 31, 2022: SR 8.7 million) (Also see note 19).

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	As at December 31, 2023						As at December 31, 2022					
	Liability for remaining coverage			Liability for incurred claims			Liability for remaining coverage			Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	
10 Insurance and reinsurance contracts (continued)												
10.2 Analysis by remaining coverage and incurred claims												
10.2.2 Insurance contracts: (Medical)												
Insurance contracts												
Insurance contract liabilities – opening	2,446	4,961	34,300	1,358	43,065		2,462	5,289	21,233	1,193	30,177	
Insurance contract assets – opening	2,446	4,961	34,300	1,358	43,065		2,462	5,289	21,233	1,193	30,177	
Opening balance – net												
Insurance revenue (note 23)	(39,982)	--	--	--	(39,982)		(50,517)	--	--	--	(50,517)	
Insurance service expenses												
Incurred claims and other directly attributable expenses (note 23)	--	--	27,620	503	28,123		--	--	65,090	(615)	64,475	
Losses on onerous contracts	--	2,021	--	--	2,021		--	(328)	--	--	(328)	
Changes that relate to past service adjustments to the LIC (note 23)	--	--	9,735	(1,274)	8,461		--	--	1,122	780	1,902	
Insurance acquisition cashflows amortisation (note 23)	3,119	--	--	--	3,119		3,492	--	--	--	3,492	
Insurance service expenses (note 23)	3,119	2,021	37,355	(771)	41,724		3,492	(328)	66,212	165	69,541	
Finance expense from insurance contracts	--	--	2,610	--	2,610		--	--	191	--	191	
Total changes in the statement of income	(36,863)	2,021	39,965	(771)	4,352		(47,025)	(328)	66,403	165	19,215	
Cashflows												
Premiums received	53,622	--	--	--	53,622		50,652	--	--	--	50,652	
Claims and other directly attributable expenses paid	--	--	(65,025)	--	(65,025)		--	--	(53,336)	--	(53,336)	
Insurance acquisition cashflows paid	(3,587)	--	--	--	(3,587)		(3,643)	--	--	--	(3,643)	
Total cash inflows / (outflows)	50,035	--	(65,025)	--	(14,990)		47,009	--	(53,336)	--	(6,327)	
Insurance contracts												
Insurance contract liabilities – closing	15,618	6,982	9,240	587	32,427		2,446	4,961	34,300	1,358	43,065	
Insurance contract assets – closing	--	--	--	--	--		--	--	--	--	--	
Closing balance – net	15,618	6,982	9,240	587	32,427		2,446	4,961	34,300	1,358	43,065	



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	As at December 31, 2023						As at December 31, 2022					
	Liability for remaining coverage			Liability for incurred claims			Liability for remaining coverage			Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	
10 Insurance and reinsurance contracts (continued)												
10.2 Analysis by remaining coverage and incurred claims												
10.2.3 Insurance contracts: (Motor - Comprehensive)												
Insurance contracts												
Insurance contract liabilities – opening	18,119	17,137	37,712	1,011	73,979		17,220	12,438	35,656	1,090	66,404	
Insurance contract assets – opening	--	--	--	--	--		--	--	--	--	--	
Opening balance – net	18,119	17,137	37,712	1,011	73,979		17,220	12,438	35,656	1,090	66,404	
Insurance revenue	(181,408)	--	--	--	(181,408)		(168,855)	--	--	--	(168,855)	
Insurance service expenses												
Incurred claims and other directly attributable expenses	--	--	103,098	602	103,700		--	--	211,985	199	212,184	
(Reversal) / provision of losses on onerous contracts	--	(17,137)	--	--	(17,137)		--	4,699	--	--	4,699	
Changes that relate to past service adjustments to the LIC	--	--	60,977	(1,544)	59,433		--	--	5,010	(278)	4,732	
Insurance acquisition cashflows amortisation	27,968	(17,137)	--	--	27,968		34,130	--	--	--	34,130	
Insurance service expenses	27,968	(17,137)	164,075	(942)	173,964		34,130	4,699	216,995	(79)	255,745	
Finance expense from insurance contracts	--	--	(928)	--	(928)		--	--	1,455	--	1,455	
Total changes in the statement of income	(153,440)	(17,137)	163,147	(942)	(8,372)		(134,725)	4,699	218,450	(79)	88,345	
Cashflows												
Premiums received	188,787	--	--	--	188,787		167,911	--	--	--	167,911	
Claims and other directly attributable expenses paid	--	--	(198,844)	--	(198,844)		--	--	(216,394)	--	(216,394)	
Insurance acquisition cashflows paid	(27,835)	--	--	--	(27,835)		(32,287)	--	--	--	(32,287)	
Total cash inflows / (outflows)	160,952	--	(198,844)	--	(37,892)		135,624	--	(216,394)	--	(80,770)	
Insurance contracts												
Insurance contract liabilities – closing	25,631	--	2,015	69	27,715		18,119	17,137	37,712	1,011	73,979	
Insurance contract assets – closing	--	--	--	--	--		--	--	--	--	--	
Closing balance – net	25,631	--	2,015	69	27,715		18,119	17,137	37,712	1,011	73,979	



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	10 Insurance and reinsurance contracts (continued)	10.2 Analysis by remaining coverage and incurred claims	10.2.5 Insurance contracts:(Property)	As at December 31, 2023						As at December 31, 2022					
				Liability for remaining coverage			Liability for incurred claims			Liability for remaining coverage			Liability for incurred claims		
				Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	
Insurance contracts															
Insurance contract liabilities – opening				(975)	--	10,763	736	10,524		3,237	--	1,193	32	4,462	
Insurance contract assets – opening				(975)	--	10,763	736	10,524		3,237	--	1,193	32	4,462	
Opening balance – net															
Insurance revenue				(22,511)	--	--	--	(22,511)		(29,352)	--	--	--	(29,352)	
Insurance service expenses				--	--	8,322	2	8,324		--	--	11,473	131	11,604	
Incurred claims and other directly attributable expenses				--	--	--	--	--		--	--	--	--	--	
Reversal of losses on onerous contracts				--	--	--	--	--		--	--	--	--	--	
Changes that relate to past service adjustments to the LIC				--	--	(2,809)	50	(2,759)		--	--	1,990	573	2,563	
Insurance acquisition cashflows amortisation				3,064	--	--	--	3,064		4,165	--	--	--	4,165	
Insurance service expenses				3,064	--	5,513	52	8,629		4,165	--	13,463	704	18,332	
Finance expense from insurance contracts				--	--	2,373	--	2,373		--	--	40	--	40	
Total changes in the statement of income				(19,447)	--	7,886	52	(11,509)		(25,187)	--	13,503	704	(10,980)	
Cashflows				28,546	--	--	--	28,546		24,642	--	--	--	24,642	
Premiums received				--	--	--	--	--		--	--	--	--	--	
Claims and other directly attributable expenses paid				(3,909)	--	(8,912)	--	(8,912)		--	--	(3,933)	--	(3,933)	
Insurance acquisition cashflows paid				24,637	--	(8,912)	--	15,725		20,975	--	(3,933)	--	(3,667)	
Total cash inflows / (outflows)															
Insurance contracts				4,215	--	9,737	788	14,740		(975)	--	10,763	736	10,524	
Insurance contract liabilities – closing				--	--	--	--	--		--	--	--	--	--	
Insurance contract assets – closing				4,215	--	9,737	788	14,740		(975)	--	10,763	736	10,524	
Closing balance – net															



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	Liability for remaining coverage			Liability for incurred claims			Liability for remaining coverage			Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	
Insurance contracts												
Insurance contract liabilities – opening	2,390	--	882	60	3,332		1,381	--	1,877	132	3,390	
Insurance contract assets – opening	2,390	--	882	60	3,332		1,381	--	1,877	132	3,390	
Opening balance – net												
Insurance revenue	(5,184)	--	--	--	(5,184)		(2,623)	--	--	--	(2,623)	
Insurance service expenses												
Incurred claims and other directly attributable expenses	--	--	2,193	32	2,225		--	--	2,096	(60)	2,036	
Reversal of losses on onerous contracts	--	--	--	--	--		--	--	--	--	--	
Changes that relate to past service adjustments to the LIC	--	--	(208)	1	(207)		--	--	(1,609)	(12)	(1,621)	
Insurance acquisition cashflows amortisation	648	--	--	--	648		731	--	487	--	731	
Insurance service expenses	648	--	1,985	33	2,666		731	--	21	--	1,146	
Finance expense from insurance contracts	--	--	195	--	195		--	--	508	(72)	(1,456)	
Total changes in the statement of income	(4,536)	--	2,180	33	(2,323)		(1,892)	--	--	--	--	
Cashflows												
Premiums received	4,546	--	--	--	4,546		3,564	--	--	--	3,564	
Claims and other directly attributable expenses paid	--	--	(1,863)	--	(1,863)		--	--	(1,503)	--	(1,503)	
Insurance acquisition cashflows paid	(662)	--	--	--	(662)		(663)	--	--	--	(663)	
Total cash inflows / (outflows)	3,884	--	(1,863)	--	2,021		2,901	--	(1,503)	--	1,398	
Insurance contracts												
Insurance contract liabilities – closing	1,738	--	1,199	93	3,030		2,390	--	882	60	3,332	
Insurance contract assets – closing	--	--	--	--	--		--	--	--	--	--	
Closing balance – net	1,738	--	1,199	93	3,030		2,390	--	882	60	3,332	



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	As at December 31, 2023						As at December 31, 2022					
	Liability for remaining coverage			Liability for incurred claims			Liability for remaining coverage			Liability for incurred claims		
	Excluding loss component	Loss component	Total	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Excluding loss component	Loss component	Total	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
10 Insurance and reinsurance contracts (continued)												
10.2 Analysis by remaining coverage and incurred claims												
10.2.7 Insurance contracts: (Marine)												
Insurance contracts												
Insurance contract liabilities – opening	720	--	--	3,931	290	4,941	564	--	--	9,834	667	11,065
Insurance contract assets – opening	--	--	--	--	--	--	--	--	--	--	--	--
Opening balance – net	720	--	--	3,931	290	4,941	564	--	--	9,834	667	11,065
Insurance revenue	(15,563)	--	--	--	--	(15,563)	(14,863)	--	--	--	--	(14,863)
Insurance service expenses												
Incurred claims and other directly attributable expenses	--	--	--	5,391	82	5,473	--	--	--	6,322	(337)	5,985
Reversal of losses on onerous contracts	--	--	--	--	--	--	--	--	--	--	--	--
Changes that relate to past service adjustments to the LIC	--	--	--	(977)	(194)	(1,171)	--	--	--	(5,723)	(40)	(5,763)
Insurance acquisition cashflows amortisation	1,464	--	--	--	--	1,464	1,726	--	--	599	(377)	1,726
Insurance service expenses	1,464	--	--	4,414	(112)	5,766	1,726	--	--	27	--	1,948
Finance expense from insurance contracts	--	--	--	499	--	499	--	--	--	626	(377)	(12,888)
Total changes in the statement of income	(14,099)	--	--	4,913	(112)	(9,298)	(13,137)	--	--	--	--	--
Cashflows												
Premiums received	16,215	--	--	--	--	16,215	14,941	--	--	--	--	14,941
Claims and other directly attributable expenses paid	--	--	--	(6,770)	--	(6,770)	--	--	--	(6,529)	--	(6,529)
Insurance acquisition cashflows paid	(1,706)	--	--	--	--	(1,706)	(1,648)	--	--	--	--	(1,648)
Total cash inflows / (outflows)	14,509	--	--	(6,770)	--	7,739	13,293	--	--	(6,529)	--	6,764
Insurance contracts												
Insurance contract liabilities – closing	1,130	--	--	2,074	178	3,382	720	--	--	3,931	290	4,941
Insurance contract assets – closing	--	--	--	--	--	--	--	--	--	--	--	--
Closing balance – net	1,130	--	--	2,074	178	3,382	720	--	--	3,931	290	4,941



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	10	Insurance and reinsurance contracts (continued)	As at December 31, 2023							As at December 31, 2022				
			Liability for remaining coverage			Liability for incurred claims				Liability for remaining coverage		Liability for incurred claims		
			Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Excluding loss component	Loss component
Insurance contracts														
Insurance contract liabilities – opening			3,467	--	8,686	639	12,792	1,766	--	14,244	960	16,970	--	--
Insurance contract assets – opening			3,467	--	8,686	639	12,792	1,766	--	14,244	960	16,970	--	--
Opening balance – net														
Insurance revenue			(10,360)	--	--	--	(10,360)	(10,304)	--	--	--	(10,304)	--	--
Insurance service expenses			--	--	8,399	295	8,694	--	--	6,720	35	6,755	--	--
Reversal of losses on onerous contracts			--	--	--	--	--	--	--	--	--	--	--	--
Changes that relate to past service adjustments to the LIC			--	--	(6,049)	(344)	(6,393)	--	--	(5,573)	(356)	(5,929)	--	--
Insurance acquisition cashflows amortisation			1,115	--	--	--	1,115	1,581	--	--	--	1,581	--	--
Insurance service expenses			1,115	--	2,350	(49)	3,416	1,581	--	1,147	(321)	2,407	--	--
Finance expense from insurance contracts			--	--	1,359	--	1,359	--	--	(196)	--	(196)	--	--
Total changes in the statement of income			(9,245)	--	3,709	(49)	(5,585)	(8,723)	--	951	(321)	(8,093)	--	--
Cashflows														
Premiums received			12,479	--	--	--	12,479	12,062	--	--	--	12,062	--	--
Claims and other directly attributable expenses paid			--	--	(5,728)	--	(5,728)	--	--	(6,509)	--	(6,509)	--	--
Insurance acquisition cashflows paid			(1,446)	--	--	--	(1,446)	(1,638)	--	--	--	(1,638)	--	--
Total cash inflows / (outflows)			11,032	--	(5,728)	--	5,305	10,424	--	(6,509)	--	3,915	--	--
Insurance contracts														
Insurance contract liabilities – closing			5,255	--	6,667	590	12,512	3,467	--	8,686	639	12,792	--	--
Insurance contract assets – closing			--	--	--	--	--	--	--	--	--	--	--	--
Closing balance – net			5,255	--	6,667	590	12,512	3,467	--	8,686	639	12,792	--	--



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10 Insurance and reinsurance contracts (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.9 Reinsurance contracts held: (all portfolios)

	As at December 31, 2023					As at December 31, 2022				
	Asset for remaining coverage Excluding loss- recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non- financial risk	Total	Asset for remaining coverage Excluding loss- recovery component	Loss- recovery component	Estimates of present value of FCF	Risk adjustment for non- financial risk	Total
Reinsurance contracts	19,560	2,857	33,023	1,353	56,793	20,235	3,248	56,113	1,860	81,456
Reinsurance contract assets – opening	19,560	2,857	33,023	1,353	56,793	20,235	3,248	56,113	1,860	81,456
Reinsurance contract liabilities – opening	--	--	--	--	--	--	--	--	--	--
Opening balance – net	19,560	2,857	33,023	1,353	56,793	20,235	3,248	56,113	1,860	81,456
Allocation of reinsurance premium paid (note 23)	(64,012)	--	--	--	(64,012)	(68,364)	--	--	--	(68,364)
Amounts recoverable from reinsurers	--	--	37,672	(270)	37,402	--	--	48,430	(688)	47,742
Claims recovered and other directly attributable expenses (note 23)	--	--	(1,670)	--	(1,670)	--	(391)	--	--	(391)
Reversal of recovery component (note 23)	--	--	--	--	--	--	--	--	--	--
Changes that relate to past service – adjustments to the LIC (note 23)	--	--	(10,548)	--	(10,548)	--	--	(28,761)	181	(28,580)
Amounts recoverable from reinsurers – net	--	(1,670)	27,124	(270)	25,184	--	(391)	19,669	(507)	18,771
Finance income from reinsurance contracts	--	--	3,379	--	3,379	--	--	1,018	--	1,018
Total changes in the statement of income	(64,012)	(1,670)	30,503	(270)	(35,449)	(68,364)	(391)	20,687	(507)	(48,575)
Cashflows	62,786	--	--	--	62,786	67,689	--	--	--	67,689
Premiums ceded and acquisition cashflows paid	--	--	--	--	--	--	--	--	--	--
Recoveries from reinsurance	--	--	(39,547)	--	(39,547)	--	--	(43,777)	--	(43,777)
Total cash outflows/ (inflows)	62,786	--	(39,547)	--	23,239	67,689	--	(43,777)	--	23,912
Reinsurance contracts	18,334	1,187	23,979	1,083	44,583	19,560	2,857	33,023	1,353	56,793
Reinsurance contract assets – closing	18,334	1,187	23,979	1,083	44,583	19,560	2,857	33,023	1,353	56,793
Reinsurance contract liabilities – closing	--	--	--	--	--	--	--	--	--	--
Closing balance – net	18,334	1,187	23,979	1,083	44,583	19,560	2,857	33,023	1,353	56,793

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10 Insurance and reinsurance contracts (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.10 Reinsurance contracts held: (Medical)

	As at December 31, 2023				As at December 31, 2022				Total	
	Asset for remaining coverage Excluding loss- recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non- financial risk	Total	Asset for remaining coverage Excluding loss- recovery component	Loss- recovery component	Estimates of present value of FCF	Risk adjustment for non- financial risk	Total
Reinsurance contracts										
Reinsurance contract assets – opening	(509)	595	5,093	119	5,298	(101)	--	4,329	270	4,498
Reinsurance contract liabilities – opening	(509)	595	5,093	119	5,298	(101)	--	4,329	270	4,498
Opening balance – net	(3,572)	--	--	--	(3,572)	(8,492)	--	--	--	(8,492)
Allocation of reinsurance premium paid										
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	--	--	6,107	(41)	6,066	--	--	(592)	(184)	(776)
Reversal of recovery component	--	592	--	--	592	--	595	--	--	595
Changes that relate to past service – adjustments to the LIC	--	--	(4,265)	--	(4,265)	--	--	3,480	33	3,513
Amounts recoverable from reinsurers – net	--	592	1,842	(41)	2,393	--	595	2,888	(151)	3,332
Finance expense from reinsurance contracts	--	--	241	--	241	--	--	41	--	41
Total changes in the statement of income	(3,572)	592	2,083	(41)	(938)	(8,492)	595	2,929	(151)	(5,119)
Cashflows										
Premiums ceded and acquisition cashflows paid	3,996	--	--	--	3,996	8,084	--	--	--	8,084
Recoveries from reinsurance	--	--	(5,868)	--	(5,868)	--	--	(2,165)	--	(2,165)
Total cash (outflows) /inflows	3,996	--	(5,868)	--	(1,872)	8,084	--	(2,165)	--	5,919
Reinsurance contracts										
Reinsurance contract assets – closing	(85)	1,187	1,308	78	2,488	(509)	595	5,093	119	5,298
Reinsurance contract liabilities – closing	(85)	1,187	1,308	78	2,488	(509)	595	5,093	119	5,298
Closing balance – net	(85)	1,187	1,308	78	2,488	(509)	595	5,093	119	5,298





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10 Insurance and reinsurance contracts (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.12 Reinsurance contracts held: (Motor-TPL)

	As at December 31, 2023					As at December 31, 2022				
	Asset for remaining coverage Excluding loss- recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non- financial risk	Total	Asset for remaining coverage Excluding loss- recovery component	Loss- recovery component	Estimates of present value of FCF	Risk adjustment for non- financial risk	Total
Reinsurance contracts	1,622	34	(303)	6	1,359	3,746	2,643	5,276	211	11,876
Reinsurance contract assets – opening	1,622	34	(303)	6	1,359	3,746	2,643	5,276	211	11,876
Reinsurance contract liabilities – opening										
Opening balance – net										
Allocation of reinsurance premium paid	(4,995)	--	--	--	(4,995)	(4,541)	--	--	--	(4,541)
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	--	--	2,455	19	2,474	--	--	4,698	(132)	4,566
Reversal of recovery component	--	(34)	--	--	(34)	--	(2,609)	--	--	(2,609)
Changes that relate to past service – adjustments to the LIC	--	--	3,196	--	3,196	--	--	(5,802)	(73)	(5,875)
Amounts recoverable from reinsurers – net	--	(34)	5,651	19	5,636	--	(2,609)	(1,104)	(205)	(3,918)
Finance expense from reinsurance contracts	--	--	231	--	231	--	--	909	--	909
Total changes in the statement of income	(4,995)	(34)	5,882	19	872	(4,541)	(2,609)	(195)	(205)	(7,550)
Cashflows										
Premiums ceded and acquisition cashflows paid	13,679	--	--	--	13,679	2,417	--	--	--	2,417
Recoveries from reinsurance	--	--	(3,869)	--	(3,869)	--	--	(5,384)	--	(5,384)
Total cash (outflows) /inflows	13,679	--	(3,869)	--	9,810	2,417	--	(5,384)	--	(2,967)
Reinsurance contracts										
Reinsurance contract assets – closing	10,306	--	1,710	25	12,041	1,622	34	(303)	6	1,359
Reinsurance contract liabilities – closing	--	--	--	--	--	--	--	--	--	--
Closing balance – net	10,306	--	1,710	25	12,041	1,622	34	(303)	6	1,359



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10 Insurance and reinsurance contracts (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.13 Reinsurance contracts held: (Property)

	As at December 31, 2023					As at December 31, 2022				
	Asset for remaining coverage Excluding loss- recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Asset for remaining coverage Excluding loss- recovery component	Loss- recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Reinsurance contracts										
Reinsurance contract assets – opening	4,217	--	13,055	536	17,808	6,545	--	(167)	21	6,399
Reinsurance contract liabilities – opening	--	--	--	--	--	--	--	--	--	--
Opening balance – net	4,217	--	13,055	536	17,808	6,545	--	(167)	21	6,399
Allocation of reinsurance premium paid	(16,619)	--	--	--	(16,619)	(21,154)	--	--	--	(21,154)
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	--	--	7,917	30	7,947	--	--	(2,801)	20	(2,781)
Reversal of recovery component	--	--	--	--	--	--	--	--	--	--
Changes that relate to past service – adjustments to the LIC	--	--	(7,340)	--	(7,340)	--	--	8,216	495	8,711
Amounts recoverable from reinsurers – net	--	--	577	30	607	--	--	5,415	515	5,930
Finance expense from reinsurance contracts	--	--	1,859	--	1,859	--	--	(44)	--	(44)
Total changes in the statement of income	(16,619)	--	2,436	30	(14,153)	(21,154)	--	5,371	515	(15,268)
Cashflows										
Premiums ceded and acquisition cashflows paid	15,449	--	--	--	15,449	18,826	--	--	--	18,826
Recoveries from reinsurance	--	--	(6,716)	--	(6,716)	--	--	7,851	--	7,851
Total cash (outflows) / inflows	15,449	--	(6,716)	--	8,733	18,826	--	7,851	--	26,677
Reinsurance contracts										
Reinsurance contract assets – closing	3,047	--	8,775	566	12,388	4,217	--	13,055	536	17,808
Reinsurance contract liabilities – closing	--	--	--	--	--	--	--	--	--	--
Closing balance – net	3,047	--	8,775	566	12,388	4,217	--	13,055	536	17,808

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10 Insurance and reinsurance contracts (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.14 Reinsurance contracts held: (Engineering)

	As at December 31, 2023					As at December 31, 2022				
	Asset for remaining coverage		Asset for incurred claims		Total	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	adjustment for non-financial risk		Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	adjustment for non-financial risk	
Reinsurance contracts	2,720	--	788	48	3,556	2,015	--	2,222	118	4,355
Reinsurance contract assets – opening	--	--	--	--	--	--	--	--	--	--
Reinsurance contract liabilities – opening	--	--	--	--	--	--	--	--	--	--
Opening balance – net	2,720	--	787	48	3,556	2,015	--	2,222	118	4,355
Allocation of reinsurance premium paid	(4,032)	--	--	--	(4,032)	(1,661)	--	--	--	(1,661)
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	--	--	609	26	635	--	--	1,068	(83)	985
Reversal of recovery component	--	--	--	--	--	--	--	--	--	--
Changes that relate to past service – adjustments to the LIC	--	--	(226)	--	(226)	--	--	(1,811)	13	(1,798)
Amounts recoverable from reinsurers – net	--	--	383	26	409	--	--	(743)	(70)	(813)
Finance expense from reinsurance contracts	--	--	131	--	131	--	--	16	--	16
Total changes in the statement of income	(4,032)	--	514	26	(3,492)	(1,661)	--	(727)	(70)	(2,458)
Cashflows										
Premiums ceded and acquisition cashflows paid	3,033	--	--	--	3,033	2,366	--	--	--	2,366
Recoveries from reinsurance	--	--	(211)	--	(211)	--	--	(707)	--	(707)
Total cash (outflows)/inflows	3,033	--	(211)	--	2,822	2,366	--	(707)	--	1,659
Reinsurance contracts										
Reinsurance contract assets – closing	1,721	--	1,091	74	2,886	2,720	--	788	48	3,556
Reinsurance contract liabilities – closing	--	--	--	--	--	--	--	--	--	--
Closing balance – net	1,721	--	1,091	74	2,886	2,720	--	788	48	3,556



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10 Insurance and reinsurance contracts (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.16 Reinsurance contracts held: (Accident & Liability)

	As at December 31, 2023						As at December 31, 2022					
	Asset for remaining coverage		Asset for incurred claims		Total		Asset for remaining coverage		Asset for incurred claims		Total	
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk			Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk		
Reinsurance contracts												
Reinsurance contract assets – opening	1,141	--	7,148	306	8,595	1,818	--	--	16,170	474	18,462	--
Reinsurance contract liabilities – opening	--	--	--	--	--	--	--	--	--	--	--	--
Opening balance – net	1,141	--	7,148	306	8,595	1,818	--	--	16,170	474	18,462	--
Allocation of reinsurance premium paid	(3,837)	--	--	--	(3,837)	(4,090)	--	--	--	--	(4,090)	--
Amounts recoverable from reinsurers	--	--	5,318	(77)	5,241	--	--	--	7,358	(295)	7,063	--
Claims recovered and other directly attributable expenses	--	--	--	--	--	--	--	--	--	--	--	--
Reversal of recovery component	--	--	--	--	--	--	--	--	--	--	--	--
Changes that relate to past service – adjustments to the LJC	--	--	(6,146)	--	(6,146)	--	--	--	(8,683)	127	(8,556)	--
Amounts recoverable from reinsurers – net	--	--	(828)	(77)	(905)	--	--	--	(1,325)	(168)	(1,493)	--
Finance expense from reinsurance contracts	--	--	574	--	574	--	--	--	85	--	85	--
Total changes in the statement of income	(3,837)	--	(254)	(77)	(4,168)	(4,090)	--	--	(1,240)	(168)	(5,498)	--
Cashflows												
Premiums ceded and acquisition cashflows paid	2,935	--	--	--	2,935	3,413	--	--	--	--	3,413	--
Recoveries from reinsurance	--	--	(2,000)	--	(2,000)	--	--	--	(7,782)	--	(7,782)	--
Total cash (outflows)/inflows	2,935	--	(2,000)	--	935	3,413	--	--	(7,782)	--	(4,369)	--
Reinsurance contracts												
Reinsurance contract assets – closing	239	--	4,894	229	5,362	1,141	--	--	7,148	306	8,595	--
Reinsurance contract liabilities – closing	--	--	--	--	--	--	--	--	--	--	--	--
Closing balance – net	239	--	4,894	229	5,362	1,141	--	--	7,148	306	8,595	--



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11 Property and equipment

	Leasehold improvement	Furniture and Fittings	Motor vehicles	Computer and office equipment	Total
2023					
Cost:					
January 1	4,130	2,547	277	25,706	32,660
Additions	--	--	--	326	326
Disposals	--	--	(106)	(2)	(108)
December 31	4,130	2,547	171	26,030	32,878
Accumulated depreciation:					
January 1	3,779	2,129	277	10,976	17,161
Charge for the year	75	84	--	2,132	2,291
Relating to disposals	--	--	(106)	--	(106)
December 31	3,854	2,213	171	13,108	19,346
Net book value December 31, 2023	276	334	--	12,922	13,532
	Leasehold improvement	Furniture and Fittings	Motor vehicles	Computer and office equipment	Total
2022					
Cost:					
January 1	4,092	2,515	277	21,075	27,959
Additions	38	32	--	4,631	4,701
December 31	4,130	2,547	277	25,706	32,660
Accumulated depreciation:					
January 1	3,677	2,042	277	8,843	14,839
Charge for the year	102	87	--	2,133	2,322
December 31	3,779	2,129	277	10,976	17,161
Net book value December 31, 2022	351	418	--	14,730	15,499

12 Intangible assets

These comprise software license fees and other related development costs.

	Total
2023	
Cost:	
Balance at beginning of the year	22,688
Addition	132
Balance at end of the year	22,820
Accumulated amortization:	
January 1	9,235
Charge for the year	1,472
December 31	10,707
Net book value December 31, 2023	12,113



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12 Intangible assets (continued)

	Total
2022	
Cost:	
Balance at beginning of the year	17,663
Addition	5,025
Balance at end of the year	22,688
Accumulated amortization:	
January 1	8,037
Charge for the year	1,198
December 31	9,235
Net book value	
December 31, 2022	13,453

13. Leases

13.1 Right-of-use assets

	31 December 2023	31 December 2022
Cost:		
Balance as at 1 January,	4,803	4,803
Additions	5,926	--
Balance as at 31 December,	10,729	4,803
Accumulated amortization:		
Balance as at 1 January,	4,276	3,248
Amortization for the year	1,046	1,028
Balance as at 31 December,	5,322	4,276
Carrying value	5,407	527

13.2 Lease liabilities

Lease liabilities as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
At beginning of the year	27	1,224
Additions during the year	5,926	--
Finance cost	79	--
Payments during the year	(1,514)	(1,197)
At end of the year	4,518	27

14. Goodwill

On 19 May 2012, the Company entered into an agreement with Saudi General Insurance Company E.C. ("SGI") and Gulf Cooperation Insurance Company Ltd. E.C. ("GCI") (the "Sellers") pursuant to which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009, at a goodwill amount of SR 36.26 million, as approved by SAMA, along with the related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by Insurance Authority in this regard and are also subject to SAMA approval.

In December 2013, consequent to SAMA approval, a sum of SR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Further, SAMA approved additional payment of SR 5.37 million to the Sellers relating to 2012 profits, which was transferred to amount due to related parties, as at 31 December 2013, and settled in 2014. Further, during the year ended 31 December 2014, consequent to SAMA's approval, dated 28 Shawwal 1435H (corresponding to 24 August 2014), a payment of SR 2.96 million was made to the Sellers in respect of goodwill, out of 2013 profits. During the year ended 31 December 2015, consequent to SAMA's approval, dated 3 Rajab 1436H (corresponding to 22 April 2015), a final payment of SR 9.80 million was made to the Sellers in respect of goodwill, out of 2014 profits.



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14. Goodwill (continued)

The recoverable amount has been determined based on value in use. As at the reporting date, impairment testing based on expected discounted cash flows was performed. Value in use is based on the estimated future cash flows based on 3-year management's formal business plan projected up to the year 2026, discounted to their present value using the following key assumptions:

Key assumptions	31 December 2023	31 December 2022
EBITA (average for next three years)	3%	1%
Discount rate	13%	13%
Terminal value growth rate	2%	2%

The calculation of value-in-use is most sensitive to the assumptions on discount rate applied to cash flow projections, projected EBITDA margins and terminal value growth rate.

Sensitivity to changes in key assumptions:

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

i) Projected EBITDA margin:

The projected EBITDA margin in the forecasted period has been estimated to be at an average of 3%. If all other assumptions kept the same; a reduction of margin by 2.6% would give a value-in-use equal to the current carrying amount.

ii) Discount rate:

The projected discount rate in the forecasted period has been estimated to be at an average of 13% (December 31, 2022: 13%). If all other assumptions kept the same; an increase in discount rate by 10.1% would give a value-in-use equal to the current carrying amount.

iii) Terminal value growth rate:

If all other assumptions remain constant; a decrease in projected terminal value growth rate in the forecasted period to 0% would give a value-in-use which exceeds the carrying value by SR 109 million.

Based on the assumptions made, the value in use calculated above exceeded the carrying amount of goodwill and hence no impairment was recognized. Based on the management experts' assessment of value in use, the management believes that no reasonable possible change in any of the above assumptions would cause the carrying value to materially exceed its recoverable amount at the reporting date.

15 Statutory deposit

	December 31, 2023	December 31, 2022 (Restated)
Statutory deposit	75,000	75,000
Expected credit loss	(14)	(14)
	74,986	74,986

As required by SAMA Insurance Regulations, the Company has deposited 10% of its share capital amounting to SR 75 million as at December 31, 2023 (December 31, 2022: SR 75 million). Accrued income on this deposit is payable to Insurance Authority amounting to SR 3.2 million (December 31, 2022: SR 3.6 million) and this deposit cannot be withdrawn without approval from SAMA. As requested by SAMA, the Company has released the accrued income on statutory deposit to SAMA up to December 31, 2022 amounting to SR 3.6 million. The statutory deposit is shown on the statement of financial position net of impairment allowance.



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16 Accrued expenses and other liabilities

	December 31, 2023	December 31, 2022 (Restated)
Accrued expenses	4,297	3,425
VAT payable	5,224	8,147
Due to related parties	309	309
Other liabilities	4,293	2,684
	14,123	14,565

17 Employee benefits obligations

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

17.1 Movement of defined benefit obligations

	December 31, 2023	December 31, 2022 (Restated)
Opening balance	4,661	5,156
Charge to statement of income	1,795	2,199
Charge to other comprehensive income	552	(933)
Payment of benefits during the year	(2,814)	(1,761)
Closing balance	4,194	4,661

17.2 Reconciliation of present value of defined benefit obligations

	December 31, 2023	December 31, 2022 (Restated)
Opening balance	4,661	5,156
Current service costs	1,294	126
Past service cost	266	1,866
Financial costs	235	207
Actuarial (gain) / loss from experience adjustments	(552)	(933)
Payment of benefits during the year	(2,814)	(1,761)
Closing balance	4,194	4,661

17.3 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of employee defined benefit obligations:

	December 31, 2023	December 31, 2022
Discount rate	4.75%	4.5%
Expected rate of increase in salary level across different age bands	3.2%	5%



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17 Employee benefits obligations (continued)

17.4 Sensitivity analysis

	Impact on defined benefit obligations – (decrease) / increase December 31, 2023	December 31, 2022 (Restated)
Discount rate		
- Increase by 1%	(4,053)	(5,817)
- Decrease by 1%	4,193	6,264
Expected rate of increase in salary level across different age bands		
- Increase by 1%	(4,355)	(6,275)
- Decrease by 1%	4,194	5,803

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

The average remaining duration of the defined benefit plan obligation at December 31, 2023 is 3.6 years (December 31, 2022: 3.8 years).

17.5 Maturity analysis (Undiscounted)

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
December 31, 2023	1,309	890	2,970	3,925	9,094
December 31, 2022	1,627	1,277	4,004	5,082	11,990

18 Zakat

18.1 Components of zakat base

Significant components of zakat base of the Company attributable to the Saudi shareholders, which are subject to adjustment under zakat and income tax regulations, are shareholders' equity at the beginning of the year, adjusted net income and certain other items. Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the Zakat, Tax and Customs Authority ("ZATCA") could be different from the declaration filed by the Company.

	December 31, 2023	December 31, 2022
Equity, at beginning of year	507,686	503,780
Provisions, at beginning of year	48,449	47,466
Net book value of long-term assets	(443,493)	(306,852)
Zakat base excluding the amended net income	112,642	244,394
Zakat base (prorata basis)	116,143	251,988
Amended net loss	(12,648)	(89,960)
Zakat base	103,495	162,028
Zakat due	2,587	4,018

18.2 Zakat payable

	2023	2022
Balance as at January 1, 2023	4,236	2,287
Provision for the current year	2,787	4,018
Payments during the year	(4,050)	(2,069)
December 31, 2023	2,973	4,236

Zakat is payable at 2.578% of the approximate zakat base (excluding adjusted net income for the year).



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18.3 Status of assessments

The Company has filled its Zakat assessment returns for the years December 31, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 and has obtained the related zakat certificates.

Year ended December 31, 2010 to 2015

The Company has finalized its Zakat and WHT status for the period/years from December 31, 2010 to 2015.

Year ended December 31, 2016 to 2018

ZATCA issued the Zakat and WHT assessment for the years ended December 31, 2016 to 2018 and claimed additional Zakat and withholding tax liabilities (excluding delay fines) of SR 15.39 million. The Company settled the amount of SR 1,824,414.26 related to the Zakat differences and objected against the remaining WHT differences.

ZATCA issued the revised assessment claiming the same WHT differences of SR 13.57 million. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD" through the General Secretariat of Zakat Tax and Custom Committees ("GSTC"). Accordingly, the hearing session was held on August 29, 2022. However, the committee rejected the objection in full. Accordingly, the company has escalated the case to the Appellate Committee for Resolution of Tax Violations and Disputes "ACRTVD". During November 2022, the company settled the principal WHT amount of SR 13.57 million to benefit from ZATCA's initiative. Hence, all the delay fines have been waived by ZATCA in relation to FY16 to FY18. The Company successfully convinced the "ACTVDR" to accept its point of view regarding the items mentioned in the appeal. On October 31, 2023, the ACTVDR has issued its final decision fully in the favour of the company, as such, the company will be entitled to refund the principle WHT paid amounting to SR 13.57 million.

Year ended December 31, 2019, to 2020

ZATCA issued the Zakat assessment for the years ended December 31, 2019 and 2020 and claimed additional Zakat liability of SR 1.39 million. The Company objected against the full assessment. ZATCA issued the revised assessment claiming the same Zakat differences. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD" through the General Secretariat of Tax Committees ("GSTC") and the committee has accepted only the Deferred policy acquisition cost and the revised zakat liability is SR 0.92 million. Accordingly, the company has escalated the case to the Appellate Committee for Resolution of Tax Violations and Disputes "ACRTVD". On November 23, 2023, the ACTVDR has ruled its final decision in favour of ZATCA and rejected the Deferred Policy Acquisition Cost. Therefore, the company is required to settle the Zakat due as per the decision amounting to SR 0.62 million for the year 2019. For the year ended 31 December 2020 the case is still under study by the ACRTVD where the zakat exposure liability amounts to SR 0.34 million.

19 Surplus distribution payable

During the year 31 December 2023, the management has transferred surplus distribution older than 2015 to "Other income" as per as per Article 4 of the "Surplus distribution policy" issued by SAMA.

The Company has obtained approval from SAMA with letter dated 14 February 2023 corresponding to 23 Rajab 1444H for distribution and payment of its surplus for the financial year ended 31 December 2020. amount to SR 0.5 million.

20 Share capital

The authorized, issued and paid-up capital of the Company at December 31, 2023 is SR 500 million divided into 50 million shares of SR 10 each (December 31, 2022: SR 500 million divided into 50 million shares of SR 10 each).

	December, 31 2023		December 31, 2022	
	Percentage of	Amount	Percentage of	Amount
	Holding	SR '000	holding	SR '000
Founding shareholders	12%	60,000	15%	75,000
General public	88%	440,000	85%	425,000
	100%	500,000	100%	500,000

Earnings / (Loss) per share:

Earnings /(Loss) per share for the year ended December 31, 2023, and December 31, 2022 has been calculated by dividing the net profit / (loss) for the respective years attributable to the shareholders by the weighted average number of ordinary shares at the reporting date. Diluted earnings / (loss) per share is not applicable to the Company.



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20 Share capital (continued)

The basic earnings / (loss) per share is calculated as follows:

	December 31, 2023	December 31, 2022 (Restated)
Net profit / (loss) for the year attributable to the shareholders	3,532	(106,017)
Weighted average number of ordinary shares	50,000	50,000
Basic earnings / (loss) per share	0.07	(2.12)

21 Statutory reserve

As required by the Implementing Regulations issued by SAMA, 20% of the net income for the year after adjusting accumulated losses, has to be set aside from net income for the year as a statutory reserve until this amounts to 100% of the paid-up share capital. During the year no transfer has been made to the statutory reserve. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

22 Commitments and contingencies

22.1 The Company's bankers have issued payment guarantees of SR 0.3 million (December 31, 2022: SR 0.3 million) to its suppliers on behalf of the Company.

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

22.3 For the financial years 2018 and 2019 ZATCA has issued VAT final assessments dated 23 July 2020 for the periods of December 2018, November 2019 and December 2019, along with the additional VAT liability amounting to SAR 15.2 million on account of difference of total external reinsurance between trial balance and reverse charge mechanism in the VAT return and zero-rated sales not disclosed in the VAT return. The Company objected the matter through an appeal to ZATCA which was rejected on 24 November 2020. The Company filed appeal petition to "GSZTCC" against the objections. On 16 December 2021, the committee has rejected the appeal case for both 2019 and 2020 with the confirmation that Company has the right to deduct the input tax in subsequent period. However, accepted the appeal item related to zero rated sales. On 10 January 2022, the Company filed an appeal request to "ACTVDR" for the rejected matter. On 7 January 2024, ACTVDR has issued their final decision regarding the dispute cases of December 2018, November 2019 and December 2019. In their decision, the Committee rejected the Company's appeal in substance. Furthermore, the Committee rejected ZATCA's appeal on the Company's right of deduction and reinforced TVDRC's decision. As ACTVDR's decision is considered final and unappealable, and with the recovery of input VAT by the Company, this case is closed.

22.4 ZATCA issued a VAT Initial assessment dated 12 May 2022 for the period of 2018, 2019 and 2020 by imposing additional VAT liability amounting to SR 11.9 million by imposing output VAT on reinsurance share of claim paid, VAT on collected third party recoveries and other VAT amounts claimed by the Company. On January 6, 2023, the Company filed an objection to ZATCA with regards to the final assessment. On the 4th of May 2023, the Company has received ZATCA's decision. Based on the decision, ZATCA has accepted VAT amount of SR 2.5 million in favour of the Company while rejected amount of SR 0.06 million.



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23 Insurance revenue and expenses

An analysis of insurance revenue, insurance service expenses and net income / (expenses) from reinsurance contracts held by product lines for the year ended December 31, 2023, and December 31, 2022 are included in the following tables. Additional information on amounts recognized in statement of income is included in the insurance and reinsurance contracts balances reconciliation (refer to note 10).

For the year ended December 31, 2023

	Medical	Motor-Comp	Motor-TPL	Property	Engineering	Marine	Accident & liability	Total
Insurance revenue from contracts measured under PAA (note 10)	39,982	181,408	40,638	22,511	5,184	15,563	10,360	315,646
Insurance revenue – total	39,982	181,408	40,638	22,511	5,184	15,563	10,360	315,646
Incurred claims and other directly attributable expenses* (note 10)	(28,122)	(103,700)	(34,074)	(8,324)	(2,225)	(5,473)	(8,694)	(190,612)
Changes that relate to past service - adjustments to the LIC (note 10)	(8,461)	(59,433)	(8,037)	2,759	207	1,171	6,393	(65,401)
(Loss) / reversal of losses on onerous contracts (note 10)	(2,021)	17,137	311	--	--	--	--	15,427
Insurance acquisition cash flows amortisation (note 10)	(3,119)	(27,968)	(7,383)	(3,064)	(648)	(1,464)	(1,115)	(44,761)
Insurance service expenses – total (note 10)	(41,723)	(173,964)	(49,183)	(8,629)	(2,666)	(5,766)	(3,416)	(285,347)
Allocation of reinsurance premium paid – contracts measured under the PAA								
Amounts recoverable from reinsurers (note 10)	6,066	11,627	2,474	7,947	635	3,412	5,241	37,402
Claims recovered and other directly attributable expenses (note 10)	(3,572)	(19,800)	(4,995)	(16,619)	(4,032)	(11,157)	(3,837)	(64,012)
Movement in Loss recovery component adjustment to reinsurance (note 10)	592	(2,228)	(34)	--	--	--	--	(1,670)
Changes that relate to past service – adjustments to the LIC (note 10)	(4,265)	6,971	3,196	(7,340)	(226)	(2,738)	(6,146)	(10,548)
Amounts recoverable from reinsurers – net	(1,179)	(3,430)	641	(16,012)	(3,623)	(10,483)	(4,742)	(38,828)
Insurance service result – total	(2,920)	4,014	(7,904)	(2,130)	(1,105)	(686)	2,202	(8,529)



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23 Insurance revenue and expenses (continued)

For the year ended December 31, 2022 – (Restated)

	Medical	Motor-Comp	Motor-TPL	Property	Engineering	Marine	Accident & liability	Total
Insurance revenue from contracts measured under PAA (note 10)	50,517	168,855	39,172	29,352	2,623	14,863	10,304	315,686
Insurance revenue – total	50,517	168,855	39,172	29,352	2,623	14,863	10,304	315,686
Incurred claims and other directly attributable expenses ** (note 10)	(64,475)	(212,184)	(27,700)	(11,604)	(2,036)	(5,985)	(6,755)	(330,739)
Changes that relate to past service - adjustments to the LIC (note 10)	(1,902)	(4,732)	273	(2,563)	1,621	5,763	5,929	4,389
Reversal of losses on onerous contracts (note 10)	328	(4,699)	7,283	--	--	--	--	2,912
Insurance acquisition cash flows amortisation (note 10)	(3,492)	(34,130)	(3,907)	(4,165)	(731)	(1,726)	(1,581)	(49,732)
Insurance service expenses – total (note 10)	(69,541)	(255,745)	(24,051)	(18,332)	(1,146)	(1,948)	(2,407)	(373,170)
Allocation of reinsurance premium paid - contracts measured under the PAA								
Amounts recoverable from reinsurers (note 10)	(776)	27,516	4,566	(2,781)	985	11,169	7,063	47,742
Claims recovered and other directly attributable expenses (note 10)	(8,492)	(19,656)	(4,541)	(21,154)	(1,661)	(8,770)	(4,090)	(68,364)
Movement in Loss recovery component adjustment to reinsurance (note 10)	595	1,623	(2,609)	-	-	-	-	(391)
Changes that relate to past service - adjustments to incurred claims (note 10)	3,513	(11,074)	(5,875)	8,711	(1,798)	(13,501)	(8,556)	(28,580)
Net (expenses) / income from reinsurance contracts – total	(5,160)	(1,591)	(8,459)	(15,224)	(2,474)	(11,102)	(5,583)	(49,593)
Insurance service result – total	(24,184)	(88,481)	6,662	(4,204)	(997)	1,813	2,314	(107,077)



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24 Investment return

	31 December 2023	31 December 2022 (Restated)
<u>Net gains on investments measured at FVTPL</u>		
Equity	2,232	(1,734)
Mutual funds	<u>6,473</u>	<u>(3,231)</u>
	<u>8,705</u>	<u>(4,965)</u>
<u>Commission income from financial assets not measured at FVTPL</u>		
Murabaha deposits	6,566	3,721
<u>Commission income from financial assets measured at FVTPL</u>		
Sukuks	255	117
	<u>6,821</u>	<u>3,838</u>
<u>Dividend Income</u>		
Ordinary shares	476	202
	<u>476</u>	<u>202</u>
Net investment return	<u>16,002</u>	<u>(925)</u>



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25 Insurance finance (expense) / income – net

An analysis of the net insurance finance (expense) / income by product lines for the year ended December 31, 2023 and December 31, 2022 are presented below:

For the year ended December 31, 2023

	Medical	Motor-Comp	Motor-TPL	Property	Engineering	Marine	Accident & liability	Total
Finance expense from insurance contracts issued								
Interest accreted	2,610	(928)	1,778	2,373	195	499	1,359	7,886
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Foreign exchange differences	--	--	--	--	--	--	--	--
Net finance (expense) / income from insurance contracts issued	2,610	(928)	1,778	2,373	195	499	1,359	7,886
Finance income from reinsurance contracts held								
Interest accreted	(241)	15	(231)	(1,859)	(131)	(358)	(574)	(3,379)
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Foreign exchange differences	--	--	--	--	--	--	--	--
Net finance (expense) / income from reinsurance contracts held	(241)	15	(231)	(1,859)	(131)	(358)	(574)	(3,379)
Finance (expense) / income - net	2,369	(913)	1,547	514	64	141	785	4,507



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25 Insurance finance (expense) / income – net (continued)

For the year ended December 31, 2022 – (Restated)

	Medical	Motor-Comp	Motor-TPL	Property	Engineering	Marine	Accident & liability	Total
Finance expense from insurance contracts issued								
Interest accreted	191	1,455	(217)	40	21	27	(196)	1,321
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Foreign exchange differences	--	--	--	--	--	--	--	--
Net finance income / (expense) from insurance contracts issued	191	1,455	(217)	40	21	27	(196)	1,321
Finance income from reinsurance contracts held								
Interest accreted	(41)	89	(909)	44	(16)	(100)	(85)	(1,018)
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Foreign exchange differences	--	--	--	--	--	--	--	--
Net finance income from reinsurance contracts held	(41)	89	(909)	44	(16)	(100)	(85)	(1,018)
Finance (expense) / income - net	150	1,544	(1,126)	84	5	(73)	(281)	303



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26 Insurance pool

	Note	December 31, 2023	December 31, 2022 (Restated)
Share of surplus from Al Manafeth	26.1	93	504
Share of surplus from Umrah & Hajj scheme	26.2	12,165	14,459
Share of surplus from travel and Covid 19 products	26.3	--	8,815
		<u>12,258</u>	<u>23,778</u>

26.1 Share of surplus from Al Manafeth

This represents the Company's share in the surplus arising from the Al Manafeth Third Party Liability Insurance Fund (the Fund). The Company with twenty-four other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with 'The Company for Cooperative Insurance' ("CCI") effective from January 1, 2015, initially for three years, for participating in the insurance of foreign vehicles entering Saudi Arabia through all its borders except from the Kingdom of Bahrain. As per the agreement, CCI will receive 4.25 percent of Fund's gross written premiums to cover the related indirect expense along with 15 percent management fee of the net results of the Fund's portfolio. The remaining results after the aforesaid distribution is due to be shared equally by the CCI and above mentioned twenty five insurance companies including the Company. The agreement is renewed for the years 2019 and 2020. There is no renewal to the agreement in 2021 as the aforementioned arrangement has been discontinued.

26.2 Share of surplus from Umrah & Hajj scheme

This represents the Company's share in the surplus for general accident product arising from the Umrah scheme. The Company with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with CCI effective from January 1, 2020. The compulsory Umrah product is offered by the ministry and approved by SAMA for insurance of pilgrims coming from outside of the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Umrah. The agreement terms are for 4 years starting from January 1, 2020 and it is renewable for another four years subject to the terms and conditions of the agreement. There is no renewal to the agreement in 2024 as the aforementioned arrangement has been discontinued.

26.3 Share of surplus from travel and Covid 19 products

On April 6, 2021, the Company together with 12 other insurance companies (collectively "participant insurance companies") signed the Travel and COVID-19 product agreement relating to compulsory travel insurance in addition to coverage related to COVID-19, which is effective from April 6, 2021. The agreement relates to insurance of Saudi citizens traveling abroad. The agreement is for two years and automatically renewable for similar period or periods subject to the terms and conditions of the agreement. The main terms of the Travel and COVID-19 product agreement are the following:

- The Company obtains 2.5% of Travel and COVID- 19 gross premiums written as management fee; and
- The Company distributes the net surplus after deducting all expenses to the participant insurance Companies in accordance with the regulations and circulars issued by the Saudi Central Bank ("SAMA") in this regard. The surplus distributable to "The Company for Cooperative Insurance" and other participant insurance companies is in proportion of the participation in the Travel and COVID-19 product. There is no renewal to the agreement in 2024 as the aforementioned arrangement has been discontinued.



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27 Other operating expenses

	December 31, 2023	December 31, 2022 (Restated)
Professional services	2,017	2,867
Salaries and other benefits	5,466	5,316
Marketing and other expense	843	2,270
Value added tax paid	--	1,297
Directors' remunerations	2,191	2,567
Provision for bonus	2,300	--
Others	1,006	3,205
Total	13,823	17,472

27.1 Auditors' remuneration for the statutory audit of the Company financial statements for the year ended December 31, 2023 amounts to SR 1.13 million (2022: SR 0.5 million). Auditors' remuneration for the review of the Company interim financial information during the year ended December 31, 2023 amounts to SR 0.59 million (2022: SR 0.3 million). Fee for other statutory and related services provided by the auditors to the Company amounts to SR 0.11 million (2022: SR 1.56 million).

28 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Company, and Companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the year and the related balances which offset from liabilities for remitting claims as part of the IFRS 17 requirements:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Transactions for the year ended</u>		<u>Balance receivable / (payable) as at</u>	
			2023	2022	2023	2022
<i>Insurance operations</i>						
Saudi General Insurance Company Ltd. E.C.	Major shareholder	Expenses paid	--	--	(309)	(309)
Rolaco Group	Major shareholder	Premiums underwritten	603	133	7	6
		Claims paid	(17)	(57)	(5)	(6)
Dabbagh Group	Major shareholder	Premiums underwritten	4,061	8,010	1,734	3,810
		Claims paid	(4,001)	(8,989)	(1,790)	(2,851)
Raghaf Establishment	Major shareholder	Premiums underwritten	85	18	--	--
		Claims paid	(25)	(48)	(12)	--
Key Management Personnel		Short-term benefits	4,383	(3,589)	--	--
		Long-term benefits	188	100	(219)	(217)
<i>Shareholders' operations</i>						
Board of Directors		Board of Directors remuneration and related expenses	1,200	1,800	1,800	1,800



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29 Fair values of financial instruments

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

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

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

a) 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. The Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investments at the year end.

b) Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial asset and liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value, as these are either short-term in nature or carry interest rates which are based on prevalent market interest rates.

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment measured at fair value through other comprehensive income (FVOCI)				
Equity	--	--	43,462	43,462
Investment measured at fair value through profit or loss (FVTPL)				
Equity	16,800	--	--	16,800
Mutual funds	--	31,772	--	31,772
Sukuks	--	5,000	--	5,000
	<u>16,800</u>	<u>36,772</u>	<u>43,462</u>	<u>97,034</u>
<u>December 31, 2022 – (Restated)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment measured at fair value through other comprehensive income (FVOCI)				
Equity	--	--	39,703	39,703
Investment measured at fair value through profit or loss (FVTPL)				
Equity	14,569	--	--	14,569
Mutual funds	--	25,298	--	25,298
Sukuks	--	5,000	--	5,000
	<u>14,569</u>	<u>30,298</u>	<u>39,703</u>	<u>84,570</u>

The fair value of investments in quoted equity securities at level 1 is based on quoted prices available in the market. The fair value of investments in mutual funds and sukuks at level 2 is based on the net asset values and value of similar quoted sukuks communicated by the fund manager.

Specific valuation techniques used by management's independent experts to value financial instruments in Level 3 i.e. Najm investments, are as follows:



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29 Fair values of financial instruments (continued)

Discounted cashflows (“DCF”) method: The DCF valuation to discount the future operating cash flows of the Company to their present value using a weighted average cost of capital as the discount rate (“WACC”). The value derived from such an analysis results into a value for the enterprise (the “Enterprise Value”). This value includes the equity value of the company in addition to its net debt position. In order to arrive to an equity value of a company (the “Equity Value”), all outstanding financial debt and debt-like items, adjusted for excess cash and other liquid financial assets such as Murabaha and other investments, are subtracted from the Enterprise Value; and

Market multiples method: The acquisition multiples of comparable private precedent transactions were assessed to indicate the value of the Company based on similar private transactions that have occurred during the previous period and covering full economic cycle. The Company has relied on local multiples valuation consisting of companies operating with a similar business model.

A weight of 60% and 40% are then applied to the fair values determined under both methods, to arrive at the total equity valuation of Najm and the Company then accounts for its share in equity of Najm i.e. 3.45%.

Cash and cash equivalents, Murabaha deposits, statutory deposit, accrued income on statutory deposits, and the financial liabilities except employee benefit obligations are measured at amortized cost.

There were no transfers between levels of the fair value hierarchy for the year ended December 31, 2023, December 31, 2022. Additionally, there were no changes in the valuation techniques. Furthermore, there were no transfers into and out of level 3 measurements.

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

	December 31, 2023	December 31, 2022 (Restated)
Balance at the beginning of the year	39,703	37,032
Fair value gain	3,759	2,671
Balance at the end of the year	43,462	39,703

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

	Fair value		Unobservable inputs		Range of inputs		Relationship of Unobservable input to Fair value
	December 31, 2023	December 31, 2022 – Restated	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	
Unquoted equity investment in Najm	43,462	39,703	Earnings growth factor	Earnings growth factor	6.9%	13.7%	Reducing the Earnings growth factor to 5%, would decrease the fair value by SR 0.8 million. (2022: Reducing the Earnings growth factor to 10%, would decrease the fair value by SR 1.2 million)
			WACC	WACC	16.5%	16.0%	Increasing the WACC by 100 basis points, would decrease the fair value by SR 1.2 million. (2022: SR 1.1 million)
			Terminal value growth rate	Terminal value growth rate	1.5%	1.5%	Reducing the terminal value growth rate to 0.5%, would decrease the fair value by SR 0.7 million. (2022: SR 0.7 million)

There were no significant inter-relationships between unobservable inputs that materially affect fair values.



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29 Fair values of financial instruments (continued)

Valuation process

The Company uses the services of a third-party valuation expert to perform the valuation of investment in Najm required for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO), Investment Committee and the Audit Committee. Discussions of valuation processes and results are held between the CFO, AC, Investment Committee and the Finance team regularly. The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Terminal value growth rate is derived from publicly available databases.
- Earnings growth factors for unlisted equity securities are estimated based on such Company's own historical results.

30 Risk management

Risk governance

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

Risk management structure:

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

Board of directors:

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

Audit committee and internal audit department:

The internal audit department performs risk assessments with senior management annually. The internal audit department examines both adequacy of procedures and the Company's compliance with the procedures through regular audits. Audit findings and recommendations are reported directly to the Audit Committee.

Senior management:

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

Risk management committee:

The Board of Directors of the Company has constituted a Risk Management Committee, which oversees the risk management function of the Company and report to Board on a periodic basis. This committee operates under framework established by the Board of Directors.

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

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

30.1 Insurance risk

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, structured claims management, quarterly review of reserves as well as the use of reinsurance arrangements.



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30 Risk management (continued)

30.1 Insurance risk (continued)

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

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

(a) Frequency and severity of claims

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

(b) Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in the 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 neighbouring 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 only in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

(c) Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment.

In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years spanning a number of financial years.



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30 Risk management (continued)

30.1 Insurance risk (continued)

(c) Claims development table (continued)

2023	2018 & earlier	2019	2020	2021	2022	2023	Total
Accident year							
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	735,671	130,804	151,826	227,185	271,771	200,084	
1 year later	761,598	166,034	182,537	240,962	285,401		
2 years later	763,276	167,801	179,098	246,586			
3 years later	766,353	166,089	178,047				
4 years later	769,434	165,520					
5 years later	795,978						
Gross estimates of the undiscounted amount of the claims	795,978	165,520	178,047	246,586	285,401	200,084	1,871,616
Cumulative gross claims and other directly attributable expenses paid	(794,522)	(164,957)	(178,551)	(245,586)	(283,213)	(169,443)	(1,836,272)
Gross undiscounted liabilities for incurred claims	1,456	563	(504)	1,000	2,188	30,641	35,345
Effect of discounting							(88)
Gross undiscounted liabilities for other incurred insurance service expenses							6,452
Gross discounted liabilities for incurred claims excluding risk adjustment							41,709
Effect of the risk adjustment margin for non-financial risk							2,556
Gross liabilities for incurred claims							44,265
2023							
Undiscounted liabilities for incurred claims, net of reinsurance:							
At end of accident year	482,223	110,555	122,293	197,757	237,872	173,939	
1 year later	499,218	140,332	147,030	210,706	251,100		
2 years later	500,318	141,825	144,045	213,688			
3 years later	502,335	140,361	143,628				
4 years later	500,010	139,914					
5 years later	527,030						
Net estimates of the undiscounted amount of the claims	527,030	139,914	143,628	213,688	251,100	173,939	1,449,298
Cumulative Net claims and other directly attributable expenses paid	(526,690)	(139,826)	(144,439)	(213,966)	(252,886)	(150,104)	(1,427,912)
Net undiscounted liabilities for incurred claims	340	88	(811)	(279)	(1,786)	23,835	21,387
Effect of discounting							(665)
Net undiscounted liabilities for other incurred insurance service expenses							(3,021)
Net discounted liabilities for incurred claims excluding risk adjustment							17,701
Effect of the risk adjustment margin for non-financial risk							1,473
Net liabilities for incurred claims							19,174

The reconciliation of the net liabilities for incurred claims with the aggregate carrying amounts of the groups of insurance contracts and reinsurance contracts is presented below:

	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Gross liabilities for incurred claims	41,709	2,556	44,265
Amounts recoverable from reinsurers	(24,008)	(1,083)	(25,091)
Net liabilities for incurred claims	17,701	1,473	19,174



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30 Risk management (continued)

30.1 Insurance risk (continued)

(c) Claims development table (continued)

2022	2017 & earlier	2018	2019	2020	2021	2022	Total
Accident year							
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	568,379	131,490	130,804	151,826	227,185	271,771	
1 year later	604,181	148,204	166,034	182,537	240,962		
2 years later	613,394	148,803	167,801	179,098			
3 years later	614,473	150,123	166,089				
4 years later	616,230	149,955					
5 years later	619,479						
Gross estimates of the undiscounted amount of the claims	619,479	149,955	166,089	179,098	240,962	271,771	1,627,354
Cumulative gross claims and other directly attributable expenses paid	(617,359)	(149,558)	(165,119)	(178,630)	(240,225)	(210,495)	(1,561,386)
Gross undiscounted liabilities for incurred claims	2,120	397	970	468	737	61,276	65,968
Effect of discounting							854
Gross discounted liabilities for incurred claims excluding risk adjustment							34,524
Gross discounted liabilities for incurred claims excluding risk adjustment							101,346
Effect of the risk adjustment margin for non-financial risk							4,148
Gross liabilities for incurred claims							105,494
2022							
Undiscounted liabilities for incurred claims, net of reinsurance:							
At end of accident year	372,565	86,190	110,598	122,343	197,852	237,872	
1 year later	396,033	97,146	140,386	147,090	210,706		
2 years later	402,072	97,539	141,880	144,045			
3 years later	402,779	98,404	140,361				
4 years later	403,931	115,040					
5 years later	384,968						
Net estimates of the undiscounted amount of the claims	384,968	115,040	140,361	144,045	210,706	237,872	1,232,991
Cumulative Net claims and other directly attributable expenses paid	(384,466)	(114,834)	(140,100)	(144,446)	(210,350)	(190,377)	(1,184,573)
Net undiscounted liabilities for incurred claims	501	206	261	(401)	356	47,495	48,419
Effect of discounting							2,005
Gross discounted liabilities for incurred claims excluding risk adjustment							17,899
Net discounted liabilities for incurred claims excluding risk adjustment							68,323
Effect of the risk adjustment margin for non-financial risk							2,795
Net liabilities for incurred claims							71,118

The reconciliation of the net liabilities for incurred claims with the aggregate carrying amounts of the groups of insurance contracts and reinsurance contracts is presented below:

	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Gross liabilities for incurred claims	101,346	4,148	105,494
Amounts recoverable from reinsurers	(33,023)	(1,353)	(34,376)
Net liabilities for incurred claims	68,323	2,795	71,118



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30 Risk management (continued)

30.1 Insurance risk (continued)

(d) Sensitivities on major assumptions considered while applying IFRS 17

The following sensitivity analysis shows the impact on gross and net liabilities, profit / loss before zakat and tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions is consistent for both reporting periods. The impact of sensitivities to changes in discount rates is minimal therefore not presented.

Following are the sensitivities derived for the portfolios computed under PAA approach before risk mitigation by reinsurance contracts held:

	December 31, 2023	December 31, 2022
Impact on equity and net income of change in claims ratio		
5% Increase	(15,809)	(16,374)
5% Decrease	15,809	16,374
Impact on equity and net income of change in risk adjustment for non-financial risk		
5% Increase	(128)	(209)
5% Decrease	128	209

Following are the sensitivities derived for the portfolios computed under PAA approach after risk mitigation by reinsurance contracts held:

	December 31, 2023	December 31, 2022
Impact on equity and net income of change in claims ratio		
5% Increase	(12,025)	(12,250)
5% Decrease	12,025	12,250
Impact on equity and net income of change in risk adjustment for non-financial risk		
5% Increase	(74)	(141)
5% Decrease	74	141

The following shows the impact of a reasonable possible change in direct expense ratio on the loss component as at the reporting date.

	December 31, 2023	December 31, 2022
Impact on equity, insurance contract liabilities and profit or loss due to change in direct expense ratio – loss component*		
2% Increase	(396)	(2,599)
2% Decrease	396	2,599

*Direct expense ratio is the ratio of sum of directly attributable expenses, acquisition cashflows and surplus for the period to earned premium.



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30 Risk management (continued)

30.1 Insurance risk (continued)

(e) Reinsurance risk

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

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at December 31, 2023 and December 31, 2022 there is no significant concentration of reinsurance balances.

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

The nature of the Company's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

The following tables show the concentration of net insurance contract liabilities by type of contract:

	December 31, 2023			December 31, 2022		
	Insurance contracts issued	Reinsurance contracts held	Net	Insurance contracts issued	Reinsurance contracts held	Net
SR "000"						
Medical	32,427	(2,488)	29,939	43,065	(5,298)	37,767
Motor-Comp	27,715	(7,087)	20,628	73,979	(13,351)	60,628
Motor-TPL	66,957	(12,041)	54,916	12,142	(1,359)	10,783
Property	14,740	(12,388)	2,352	10,524	(17,808)	(7,284)
Engineering	3,030	(2,886)	144	3,332	(3,556)	(224)
Marine	3,382	(2,331)	1,051	4,941	(6,826)	(1,885)
Accident & liability	12,512	(5,362)	7,150	12,792	(8,595)	4,197
Total	160,763	(44,583)	116,180	160,775	(56,793)	103,982



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30 Risk management (continued)

30.1 Insurance risk (continued)

30.2 Market risk

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

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

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

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

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure. The Company has transactions in Saudi Riyals and US Dollars which are pegged and hence there is no currency risk exposure to the Company.

(b) Commission rate risk

Commission rate risk is the risk that the value of future cash flows of a financial instrument will change because of change in market commission rates.

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

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value commission rate risk.

There is no direct contractual relationship between financial assets and insurance and reinsurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net commission rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The Company has no significant concentration of interest rate risk.

The Company is exposed to commission rate risk through its debt instruments held, deposits and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred.



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30 Risk management (continued)

30.2 Market risk (continued)

(b) Commission rate risk (continued)

The Company's exposure to commission rate risk sensitive insurance and reinsurance contracts, deposits and debt instruments are, as follows:

	December 31, 2023	December 31, 2022
Insurance contract liabilities, net	160,763	160,775
Reinsurance contract assets, net	44,583	56,793
Debt instruments at FVTPL	5,000	5,000
Murabaha deposit	149,449	139,449
Statutory deposit	75,000	75,000

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit / (loss) before tax and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact of commission rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous year.

		2023		2022	
	Changes in commission rate	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Insurance contract liabilities, net	+/-5%	8,038	8,038	8,038	8,038
Reinsurance contract assets, net	+/-5%	2,229	2,229	2,840	2,840
Debt instruments at FVTPL	+/-2%	100	100	100	100
Murabaha deposit	+/-2%	2,989	2,989	2,789	2,789
Statutory deposit	+/-2%	1,500	1,500	1,500	1,500

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2023 and December 31, 2022 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
December 31, 2023	--	5,000	92,034	97,034
December 31, 2022	--	5,000	79,570	84,570

An increase or decrease of 100 basis points in interest yields would result in an increase / (decrease) in the profit or loss for the year of SR 0.05 million (December 31, 2022: SR 0.05 million).

(c) Other price risk

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

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk. The Company's investments amounting to SR 53.6 million (December 31, 2022: SR 44.9 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.



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30 Risk management (continued)

30.2 Market risk (continued)

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

	Fair value change	Effect on Company's loss
December 31, 2023	+/-10 %	+/-5,347
December 31, 2022	+/-10%	+/-4,487

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2023 and December 31, 2022. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

30.3 Credit risk

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

The 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, credit worthy 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's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee, which is approved by the Board of Directors.

The Company's other financial assets are held with commercial banks and financial institutions with strong financial positions and credit ratings. The Company's policy is to invest in high-quality, liquid (that is, investment-grade) financial instruments. The Company maintains its bank balances, short-term, long term and statutory deposits with banks which have investment grade credit ratings. Investments are made in instruments with either investment grade or satisfactory non-investment grade credit rating.

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

	December 31, 2023	December 31, 2022 (Restated)
Financial assets		
Cash and cash equivalents	14,473	5,152
Murabaha deposits	152,947	140,200
Reinsurance contract assets	44,583	56,793
Investments	5,000	5,000
Statutory deposit	75,000	75,000
Accrued income on statutory deposit	3,233	3,634
Staff and other receivables	2,802	5,758
	298,038	291,537



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30 Risk management (continued)

30.3 Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the management's best estimate. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade satisfactory or past due but not impaired.

<u>December 31, 2023</u>	<u>Non-investment grade</u>		<u>Past due and impaired</u>		<u>Total</u>
	<u>Investment grade</u>	<u>Satisfactory</u>	<u>Past due but not impaired</u>	<u>impaired</u>	
Cash and cash equivalents	14,473	--	--	--	14,473
Murabaha deposits	152,926	--	--	--	152,926
Investments	97,034	--	--	--	97,034
Reinsurance contract assets	--	31,478	11,935	1,170	44,583
Statutory deposit	74,986	--	--	--	74,986
Accrued income on statutory deposit	3,233	--	--	--	3,233
Staff and other receivables	--	2,802	--	--	2,802
December 31, 2023	342,652	34,280	11,935	1,170	390,037

<u>December 31, 2022 -(Restated)</u>	<u>Non-investment grade</u>		<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>Investment grade</u>	<u>Satisfactory</u>	<u>impaired</u>	<u>impaired</u>	
Cash and cash equivalents	56,793	--	--	--	56,793
Murabaha deposits	140,180	--	--	--	140,180
Investments	84,570	--	--	--	84,570
Reinsurance contract assets	--	36,872	18,885	1,036	56,793
Statutory deposit	74,986	--	--	--	74,986
Accrued income on statutory deposit	3,634	--	--	--	3,634
Staff and other receivables	--	5,758	--	--	5,758
December 31, 2022	360,163	42,630	18,885	1,036	422,714

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. All of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified, and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. Also see note 6.

30.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

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

The table below summarizes the maturities of the Company's undiscounted contractual obligations relating to financial liabilities as of at December 31, 2023 and December 31, 2022.



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30 Risk management (continued)

30.4 Liquidity risk (Continued)

<i>Financial assets</i>	Less than 12 months	More than 12 months	Total			
Financial assets at fair value through profit or loss (“FVTPL”)	53,572	--	53,572			
Financial assets at fair value through other comprehensive income (“FVOCI”)	--	43,462	43,462			
Statutory deposit	--	74,986	74,986			
Accrued income on statutory deposit	3,233	--	3,233			
Murabaha deposits	152,926	--	152,926			
Cash and cash equivalents	14,462	--	14,462			
December 31, 2023	224,193	118,448	342,641			
<i>Financial liabilities</i>	Less than 12 months	More than 12 months	Total			
Accrued expenses and other liabilities	14,123	--	14,123			
Accrued income on statutory deposit	3,233	--	3,233			
December 31, 2023	17,356	--	17,356			
<i>Financial assets</i>	Less than 12 months	More than 12 months	Total			
Financial assets at fair value through profit or loss (“FVTPL”)	44,867	--	44,867			
Financial assets at fair value through other comprehensive income (“FVOCI”)	--	39,703	39,703			
Statutory deposit	--	74,986	74,986			
Accrued income on statutory deposit	3,634	--	3,634			
Murabaha deposits	140,180	--	140,180			
Cash and cash equivalents	5,151	--	5,151			
December 31, 2022	193,832	114,689	308,521			
<i>Financial liabilities</i>	Less than 12 months	More than 12 months	Total			
Accrued expenses and other liabilities	14,565	--	14,565			
Accrued income on statutory deposit	3,634	--	3,634			
December 31, 2022	18,199	--	18,199			
Insurance contracts issued	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Property	6,901	2,825	164	(1,726)	2,176	--
Engineering	332	241	727	--	--	--
Accident & liability	3,256	914	54	1,588	499	909
Motor-TPL	18,897	(306)	(90)	96	11	1
Motor-Comp	23,307	(5,795)	(4,729)	(2,049)	(1,813)	(1,023)
Marine	1,070	791	313	--	--	--
Medical	8,575	765	100	-	--	--
December 31, 2023	62,339	(565)	(3,461)	(2,092)	872	(113)
Reinsurance contracts held	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Property	6,722	2,027	170	(1,269)	1,557	-
Engineering	399	178	594	-	-	-
Accident & liability	3,692	(406)	29	1,501	54	215
Motor-TPL	1,706	(206)	138	74	1	1
Motor-Comp	5,369	(1,365)	(158)	205	234	158
Marine	1,138	545	143	-	-	-
Medical	1,227	47	14	-	-	-
December 31, 2023	20,252	818	931	511	1,846	374



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30 Risk management (continued)

30.4 Liquidity risk (continued)

Insurance contracts issued	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Property	10,147	1,522	154	5	0	2
Engineering	626	371	--	--	--	--
Accident & liability	7,719	839	658	329	17	--
Motor-TPL	4,904	285	46	30	(7)	--
Motor-Comp	36,046	(2,892)	(2,352)	(2,085)	(1,491)	(1,174)
Marine	3,844	386	4	--	--	--
Medical	25,436	1,543	120	--	--	--
December 31, 2022	88,722	2,055	(1,371)	(1,721)	(1,480)	(1,172)

Reinsurance contracts held	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Property	12,739	1,073	129	4	0	2
Engineering	624	242	--	--	--	--
Accident & liability	6,967	389	76	65	3	--
Motor-TPL	(284)	(47)	(50)	27	(7)	--
Motor-Comp	4,154	(1,329)	(736)	152	128	175
Marine	4,476	344	3	--	-	-
Medical	5,784	(942)	9	--	--	--
December 31, 2022	34,461	(270)	(569)	250	125	177

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

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

- Fair value through profit or loss investments includes investments in mutual funds and Murabaha deposits and are held for cash management purposes and expected to be matured / settled within 12 months from the balance sheet date.
- Cash and bank balances are available on demand.
- Reinsurers contract assets mainly pertain to motor, marine, property, engineering, accident and liability segment and are generally realized within 6 to 9 months based on settlement of claims.

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

- Reinsurers contract liabilities are settled on a periodic basis as per terms of reinsurance agreements.
- Majority of insurance contract liabilities are expected to be settled within 12 months in accordance with statutory timelines for payment. Property and casualty policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report.
- Accrued expenses and other liabilities are expected to settle within a year of 12 months from the year end date except for end of services benefits.

31 Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders or issue shares.

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



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31 Capital management (continued)

As per guidelines laid out by Insurance Authority (IA) previously known as SAMA in Article 66 of the Insurance Implementing 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 Insurance Implementing Regulations:

- Minimum Capital Requirement
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2023 consists of paid-up share capital of SR 500 million, statutory reserve of SR 2.2 million, accumulated loss of SR 240 million and fair value reserve for investments of SR 41.5 million (December 31, 2022: paid-up share capital of SR 500 million, statutory reserve of SR 2.2 million, accumulated losses of SR 247.7 million and fair value reserve for investments of SR 37.7 million), in the statement of financial position.

The amendment made to the Co-operative Insurance Companies Law in accordance with the Royal Decree (M/12) dated 23/1/1443H (corresponding to 01/09/2021) requires the minimum capital of insurance companies to be SR 300 million by December 15, 2024.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements as at December 31, 2023.

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32 Supplementary information

As required by the SAMA Implementing Regulations, the statement of financial position, statement of income and statement of cash flows are separately disclosed for both insurance operations and shareholders' operations as follows:

a) Statement of financial position

	December 31, 2023			December 31, 2022 (Restated)			January 1, 2022 (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS									
Cash and cash equivalents	13,588	874	14,462	4,361	790	5,151	24,972	231,140	256,112
Murabaha deposits	62,926	90,000	152,926	15,180	125,000	140,180	--	--	--
Financial assets at fair value through profit or loss ("FVTPL")	--	53,572	53,572	--	44,867	44,867	--	46,832	46,832
Financial assets at fair value through other comprehensive income ("FVOCI")	--	43,462	43,462	--	39,703	39,703	--	37,032	37,032
Prepaid expenses and other assets	32,599	3,062	35,661	49,723	776	50,499	13,952	263	14,215
Reinsurance contract assets	44,583		44,583	56,793	--	56,793	81,456	--	81,456
Due from shareholder's \ Insurance operations	(5,026)	5,026	--	23,531	(23,531)	--	26,057	(26,057)	--
Property and equipment	13,532	-	13,532	15,499	--	15,499	13,122	--	13,122
Intangible assets	12,113	-	12,113	13,453	--	13,453	9,626	--	9,626
Right-of-use asset	5,407	-	5,407	527	--	527	1,555	--	1,555
Goodwill	-	36,260	36,260	--	36,260	36,260	--	36,260	36,260
Statutory deposit	-	74,986	74,986	--	74,986	74,986	--	74,986	74,986
Accrued income on statutory deposit	-	3,233	3,233	--	3,634	3,634	--	2,495	2,495
TOTAL ASSETS	179,542	310,655	490,197	179,067	302,485	481,552	170,740	402,951	573,691





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32 Supplementary information (continued)

a) Statement of financial position (continued)

	December 31, 2023		December 31, 2022 (Restated)		January 1, 2022 (Restated)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	Total		Total		Total	
LIABILITIES AND EQUITY						
LIABILITIES						
Accrued expenses and other liabilities	9,249	4,874	14,123	2,331	14,565	2,539
Insurance contract liabilities	160,763	--	160,775	--	160,775	--
Zakat payable	--	2,973	2,973	4,236	4,236	2,287
Accrued income on statutory deposit	--	3,233	3,233	3,634	3,634	2,495
Lease liability	4,518	--	4,518	--	27	--
Employee defined benefit obligations	4,194	--	3,376	--	4,661	--
TOTAL LIABILITIES	178,724	11,080	189,804	10,201	187,898	7,321
EQUITY						
Share capital	--	500,000	500,000	500,000	--	500,000
Statutory reserve	--	2,165	2,165	2,165	--	2,165
Accumulated losses	--	(244,129)	(244,129)	(247,661)	--	(141,644)
Remeasurement reserve of defined benefit obligations	818	--	818	--	1,370	--
Fair value reserve for investments	--	41,539	41,539	37,780	--	35,109
TOTAL EQUITY	818	299,575	300,393	292,284	437	437
TOTAL LIABILITIES AND EQUITY	179,542	310,655	490,197	302,485	481,552	573,691

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32 Supplementary information (continued)

b) Statement of income

	For the year ended December 31, 2023		For the year ended December 31, 2022 (Restated)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Insurance revenue	315,646	--	315,686	--
Insurance service expenses	(285,347)	--	(373,170)	--
Net expenses from reinsurance contracts	(38,828)	--	(49,593)	--
Insurance service result from Company's directly written business	(8,529)	--	(107,077)	--
Share of surplus from insurance pools	12,258	--	23,778	--
Insurance service result	3,729	--	(83,299)	--
Commission income on FVTPL investments and Murabaha	1,017	5,804	281	3,557
Unrealized gain / (loss) on investments	--	8,705	--	(4,965)
Dividend Income	--	476	--	202
Net investment return	1,017	14,985	281	(1,206)
Net finance expense from insurance contracts	(7,886)	--	(1,321)	--
Net finance income from reinsurance contracts	3,379	--	1,018	--
Net insurance finance income / (expense)	(4,507)	--	(303)	--
Net insurance and investment result	239	14,985	(83,321)	(1,206)
Other income	4,918	--	--	--
Other operating expenses	(10,686)	(3,137)	(13,535)	(3,937)
Profit / (loss) for the year attributable to the shareholders before zakat and income tax, net of surplus	(5,529)	11,848	(96,856)	(5,143)
Shareholder absorption of loss	5,529	(5,529)	--	(96,856)
Profit for the year after shareholder absorption of appropriations before zakat	--	6,319	--	(101,999)
Zakat	--	(2,787)	--	(4,018)
Net profit / (loss) for the year attributable to the shareholders	--	3,532	--	(106,017)
Earnings / (loss) per share (Basic and diluted) (expressed in SR per share)		0.07		(2.12)



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32 Supplementary information (continued)

c) Statement of comprehensive income

	For the year ended December 31, 2023		For the year ended December 31, 2022 (Restated)			
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net profit / (loss) for the year attributable to the shareholders	--	3,532	3,532	--	(106,017)	(106,017)
Other comprehensive income						
Items that will not be reclassified to statement of income in subsequent years						
Net changes in fair value of investment measured at FVOCI – equity instruments	--	3,759	3,759	-	2,671	2,671
Remeasurement gain on defined benefit obligations	(552)	--	(552)	933	-	933
Total comprehensive income / (loss) for the year attributable to the shareholders	(552)	7,291	6,739	933	(103,346)	(102,413)



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32 Supplementary information (continued)

d) Statement of cash flows

	For the year ended December 31, 2023		For the year ended December 31, 2022 (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations Shareholders' operations	Total
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/ (loss) for the year attributable to the Shareholders before zakat and income tax, net of surplus	--	6,319	6,319	--	(101,999)
Adjustments for non-cash items:					
Depreciation of property and equipment	2,291	--	2,291	2,322	2,322
Amortization of intangible assets	1,472	--	1,472	1,198	1,198
Amortization of right-of-use asset	1,046	--	1,046	1,028	1,028
Finance cost over lease liability	79	--	79	--	--
Net (gain) / loss on financial assets at FVTPL	--	(8,705)	(8,705)	--	4,965
Commission income on FVTPL investments and Murabaha	(1,017)	(5,804)	(6,821)	(281)	(3,838)
Provision for employee benefits obligations	1,795	--	1,795	2,199	2,199
Dividend income	--	(476)	(476)	--	(202)
Expected credit loss adjustment	(208)	--	(208)	59	20
	5,458	(8,666)	(3,208)	6,525	(94,268)
<u>Changes in operating assets and liabilities:</u>					
Prepaid expenses and other assets	17,344	(2,286)	15,058	(35,828)	(36,341)
Accrued expenses and other liabilities	(2,985)	2,543	(442)	4,104	3,896
Due to / (from) shareholders' operations	28,737	(28,737)	--	2,526	--
Insurance contracts liabilities	(12)	--	(12)	4,982	4,982
Reinsurance contract assets	12,210	--	12,210	24,663	24,663
	60,752	(37,146)	23,606	6,972	(97,068)
Zakat and income tax paid	--	(4,050)	(4,050)	--	(2,069)
Payment of employee benefits obligation	(2,814)	--	(2,814)	(1,761)	(1,761)
Net cash generated from operating activities	57,938	(41,196)	16,742	5,211	(100,898)



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32 Supplementary information (continued)

d) Statement of cash flows (continued)

	For the year ended December 31, 2023		For the year ended December 31, 2022 (Restated)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
				Total
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property and equipment	(326)	--	(4,701)	(4,701)
Additions to intangible asset	(132)	--	(5,025)	(5,025)
(Addition) / maturity in Murabaha deposits	(47,756)	35,000	(15,180)	(140,180)
Addition of Sukuks	--	--	--	(3,000)
Commission income on FVTPL investments and Murabaha	1,017	5,804	281	3,838
Dividend income	--	476	--	202
Net cash used in investing activities	(47,197)	41,280	(24,625)	(148,866)
CASH FLOW FROM FINANCING ACTIVITIES				
Lease rental paid	(1,514)	--	(1,197)	(1,197)
Net cash generated from financing activities	(1,514)	--	(1,197)	--
Net change in cash and cash equivalents	9,227	84	(20,611)	(250,961)
Cash and cash equivalents at the beginning of the year	4,361	790	24,972	231,140
Cash and cash equivalents at the end of the year	13,588	874	4,361	5,151
SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION				
Net changes in fair value of investment measured at FVOCI	--	3,759	--	2,671
Remeasurement gain on defined benefit obligations	(552)	--	933	933
adjusted against accrued expenses and other liabilities	5,926	--	--	--
Addition of lease				





GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements

December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

33 Gross Written Premium

Details relating to gross written premium are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17

Breakdown of GWP	Medical	Motor	Property & casualty	Total
Retail	--	188,169	752	188,921
Small	1,995	5,348	2,806	10,149
Medium	6,414	16,469	9,519	32,402
Corporate	34,333	29,135	35,699	99,167
Total	42,742	239,121	48,776	330,639

Breakdown of GWP	Medical	Motor	Property & casualty	Total
Retail	--	62,482	739	63,221
Small	2,853	11,335	6,782	20,970
Medium	5,004	45,987	10,430	61,421
Corporate	52,186	135,091	40,404	227,681
Total	60,043	254,895	58,355	373,293

34 Net Written Premium

Details relating to net written premium are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17.

Item	Medical	Motor	Property & casualty	Total
Gross written premium	42,742	239,121	48,776	330,639
Reinsurance premium ceded – globally (including excess of loss)	(3,070)	(27,481)	(34,720)	(65,271)
Reinsurance premium ceded – locally (including excess of loss)	(502)	(670)	(5,468)	(6,640)
Net written premium - total	39,170	210,970	8,588	258,728

**GULF GENERAL COOPERATIVE INSURANCE COMPANY****(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2023**

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 Net Written Premium (continued)

Item	Medical	Motor	Property & casualty	Total
Gross written premium	60,043	254,895	58,355	373,293
Reinsurance premium ceded – globally (including excess of loss)	(8,356)	(28,703)	(42,919)	(79,978)
Reinsurance premium ceded – locally (including excess of loss)	(240)	(2,992)	(4,808)	(8,040)
Net written premium - total	51,447	223,200	10,628	285,275

35 Operating segments

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of income. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2022 except for the extended warranty products which is now part of the accident & liability line. Of business.

Segment assets do not include cash and cash equivalents, term deposits, investments, prepaid expenses and other assets, property and equipment, intangible assets, statutory deposit and accrued income on statutory deposit. Accordingly, these are included in unallocated assets.

Segment liabilities do not include accrued expenses and other liabilities, zakat and income tax payable, and accrued income on statutory deposit payable to SAMA. Accordingly, these are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to CODM under related segments and are monitored on a centralized basis. For management reporting purposes, the Company is organised into business units on the basis of products and services offered by the Company.



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements

December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

35 Operating segments (continued)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2023 and December 31, 2022, its total revenues, expenses, and net income for the years then ended, are as follows::

For the year ended December 31, 2023

	Medical	Motor - Comp	Motor - TPL	Property	Engineering	Marine	Accident and liability	Total
Insurance revenue	39,982	181,408	40,638	22,511	5,184	15,563	10,360	315,646
Insurance service expenses	(41,723)	(173,964)	(49,183)	(8,629)	(2,666)	(5,766)	(3,416)	(285,347)
Net expenses from reinsurance contracts	(1,179)	(3,430)	641	(16,012)	(3,623)	(10,483)	(4,742)	(38,828)
Insurance service result from Company's directly written business	(2,920)	4,014	(7,904)	(2,130)	(1,105)	(686)	2,202	(8,529)
Share of surplus from insurance pools								12,258
Insurance service result	(2,920)	4,014	(7,904)	(2,130)	(1,105)	(686)	2,202	3,729
Net gains on investments measured at FVTPL								8,705
Commission income from financial assets not measured at FVTPL and Murabaha								6,821
Dividend income								476
Net investment return								16,002
Net finance (expense) / income from insurance contracts	(2,610)	928	(1,778)	(2,373)	(195)	(499)	(1,359)	(7,886)
Net finance income / (expense) from reinsurance contracts	241	(15)	231	1,859	131	358	574	3,379
Net insurance finance (expense) / income	(2,369)	913	(1,547)	(514)	(64)	(141)	(785)	(4,507)
Net insurance and investment result								15,224
Other income								4,918
Other operating expenses								(13,823)
Profit for the year attributable to the shareholders before zakat and income tax								6,319
Zakat								(2,787)
Net profit for the year attributable to the shareholders								3,532

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

35 Operating segments (continued)

For the year ended December 31, 2022	Medical	Motor - Comp	Motor - TPL	Property	Engineering	Marine	Accident and liability	Total
Insurance revenue	50,517	168,855	39,172	29,352	2,623	14,863	10,304	315,686
Insurance service expenses	(69,541)	(255,745)	(24,051)	(18,332)	(1,146)	(1,948)	(2,407)	(373,170)
Net expenses from reinsurance contracts	(5,160)	(1,591)	(8,459)	(15,224)	(2,474)	(11,102)	(5,583)	(49,593)
Insurance service result from Company's directly written business	(24,184)	(88,481)	6,662	(4,204)	(997)	1,813	2,314	(107,077)
Share of surplus from insurance pools								23,778
Insurance service result	(24,184)	(88,481)	6,662	(4,204)	(997)	1,813	2,314	(83,299)
Net loss on investments measured at FVTPL								(4,965)
Interest income from financial assets not measured at FVTPL								3,838
Dividend income								202
Net investment return								(925)
Net finance income from insurance contracts	(191)	(1,455)	217	(40)	(21)	(27)	196	(1,321)
Net finance (expense) / income from reinsurance contracts	41	(89)	909	(44)	16	100	85	1,018
Net insurance finance income	(150)	(1,544)	1,126	(84)	(5)	73	281	(303)
Net insurance and investment result								(84,527)
Other income								--
Other operating expenses								(17,472)
Loss for the year attributable to the shareholders before zakat and income tax								(101,999)
Zakat								(4,018)
Net loss for the year attributable to the shareholders								(106,017)





GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements

December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

35 Operating segments (continued)

As at December 31, 2023

	Medical	Motor- Third party liability	Motor- Compreh ensive	Property	Engineering	Marine	Accident & liability	Total
Assets								
Reinsurance contract assets	2,488	12,041	7,087	12,388	2,886	2,331	5,362	44,583
Unallocated assets								445,614
Total assets								490,197
Liabilities								
Insurance contract liabilities	32,427	66,957	27,715	14,740	3,030	3,382	12,512	160,763
Unallocated liabilities								29,041
Total liabilities								189,804

As at December 31, 2022

	Medical	Motor- Third party liability	Motor- Compreh ensive	Property	Engineering	Marine	Accident & liability	Total
Assets								
Reinsurance contract assets	5,298	1,359	13,351	17,808	3,556	6,826	8,595	56,793
Unallocated assets								424,759
Total assets								481,552
Liabilities								
Insurance contract liabilities	43,065	73,979	12,142	10,524	3,332	4,941	12,792	160,775
Unallocated liabilities								27,123
Total liabilities	43,065	73,979	12,142	10,524	3,332	4,941	12,777	187,898

36 Subsequent events

Subsequent to year end, the Company has announced the results of the Extraordinary General meeting held on March 19, 2024 corresponding to 9 Ramadan 1445H which approved the Board recommendation for decrease in the share capital of the Company by SR 200 million. The reduction in the share capital would be set off against the accumulated losses of the Company.

Subsequent to the year end, the Company has announced on March 19, 2024 corresponding to 9 Ramadan 1445H, the Board recommendation for increase in the share capital by SR 300 million.

37 Approval of the financial statements

These financial statements have been approved by the Board of Directors on March 14, 2024 corresponding to 4 Ramadan 1445H.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2024**



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL STATEMENTS
As at 30 June 2024

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Independent auditors' report on review of condensed interim financial statements

To the shareholders of Gulf General Cooperative Insurance Company – A Joint Stock Company

Introduction

We have reviewed the accompanying 30 June 2024 condensed interim financial statements of Gulf General Cooperative Insurance Company ("the Company") which comprises:

- the condensed statement of financial position as at 30 June 2024;
- the condensed interim statement of profit or loss for the three-month and six-month periods ended 30 June 2024;
- the condensed interim statement of other comprehensive income for the three-month and six-month periods ended 30 June 2024;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2024;
- the condensed interim statement of cash flow for the six-month period ended 30 June 2024; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of the condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2024 of Gulf General Cooperative Insurance Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



Al Kharashi & Co. Certified
Accountants and Auditors

Abdullah Al Msned
License No. 456

Jeddah, Kingdom of Saudi Arabia
Date: 11 August 2024
Corresponding to 7 Sa'far 1446H



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GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and cash equivalents	4	9,805	14,462
Murabaha deposit	5	234,317	152,926
Financial assets at fair value through profit or loss ("FVTPL")	6.1	54,643	53,572
Financial assets at fair value through other comprehensive income ("FVOCI")	6.2	43,462	43,462
Prepaid expenses and other assets	7	18,186	35,661
Reinsurance contract assets	9.1	30,994	44,583
Insurance contract asset	9.1	14,069	--
Property and equipment		12,418	13,532
Intangible assets		11,374	12,113
Goodwill		36,260	36,260
Right of use asset		4,813	5,407
Statutory deposit	8	44,986	74,986
Accrued income on statutory deposit		4,949	3,233
TOTAL ASSETS		520,276	490,197
LIABILITIES AND EQUITY			
LIABILITIES			
Accrued expenses and other liabilities		9,708	14,123
Insurance contract liabilities	9.1	208,498	160,763
Employees' defined benefit obligations		4,453	4,194
Zakat payable	12.1	1,269	2,973
Lease liabilities		4,417	4,518
Accrued income on statutory deposit		4,949	3,233
TOTAL LIABILITIES		233,294	189,804
SHAREHOLDERS' EQUITY			
Share capital	13	300,000	500,000
Statutory reserve		2,165	2,165
Accumulated losses		(57,540)	(244,129)
Fair value reserve for investment		41,539	41,539
Re-measurement reserve of defined benefit obligations		818	818
TOTAL EQUITY		286,982	300,393
TOTAL LIABILITIES AND EQUITY		520,276	490,197
COMMITMENTS AND CONTINGENCIES			
	21	300	300


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2024
(All amounts in Saudi Riyal thousands unless otherwise stated)

	Note	Three-month periods ended 30 June		Six-month periods ended 30 June	
		2024	2023	2024	2023
REVENUES					
Insurance revenue	14	105,127	75,772	192,895	163,454
Insurance service expenses	14	(99,578)	(87,848)	(188,120)	(161,065)
Net expenses from reinsurance contracts	14	(11,823)	(5,373)	(17,486)	(17,001)
Insurance service result from Company's directly written business		(6,274)	(17,449)	(12,711)	(14,612)
Share of surplus from insurance pools		127	9,708	1,363	13,200
Total insurance service results		(6,147)	(7,741)	(11,348)	(1,412)
Net (losses) / gains on investments measured at FVTPL		(1,477)	2,787	230	4,802
Commission income on financial asset not measured at FVTPL and Murabaha		3,312	1,905	5,822	3,684
Dividend income		161	294	203	297
Investment return		1,996	4,986	6,255	8,783
Net finance expenses from insurance contracts	15	(151)	(7,799)	(809)	(6,896)
Net finance income from reinsurance contracts	15	309	5,298	512	3,024
Net insurance finance expense		158	(2,501)	(297)	(3,872)
Net insurance and investment result		(3,993)	(5,256)	(5,390)	3,499
Operating expense		(2,479)	(834)	(5,004)	(4,616)
Net loss for the period before zakat		(6,472)	(6,090)	(10,394)	(1,117)
Zakat	12.1	(1,200)	(900)	(3,017)	(1,800)
NET LOSS FOR THE PERIOD		(7,672)	(6,990)	(13,411)	(2,917)
Loss per share (expressed in SAR per share) - Restated	17	(0.26)	(0.23)	(0.45)	(0.10)


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

	Three-month periods ended		Six-month periods ended	
	30 June		30 June	
	2024	2023	2024	2023
NET LOSS FOR THE PERIOD	(7,672)	(6,990)	(13,411)	(2,917)
Other comprehensive income	--	--	--	--
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(7,672)	(6,990)	(13,411)	(2,917)



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the six-month period ended 30 June 2024
(All amounts in Saudi Riyal thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Accumulated losses	Fair value reserve on investments	Re-measurement reserve of defined benefit obligations	Total
Balance as at 1 January 2023 (audited)		508,000	2,165	(245,632)	37,780	1,370	295,683
Total comprehensive income							
Loss for the period		--	--	(2,917)	--	--	(2,917)
Other comprehensive income for the period		--	--	--	--	--	--
Total comprehensive loss for the period		--	--	(2,917)	--	--	(2,917)
Balance as at 30 June 2023 (Unaudited)		508,000	2,165	(248,549)	37,780	1,370	292,766
Balance as at 1 January 2024 (Audited)		508,000	2,165	(244,129)	41,539	818	308,293
Total comprehensive income:							
Loss for the period		--	--	(13,411)	--	--	(13,411)
Other comprehensive income for the period		--	--	--	--	--	--
Total comprehensive loss for the period		--	--	(13,411)	--	--	(13,411)
Transaction with owners of the Company							
Reduction in share capital to absorb losses (note 13)		(200,000)	--	200,000	--	--	--
Balance at 30 June 2024 (Unaudited)		308,000	2,165	(57,540)	41,539	818	296,982

Director

Chief Financial Officer

Chief Executive Officer

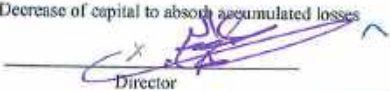
The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED)
For the six-month periods ended 30 June 2024
(All amounts in Saudi Riyal thousands unless otherwise stated)

		30 June 2024	30 June 2023
	Notes		
CASHFLOWS FROM OPERATING ACTIVITIES			
Total loss for the period before zakat		(10,394)	(1,117)
<u>Adjustments for non-cash items:</u>			
Depreciation		1,139	1,148
Amortization of intangible assets		739	733
Amortization of right-of-use assets		594	539
Finance cost on lease liability		98	41
Net gain on financial assets at FVTPL		(230)	(4,802)
Employee defined benefit obligation		716	499
Commission income on FVTPL investments and Murabaha		(5,822)	(3,684)
Dividend income		(203)	(297)
		(13,363)	(6,940)
<u>Changes in operating assets and liabilities:</u>			
Insurance contract liability		47,735	6,894
Insurance contract asset		(14,069)	--
Reinsurance contract asset		13,589	9,237
Prepaid and other assets		17,475	2,796
Accrued expenses and other liabilities		(4,415)	(18,677)
Cash generated from / (used in) operating activities		46,952	(6,690)
Zakat paid	12	(4,721)	(4,050)
End of service payments		(457)	(2,142)
Net cash generated from / (used in) operating activities		41,774	(12,882)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(25)	(66)
Addition of investments		(841)	--
Commission income on FVTPL investments and Murabaha		5,822	3,684
Dividend income		203	297
(Increase) / maturity of Murabaha deposits		(81,391)	20,000
Net cash (used in) / generated from investing activities		(76,232)	23,915
CASHFLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(199)	(19)
Release of statutory deposit		30,000	--
Net cash used in financing activities		29,801	(19)
Net increase in cash and cash equivalents		(4,657)	11,014
Cash and cash equivalents at the beginning of the period		14,462	5,152
Cash and cash equivalents at the end of the period	4	9,805	16,166

NON-CASH TRANSACTIONS:

Decrease of capital to absorb accumulated losses	13	(200,000)	--
 Director		 Chief Executive Officer	
 Chief Financial Officer			

The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

1. General

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company
Al Gheithy Plaza, Second Floor,
Ameer Al Shoura'a Street
Jeddah, Kingdom of Saudi Arabia

The Company also has the following branches, which are operating under separate commercial registrations:

Branch	Commercial Registration No.	Date of Registration
Jeddah	4030376633	12 Jumada Al Khira 1441H (Corresponding to 6 February 2020)
Riyadh	1010316823	29 Shawwal 1432H (corresponding to 27 September 2011)
Al Khobar	2051046836	19 Dhul Qa'dah 1432H (corresponding to 17 October 2011)

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24 Safar 1431H (corresponding to 8 February 2010). From 23 November 2023 the Insurance Authority (IA) became the authorized regulator of the insurance industry in Saudi Arabia, however, laws and regulations issued previously by SAMA related to the insurance sector will remain in effect until further instructions are issued by the IA. IA, as the principal authority responsible for the application and administration of the Insurance Law and its Insurance Implementing Regulations. The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident & liability, marine, property and engineering.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations	10%
	<u>100%</u>

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full. In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors. The new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to 30 September 2022) (hereinafter referred as "the New Law") came into force on 26/06/1444 H (corresponding to 19 January 2023) as well as the amended implementing regulations issued by the Capital Market Authority (CMA) based on the New Law. For certain provisions of the New Law and the amended CMA implementing regulations, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Law and will amend its By-laws with the amendments in the provisions required to align with the provisions of the New Law and the amended CMA implementing regulations, and with any other amendments that may take advantage of the New Law and the amended CMA implementing regulations. Consequently, the Company shall present the amended By-laws, within the timeframe allowed, to the shareholders in its Extraordinary General Assembly meeting for their ratification.

1.2 Portfolio transfer

On 19 May 2012, the Company entered into an agreement with Saudi General Insurance Company E.C. ("SGI") and Gulf Cooperation Insurance Company Ltd. E.C. ("GCI") (the "Sellers") pursuant to which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009, at a goodwill amount of SR 36.26 million, as approved by SAMA, along with the related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and are also subject to SAMA approval. In December 2013, consequent to SAMA's approval, a sum of SR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Further, SAMA's approved additional payment of SR 5.37 million to the Sellers relating to 2012 profits, which was transferred to amount due to related parties, as at 31 December 2013, and settled in 2014. Further, during the year ended 31 December 2014, consequent to SAMA's approval, dated 28 Shawwal 1435H (corresponding to 24 August 2014), a payment of SR 2.96 million was made to the Sellers in respect of goodwill, out of 2013 profits. During the year ended 31 December 2015, consequent to SAMA's approval, dated 3 Rajab 1436H (corresponding to April 22, 2015), a final payment of SR 9.80 million was made to the Sellers in respect of goodwill, out of 2014 profits.



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(All amounts in Saudi Riyal thousands unless otherwise stated)

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts.

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

The condensed interim financial statements may not be considered indicative of the expected results for the full year.

(b) Basis of measurement

The condensed interim financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value and defined benefits obligations, which are recognised at the present value of future obligation using Projected Unit Credit Method. The Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, investments, statutory deposit and accident and liability and engineering related insurance and reinsurance contracts, all other assets and liabilities are of short-term nature, unless, stated otherwise. The current and non-current classification of the assets and liabilities have not changed since the year ended 31 December 2023.

(c) Functional and presentation currency

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

(d) Basis of presentation

The condensed interim financial statements do not include all of the information required for complete set of annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2023. In addition, results for the interim three-month and six-month period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

(e) Seasonality of operations

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

(f) Going concern

The Company's management has made an assessment of its ability to continue as a going concern, although the Company's has losses of SR 13.4 million for the period ended 30 June 2024, however the management is satisfied that it has the resources to continue its business for the foreseeable future, specially the Company has achieved positive operating cash flows during the period of SR 41 million and having sufficient liquidity position which reached to 118%.

The management of the Company has prepared and implemented a business plan for future prospects of the Company with approval by the Board of Directors and has undertaken strategic initiatives to address the accumulated losses which reached to SR 57.4 million as at 30 June 2024 which represents 19% of its share capital. The steps being taken by the management to improve performance included operational measures to enhance claims management; manage cost rationalization through expense control and reducing discretionary spending, and work toward improve the portfolio mix by focusing on more profitable lines of business and products. Company has also put in place measures such as actuarial pricing tools and periodic business reviews to support better business decisions.



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2 Basis of preparation (continued)

(f) Going Concern (continued)

Moreover, and as part of the efforts to reduce the accumulated losses, the Company has obtained the approval from the Capital Market Authority on 9 November 2023 and Company's General Assembly in its extra ordinary meeting held on 19 March 2024 to reduce its share capital by SR 200 million to absorb part of the Company's accumulated losses with the same amount. Moreover, the Board of Directors approved in its meeting held on 18 March 2024 the capital increase of an amount of SR 300 million through right issue, and it is still in the process of getting the regulatory approvals. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Based on the above measures taken by the management, along with positive operating cashflows, and existing cash and cash equivalents and other liquid assets, the management and those charged with governance remain confident that going concern assumption is valid. Furthermore, the management does not have any intention to liquidate the Company or to cease the operations in the near future. Based on the above these condensed interim financial statements have been prepared on a going concern basis.

3. Material accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's annual financial statement as at and for the year ended 31 December 2023, except for the adoption of new and revised standards disclosed below (note 3.1) which become effective as of 1 January 2024, the Company has not adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

A number of other amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after 1 January 2024. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments which are described below, further they did not have a material effect on the Company's financial statements:

<u>Interpretation</u>	<u>Description</u>
IAS 1	Non – current liability with covenants - Amendment to IAS 1 and classification of liabilities as current or non-current - Amendment to IAS 1
IFRS 16	Lease liability in a sale or leaseback – Amendment to IFRS 16
IAS 7 and IFRS 7	Supplier finance arrangements – Amendment to IAS 7 and IFRS 7

Certain new interpretations issued but not yet effective up to the date of issuance of the Company's condensed interim financial statements are listed below. The listing is of interpretations issued, which the Company reasonably expects to be applicable at a future date. Management is in the process of assessing the impact of such new interpretations on its financial statements. The Company intends to adopt these interpretations when they are effective.

<u>Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 21	Lack of exchangeability	1 January 2025
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

3.2 Critical accounting judgments, estimates and assumptions.

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2023.



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4 Cash and cash equivalents

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Insurance operations		
Cash in hand	10	17
Cash at bank	9,806	14,456
Expected credit loss ("ECL")	(11)	(11)
	<u>9,805</u>	<u>14,462</u>

The bank balances and deposits are with banks, registered in Saudi Arabia and are denominated in Saudi Riyals.

The gross carrying amount of financial assets measured at amortised cost represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Global ratings' of AAA to BBB, whereas non-investment grade represents un-rated exposures. The Company's exposures to credit risk are not collateralized.

5 Murabaha deposit

Murabaha deposits comprises the following:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Murabaha deposits	230,449	149,449
Accrued income	3,905	3,498
Expected credit loss ("ECL")	(37)	(21)
	<u>234,317</u>	<u>152,926</u>

5.1 Murabaha deposits with original maturity exceeding 3 months are placed with commercial banks registered in Saudi Arabia and yield income at rates of 5.52% to 6.1% per annum (31 December 2023: 5.4% to 6.1% per annum). The gross carrying amount of Murabaha deposits represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Global ratings of A to BBB. The Company's exposures to credit risk are not collateralized.

6 Investments

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance at beginning of the period / year	53,572	44,867
Addition during the period / year	841	--
Unrealised gain during the period / year	230	8,705
Balance at end of the period / year	<u>54,643</u>	<u>53,572</u>

6.1 Investments held as fair value through profit or loss

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Equity securities	16,808	16,800
Mutual funds	32,835	31,772
Sukuks (6.1.1)	5,000	5,000
	<u>54,643</u>	<u>53,572</u>



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6 Investments (continued)

6.1 Investments held as fair value through profit or loss (continued)

6.1.1 Investment in Tier-1 sukuks:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Saudi Fransi Bank Sukuks	2,000	2,000
Al Rajhi Bank – Sukuks	3,000	3,000
	<u>5,000</u>	<u>5,000</u>

These represents the Company's investment in Banque Saudi Fransi and AlRajhi Tier 1 Sukuks. These represent 2 Sukuks at a face value of SR 5 million with a coupon rate of 4.50% and 5.5% per annum. These Sukuks have a maturity duration of 5 years commencing from 3 November 2020. The Company has earned commission income of SR 0.12 million during the period (30 June 2023: SR 0.13 million). The profit distribution on these sukuks is at the discretion of the issuer therefore these sukuks classified as FVTPL.

The investments are denominated in Saudi Arabian Riyals and US Dollars. All investments held at fair value through income statement are quoted. The portfolio is invested in securities, mutual funds and Sukuks issued by corporates and financial institutions in the Kingdom of Saudi Arabia.

6.2 Investments held at FVOCI

This represents the Company's 3.45% (31 December 2023: 3.45%) holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at fair value. The Company's management believe the fair value does not significantly changed than December 31, 2023.

7 Prepaid expenses and other assets

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Prepayment	9,084	16,802
Due from Tawuniya for pool deals	1,236	12,165
Due from travel and covid-19 products	4,294	4,294
Staff receivables	694	462
Bank guarantee	300	300
Other	2,667	1,919
	<u>18,275</u>	<u>35,942</u>
Expected credit loss ("ECL")	(89)	(281)
	<u>18,186</u>	<u>35,661</u>

8 Statutory Deposit

During the period, the Company has obtained a no objection certificate ("NOC") from SAMA dated 9 May 2024 with regards to release of SR 30 million of the statutory deposit, from the bank designated by SAMA. The release was done on account of reduction in the share capital of the Company by SR 500 million to SR 300 million based on extra ordinary meeting dated 19 March 2024. The statutory deposit as at 30 June 2024 amounted to SR 45 million which is equivalent to 15% of the share capital of the Company which is in compliance with Article 58 of the "Executive Regulations of the Cooperative Insurance Companies Control Law".



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9 Insurance and reinsurance contracts

9.1 Composition of statement of financial position

An analysis of the amounts presented on the balance sheet for insurance contracts and reinsurance contracts has been included in the table below along with the presentation of current and non-current portion of balances:

	Medical	Motor-TPL	Motor-Comp	Property	Engineering	Marine	Accident & liability	Total
As at 30 June 2024 (Unaudited)								
Insurance Contracts								
Insurance contract assets	--	--	(14,069)	--	--	--	--	(14,069)
Insurance contract liabilities	<u>25,319</u>	<u>159,293</u>	<u>--</u>	<u>4,194</u>	<u>3,078</u>	<u>3,186</u>	<u>13,428</u>	<u>208,498</u>
	<u>25,319</u>	<u>159,293</u>	<u>(14,069)</u>	<u>4,194</u>	<u>3,078</u>	<u>3,186</u>	<u>13,428</u>	<u>194,429</u>
Reinsurance contracts								
Reinsurance contract assets	<u>440</u>	<u>9,820</u>	<u>5,869</u>	<u>6,525</u>	<u>1,359</u>	<u>631</u>	<u>6,350</u>	<u>30,994</u>
Reinsurance contract liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>440</u>	<u>9,820</u>	<u>5,869</u>	<u>6,525</u>	<u>1,359</u>	<u>631</u>	<u>6,350</u>	<u>30,994</u>
As at 31 December 2023 (Audited)								
Insurance Contracts								
Insurance contract assets	--	--	--	--	--	--	--	--
Insurance contract liabilities	<u>32,427</u>	<u>66,957</u>	<u>27,715</u>	<u>14,740</u>	<u>3,030</u>	<u>3,382</u>	<u>12,512</u>	<u>160,763</u>
	<u>32,427</u>	<u>66,957</u>	<u>27,715</u>	<u>14,740</u>	<u>3,030</u>	<u>3,382</u>	<u>12,512</u>	<u>160,763</u>
Reinsurance contracts								
Reinsurance contract assets	<u>2,488</u>	<u>12,041</u>	<u>7,087</u>	<u>12,388</u>	<u>2,886</u>	<u>2,331</u>	<u>5,362</u>	<u>44,583</u>
Reinsurance contract liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>2,488</u>	<u>12,041</u>	<u>7,087</u>	<u>12,388</u>	<u>2,886</u>	<u>2,331</u>	<u>5,362</u>	<u>44,583</u>



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9 Insurance and reinsurance contracts (continued)

9.2 Analysis by remaining coverage and incurred claims

9.2.1 Insurance contracts:

	As at 30 June 2024 (Unaudited)				
	Liability for remaining coverage	Liability for incurred claims			Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts					
Insurance contract liabilities - opening	109,546	6,981	41,709	2,527	160,763
Insurance contract assets – opening	--	--	--	--	--
Opening balance – net (audited)	109,546	6,981	41,709	2,527	160,763
Insurance revenue	(192,895)	--	--	--	(192,895)
Insurance service expenses					
Incurred claims and other directly attributable expenses	--	--	107,156	881	108,037
Onerous contracts recognized	--	--	--	--	--
Changes that relate to past service - adjustments to the LIC	--	--	52,117	(1,309)	50,808
Reversal of losses on onerous contracts	--	(2,278)	--	--	(2,278)
Insurance acquisition cashflows amortisation	31,553	--	--	--	31,553
Insurance service expenses	31,553	(2,278)	159,273	(428)	188,120
Finance expense from insurance contracts	--	--	809	--	809
Total changes in the statement of income	(161,342)	(2,278)	160,082	(428)	(3,966)
Cashflows					
Premiums received	230,612	--	--	--	230,613
Other charges	--	--	--	--	--
Claims and other directly attributable expenses paid	--	--	(159,130)	--	(159,130)
Insurance acquisition cashflows paid	(33,850)	--	--	--	(33,850)
Total cash inflows / (outflows)	196,762	--	(159,130)	--	37,633
Insurance contracts					
Insurance contract liabilities – closing	148,108	4,703	53,503	2,184	208,498
Insurance contract assets – closing	(3,142)	--	(10,842)	(85)	(14,069)
Closing balance – net (Unaudited)	144,966	4,703	42,661	2,099	194,429



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9 Insurance and reinsurance contracts (continued)

9.2 Analysis by remaining coverage and incurred claims (continued)

9.2.1 Insurance contracts (continued):

	As at 31 December 2023 (Audited)				Total
	Liability for remaining coverage	Liability for incurred claims			
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts					
Insurance contract liabilities – opening	32,873	22,408	101,346	4,148	160,775
Insurance contract assets – opening	--	--	--	--	--
Opening balance – net	32,873	22,408	101,346	4,148	160,775
Insurance revenue	(315,646)	--	--	--	(315,646)
Insurance service expenses					
Incurred claims and other directly attributable expenses	--	--	188,846	1,766	190,612
Onerous contracts recognized	--	--	--	--	--
Changes that relate to past service - adjustments to the LIC	--	--	68,788	(3,387)	65,401
Reversal of losses on onerous contracts	--	(15,427)	--	--	(15,427)
Insurance acquisition cashflows amortisation	44,761	--	--	--	44,761
Insurance service expenses	44,761	(15,427)	257,634	(1,621)	285,347
Finance expense from insurance contracts	--	--	7,886	--	7,886
Total changes in the statement of income	(270,885)	(15,427)	265,520	(1,621)	(22,413)
Cashflows					
Premiums received	395,970	--	--	--	395,970
Other charges	--	--	--	--	--
Claims and other directly attributable expenses paid	--	--	(325,157)	--	(325,157)
Insurance acquisition cashflows paid	(48,412)	--	--	--	(48,412)
Total cash inflows / (outflows)	347,558	--	(325,157)	--	22,401
Insurance contracts					
Insurance contract liabilities – closing	109,546	6,981	41,709	2,527	160,763
Insurance contract assets – closing	--	--	--	--	--
Closing balance – net	109,546	6,981	41,709	2,527	160,763



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9 Insurance and reinsurance contracts (continued)

9.2 Analysis by remaining coverage and incurred claims (continued)

9.2.2 Reinsurance contracts held:

	As at 30 June 2024				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding recovery component	Recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts					
Reinsurance contract assets – opening	18,334	1,187	23,979	1,083	44,583
Reinsurance contract liabilities – opening	--	--	--	--	--
Opening balance – net	18,334	1,187	23,979	1,083	44,583
Reinsurance premium earned	(23,569)	--	--	--	(23,569)
Reinsurance service expenses					
Claims recovered and other directly attributable expenses	--	--	1,050	75	1,125
Changes that relate to past service - adjustments to the LIC	--	--	6,399	(607)	5,792
Effect of changes in the risk of reinsurers non-performance	--	--	--	--	--
Reversal of loss component	--	(834)	--	--	(834)
Reinsurance acquisition cashflows amortisation	--	--	--	--	--
Reinsurance service expenses - net	--	(834)	7,449	(532)	6,083
Finance income from reinsurance contracts	--	--	512	--	512
Total changes in the statement of income	(23,569)	(834)	7,961	(532)	(16,974)
Cashflows					
Premiums ceded and acquisition cashflows paid	6,626	--	--	--	6,626
Recoveries from reinsurance	--	--	(3,241)	--	(3,241)
Total cash (outflows) / inflows	6,626	--	(3,241)	--	3,385
Reinsurance contracts					
Reinsurance contract assets – closing	1,391	353	28,699	551	30,994
Reinsurance contract liabilities - closing	--	--	--	--	--
Closing balance – net (Unaudited)	1,391	353	28,699	551	30,994



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9 Insurance and reinsurance contracts (continued)

9.2 Analysis by remaining coverage and incurred claims (continued)

9.2.2 Reinsurance contracts held (continued):

	As at 31 December 2023 (Audited)				
	Asset for remaining coverage		Asset for incurred Claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts					
Reinsurance contract assets - opening	19,560	2,857	33,023	1,353	56,793
Reinsurance contract liabilities - opening	--	--	--	--	--
Opening balance – net	19,560	2,857	33,023	1,353	56,793
Reinsurance premium earned	(64,012)	--	--	--	(64,012)
Reinsurance service expenses					
Claims recovered and other directly attributable expenses	--	--	37,672	(270)	37,402
Changes that relate to past service - adjustments to the LIC	--		(10,548)	--	(10,548)
Reversal of recovery component	--	(1,670)	--	--	(1,670)
Effect of changes in the risk of reinsurers non-performance	--	--	--	--	--
Reinsurance acquisition cashflows amortisation	--	--	--	--	--
Reinsurance service expenses - net	--	(1,670)	27,124	(270)	25,184
Finance income from reinsurance contracts	--	--	3,379	--	3,379
Total changes in the statement of profit or loss	(64,012)	(1,670)	30,503	(270)	(35,449)
Cashflows					
Premiums ceded and acquisition cashflows paid	62,786	--	--	--	62,786
Recoveries from reinsurance	--	--	(39,547)	--	(39,547)
Total cash (outflows) / inflows	62,786	--	(39,547)	--	23,239
Reinsurance contracts					
Reinsurance contract assets – closing	18,334	1,187	23,979	1,083	44,583
Reinsurance contract liabilities - closing	--	--	--	--	--
Closing balance – net	18,334	1,187	23,979	1,083	44,583

10 Financial Risk Management

The Company generally has exposure to the financial risks, credit risk, liquidity risk, market risk and capital management. Generally, the Company's objectives, policies and processes for managing risk are the same as those disclosed in its financial statements for the year ended 31 December 2023.

Fair values of financial instruments

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

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

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



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10 Financial Risk Management (continued)

Fair values of financial instruments (continued)

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. The Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investee at the year end. There are no transfers between Level 1, Level 2 and Level 3 during the year.

The following table shows the carrying value and fair value of financial assets measured at fair value at 30 June 2024 and 31 December 2023:

			Fair value		
	Fair value through profit or loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Level 1	Level 2	Level 3
30 June 2024 (Unaudited)					
Financial assets measured at fair value					
Equity	16,808	43,462	16,808	--	43,462
Mutual funds	32,835	--	--	32,835	--
Sukuks	5,000	--	--	5,000	
	54,643	43,462	16,808	37,835	43,462

				Fair value		
	Fair value through profit or loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Level 1	Level 2	Level 3	
31 December 2023 (Audited)						
Financial assets measured at fair value						
Equity	16,800	43,462	16,800	--	43,462	
Mutual funds	31,772	--	--	31,772	--	
Sukuks	5,000	--	--	5,000	--	
	53,572	43,462	16,800	36,772	43,462	

The fair value of investments in mutual funds and sukuks at level 2 is based on the net asset values and value of similar quoted sukuks communicated by the fund manager. The fair value of investments in equity securities at level 1 is based on quoted prices that are available on Tadawul.

There were no transfers between levels during the six-months period ended 30 June 2024 and the year ended 31 December 2023. Further, there were no changes in the valuation techniques during the period from previous periods.



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10 Financial Risk Management (continued)

Fair values of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance at the beginning of the year	43,462	39,703
Fair value gain	--	3,759
Balance at the end of the year	43,462	43,462

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

	Fair value		Unobservable inputs		Range of inputs		Relationship of Unobservable input to Fair value
	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2024 (Unaudited)	31 December 2023 (Audited)	
Unquoted equity investment in Najm	43,462	43,462	Earnings growth factor	Earnings growth factor	6.9%	6.9%	Reducing the Earnings growth factor to 5%, would decrease the fair value by SR 0.8 million. (2023: Reducing the Earnings growth factor to 10%, would decrease the fair value by SR 0.8 million)
			WACC	WACC	16.5%	16.5%	Increasing the WACC by 100 basis points, would decrease the fair value by SR 1.2 million. (2023: SR 1.2 million)
			Terminal value growth rate	Terminal value growth rate	1.5%	1.5%	Reducing the terminal value growth rate to 0.5%, would decrease the fair value by SR 0.7 million. (2023: SR 0.7 million)

There were no significant inter-relationships between unobservable inputs that materially affect fair values.



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11 Related party transactions and balances

11.1 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and Companies of which they are principal owners and any other entities controlled, jointly controlled, or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the year and the related balances which offset from liabilities for remaining claims as part of the IFRS 17 requirements:

The significant transactions with related parties and the related amounts are as follows:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Transaction for the three months</u>		<u>Transaction for the six months</u>		<u>Balance receivable / (payable) as at</u>	
			<u>30 June 2024</u>	<u>30 June 2023</u>	<u>30 June 2024</u>	<u>30 June 2023</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
			(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Insurance operations								
Saudi General Insurance Company Ltd. E.C.	Shareholder	Expenses paid	--	--	--	--	(309)	(309)
Rolaco Group	Related to Shareholders	Premiums underwritten. Claims paid	495	12	521	49	6	7
			--	(6)	--	(8)	(12)	(5)
Dabbagh Group	Related to Shareholders	Premiums underwritten	520	471	1,162	3,320	1,844	1,734
			(221)	(1,611)	(462)	(3,414)	(1,980)	(1,790)
Raghaf Establishment	Related to Shareholders	Premiums underwritten. Claims paid	(1)	85	74	85	--	--
			(30)	(1)	(45)	(1)	(5)	(12)
Key Management Personnel	Shareholders	Short-term benefits	1,556	1,036	3,112	2,111	--	--
		Long-term benefits	65	47	130	92	(396)	(219)
Shareholders' operations								
Board of Directors	Board of Directors	remuneration and related expenses	450	450	900	300	2,700	1,800



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12 Zakat

12.1 Zakat Provision

Movements in the Zakat provision during the period ended 30 June 2024 and year ended 31 December 2023 are as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance as at beginning of the period / year	2,973	4,236
Provided during the period / year	3,017	2,787
Paid during the period / year	<u>(4,721)</u>	<u>(4,050)</u>
Balance as at end of the period / year	<u>1,269</u>	<u>2,973</u>

12.3 Status of assessments

The Company has filled its Zakat assessment returns for the years ended 31 December 2016, 2017, 2018, 2019, 2020, 2021 and 2022 and 2023 and has obtained the related zakat certificates.

Year ended 31 December 2010 to 2015

The Company has finalized its Zakat and WHT status for the period/years from 31 December 2010 to 2015.

Year ended 31 December 2016 to 2018

ZATCA issued the Zakat and WHT assessment for the years ended 31 December 2016 to 2018 and claimed additional Zakat and withholding tax liabilities (excluding delay fines) of SR 15.39 million. The Company settled the amount of SR 1.8 million related to the Zakat differences and objected against the remaining WHT differences.

ZATCA issued the revised assessment claiming the same WHT differences of SR 13.57 million. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD" through the General Secretariat of Zakat Tax and Custom Committees ("GSTC"). Accordingly, the hearing session was held on 29 August 2022. However, the committee rejected the objection in full. Accordingly, the company has escalated the case to the Appellate Committee for Resolution of Tax Violations and Disputes "ACRTVD". During November 2022, the company settled the principal WHT amount of SR 13.57 million to benefit from ZATCA's initiative. Hence, all the delay fines have been waived by ZATCA in relation to FY16 to FY18. The Company successfully convinced the "ACTVDR" to accept its point of view regarding the items mentioned in the appeal. On 31 October 2023, the ACTVDR has issued its final decision fully in the favour of the company, as such, the company has refunded the principle WHT paid amounting to SR 13.57 million.

Year ended 31 December 2019 to 2020

ZATCA issued the Zakat assessment for the years ended 31 December 2019 and 2020 and claimed additional Zakat liability of SR 1.39 million. The Company objected against the full assessment. ZATCA issued the revised assessment claiming the same Zakat differences. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD" through the General Secretariat of Tax Committees ("GSTC") and the committee has accepted only the deferred policy acquisition cost and the revised zakat liability is SR 0.92 million. Accordingly, the company has escalated the case to the Appellate Committee for Resolution of Tax Violations and Disputes "ACRTVD". On 23 November 2023, the ACTVDR has ruled its final decision in favour of ZATCA and rejected the Deferred Policy Acquisition Cost. Therefore, the Company is required to settle the Zakat due as per the decision amounting to SR 0.62 million for the year 2019. The amount was adjusted against the credit balance with ZATCA. With regards to tax year 2020, ACTVDR has ruled its final decision almost in favour of ZATCA with partial investment acceptance and rejecting Surplus Distribution Payable, Deferred Policy Acquisition Cost and Accumulated Losses. Therefore, the company is required to settle the Zakat due as per the decision amounting to SR 0.2 million.

Year ended 31 December 2021 to 2022

ZATCA has issued the Zakat assessments for the years ended 31 December 2021 and 2022 and claimed additional Zakat liability of SR 0.58 million and SR 0.91 million respectively. The Company is under an objection process at ZATCA level.

13 Share capital

The share capital of the Company is SR 300 million divided into 30 million shares of SR 10 each (31 December 2023: 50 million shares of SR 10 each). The shareholding structure of the Company is as below.



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13 Share capital (Continued)

	30 June 2024 (Unaudited)		31 December 2023 (Audited)	
	Percentage of Holding	Amount SR '000	Percentage of Holding	Percentage of Holding
Founding shareholders	12%	36,000	12%	60,000
General public	88%	264,000	88%	440,000
	100%	300,000	100%	500,000

During the period, the Company has announced the results of the Extraordinary General meeting held on 19 March 2024 corresponding to 9 Ramadan 1445H which approved the Board recommendation for decrease in the share capital of the Company by SR 200 million. The reduction in the share capital set off against the accumulated losses of the Company.

14 Insurance revenue and expenses

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for 30 June 2024 and 30 June 2023 is included in following tables. Additional information on amounts recognized in statement of income is included in the insurance contract balances reconciliation.

for the six-months period ended	Medical	Motor-Comp	Motor-TPL	Property	Engineering	Marine	Accident & liability	Total
30 June 2024 (Unaudited)								
Insurance revenue from contracts measured under PAA	21,324	52,114	97,277	11,518	1,397	4,656	4,609	192,895
Insurance revenue – total	21,324	52,114	97,277	11,518	1,397	4,656	4,609	192,895
Incurred claims and other directly attributable expenses	(22,873)	(10,216)	(68,760)	(1,966)	(806)	(2,021)	(1,395)	(108,037)
Changes that relate to past service - adjustments to the LIC	(2,760)	(34,654)	(16,717)	3,032	298	237	(244)	(50,808)
Losses on onerous contracts and reversal of the losses	2,278	--	--	--	--	--	--	2,278
Insurance acquisition cash flows amortisation	(1,995)	(9,877)	(16,090)	(1,874)	(302)	(615)	(800)	(31,553)
Insurance service expenses – total	(25,350)	(54,747)	(101,567)	(808)	(810)	(2,399)	(2,439)	(188,120)
Reinsurance income (expenses) - contracts measured under the PAA								
Claims recovered	496	176	(167)	--	12	608	--	1,125
Reinsurance acquisition cash flows amortisation	--	--	--	--	--	--	--	--
Reinsurance premium ceded	(2,337)	(4,223)	(5,487)	(6,953)	(1,407)	(3,468)	306	(23,569)
Movement in Loss Recovery Component adjustment to reinsurance	(834)	--	--	--	--	--	--	(834)
Changes that relate to past service - adjustments to incurred claims	531	3,189	4,111	(1,932)	(99)	254	(262)	5,792
Net income / (expenses) from reinsurance contracts held - total	(2,144)	(858)	(1,543)	(8,885)	(1,494)	(2,606)	44	(17,486)
Insurance service result – total	(6,170)	(3,491)	(5,833)	1,825	(907)	(349)	2,214	(12,711)



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14 Insurance revenue and expenses (continued)

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
for the six-months period ended 30 June 2023 (Unaudited)								
Insurance revenue from contracts measured under PAA	19,725	104,533	12,788	11,305	2,539	7,314	5,250	163,454
Insurance revenue – total	19,725	104,533	12,788	11,305	2,539	7,314	5,250	163,454
Incurred claims and other directly attributable expenses	(30,681)	(61,297)	(15,553)	(11,487)	(935)	(1,491)	(8,485)	(129,929)
Changes that relate to past service - adjustments to the LIC (Losses) on onerous contracts and reversal of the losses	14,212	(48,938)	1,175	4,221	(250)	(526)	9,484	(20,622)
Insurance acquisition cash flows amortisation	2,540	9,937	52	--	--	--	--	12,529
Insurance service expenses – total	(1,352)	(16,168)	(2,251)	(1,594)	(326)	(658)	(694)	(23,043)
Reinsurance income (expenses) - contracts measured under the PAA	(15,281)	(116,466)	(16,577)	(8,860)	(1,511)	(2,675)	305	(161,065)
Claims recovered	3,041	5,406	(1,050)	2,481	212	2,210	3,671	15,971
Reinsurance acquisition cash flows amortisation	--	--	--	--	--	--	--	--
Reinsurance premium ceded	(1,827)	(11,759)	(1,494)	(8,523)	(2,067)	(5,110)	(2,092)	(32,872)
Movement in Loss Recovery Component adjustment to reinsurance	(241)	(1,366)	--	--	--	--	--	(1,607)
Changes that relate to past service - adjustments to incurred claims	(3,824)	4,306	5,206	1,311	116	(2,073)	(3,535)	1,507
Net income / (expenses) from reinsurance contracts held – total	(2,851)	(3,413)	2,662	(4,731)	(1,739)	(4,973)	(1,956)	(17,001)
Insurance service result – total	1,593	(15,346)	(1,127)	(2,286)	(711)	(334)	3,599	(14,612)



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14 Insurance revenue and expenses (continued)

for the three-months period ended 30 June 2024 (Unaudited)	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
Insurance revenue from contracts measured under PAA	11,551	24,347	57,699	5,635	727	3,066	2,102	105,127
Insurance revenue – total	11,551	24,347	57,699	5,635	727	3,066	2,102	105,127
Incurred claims and other directly attributable expenses	(19,078)	(3,658)	(53,569)	(931)	(329)	(1,172)	(674)	(79,411)
Changes that relate to past service - adjustments to the LIC	6,221	(16,335)	4,162	2,363	(147)	117	340	(3,279)
Losses on onerous contracts and reversal of the losses	1,449	--	--	--	--	--	--	1,449
Insurance acquisition cash flows amortisation	(1,007)	(5,950)	(9,666)	(898)	(156)	(304)	(356)	(18,337)
Insurance service expenses – total	(12,415)	(25,943)	(59,073)	534	(632)	(1,359)	(690)	(99,578)
Reinsurance income (expenses) - contracts measured under the PAA								
Claims recovered	304	142	(211)	--	(50)	475	--	660
Reinsurance acquisition cash flows amortisation	--	--	--	--	--	--	--	--
Reinsurance premium ceded	(1,243)	(1,602)	(2,658)	(3,768)	(723)	(2,214)	(758)	(12,966)
Movement in Loss Recovery Component adjustment to reinsurance	(139)	--	--	--	--	--	--	(139)
Changes that relate to past service - adjustments to incurred claims	(145)	1,034	1,590	(1,863)	120	170	(284)	622
Net income / (expenses) from reinsurance contracts held - total	(1,223)	(426)	(1,279)	(5,631)	(653)	(1,569)	(1,042)	(11,823)
Insurance service result – total	(2,087)	(2,022)	(2,653)	538	(558)	138	370	(6,274)



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14 Insurance revenue and expenses (continued)

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
for the three-months period ended 30 June 2023 (Unaudited)								
Insurance revenue from contracts measured under PAA	9,029	48,727	6,744	5,518	(120)	3,529	2,345	75,772
Insurance revenue – total	9,029	48,727	6,744	5,518	(120)	3,529	2,345	75,772
Incurred claims and other directly attributable expenses	(20,213)	(27,923)	16,071	(4,482)	(2,558)	(1,264)	(8,036)	(48,405)
Changes that relate to past service - adjustments to the LIC (Losses) on onerous contracts and reversal of the losses	16,301	(28,775)	(28,546)	3,115	865	(328)	7,589	(29,779)
Insurance acquisition cash flows amortisation	1,267	2,332	(2,515)	--	--	--	--	1,084
Insurance service expenses – total	(704)	(7,324)	(1,140)	(752)	(42)	(487)	(299)	(10,748)
	(3,349)	(61,690)	(16,130)	(2,119)	(1,735)	(2,079)	(746)	(87,848)
Reinsurance income (expenses) - contracts measured under the PAA								
Claims recovered	1,433	5,989	(2,626)	(242)	(2,710)	1,840	1,126	4,810
Reinsurance acquisition cash flows amortisation	--	--	--	--	--	--	--	--
Reinsurance premium ceded	(913)	(11,052)	4,587	(4,176)	590	(2,898)	(951)	(14,813)
Movement in Loss Recovery Component adjustment to reinsurance	(63)	(1,035)	988	--	--	--	--	(110)
Changes that relate to past service - adjustments to incurred claims	(2,173)	2,963	2,083	687	4,056	(1,752)	(1,124)	4,740
Net income / (expenses) from reinsurance contracts held – total	(1,716)	(3,135)	5,032	(3,731)	1,936	(2,810)	(949)	(5,373)
Insurance service result – total	3,964	(16,098)	(4,354)	(332)	81	(1,360)	650	(17,449)



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15 Insurance finance expense - net

An analysis of the net insurance finance expenses by product line is presented below:

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the six-month period ended 30 June 2024 (Unaudited)								
Finance income / (expense) from insurance contracts issued								
Interest accreted	57	36	(570)	(140)	(27)	(43)	(122)	(809)
Finance expense from insurance contracts issued	57	36	(570)	(140)	(27)	(43)	(122)	(809)
Finance income from reinsurance contracts held								
Interest accreted	28	97	54	177	25	41	90	512
Finance income from reinsurance contracts held	28	97	54	177	25	41	90	512
Insurance finance expense – net	85	133	(516)	37	(2)	(2)	(32)	(297)
For the six-months period ended 30 June 2023								
Finance income / (expense) from insurance contracts issued								
Interest accreted	(2,290)	859	(1,621)	(2,047)	(167)	(435)	(1,195)	(6,896)
Finance income / (expense) from insurance contracts issued	(2,290)	859	(1,621)	(2,047)	(167)	(435)	(1,195)	(6,896)
Finance income / (expense) from reinsurance contracts held								
Interest accreted	220	15	204	1,635	113	325	512	3,024
Finance income / (expense) from reinsurance contracts held	220	15	204	1,635	113	325	512	3,024
Insurance finance expense - net	(2,070)	874	(1,417)	(412)	(54)	(110)	(683)	(3,872)



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15 Insurance finance expense – net (continued)

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the three-months period ended 30 June 2024								
Finance income / (expense) from insurance contracts issued								
Interest accreted	156	187	(356)	(42)	(10)	(17)	(69)	(151)
Finance income / (expense) from insurance contracts issued	156	187	(356)	(42)	(10)	(17)	(69)	(151)
Finance income / (expense) from reinsurance contracts held								
Interest accreted	19	63	38	103	11	22	53	309
Finance income / (expense) from reinsurance contracts held	19	63	38	103	11	22	53	309
Insurance finance expense - net	175	250	(318)	61	1	5	(16)	158
For the three-months period ended 30 June 2023								
Finance income / (expense) from insurance contracts issued								
Interest accreted	(2,378)	752	(1,608)	(2,392)	(188)	(591)	(1,394)	(7,799)
Finance income / (expense) from insurance contracts issued	(2,378)	752	(1,608)	(2,392)	(188)	(591)	(1,394)	(7,799)
Finance income / (expense) from reinsurance contracts held								
Interest accreted	955	822	230	1,930	137	465	759	5,298
Finance income / (expense) from reinsurance contracts held	955	822	230	1,930	137	465	759	5,298
Insurance finance expense - net	(1,423)	1,574	(1,378)	(462)	(51)	(126)	(635)	(2,501)

16 Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

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

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

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

The Company has fully complied with the externally imposed capital requirements during the reported financial period.



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17 Loss per share

The calculation of basic and diluted earnings per share has been based on the distributable earnings attributable to shareholder of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the interim condensed financial statements, after adjustment for the effects of all dilutive potential ordinary shares, if any.

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) (Restated)	2024 (Unaudited)	2023 (Unaudited) (Restated)
Loss for the period	(7,672)	(6,990)	(13,411)	(2,917)
Weighted average number of ordinary shares for basic and diluted EPS	30,000	30,000	30,000	30,000
Earnings per share - basic and diluted	(0.26)	(0.23)	(0.45)	(0.10)

As disclosed in note 13 the shareholder approved the reduction of share capital by 20 million shares. Accordingly, the number of the total shares of the Company has decreased from 50 million shares to 30 million shares without any impact on the effective shareholding interest. The per share calculations for both basic and diluted EPS reflects the retrospective adjustment for this decrease in the total number of shares as the reduction in the share capital was done without any corresponding change in the resource of the Company.

During the period, there are no other transactions that might impact the diluted earnings per share and therefore, the earnings per diluted share are not different from the basic earnings per share.

18 Operating segments

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess its performance. Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of income. Segment assets and liabilities comprise operating assets and liabilities. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2023.

Segment assets do not include cash and cash equivalents, short-term deposits, premiums receivables, investments, due from reinsurers, prepaid expenses and other assets, property and equipment, intangible assets, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders payable, accrued expenses and other liabilities, due to reinsurers, agents, brokers and third-party administrators, surplus distribution payable, zakat and income tax payable, and accrued income on statutory deposit payable to SAMA. Accordingly, they are included in unallocated liabilities. These unallocated assets and liabilities are not reported to CODM under related segments and are monitored on a centralized basis. For management reporting purposes, the Company is organised into business units on the basis of products and services offered by the Company.



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

18 Operating segments (continued)

The segment information provided to the CODM for the reportable segments for the Company's total assets and liabilities at 30 June 2024 and 31 December 2023, its total revenues, expenses, and net income for the period ended 30 June 2024 and 30 June 2023, are as follows:

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the three-months period ended 30 June 2024 (Unaudited)								
Insurance revenue	21,324	52,114	97,277	11,518	1,397	4,656	4,609	192,895
Insurance service expense	(25,350)	(54,747)	(101,567)	(808)	(810)	(2,399)	(2,439)	(188,120)
Net expense from reinsurance contracts held	(2,144)	(858)	(1,543)	(8,885)	(1,494)	(2,606)	44	(17,486)
Insurance service result from Company's directly written business	(6,170)	(3,491)	(5,833)	1,825	(907)	(349)	2,214	(12,711)
Share of surplus from insurance pools								1,363
Total insurance service results								(11,348)
Net gains on investments measured at FVTPL								230
Commission income on financial asset not measured at FVTPL and Murabaha								5,822
Dividend income								203
Net investment income								6,255
Finance income from insurance contracts issued	57	36	(570)	(140)	(27)	(43)	(122)	(809)
Finance expenses from reinsurance contracts held	28	97	54	177	25	41	90	512
Net insurance finance expense	85	133	(516)	37	(2)	(2)	(32)	(297)
Other operating expenses								(5,004)
Net loss before Zakat								(10,394)
Zakat								(3,017)
Net loss								(13,411)



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(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

18 Operating segments (continued)

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the six-months period ended 30 June 2023 (Unaudited)								
Insurance revenue	19,725	104,533	12,788	11,305	2,539	7,314	5,250	163,454
Insurance service expense	(15,281)	(116,466)	(16,577)	(8,860)	(1,511)	(2,675)	305	(161,065)
Net expense from reinsurance contracts held	<u>(2,851)</u>	<u>(3,413)</u>	<u>2,662</u>	<u>(4,731)</u>	<u>(1,739)</u>	<u>(4,973)</u>	<u>(1,956)</u>	<u>(17,001)</u>
Insurance service result from Company's directly written business	1,593	(15,346)	(1,127)	(2,286)	(711)	(334)	3,599	(14,612)
Share of surplus from insurance pools								<u>13,200</u>
Total insurance service results								(1,412)
Net gains on investments measured at FVTPL								4,802
Commission income on financial asset not measured at FVTPL and Murabaha								3,684
Dividend income								<u>297</u>
Net investment income								<u>8,783</u>
Finance expense from insurance contracts issued	(2,290)	859	(1,621)	(2,047)	(167)	(435)	(1,195)	(6,896)
Finance expenses from reinsurance contracts held	<u>220</u>	<u>15</u>	<u>204</u>	<u>1,635</u>	<u>113</u>	<u>325</u>	<u>512</u>	<u>3,024</u>
Net insurance finance expense	<u>(2,070)</u>	<u>874</u>	<u>(1,417)</u>	<u>(412)</u>	<u>(54)</u>	<u>(110)</u>	<u>(683)</u>	<u>(3,872)</u>
Other operating expenses								(4,616)
Net loss before Zakat								(1,117)
Zakat								<u>(1,800)</u>
Net loss for the period								<u>(2,917)</u>



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

18 Operating segments (continued)

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the three-months period ended 30 June 2024 (Unaudited)								
Insurance revenue	11,551	24,347	57,699	5,635	727	3,066	2,102	105,127
Insurance service expense	(12,415)	(25,943)	(59,073)	534	(632)	(1,359)	(690)	(99,578)
Net expense from reinsurance contracts held	(1,223)	(426)	(1,279)	(5,631)	(653)	(1,569)	(1,042)	(11,823)
Insurance service result from Company's directly written business	(2,087)	(2,022)	(2,653)	538	(558)	138	370	(6,274)
Share of surplus from insurance pools								127
Total insurance service results								(6,147)
Net gains on investments measured at FVTPL								(1,477)
Commission income on financial asset not measured at FVTPL and Murabaha								3,312
Dividend income								161
Net investment income								1,996
Finance income from insurance contracts issued	156	187	(356)	(42)	(10)	(17)	(69)	(151)
Finance expenses from reinsurance contracts held	19	63	38	103	11	22	53	309
Net insurance finance expense	175	250	(318)	61	1	5	(16)	158
Other operating expenses								(2,479)
Net loss for the period before Zakat								(6,472)
Zakat								(1,200)
Net loss for the period								(7,672)



GULF GENERAL COOPERATIVE INSURANCE COMPANY

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

18 Operating segments (continued)

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the three- months period ended 30 June 2023 (Unaudited)								
Insurance revenue	9,029	48,727	6,744	5,518	(120)	3,529	2,345	75,772
Insurance service expense	(3,349)	(61,690)	(16,130)	(2,119)	(1,735)	(2,079)	(746)	(87,848)
Net expenses from reinsurance contracts	(1,716)	(3,135)	5,032	(3,731)	1,936	(2,810)	(949)	(5,373)
Insurance service result from Company's directly written business	3,964	(16,098)	(4,354)	(332)	81	(1,360)	650	(17,449)
Share of surplus from insurance pools								9,708
Total insurance service results								(7,741)
Net gains on investments measured at FVTPL								2,787
Commission income on financial asset not measured at FVTPL and Murabaha								1,905
Dividend income								294
Net investment income								4,986
Finance expense from insurance contracts issued	(2,378)	752	(1,608)	(2,392)	(188)	(591)	(1,394)	(7,799)
Finance income from reinsurance contracts held	955	822	230	1,930	137	465	759	5,298
Net insurance finance expense	(1,423)	1,574	(1,378)	(462)	(51)	(126)	(635)	(2,501)
Other operating expenses								(834)
Net loss for the period before Zakat								(6,090)
Zakat								(900)
Net loss for the period								(6,990)



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

18 Operating segments (continued)

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
As at 30 June 2024								
(Unaudited)								
Assets								
Reinsurance contract assets	440	5,869	9,820	6,525	1,359	631	6,350	30,994
Insurance contract asset	--	14,069	--	--	--	--	--	14,069
Unallocated assets								475,213
Total assets								520,276
Liabilities								
Insurance contract liabilities	25,319	--	159,293	4,194	3,078	3,186	13,428	208,498
Unallocated liabilities								24,796
Total liabilities								233,294
As at 31 December 2023								
Assets								
Reinsurance contract assets	2,488	7,087	12,041	12,388	2,886	2,331	5,362	44,583
Unallocated assets								445,614
Total assets								490,197
Liabilities								
Insurance contract liabilities	32,427	27,715	66,957	14,740	3,030	3,382	12,512	160,763
Unallocated liabilities								29,041
Total liabilities								189,804

19 Gross Written Premium

Details relating to gross written premium are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17.

For the six-month period ended				
30 June 2024 (Unaudited)				
Breakdown of GWP	Medical	Motor	Property & casualty	Total
Retail		18	166,662	531
Small		469	4,037	1,933
Medium		1,079	8,192	7,961
Corporate		17,841	29,774	22,251
Total		19,407	208,665	32,676
				260,748
For the six-month period ended				
30 June 2023 (Unaudited)				
Breakdown of GWP	Medical	Motor	Property & casualty	Total
Retail		--	67,649	639
Small		638	3,710	2,263
Medium		1,894	6,166	4,575
Corporate		8,957	20,052	23,790
Total		11,489	97,577	31,267
				140,333



GULF GENERAL COOPERATIVE INSURANCE COMPANY

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

19 Gross Written Premium (continued)

For the three-month period ended 30 June 2024 (Unaudited)				
Breakdown of GWP	Medical	Motor	Property & casualty	Total
Retail	18	53,110	501	53,629
Small	443	2,630	363	3,436
Medium	669	4,013	3,066	7,748
Corporate	8,088	4,608	8,260	20,956
Total	9,218	64,361	12,190	85,769

For the three-month period ended 30 June 2023 (Unaudited)				
Breakdown of GWP	Medical	Motor	Property & casualty	Total
Retail	--	20,233	625	20,858
Small	--	902	1,393	2,295
Medium	34	1,491	1,527	3,052
Corporate	2,002	4,586	8,173	14,761
Total	2,036	27,212	11,718	40,966

20 Net Written Premium

Details relating to net written premium are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17.

For the six-month period ended 30 June 2024 (Unaudited)				
Item	Medical	Motor	Property & casualty	Total
Gross written premium	19,407	208,666	32,675	260,748
Reinsurance premium ceded – globally (including excess of loss)	(1,960)	(1,016)	(19,743)	(22,719)
Reinsurance premium ceded – locally (including excess of loss)	(377)	(348)	(3,890)	(4,615)
Net written premium – total	17,070	207,302	9,042	233,414

For the six-month period ended 30 June 2023 (Unaudited)				
Item	Medical	Motor	Property & casualty	Total
Gross written premium	11,489	97,577	31,267	140,333
Reinsurance premium ceded – globally (including excess of loss)	(1,664)	(11,517)	(22,167)	(35,348)
Reinsurance premium ceded – locally (including excess of loss)	(164)	(341)	(3,130)	(3,635)
Net written premium – total	9,661	85,719	5,970	101,350



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(All amounts in Saudi Riyal thousands unless otherwise stated)

20 Net Written Premium (continued)

For the three-month period ended 30 June 2024 (Unaudited)				
Item	Medical	Motor	Property & casualty	Total
Gross written premium	9,218	64,361	12,190	85,769
Reinsurance premium ceded – globally (including excess of loss)	(1,042)	(555)	(7,503)	(9,100)
Reinsurance premium ceded – locally (including excess of loss)	(201)	(174)	(1,878)	(2,253)
Net written premium – total	7,975	63,632	2,809	74,416
For the three-month period ended 30 June 2023 (Unaudited)				
Item	Medical	Motor	Property & casualty	Total
Gross written premium	2,036	27,212	11,718	40,966
Reinsurance premium ceded – globally (including excess of loss)	(832)	(3,464)	(8,931)	(13,227)
Reinsurance premium ceded – locally (including excess of loss)	(82)	(164)	(1,369)	(1,615)
Net written premium – total	1,122	23,584	1,418	26,124

21 COMMITMENT AND CONTINGENCIES

- 21.1 The Company's bankers have issued payment guarantees of SR 0.3 million as at 30 June 2024 (December 31, 2023: SR 0.3 million) to its suppliers on behalf of the Company.
- 21.2 The Company operates in the insurance industry and is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.
- 21.3 Please refer to note 12 with respect to Zakat contingencies.
- 21.4 Saudi General Insurance Company E.C. ("SGI") has raised a lawsuit against the Company requesting the Company to settle the Zakat and taxes on financial years 2005 to 2010. The Primary Committee ruled/decided to decline the case and obligate SGI to pay the Zakat and Tax amounts for 2005 to 2008, moreover, they ruled/decided to obligate GGI to pay the Zakat and tax amounts for 2009 and 2010. GGI will object and reject the decision before the GSTC Appealing Committee based on the decision of GSTC in 2018, and they believe that the Company does not have any financial impact as a result of this case.

22 SUBSEQUENT EVENTS

Subsequent to the period end, the Company has announced the signing of a non-binding Memorandum of Understanding (the "MOU") with Gulf Union Al Ahlia Cooperative Insurance Company dated 7 August 2024 corresponding to 3 Safar 1446H to evaluate the potential merger between both Companies. No other subsequent events have been identified since the period-end, that would require disclosures or adjustments in these condensed interim financial statements.

23 CHANGES IN COMPARATIVE INFORMATION

The insurance pool arrangements, in which the Company is a participant, and shares the net surplus were presented for the year ended 31 December 2023 as part of the net insurance result as part of transition to IFRS 17 and not in insurance service expense, as previously presented in the condensed interim statement of income for the prior periods. Given that the rights and obligations from the arrangements are managed and settled on a net basis, the Company has accordingly presented the results on a net basis in the condensed statement of profit or loss account. Accordingly, the Company has presented the share of net surplus from insurance pools amounting to SAR 9.7 million for the three-month and SR 13.2 million for the six-month period ended 30 June 2023 in the condensed interim statement of profit or loss. As a result, the "Total insurance service result" and "Net insurance and investment result" line items for comparative period have increased.

24 APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 1 August 2024 corresponding to 26 Muharram 1446.



Annex (4): Unaudited consolidated pro forma financial statements for the period ended on June 30, 2024G



GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 AND
THE YEAR ENDED 31 DECEMBER 2023
AND INDEPENDENT PRACTITIONER'S ASSURANCE REPORT



GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 AND
THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN SHAREHOLDERS' CIRCULAR

To the management of
Gulf Union Alahlia Cooperative Insurance Company

(A Saudi Joint Stock Company)

Report on the Compilation of Pro Forma Consolidated Financial Information Included in shareholders' circular

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of Gulf Union Alahlia Cooperative Insurance Company (the "Company " or "GUAI" or the "Acquirer") by management. The pro forma consolidated financial information consists of pro forma consolidated statement of financial position as at 30 June 2024 and 31 December 2023, pro forma consolidated statements of profit or loss and other comprehensive income for the six-months period ended 30 June 2024 and the year ended 31 December 2023 and related notes. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information is described in note 2 to the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by the Company's management to illustrate the impact of the planned merger between Gulf Union Alahlia Cooperative Insurance Company ("the Acquirer") and Gulf General Cooperative Insurance Company ("the Acquiree") ("the planned merger") as described in note 2 on the Company's financial position as at 30 June 2024 and 31 December 2023 and its financial performance for the six-months period ended 30 June 2024 and the year ended 31 December 2023 as if the merger had taken place at 1 January 2024. As part of this process, information about the merged entities financial position, and financial performance has been extracted by management from the unaudited interim condensed financial information of the Acquirer and the Acquiree for the six-months period ended 30 June 2024 and their audited financial statements for the year ended 31 December 2023, on which review conclusions and audit opinions, have been issued by another auditors and published by the Acquirer and the Acquiree.

Management's Responsibility for the Pro Forma Consolidated Financial Information

The Company's management is responsible for compilation of the pro forma consolidated financial information on the basis of the applicable criteria described in note 2 to the pro forma consolidated financial information.

Independence and Quality Control

We have complied with the independence and other ethical requirements set out in the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and endorsed in the Kingdom of Saudi Arabia ("IESBA Code"), which is founded on the fundamental principles of integrity, objectivity, professional competence, due diligence, confidentiality and professional behavior.

Our firm applies the International Standard on Quality Management (ISQM) 1 and maintains a comprehensive quality control system that includes documented policies and procedures on compliance with ethical requirements, professional standards and applicable regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Company's management on the basis of the applicable criteria described in note 2.



**INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN SHAREHOLDERS' CIRCULAR
(Continued)**

**To the management of
Gulf Union Alahlia Cooperative Insurance Company**

(A Saudi Joint Stock Company)

Practitioner's Responsibilities (continued)

We conducted our engagement and performed our procedures in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Consolidated Financial Information Included in shareholders' circular, as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner comply with ethical requirements as endorsed in the Kingdom of Saudi Arabia and plan and perform procedures to obtain reasonable assurance about whether the Company's management has compiled, in all material respects, the pro forma consolidated financial information on the basis of the applicable criteria as described in note 2.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in shareholders' circular is solely to illustrate the impact of the planned merger between the Acquirer and the Acquiree on the unadjusted financial information of the Acquirer as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration.

Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented in the pro forma consolidated financial information.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Acquirer's management in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Acquirer, the event or transaction in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

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



**INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN SHAREHOLDERS' CIRCULAR
(Continued)**

**To the management of
Gulf Union Alahlia Cooperative Insurance Company**

(A Saudi Joint Stock Company)

Opinion

In our opinion, the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria as described in note 2 to the pro forma consolidated financial information.

Baker Tilly MKM & Co.
Certified Public Accountants
Al-Khobar – Kingdom of Saudi Arabia

Bader Hatim Al Tamimi
License No. 489
10 Jumada II 1446H
11 December 2024





GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(All amounts are in Saudi Riyal thousands unless otherwise stated)

	Note	As at 30 June 2024				As at 31 December 2023			
		GUAJ		GGI		GUAJ		GGI	
		(Acquirer) (Unaudited)	(Acquiree) (Unaudited)	Pro forma adjustments	Pro forma (unaudited)	(Acquirer) (Historical audited)	(Acquiree) (unaudited)	Pro forma adjustments	Pro forma (unaudited)
ASSETS									
Cash and cash equivalents	3E	24,801	9,805	10,743	45,349	55,114	14,462	40,743	110,319
Term deposits		391,496	234,317	-	625,813	342,773	152,926	-	495,699
Financial assets at fair value through profit or loss		134,916	54,643	-	189,559	135,145	53,572	-	188,717
Financial assets at fair value through other comprehensive income		86,969	43,462	-	130,431	86,969	43,462	-	130,431
Financial assets at amortised cost		156,998	-	-	156,998	156,102	-	-	156,102
Prepaid expenses and other assets		15,942	18,186	-	34,128	39,913	35,661	-	75,574
Reinsurance contract assets		41,836	30,994	-	72,830	50,363	44,583	-	94,946
Insurance contract asset		-	14,069	-	14,069	-	-	-	-
Right-of-use assets		8,971	4,813	-	13,784	10,255	5,407	-	15,662
Property and equipment		8,474	12,418	-	20,892	8,421	13,532	-	21,953
Intangible assets		44,821	11,374	-	56,195	42,407	12,113	-	54,520
Accrued income on statutory deposit		5,297	4,949	-	10,246	3,233	3,233	-	6,466
Goodwill	3C	67,698	36,260	76,364	180,322	67,698	36,260	76,364	180,322
Statutory deposit	3E	68,834	44,986	(10,743)	103,077	68,834	74,986	(40,743)	103,077
TOTAL ASSETS		1,057,053	520,276	76,364	1,653,693	1,067,227	490,197	76,364	1,633,788



GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)

(All amounts are in Saudi Riyal thousands unless otherwise stated)

	Note	As at 30 June 2024				As at 31 December 2023			
		GUAI (Acquirer)	GGI (Acquiree)	Proforma adjustments	Pro forma (unaudited)	GUAI (Acquirer)	GGI (Acquiree)	Proforma adjustments	Pro forma (unaudited)
		(Unaudited)				(Historical audited)			
LIABILITIES AND EQUITY									
LIABILITIES									
Accrued and other liabilities		22,968	9,708	-	32,676	24,023	14,123	-	38,146
Insurance contract liabilities		401,745	208,498	-	610,243	437,356	160,763	-	598,119
Lease liabilities		9,406	4,417	-	13,823	11,108	4,518	-	15,626
Employee benefit obligations		19,720	4,453	-	24,173	19,720	4,194	-	23,914
Zakat and income tax		23,295	1,269	-	24,564	23,795	2,973	-	26,768
Accrued commission income payable to insurance authority		5,297	4,949	-	10,246	3,233	3,233	-	6,466
TOTAL LIABILITIES		482,431	233,294	-	715,725	519,235	189,804	-	709,039
EQUITY									
Share capital	3A	458,949	300,000	(71,768)	687,181	458,949	500,000	(271,768)	687,181
Share premium	3B	-	-	135,114	135,114	-	-	135,114	135,114
Statutory reserve		10,674	2,165	(2,165)	10,674	5,348	2,165	(2,165)	5,348
Retained earnings / Accumulated losses		23,153	(57,540)	57,540	23,153	1,849	(244,129)	257,540	15,260
Remeasurement reserve of employee benefit obligations		(1,276)	818	(818)	(1,276)	(1,276)	818	(818)	(1,276)
Fair value reserve		83,122	41,539	(41,539)	83,122	83,122	41,539	(41,539)	83,122
TOTAL EQUITY		574,622	286,982	76,364	937,968	547,992	300,393	76,364	924,749
TOTAL LIABILITIES AND EQUITY		1,057,053	520,276	76,364	1,653,693	1,067,227	490,197	76,364	1,633,788



GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts are in Saudi Riyal thousands unless otherwise stated)

Note	For the six-month period ended 30 June 2024				For the year ended 31 December 2023			
	GUAI		GGI		GUAI		GGI	
	(Acquirer) (Unaudited)	(Acquiree) (Unaudited)	Pro forma adjustments	Pro forma (unaudited)	(Acquirer) (Historical audited)	(Acquiree) (Historical audited)	Pro forma adjustments	Pro forma (unaudited)
Revenues								
Insurance revenue	358,475	192,895	-	551,370	624,483	315,646	-	940,129
Insurance service expenses	(294,799)	(188,120)	-	(482,919)	(510,820)	(285,347)	-	(796,167)
Net expense from reinsurance contracts	(32,177)	(17,486)	-	(49,663)	(44,992)	(38,828)	-	(83,820)
Insurance service result from Company's directly written business								
Share of surplus from insurance pools	31,499	(12,711)	-	18,788	68,671	(8,529)	-	60,142
Total insurance service result	4,038	1,363	-	5,401	35,730	12,258	-	47,988
	35,537	(11,348)	-	24,189	104,401	3,729	-	108,130
Interest income from financial assets not measured at FVTPL								
Interest income from financial assets measured at FVTPL	13,701	5,822	-	19,523	22,341	6,821	-	29,162
Expected credit (losses) reversal on financial assets	1,392	-	-	1,392	2,541	-	-	2,541
Net (losses) gains on financial assets measured at FVTPL	1	-	-	1	1	-	-	1
Dividend income	(2,318)	230	-	(2,088)	12,128	8,705	-	20,833
	886	203	-	1,089	866	476	-	1,342
Net investment income	13,662	6,255	-	19,917	37,877	16,002	-	53,879
Finance (expenses) income from insurance contracts issued								
Finance (expenses) income from reinsurance contracts held	(1,509)	(809)	-	(2,318)	3,262	(7,886)	-	(4,624)
Net insurance finance expenses	(287)	512	-	225	1,021	3,379	-	4,400
Net insurance and investment result	(1,796)	(297)	-	(2,093)	4,283	(4,507)	-	(224)
Finance cost on leases	47,403	(5,390)	-	42,013	146,561	15,224	-	161,785
Other operating expenses	(251)	-	-	(251)	(532)	-	-	(532)
Other income	(16,115)	(5,004)	-	(21,119)	(18,991)	(13,823)	-	(32,814)
Total profit / (loss) for the period / year before zakat and income tax	31,037	(10,394)	-	20,643	127,038	6,319	-	133,357



GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

(All amounts are in Saudi Riyal thousands unless otherwise stated)

Note	For the six-month period ended 30 June 2024			For the year ended 31 December 2023		
	GUAI (Acquirer) (Unaudited)	GGI (Acquiree) (Unaudited)	Pro forma adjustments	GUAI (Acquirer) (Historical audited)	GGI (Acquiree) (Unaudited)	Pro forma adjustments
Zakat expense	(4,194)	(3,017)	-	(2,000)	(2,787)	-
Income tax expense	(212)	-	(212)	-	-	-
Net profit / (loss) for the period / year attributable to the shareholders	26,631	(13,411)	-	125,038	3,532	-
Gains / losses per share (expressed in Saudi Riyals per share)						
Basic earnings per share	0.58	(0.45)	0.19	2.72	0.07	1.87
Diluted earnings per share	0.58	(0.45)	0.19	2.72	0.07	1.87
Net profit / (loss) for the period / year attributable to the shareholders	26,631	(13,411)	-	125,038	3,532	-
Other comprehensive income						
Items that will not be reclassified to the statement of income in subsequent years						
Remeasurement loss on employee benefit obligations	-	-	-	(44)	(552)	-
Net change in fair value of FVOCI investments	-	-	-	7,562	3,759	-
Total other comprehensive income	-	-	-	7,518	3,207	-
TOTAL COMPREHENSIVE INCOME / LOSS FOR THE PERIOD / YEAR ATTRIBUTABLE TO THE SHAREHOLDERS	26,631	(13,411)	-	132,556	6,739	-
GROSS WRITTEN PREMIUM	473,829	260,748	-	734,577	690,921	-
					330,639	-
						1,021,560



GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 AND THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in Saudi Riyal thousands unless otherwise stated)

1. CORPORATE INFORMATION

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY

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

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

On 2 Jumada II 1424H, (corresponding to 31 July 2003), the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On 29 Shaban 1428 H, (corresponding to 11 September 2007), the Saudi Central Bank ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted GUAI a license to transact insurance activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 29 Sha'ban 1428H (corresponding to 11 September 2007).

The authorized, issued and paid up capital of GUAI is SR 458.9 million at 30 June 2024 and 31 December 2023 consisting of 45.8 million shares of SR 10 each.

Gulf General Cooperative Insurance Company

Gulf General Cooperative Insurance Company ("GGI" or the "Acquiree") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010).

The Acquiree is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Acquiree obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Acquiree was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24 Safar 1431H (corresponding to 8 February 2010). From 23 November 2023 the Insurance Authority (IA) became the authorized regulator of the insurance industry in Saudi Arabia, however, laws and regulations issued previously by SAMA related to the insurance sector will remain in effect until further instructions are issued by the IA.

IA, as the principal authority responsible for the application and administration of the Insurance Law and its Insurance Implementing Regulations. The objectives of the Acquiree are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident & liability, marine, property and engineering.

The authorized, issued and paid up capital of GGI is SR 300 million at 30 June 2024 (31 December 2023: SR 500 million) consisting of 30 million shares (31 December 2023: 50 million shares) of SR 10 each.

Potential merger of GUAI and GGI

On 9 December 2024 the Company finalized a binding merger agreement (the "Merger Agreement") with the Acquiree, on which both companies agreed to merge through a share swap transaction, whereby the Company shall issue 22,823,227 nominal shares for the Acquiree eligible shareholders in return of transferring all contracts, assets, and liabilities of the Acquiree to the Company without any cash consideration.



GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 AND THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in Saudi Riyal thousands unless otherwise stated)

2. BASIS OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION PREPARATION AND PRESENTATION

These pro forma consolidated financial information and accompanying notes illustrate the effects on the statement of financial position, the statement of profit or loss and other comprehensive income of the potential merger ("the planned merger") between the Company and the Acquiree as if it had occurred on 1 January 2024, however, the date of calculating the consideration used for the purpose of the compilation of these pro forma financial information is the Company's share price at the day prior signing the Merger agreement date, i.e. the closing share price on 8 December 2024.

The pro forma consolidated financial information are based on the historical unaudited financial information of the Company and the Acquiree (together referred to as the "Merged entity"), as at 30 June 2024 and the historical audited financial statements of both entities as at 31 December 2023 as adjusted to give effect to the Merger transaction.

The Merger is to be effected by a capital issuance of 22,823,227 shares of SR 10 by the Company to the shareholders of the Acquiree, in a share swap transaction at the exchange rate of 0.760774233333330 shares of the Company for each share of the Acquiree (note 3).

Post Merger, the share capital of the Merged entity will be SR 687,181,550 consisting of 68,718,155 shares of SR 10 each.

The presentation of the pro forma consolidated financial information of the Merged entity is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the pro forma consolidated statement of financial position, statement of profit or loss and other comprehensive income address a hypothetical situation and, therefore, do not represent and may not give a true picture of the financial position and financial performance of the Merged entity. Furthermore, the pro forma consolidated financial information is only meaningful in conjunction with the historical financial statements of the Company and the Acquiree as at 30 June 2024 and 31 December 2023 and for the six-month period ended 30 June 2024 and the year ended 31 December 2023 respectively. The pro forma consolidated financial information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the Merger.

The pro forma consolidated financial information has been prepared and presented on the basis of accounting policies of the Company as disclosed in its financial statements for the six-month period ended 30 June 2024 and the year ended 31 December 2023. The accounting policies used by the Company do not materially differ from those adopted by the Acquiree.

Certain reclassifications were made to both entities' accounts to conform to the presentation of the merged entities in a consistent manner.



GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 AND THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in Saudi Riyal thousands unless otherwise stated)

3. PRO FORMA ADJUSTMENTS

The pro forma adjustments are based on preliminary estimates and assumptions that are subject to change.

The pro forma adjustments included in the pro forma consolidated financial information are as follows:

- A) To record the issuance of shares of the Company to the shareholders of the Acquiree:

For the pro forma consolidated financial information purposes, the consideration for the acquisition has been calculated on the basis of a share swap transaction at the rate of 0.760774233333330 shares of the Company for each share of the Acquiree as shown below:

	<i>As at 30 June 2024</i>
Outstanding number of shares of the Acquiree (shares)	30,000,000
Exchange ratio (note 3D)	0.760774233333330
Number of shares to be issued by the Company (shares)	22,823,227
Par value of shares issued by the Company to the Acquiree (SR 10/share)	228,232
Outstanding share capital of the Company	458,949
Total share capital of the Company post merger	687,181

- B) To record the share premium on the Company shares to be issued upon the merger:

The purchase consideration has been calculated on the basis of the Company's closing price on the day prior signing the Merger agreement date, i.e. the closing share price on 8 December 2024 at which the closing price was SR 15.92 per share on the Saudi Stock Exchange Market ("Tadawul"). The purchase consideration is based on indicative share price.

Total consideration (22,823,227 shares @ SR 15.92/share)	363,346
Less: par value of shares issued by the Company to the Acquiree	(228,232)
Share premium	135,114

- C) To record goodwill being the excess of total consideration over the net assets of the Acquiree as at 30 June 2024.

Total consideration in exchange for equity of the Acquiree (C1)	363,346
Less: net assets of the Acquiree as at 30 June 2024 (C2)	(286,982)
Goodwill (C1-C2)	76,364

- D) Swap rate as per merger agreement:

	<i>the Company</i>	<i>the Acquiree</i>
Total equity attributable to the shareholders as at 30 June 2024	574,622	286,982
Mutually agreed valuation adjustments	(64,400)	(33,252)
Total adjusted equity attributable to the shareholders (D1)	510,222	253,730
Number of shares outstanding as at 30 June 2024 (D2)	45,894,928	30,000,000
Adjusted book value per share (D1/D2)	11.12	8.46
Swap rate (number of ordinary share in the Company to 1 ordinary share in the Acquiree)		0.760774233333330

- E) As the Company is required to maintain a statutory deposit of not less than 15% of its paid up capital, the new capital structure will result in a change in the statutory deposit. Accordingly, the new statutory deposit has been computed on the post-merger share capital in order to conform with the regulatory policy of the Company. The difference has been posted as a pro forma adjustment to the cash and cash equivalent and statutory deposit accounts of the merged entity.



Annex (5): A Copy of the Bylaws of GGI and its Memorandum of Association



Bylaws

Gulf General Cooperative Insurance Company

A Saudi Joint Stock Company



Chapter One

Incorporation of the Company

Article 1: Establishment

Under the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulation, Companies Law, Stock Market Law and its Implementing Regulation and the company's articles of association, a Saudi joint stock company shall be incorporated by and between the shareholders, the provisions of which are stipulated below.

Article 2: Company Name

Name of the Company: Gulf General Cooperative Insurance Company a Saudi joint stock company

Article 3: Purposes of the Company

The purpose of the company is to practice cooperative insurance businesses. The company may accordingly perform all the necessary works for achieving its purposes whether in insurance or investing its funds; and may own, move, sell or exchange fixed properties and cash funds by the company itself directly or by other companies it establishes or purchases, or in partnership with other parties. The company shall practice its businesses in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Executive Regulations together with the laws and regulations applicable in the Kingdom of Saudi Arabia having all the necessary permissions obtained from competent authorities, if any.

Article 4: Partnership and Acquisition in Companies

The company may establish limited liability or closed joint stock companies (provided that the share capital of the same shall not be less than (5) Million Saudi Riyals). The company may further acquire stocks and shares in third parties' standing companies or integrate with them; and it has the right to become a partner in the foundation of limited liability or joint stock companies, provided that such companies which the company may establish, become a partner in or integrate with shall run business similar to the company's, financial business or other business that assist the company to achieve its purposes, having the requirements of laws and rules applied and enforced in this regard duly fulfilled by the company and having the approval of the Insurance Authority been duly obtained.



Article 5: Head Office of the Company

The company's head office shall be located in Jeddah, Kingdom of Saudi Arabia. The company may by a resolution of the company's Extraordinary General Assembly move its head office to any other city in the Kingdom of Saudi Arabia with the approval of the Insurance Authority. The company may further establish and open branches, offices or agencies for it both inside and outside the Kingdom having the approval of the Insurance Authority been duly obtained.

Article 6: Term of the Company

The company's term is (99) Ninety-Nine calendar years starting from the date when the company is duly registered with the commercial registry. Such term of the company may be extended under a resolution of the company's Extraordinary General Assembly at least one (1) calendar year prior to the expiration of such effective term.

Chapter Two

Regulations to be Adhered to by the Company When Running its Business and Achieving the Purposes Set for the Company

Article 7: Investments of the Company

The company shall invest the funds it collects including funds of the insured parties and the company's shareholders in accordance with the rules set by the company's board of directors without violating the Cooperative Insurance Companies Control Law and its Executive Regulations together with the other relevant instructions and regulations issued by the Insurance Authority or any other relevant body.

Chapter Three

Share Capital and Shares

Article 8: Share Capital

The company's share capital is (SAR 300,000,000) Three Hundred Million Saudi Riyals to be divided into (30,000,000) Thirty Million shares of equal value, of which each share is of nominal value (SAR 10) Ten Saudi Riyals. All such shares are ordinary cash shares.

Article 9: Subscription for Shares

All the company's shareholders have subscribed with the company's whole share capital and the relevant value has been paid in full.



Article 10: Register of the Shareholders

The company's shares shall be traded in accordance with Stock Market Law and its Implementing Regulations.

Article 11: Issue of Shares

The company's shares shall be nominal shares and may not be issued with a value less than their nominal value; however, such shares may be issued with a value more than such value. In such latter case, the difference between such values shall be added in a separate item among the shareholders' equity. The company's shares may not be allocated as profits to the shareholders, and they may not be divided against the company. If a share of the company is owned by many persons, they shall select one of them to represent them using the right relating to such share, and such persons shall be jointly responsible for the obligations arising from the ownership of such share.

Article 12: Trading of Shares

The company's share subscribed by the company's founders may not be traded unless after the company's financial statements for two (2) fiscal years of not less than (12) Twelve months for each from the date of the company's establishment had been published. The deeds of such shares shall be signed for and approved in a way indicating their type, the company's date of establishment and the period during which trading of such shares is prohibited. Nevertheless, such shares may be transferred during such period of prohibition in accordance with the provisions of the sale of shares by founding partner to another, by the heirs of a founding partner, if he / she died, to a third party, or on enforcing confiscation on the bankrupt or insolvent founder, the priority for the acquisition of such shares shall be given to other founding shareholder. The provisions of this article shall be applicable to the share subscription made by the founding shareholders. The provisions of this Article shall apply if the share capital of the company to be increased prior to the expiration of such prohibition period.

Article 13: Increase of the Share Capital

The company's Extraordinary General Assembly may decide to increase the company's share capital having the competent authorities approved the same, provided that the company's share capital has been paid in full. At the time of issue of the resolution approving the company's share capital to be increased by the company's General Assembly, a shareholder shall be given the priority for the subscription of the new shares to be issued in consideration of cash shares. Such shareholders shall be duly notified as per their priorities, if any, by way of publishing the resolution of increasing the company's share capital and such subscription requirements, period, starting and ending date in a daily newspaper or via registered mail. The company's Extraordinary General Assembly may suspend the shareholders' priority for the subscription for increasing the company's share capital in consideration of cash shares or giving the priority to non-



shareholders in the cases as considered appropriate for the company's interest. A shareholder has the right to sell or waive its priority right within the period from the date the company's General Assembly's resolution approving the increase of the company's share capital issued to the last day of subscription for the new shares relating to such rights in accordance with the controls established by the competent authority.

Article 14: Reduction of Share Capital

The company's Extraordinary General Assembly may decide to reduce the company's share capital if the company's share capital is redundant or if the company undergoes losses having the competent authorities duly approved the same, provided that the capital paid to the insurance company after such reduction shall not be less than (SAR 100) One Hundred Million Saudi Riyals and the capital paid to the reinsurance company or the insurance company simultaneously running the activities of reinsurance shall not be less than (SAR 200) Two Hundred Million Saudi Riyals. Such resolution of reduction shall be issued only after reading a special report created by the company's auditor on the causes requiring such resolution, the obligations of the company and the effects of such reduction on such obligations. If the reduction of the company's share capital is due to be redundant, creditors shall be called for expressing their objection to such reduction within Sixty (60) days after the date when such capital reduction is published on a daily newspaper distributed in the city where the head office of the company is based. If a creditor challenges such reduction and submits its relevant documents within the period mentioned, the company shall pay the debt of such creditor back if it is an urgent debt or provide such creditor with a sufficient guarantee of payment if it is a deferred debt.

Chapter Four Board of Directors

Article 15: Management of the Company

The company shall be managed by a Board of Directors consisting of nine (9) members elected by the Ordinary General Assembly for a period not exceeding three years. The composition of the Board of Directors must reflect an appropriate representation of independent members. In all cases, the number of independent board members may not be less than two or one-third of the board members, whichever is more. As an exception to this, the Constituent Assembly appoints the members of the first Board of Directors for a period not exceeding (3) three years starting from the date of announcing the decision of the Ministry of Commerce and Investment to establish the company.



Article 16: Expiration of the Membership of the Company's Board of Directors

The membership of the company's board of directors shall be expired by the end of appointment duration, resignation, death or if it is established by the board of directors that a given member has breached his duties in a way affecting the company's interest, provided that this shall be approved by the company's ordinary General Assembly, or the expiration of the membership in accordance with any law or rules as valid and applicable in the Kingdom of Saudi Arabia, or if a member is declared bankrupt or insolvent or if a member submits a request for settlement with its creditors, or a member ceases making payment for his debts, or becomes unconscious, or suffers from a mental disease, or he's found to have committed an act violating trust and morals or convicted of forgery. However, the Ordinary General Assembly may at any time dismiss all or some of the members of the Board of Directors. Nevertheless, the company's Ordinary General Assembly may claim for compensation at the time of dismissal of part or full of the members of the company's board of directors without prejudice to a dismissed member's right against the company if such dismissal is due to unreasonable reason or executed at inappropriate time. A member of the board of directors may resign provided that such resignation to be executed at an appropriate time, otherwise, he shall be liable to the company for the damages resulting from his retirement.

Article 17: Vacant Position in the Company's Board of Directors

In case of a vacant position of a member of the board of directors, the board of directors has the right to temporarily appoint a member for the vacant position from the sufficiently experienced persons having a no objection certificate obtained from the

Insurance Authority regardless the order of obtaining votes at the company's General Assembly by which the company's board of directors has been elected. The Saudi Capital Market Authority shall be notified thereof within five (5) working days after the date of such appointment. such appointment shall be further submitted to the company's ordinary General Assembly at its first meeting held thereafter, and the new elected member shall continue its preceding member's membership period only. The company's ordinary General Assembly may be called for meeting if the number of the members of the company's board of directors is less than the minimal number for being validly held. The Insurance Authority shall be notified when a member of the company's board of directors resigned or when a member's membership is terminated for a reason other than the expiration of a board's period within five (5) working days from the date a member leaves work, observing the relevant disclosure requirements.

Article 18: Powers of the Company's Board of Directors

Without prejudice to the prescribed terms of reference of the company's General Assembly, the company's board of directors shall have the widest powers over the



management of the company in a way achieving its purposes. Within the terms of reference of the company's board of directors, the board has the right to authorize one or more members or a third party to perform a specific task (s) without prejudice to the relevant laws and regulations. The company's board of director may, for example but not limited to, represent the company in its relationships with third parties, public and private authorities, at all Shari'a courts, Board of Grievances, labor offices, higher and trial committees of labor dispute settlement, securities committee and all other judicial committees, arbitral tribunals, civil rights department, police stations, chambers of commerce and industry; all companies, institutions, commercial banks, treasuries, all governmental funds and finance institutions of different names and competencies together with all other lenders. The company's board of directors has the right to acknowledge, clam, defend, plead, dispute, waive, accept and object judgments and arbitration, request for enforcement of judgments, discharge the company's debtors of their obligations, bid, and sell, purchase and mortgage real properties. The company's board of directors may further contract, sign in the name and on behalf of the company on all types contracts, papers and documents including, for example but not limited to, articles of incorporation together with all their amendments, annexes and resolutions of amendments of the companies in which the company becomes a partner; sign all agreements and deeds at notary public and official authorities, agreements of loans, guarantees, sponsorships and deeds for selling and purchasing real properties; issue legal powers of attorney on behalf of the company; sell, purchase, conveyance and accepting the same, receive, deliver, lease, let, receive and make payments, open accounts and credits, withdraw and deposit with banks issue guarantees to banks, funds, governmental finance institutions; sign all types of order papers and documents, cheques, all securities, documents and bank transactions.

Article 19: Remuneration for Members of the Company's Board of Directors

The minimum annual remuneration for the company's chairman and members of the board of directors shall be (SAR 200,000) Two Hundred Thousand Saudi Riyals, and the maximum is (SAR 500,000) Five Hundred Thousand Saudi Riyals to be paid annually in consideration of their memberships in the company's board of directors and for involving in the activities of the company's board of directors. Such remuneration includes the additional bonuses if a member of the board of directors involves in a committee arising from the company's board of directors.

If the company could achieve profits, (10%) of the remaining net profits having the reserves determined by the company's General Assembly deducted in execution of the Cooperative Insurance Companies Control Law may be allocated to the company's shareholder having at least (5%) profits allocated to the company's shareholders from the company's paid up capital, provided that such remuneration entitled is proportionate



to the number of meeting sessions attended by a member, and any estimation other than the aforementioned shall be deemed as null and void.

At all events, the total financial remunerations and in-kind benefits a member of the company's board of directors obtains shall not be more than (SAR 500,000) Five Hundred Thousand Saudi Riyals annually. The maximum allowance for attendance to the company's board of directors' sessions and committees shall not be more than (SAR 5,000) Five Thousand Saudi Riyals for each session, exclusive of travelling and accommodation expenses.

Each member of the company's board of directors including the company's chairman shall be paid the expenses they actually bear for attending meetings of the board of directors or the committees arising from the same, inclusive of travelling, accommodation and subsistence expenses.

The report of the company's board of directors to be submitted to the Ordinary General Assembly shall include all the remunerations, allowances for expenses and other privileges received by members of the company's board of directors together with a statement of the amounts paid to the members of the board of directors in their capacities as staff or administrators, or whatever amounts they receive in consideration of technical, administrative or consulting tasks, and a statement of the number of sessions held by the board of directors and the number of sessions attended by each member of the board directors from date of the last meeting of the General Assembly.

Article 20: Powers of the Company's Chairman, Vice Chairman, Managing Director and Secretary

The company's board of director shall appoint from its members a chairman, vice-chairman and a chief executive officer. The board of director also may appoint a managing director. Position of the chairman of the board of directors together with any executive position may not be occupied by one person. The chairman of the board of directors has the right to sign in the name and on behalf of the company and implement resolutions of the board of directors. The chairman of the board of directors is further responsible for representing the company at courts, arbitration tribunals and third parties. The chairman of the board of directors may also authorize part of its powers to other member of the board of directors or third parties to perform specific duty (duties) under a written resolution thereon. The company's board of directors shall identify salaries, allowances and remunerations for the chairman and managing director as stipulated in Article (19) herein. The board of directors shall appoint a secretary for the board of directors, and may appoint one or more advisories in respect of the various



affairs of the company; and the board of directors shall identify their remunerations. The position period of the chairman, vice-chairman, managing director and secretary shall not last for a period more than the period of membership in the board of directors of each of them. They may be reelected, and the board of directors may dismiss any of them without prejudice to whoever is dismissed to have compensation if such dismissal is applied for illicit reason or at inappropriate time.

Article 21: Meetings of the Board of Directors

The company's board of directors shall hold meetings at the company's head office under a call by its chairman. The chairman must call for a meeting whenever two (2) members of the board of directors require the same. Such call must be duly registered as considered by the board of directors. Meetings of the board of directors shall be held periodically and whenever needed, provided that the number of the annual meetings shall not be less than four (4) meetings, that at least one (1) meeting to be held every three (3) months.

Article 22: Quorum of the Board of Directors Meeting

The Board meeting shall not be valid unless it is attended by (two-thirds) of the members in person or by proxy, provided that the number of members present in person is at least (four) members, including an independent member. The member may delegate another member on his behalf in attending board meetings and voting in them. The Board's decisions shall be issued by a majority of the opinions of the members present or represented therein, and in the event of a tie in the opinions, the side with which the Chairman of the session voted shall prevail. The Board of Directors may issue decisions on urgent matters by presenting them to individual members unless one of the members requests - in writing - a Board meeting to deliberate on them, in which case these decisions are presented to the Board of Directors at its first subsequent meeting.

Article 23: Deliberations of the Board of Directors

Deliberations and resolutions of the board of directors shall be recorded in minutes to be signed by the chairman of the meeting session, members of the board of directors and secretary. Such minutes shall be registered in a special register to be signed by the chairman and secretary of board of directors.

Article 24: Agreements and Contracts

The company has the right - after obtaining a non-objection from the Insurance Authority - to conclude an agreement for the management of technical services with



one or more qualified companies in the field of insurance, and the members of the Board may conclude insurance contracts with the company in which they have an interest, provided that the Chairman of the Board of Directors provides the General Assembly with the details of those contracts. A member of the Board of Directors must inform the Board of his direct or indirect interest in the business and contracts conducted on behalf of the company, and this notification shall be recorded in the minutes of the meeting. This member may not participate in voting on the decision issued in this regard by the Board of Directors and the shareholders' assemblies. The Chairman of the Board of Directors shall inform the Ordinary General Assembly when it convenes of business and contracts in which a member of the Board has a direct or indirect interest, and the notification shall be accompanied by a special report from the company's external auditor. If a board member fails to disclose his interest, the company or any interested party may demand before the competent judicial authority to invalidate the contract or oblige the member to pay any profit or benefit he gained from it.

Chapter Five

Shareholders' Assembly

Article 25: Attendance to Assemblies

The properly constituted General Assembly represents all the company's shareholders and is held at the city where the company's head office is located. Each shareholder holding whatever number of shares is entitled to present at the shareholders' general assemblies and may authorize any other non-member or non-staff person to attend the company's General Assembly. Meetings of the shareholders' General Assembly may be held and a shareholder may participate in its deliberations and voting on its resolutions via modern technologies in accordance with the controls established by the competent authority.

Article 26: Constitutional Assembly

The company's founders call all the company's subscribers to hold a constitutional assembly within Forty-Five (45) days from the closing date of the share subscription. Each subscriber holding whatever number of shares is entitled to present at the company's constitutional assembly. For such meeting to be valid, the number of present subscribers is required to constitute at least half of the company's share capital. If such quorum fails to be available, a second meeting shall be called for to be held after at least Fifteen (15) days of such call. Nevertheless, the second meeting may be held after one (1) hour of the expiration of the period prescribed for holding the first meeting. The call for the first meeting shall include that such second meeting might be held. At all events,



the second meeting shall be deemed as valid whatever the number of share subscribers present is.

Article 27: Terms of Reference of the Constitutional Assembly

The company's constitutional assembly is responsible for the following:

- 1- Verifying the subscription of the company's whole shares and that the minimum capital is met with the due value of each share.
- 2- Approving the final company's articles of association, provided that no basic amendments shall be made to the proposed articles of association without the approval of the company's share subscribers.
- 3- Appointing members of the company's first board of directors for a period not more than three (3) years if they are not appointed in the company's articles of incorporation or articles of association;
- 4- Appointing the company's auditors and fixing their charges if they are not appointed in the company's articles of incorporation;
- 5- Deliberating the company's founders' reports on businesses and the expenses borne for the company's establishment and approving the same.

Article 28: Terms of Reference of the Company's Ordinary General Assembly

Excluding the matters preserved by the extraordinary General Assembly, the ordinary General Assembly shall be responsible for all the matters relating to the company, and shall be held at least once annually within the next six months after the expiration of the company's financial year. Other Ordinary General Assembly meetings may be called for whenever needed. Formation of the audit committee and fixing its charges also fall within the terms of reference of the Ordinary General Assembly.

Article 29: Terms of Reference of the Extraordinary General Assembly

The company's Extraordinary General Assembly shall be responsible for the amendment to the company's articles of association, excluding the provisions and terms in which it is legally prohibited to make amendments. It further has the right to issue resolutions on internal matters that fall within the terms of reference of the Ordinary General Assembly under the same conditions and status as prescribed by the company's Ordinary General Assembly.

Article 30: Calling for Assemblies Meeting

General or Extraordinary assemblies of shareholders are held at the invitation of the Board of Directors, and the Board of Directors must call the ordinary general assembly to convene if so requested by the auditor, the audit committee, or a number



of shareholders representing at least (10%) of the capital. The auditor may invite the assembly to meet if the board does not invite the assembly within (30) thirty days from the date of the auditor's request.

This invitation shall be published in a newspaper distributed in the region in which the company's head office is located at least twenty one (21) days before the date specified for the meeting. A copy of the invitation and agenda shall be sent to the Capital Market Authority. However, it is permissible to suffice to send an invitation on the aforementioned date to all shareholders by registered letters. A copy of the invitation and agenda shall be sent to the Capital Market Authority within the period specified for publication.

Article 31: Assemblies Register of Attendance

The company's shareholders who are desirous to attend the company's general or special assembly shall register their names at the company's head office prior to the time prescribed for the assembly to be held.

Article 32: Quorum of the Ordinary General Assembly Meeting

The company's Ordinary General Assembly meeting shall not be deemed as validly held unless shareholders constituting at least (one quarter) of the company's share capital are present (and such rate may be increased provided that it shall not exceed half of the share capital). If such quorum failed to be available in the first meeting, a second meeting shall be called for within thirty (30) following the former meeting. Such call for meeting shall be published as stipulated in Article (30) herein; nevertheless, the second meeting may be held after one (1) hour after the expiration of the period prescribed for the first meeting to be held, provided that such call for the first meeting shall include that such second meeting might be held. At all events, the second meeting shall be deemed as validly held whatever the number of shares it includes. Meetings of the shareholders' Ordinary General Assembly may be held and a shareholder may participate in its deliberations and vote on its resolutions via modern technologies in accordance with the controls established by the competent authority.

Article 33: Quorum for the Extraordinary General Assembly Meeting

The company's Extraordinary General Assembly meeting shall not be deemed as validly held unless shareholders constituting at least (half) of the company's share capital are present (and such rate may be increased provided that it shall not exceed two-thirds of the share capital). If such quorum failed to be available in the first meeting, a second meeting shall be called for with the same conditions as stipulated in Article (30) herein. The second meeting may be held after one (1) hour after the expiration of the period prescribed for the first meeting to be held, provided that such call for the first meeting



shall include that such second meeting might be held. At all events, the second meeting shall be deemed as validly held if shareholders constituting at least (one quarter) of the share capital are present. If the quorum for such second meeting failed to be available, a third meeting shall be called for with the same conditions as stipulated in Article (30) herein whatever the number of shares it include, having been approved by the competent authorities. Meetings of the shareholders' Extraordinary General Assembly may be held and a shareholder may participate in its deliberations and vote on its resolutions via modern technologies in accordance with the controls established by the competent authority.

Article 34: Voting in the Assemblies

Votes in the constitutional assembly and the ordinary and extraordinary assemblies' meetings is counted on the basis of one (1) vote for each share. The accumulative voting shall be applied to the election of the company's board of directors, that a share voting right may be only used once. Members of the board of directors may not participate in voting on the assembly's resolutions relating to the discharge of the company's management from responsibility or those relating to their direct or indirect interest.

Article 35: Resolutions of Assemblies

Resolution of the constitutional assembly shall be adopted and issued with the absolute majority of the shares it has, and resolutions of the Ordinary General Assembly shall be adopted and issued with the absolute majority of the shares it has in meeting (a higher rate may be stipulated) nevertheless, if such resolutions are relevant to the evaluation of special privileges the majority of the share subscribers constituting (two-thirds) of the mentioned shares shall be required having the special privileges the relevant beneficiaries subscribe excluded. Resolutions of the Extraordinary General Assembly shall be adopted and issued with the two-thirds majority present at the meeting, unless a resolution is relating to the increase or reduction of the share capital, extending the company's term, dissolution of the company prior to the period stipulated in the company's articles of incorporation, or integration of the company in another company or institution, such resolution shall be deemed as valid only if it is adopted and issued with the three-quarters majority of the shares represented in such meeting.

Article 36: Discussion in the Assembly Meetings

Each shareholder has the right to discuss the issues listed in the assembly's agenda and ask members of the company's board of directors and auditor questions in their regard. Each text set forth in the company's articles of incorporation that denies a shareholder such right shall be deemed null and void. The company's board of directors or auditor



shall provide answers to the shareholders' questions to the degree that does not jeopardize the company's interest. If a shareholder considers the answer provided to its question to be inconvincible, the shareholder shall appeal to the assembly whose decision in this regard shall be deemed effective.

Article 37: Chairman of the Assembly Meetings and Preparation of Minutes

The company's General Assembly shall be chaired by chairman, vice-chairman in the absence of the chairman or whoever member is appointed by the board of directors in the absence of the chairman and vice-chairman. Minutes shall be issued, including the number of shareholders or representatives present, the number of shares they possess whether in person or by proxy, the number of votes prescribed for such shares, the resolutions adopted, the number of votes that approve or challenge such resolutions and compendium of the discussion that has taken place in the meeting. Such minutes shall

be registered periodically after the end of each meeting held in a special register to be signed by the assembly's chairman, secretary and votes collector.

Chapter Six Committees Arising from the Board of Directors

Article 38: Committees of the Board of Directors

Committees of the company's board of directors shall be constituted in accordance with the relevant laws and regulations.

Chapter Seven Auditor

Article 39: Appointment of the Auditor

The company's General Assembly shall appoint one (or more) auditor licensed to work in the Kingdom, and shall specify their remuneration and period of work. The General Assembly may reappoint auditors and may further at all times change them without prejudice to their rights to have compensation if such change occurs at inappropriate time or for illicit reason.

Article 40: Powers of the Auditor

The auditor at any time shall have the right to review the company's books and records together with other document, and to demand the information and clarifications it deems necessary. It may also verify the company's assets, obligations and others that fall within



its scope of duties. The chairman of the board of directors must enable it to perform its duties. Should the auditor face difficulties in this regard, it shall establish the same in a report to be submitted to the board of directors. If the board of directors fails to facilitate the duties of the auditor, it should request the board of directors to call for the Ordinary General Assembly to consider such matter.

Article 41: Obligations of the Auditor

The auditor shall submit to the company's General Assembly an annual report to be prepared in accordance with the generally accepted audit standards, including the company's administration situation of enabling it to have the information and clarifications it requires, all breaches of the Cooperative Insurance Companies Control Law and its Implementing Regulations together with other relevant laws, rules and instructions, the auditor's opinion in respect of how fairly prepared the company's financial statements are. The auditor shall read its report at the General Assembly. Should the company's General Assembly decide to approve the report of the board of directors and financial statements without hearing the auditor's report, the General Assembly's decision shall be deemed as null and void.

Chapter Eight

Accounts of the Company and Allocation of Profits

Article 42: Financial Year

The company's financial year starts on the 1st of January and ends by the end of December of the same calendar year. The first financial year shall start on the date of the ministerial resolution issued under a declaration of the company's incorporation and ends on 31st December of the following calendar year.

Article 43: Financial Documents

1. At the end of each financial year, the company's board of directors shall prepare the company's financial statements (consisting of the Financial Statement Position of Insurance Transactions and Shareholder, Statement of Insurance Transactions Surplus (Deficit), Shareholder's Income Statement, Equity Statement, Statement of Shareholders' Cash Flows); and a report on the company's business activity and its financial position for the past financial year including the way the auditor proposes for distributing profits. The company's board of directors shall make such documents available to the auditor at least Forty-Five (45) days prior to the date determined for the General Assembly's meeting.
2. The documents mentioned in Clause (1) hereinabove should be signed by the company's chairman, CEO and CFO. Copies of such documents shall be kept at the company's head office and made available to the company's shareholders at



- least Twenty One (21) days prior to the date set for the General Assembly's meeting.
3. The company's chairman must provide the shareholders with the company's financial statements, the board of directors' report and the auditor's report unless they are published on a daily newspaper distributed at the company's head office. A copy of such documents shall be sent to the Capital Market Authority at last Fifteen (15) days prior to the date set for the General Assembly's meeting.

Article 44: Accounts of the Insurance Transactions

Accounts of the insurance transactions shall be separate from the shareholder's income statement as detailed as follows:

First: Accounts of the Insurance Transactions:

- 1- An account shall be earmarked for the installments received, reinsurance commissions and other commissions.
- 2- An account for the compensation paid by the company shall be earmarked.
- 3- At the end of each year, the total surplus of the difference between the total installments received and compensation amounts deducting the necessary marketing, administrative and operational charges together with technical provisions shall be identified in accordance with the governing rules thereof.
- 4- The net surplus shall be identified as follows:
The items stipulated in Clause (3) hereinabove shall be added to the total surplus or the return on investment belongs to the insured persons shall be deducted from the same having the insured persons' revenues accounted and their incurred expenses deducted.
- 5- The net surplus shall be distributed whether by way of distributing Ten (10%) percent to the insured persons directly or by reducing their premiums due for the following year, while Ninety (90%) percent of the same shall be carried over to the shareholders' income accounts.

Second: Statement of the Shareholders' Income:

- 1- The shareholders' profits earned from the return on investment of the shareholders; funds shall be in accordance with the rules established by the company's board of directors.
- 2- The shareholders' share of the net surplus shall be as stipulated in Paragraph 5 of the First Clause of this Article.

Article 45: Zakat and Reserves

The company shall:

- 1- Setting aside the prescribed Zakat and income tax.



- 2- Setting aside (20%) of the net profits to form the company's statutory reserve. The company's Ordinary General Assembly may cease such setting aside whenever the total reserve equals (100%) of the company's paid-up capital.
- 3- The company's Ordinary General Assembly may, when determining the stock share in the company's net profits, decide to form other reserves for the company to the extent achieving the company's interest or ensuring fixed profits to be as allocated to the shareholders as possible.

Article 46: Entitlement to Profits

a shareholder is entitled to profits in accordance with the company's General Assembly resolution adopted and issued in this regard, such resolution shall indicate the date of entitlement and day of profit distribution. The entitlement to profits shall be dedicated to the shareholders registered in the shareholders' register at the end of the day set for such entitlement. The company shall notify the Capital Market Authority without delay in any resolutions on the distribution of profits or recommendation of the same; and shall pay the profits prescribed to be distributed to the shareholders at the place and time set by the company's board of directors in accordance with the rules and instructions issued by the competent authority, observing the prior written consent of the Insurance Authority.

Article 47: Losses of the Company

If the company's losses reach (half) of the company's paid-up capital at any time of the financial year, any official of the company or the company's auditor shall when aware of the same notify the company's chairman thereof, and the company's chairman shall accordingly notify members of the board of directors thereof. Within fifteen (15) days of being aware thereof, the board of directors must call for the Ordinary General Assembly to be held within Forty-Five (45) days from the date of being aware of such losses so that it may decide whether to increase or reduce the company's share capital in accordance with the Companies Law to the extent with which such losses rate shall be reduced to less than (half) of the company's paid-up capital, or to dissolve the company prior to the term stipulated in the company's articles of association. At all events, such relevant resolution of the assembly shall be published on the website of Ministry of Commerce and Industry. The company shall be deemed as ended under the force of law if the Extraordinary General Assembly fails to meet within the period identified hereinabove, or if the assembly holds a meeting but cannot adopt and issue a resolution thereon, or if the assembly decides to increase the company's share capital as per the conditions stipulated in this current article and the capital is not subscribed to be increased within Ninety (90) days from the date on which such resolution of the assembly for the increase of the capital was adopted.



Chapter Nine Disputes

Article 48: Company's Responsibility

The company shall commit itself to all the tasks and actions taken by the company's board of directors even if it falls beyond the board of directors' terms of reference unless the interested party is of ill-intention or aware that such duties and actions are beyond the terms of reference of the company's board of directors.

Article 49: Responsibility of the Members of the Board of Directors

The company's members of the board of directors shall be jointly responsible and liable for compensating the company, shareholders or third parties for the harm that arising from their mismanagement of the company's affairs or their breach of the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations together with other relevant rules and regulations. Any and all terms that stipulate the contrary hereof shall be deemed as null and void. All members of the board of directors shall be held responsible if a default arising from a resolution adopted and issued unanimously by them. the members opposing the resolutions adopted and issued with the majority of votes shall not be held responsible for the same whenever they establish

their expressly establish their objection in the relevant meeting minute. Absence from attending the meeting during which the resolution adopted and issued shall not be deemed as a reason for the exemption from liability unless it is evidently found that the absent member of the board of directors is not aware or unable to object after being aware of the same. Approval of the company's Ordinary General Assembly on the discharge of member of the board of directors shall not preclude a liability case to be filled. A liability case shall not be considered after three (3) years of the date the affecting action is disclosed, excluding cases of fraud and forgery. In all cases, a liability case shall not be considered after five (5) years from the expiration date of the financial year during which such affecting action occurs or after three (3) years of the membership expiration of the member of the board of directors, whichever occurs later. Each shareholder has the right to file the prescribed liability case for the company against the company's members of the board of directors if such default made by them causes harm to such shareholder; however, a shareholder may not file the aforementioned case unless the company's right to file the same is still standing. Such shareholder shall notify the company of its intention to file such case and such shareholder's right to claim for compensation shall be limited to the harm affects it only.



Chapter Ten Liquidation of the Company

Article 50: Dissolution of the Company

Once the company is dissolved, it shall be subject to liquidation, and shall keep the required legal entity at the extent as necessary for the company's liquidation. The voluntary liquidation resolution shall be adopted and issued by the Capital Market Authority. Such resolution for liquidation shall include a liquidator, and the liquidator's remuneration, powers, powers restrictions and the period required for such liquidation shall be identified therein. The period for voluntary liquidation shall not exceed five (5) years, and shall not be extended more without a judicial order issued thereon. Authority of the company's board of directors shall be expired on the company's dissolution; nevertheless, those shall keep managing the company and shall be deemed as liquidators against third parties till the liquidator is appointed. The company's bodies shall keep their terms of reference which are not contrary to the liquidator's powers during the company's liquidation period. on liquidation, it must be observed to reserve the right of those sharing the surplus of the insurance transactions and the reserves formed as stipulated in Article (44) and Article (45) herein.

Chapter Eleven Final Provisions

Article 51: The Company's Governing Law

Provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations together with the other relevant rules and regulations shall be enforced and applicable regarding all matters not expressly stipulated herein.

Article 52: Publication

This Article of Association shall be kept and published in accordance with the Companies Law and its regulations.

عقد تأسيس شركة الخليجية العامة للتأمين التعاوني شركة مساهمة سعودية

أبرم بين كل من: (انظر مرفق رقم ١)

١- الشركة السعودية العامة للتأمين ش.م.ب.م. المسجلة في السجل التجاري بدولة البحرين - النامدة برقم ٢٨٣١٠ وتاريخ ١٩٩٢/١١/٠١م والموثقة لدى وزارة العدل والشؤون الإسلامية بمملكة البحرين برقم ٢٠٠٢٠٢٨٠٦٩ وبموجب عقد التأسيس رقم ٩٢/٢٤١١ بسجل التوثيق رقم ٢١ العنوان: رقم - ٨٠٦ مركز فلكن - النامدة - ومثلها في التوقيع على هذا العقد السيد / عبد العزيز بن عبد الله السليمان - بصفته رئيس مجلس الإدارة وجنسيته (سعودي) بموجب السجل المدني رقم ١-١١٩-٠٠٥٨١١-١-١.

طرف أول.

٢- شركة الخليج التعاونية للتأمين المحدودة ش.م.ب.م. وهي شركة مساهمة بحرينية معفاة بموجب عقد التأسيس الصادر من وزارة العدل والشؤون الإسلامية بمملكة البحرين برقم ٩٣/٥٩٨٢ من سجل التوثيق رقم ٢٢ بتاريخ ١٤١٤/٠٤/١٠هـ المسجلة في السجل التجاري بدولة البحرين - النامدة برقم ٣٠٧٩٣ وتاريخ ١٩٩٣/١١/٠٨م العنوان ١٧٠٥ : طريق النامدة - النامدة - ومثلها في التوقيع على هذا العقد السيد / جمال بن عبدالله بن محمد علي الدباغ بصفته رئيس مجلس الإدارة جنسيته (سعودي) بموجب السجل المدني رقم: ١-١٨٠-٠٠٥٩٢-١-١.

طرف ثاني.

٣- شركة اسفار العالمية الفايضة للاستثمار التجاري شركة ذات مسئولية محدودة - سجل تجاري رقم ٤٠٣٠١٨٠٦٢ صادر من جده بتاريخ ١٤٢٨/٠٣/١٣هـ ، والمثبت عقد تأسيسها لدى فضيلة كاتب العدل في جدة برقم ٤٥ وناريخ ١٤٢٨/٠٣/٠٧هـ من الجلد ١٣/ش/م من الصحيفة ٤٧ وعنوانها: جده - حي الحمراء - مركز الجمجوم . ومثلها في التوقيع على هذا العقد السيد / ماجد بن ضياء الدين بن فضل كرم بصفته: المدير العام سعودي الجنسية بموجب السجل المدني رقم ١-١٧١-٠٠١٦٦-١-١.

طرف ثالث.



٥- شركة الانصاف العالية للتنمية العقارية المحدودة - وهي شركة سعودية تحمل سجل تجاري رقم ٤٠٣٠١٦٦٢٨ صادر من جده بتاريخ ٢٨/٠٢/١٤٢٨هـ والمثبت عقد تأسيسها لدى فضيلة كاتب العدل بجدة بالرقم ٤ من الصحيفة ٥ بتاريخ ١٠/٠٢/١٤٢٨هـ وعنوانها جده -شارع فلسطين - برج دلة ، ويمثلها في التوقيع على هذا العقد السيد / عبدالله بن صالح بن عبدالله كامل بصفتة : المدير العام وجنسيته (سعودي) بموجب السجل للدن رقم ١-٩٦٧-٠٧٢٨-١

طرف رابع.

٥- شركة ايبلا للائماء العقاري المحدودة : وهي شركة سعودية خمل السجل التجاري رقم ١٠٣٠١٦٤٧٩٨ صادر من جده بتاريخ ١٠/١١/١٤١٧هـ . والثبت عقد تأسيسها لدى قضيلة كآب العدل جدة برقم ٤٠ من الصحيفة رقم ٤٤ من المجلد ٩/ش/م بتاريخ ١٦/٠٥/١٤١٧هـ . وعنوانها : جده - شارع الاءير سلطان - بناية النوتس . وعملها في التوقيع على هذا العقد السيد / عبدالله محمد علي الياضي بصفته :المدير العام وجنسيته (سعودي) بموجب السجل المدني رقم ٤-٩٢٣٠-١٠١٦٠٠ طرف خامس.

٦- شركة الفضل للاستثمارات المحدودة - شركة سعودية تحمل السجل التجاري رقم ٤٠٣٠٠٨٧٣٣١ صادر من جده بتاريخ ١٤/١١/٢٢هـ والمثبت عقد تأسيسها المعدل لدى فضيلة كاتب العدل في جدة برقم ١ وتاريخ ٢٤/٠٤/١٤٢٧هـ من المجلد ٩/ش/م صحيفة رقم ١-٢ وعنوانها: جده - طريق المدينة - حي الحمراء، ويمثلها في النوقيع على هذا العقد السيد /عبدالقادر محمد عبدالله الفضل بصفته: المدير العام وجنسيته (سعودي) بموجب السجل المدني رقم ٤-٢٣٢٢-١٨-١٠٠٠١٨.

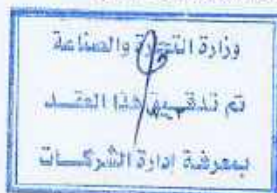
طرف سعادتس۔

٧- شركة محمد سعيد نمر للاستثمار التجاري المحدودة وهي شركة سعودية - سجل تجاري رقم ٤٠٣٠١٤٦٩٠٩ صادر من جده بتاريخ ١٤/١٢/١٤٢٤هـ. والثبت عقد تأسيسها لدى فضيلة كاتب العدل في جدة برقم ١١٤ من الصحيفة رقم ١٢٤ بتاريخ ١٤/٠٩/١٤٢٤هـ من المجلد ١٢/ش/ع وعنوانها : جده حي العمارة شارع وادي حريلاء. يمثلها في التوقيع على هذا العقد السيد / مأمون محمد سعيد علي نمر بصفته : المدير العام وجنسيته (سعودي) بموجب السجل المدني رقم ١٠٠٣٤٤١٠٥

طرف سابع.

٨- شركة زئيل للصناعات المحدودة وهي شركة سعودية - سجل تجاري رقم ٤٠٢٠٠٠٧٦٥٥ وتاريخ ١٣٩٣/٠٣/٠٢هـ صادر من جده والثبت عقد تأسيسها لدى قضيته كاتب العدل في جدة برقم ١/٢٥/ب بتاريخ ١٣٩٩/٠٩/١٩هـ العنوان: جده - ميدان البيعة - عمارة ال زئيل . وبثلاثها في التوقيع على هذا العقد السيد / محمد احمد يوسف زئيل بصفته : رئيس مجلس الادارة وجنسيته (سعودي) بموجب السجل المدني رقم ٩-٨١١٥-٠٠١٧-٠١ .

طرف ثامن



٩- شركة ابناء عبدالله العلي المنجم لأصحابها علي عبدالله المنجم وإخوانه - وهي شركة سعودية تضامنية تحمل السجل تجاري رقم ١٠١٠٠٠٠٥٦٥ صادر من الرياض بتاريخ ١٣٧٦/١١/١١هـ والمثبت عقد تأسيسها لدى فضيلة كاتب العدل في الرياض في الصحيفة رقم ١٧٦-١٧٥ من المجلد ٢٦ بالعدد ٢٤٢٩ لعام ١٤١٩هـ وعنوانها : الرياض - المزرع - شارع الستين ، ويمثلها في التوقيع على هذا العقد السيد/ علي عبدالله العلي المنجم بصفته : المدير العام وجنسيته (سعودي) بموجب السجل المدني رقم ٩-٢٢٩٧-٣٢٥-١ .

طرف تاسع.

وانفق الموقعون على هذا العقد (ويشار لهم فيما بعد بـ "المؤسسون") وهم جميعاً بكامل الأهلية المعنية شرعاً ونظاماً على إنشاء شركة مساهمة سعودية بموجب نظام مراقبة شركات التأمين التعاوني الصادر بالمرسوم الملكي رقم م / ٣٢ وتاريخ ١٤١٤/١/٢هـ ونظام الشركات الصادر بالمرسوم الملكي رقم م / ٦ وتاريخ ١٣٨٥/٣/٢٢هـ وتعديلاته ووفقاً للأحكام والشروط التالية:

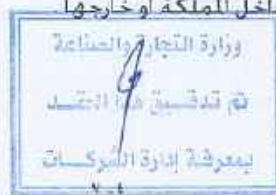
مادة (١) - اسم الشركة :

اسم الشركة هو " الشركة الخليجية العامة للتأمين التعاوني " وهي شركة مساهمة سعودية (ويشار لها فيما بعد بـ "الشركة") .

مادة (٢) - غرض الشركة :

غرض الشركة هو القيام وفقاً لأحكام نظام مراقبة شركات التأمين التعاوني ولائحته التنفيذية والأنظمة والقواعد السارية في المملكة العربية السعودية بمزاولة أعمال التأمين التعاوني وكل ما يتعلق بهذه الأعمال من إعادة تأمين أو توكيلات أو بمقابل أو مراسلة أو وساطة وللشركة أن تقوم بجميع الأعمال التي يلزم القيام بها لتحقيق أغراضها سواء في مجال التأمين أو استثمار أموالها وأن تقوم بتملك وخصم الأموال الغائبة والنقدية أو بيعها أو استبدالها أو تأجيرها بواسطة مباشرة أو بواسطة شركات تؤسسها أو تشتريها أو بالاشتراك مع جهات أخرى.

ويجوز للشركة أن تمتلك أو أن تكون لها مصلحة أو تشترك بأي وجه من الوجوه مع الهيئات التي تزاوّل أعمالاً شبيهة بأعمالها أو الأعمال المالية أو التي تعاونها على تحقيق غرضها أو أن تدمجها فيها أو تشتريها . وتباشر الشركة جميع الأعمال المذكورة في هذه المادة سواء داخل المملكة أو خارجها .



مادة (٣) - مركز الشركة :

يقع مركز الشركة الرئيس في مدينة جدة . ويجوز بقرار من الجمعية العامة غير العادية نقل المركز الرئيس إلى أي مدينة أخرى في المملكة العربية السعودية بموافقة مؤسسة النقد العربي السعودي ومجلس الإدارة أن يفتح للشركة فروعاً أو مكاتب أو توكيلات داخل المملكة العربية السعودية أو خارجها بعد موافقة مؤسسة النقد .

مادة (٤) - مدة الشركة :

مدة الشركة (٩٩) تسعة وتسعون سنة ميلادية ابتداءً من تاريخ صدور قرار وزير التجارة والصناعة بإعلان تأسيسها . ويجوز إطالة مدة الشركة بقرار تصدره الجمعية العامة غير العادية قبل انتهاء أجلها بسنة واحدة على الأقل .

مادة (٥) - رأسمال الشركة :

رأس مال الشركة هو (٢٠٠,٠٠٠,٠٠٠) مائتا مليون ريال سعودي. مقسم إلى (٢٠,٠٠٠,٠٠٠) سهم متساوية القيمة تبلغ قيمة كل منها (١٠) عشرة ريالات سعودية.

مادة (٦) - المساهمة في رأس المال :

اكتتب المؤسسون بما مجموعه (١٢,٠٠٠,٠٠٠) اثنا عشر مليون سهماً بقيمة (١٢٠,٠٠٠,٠٠٠) مائة وعشرون مليون ريال سعودي وسددوا قيمتها نقداً. وهي تمثل (٦٠٪) ستون بالمائة من كامل أسهم رأس مال الشركة. وقد أودع هذا المبلغ في حساب الشركة فييد التأسيس . وسوف تطرح الأسهم الباقية وعددها (٨,٠٠٠,٠٠٠) ثمانية ملايين سهماً بقيمة (٨٠,٠٠٠,٠٠٠) ثمانون مليون ريال للاكتتاب العام. وبعد الاكتتاب مباشرة سوف تكتمل أسهم الشركة لتصبح (٢٠,٠٠٠,٠٠٠) عشرون مليون سهم. وقد اكتتب المؤسسون على النحو التالي:

م	الاسم	القيمة الاسمية للسهم	عدد الأسهم	(إجمالي قيمة الأسهم (ريال))	النسبة
١	شركة السعودية العامة للتأمين	١٠ ريال	٢,٠٠٠,٠٠٠	٢٠,٠٠٠,٠٠٠	١٥ ٪
٢	شركة الخليج التعاونية للتأمين	١٠ ريال	٢,٠٠٠,٠٠٠	٢٠,٠٠٠,٠٠٠	١٥ ٪
٣	شركة اسفار العالمية القابضة للاستثمار التجاري	١٠ ريال	١,٠٠٠,٠٠٠	١٠,٠٠٠,٠٠٠	٨ ٪
٤	شركة الانصاف العالمية للتنمية العقارية	١٠ ريال	١,٠٠٠,٠٠٠	١٠,٠٠٠,٠٠٠	٨ ٪
٥	شركة بيلا للاماء العقاري المحدودة	١٠ ريال	١,٠٠٠,٠٠٠	١٠,٠٠٠,٠٠٠	٨ ٪
٦	شركة الفضل للاستثمارات المحدودة	١٠ ريال	١,٠٠٠,٠٠٠	١٠,٠٠٠,٠٠٠	٨ ٪
٧	شركة محمد سعيد نصر للاستثمار التجاري المحدودة	١٠ ريال	١,٠٠٠,٠٠٠	١٠,٠٠٠,٠٠٠	٨ ٪
٨	شركة زيل للصناعات المحدودة	١٠ ريال	٨٠٠,٠٠٠	٨,٠٠٠,٠٠٠	٦ ٪
٩	شركة لبناء عبدالله علي المنجم	١٠ ريال	٢٠٠,٠٠٠	٢,٠٠٠,٠٠٠	١ ٪
	الإجمالي		١٢,٠٠٠,٠٠٠	١٢٠,٠٠٠,٠٠٠	٦٠ ٪

إدارة التجارة والصناعة
تم تدقيقه في هذا العقد
٧-٥
لمعرفة إدارة الشركات

الخبر
الخبر
الخبر

وبتعهد المؤسسون بطرح أسهم الاكتتاب العام خلال ثلاثين يوماً من تاريخ نشر المرسوم الملكي المرخص بتأسيس الشركة.

مادة (٧) - تشكيل مجلس الإدارة :

يتولى إدارة الشركة مجلس إدارة مؤلف من عشرة أعضاء تعيينهم الجمعية العامة العادية لمدة لا تزيد على ثلاث سنوات، ولا يخل ذلك التعيين بحق الشخص المعنوي في استبدال من يمثله في المجلس. واستثناءً من ذلك تعين الجمعية التأسيسية أول مجلس إدارة لفترة ثلاث سنوات تبدأ من تاريخ صدور القرار الوزاري الصادر بإعلان تأسيس الشركة على أن يكون عضو مجلس الإدارة مالكا لعدد من أسهم الشركة لا يقل قيمتها عن عشرة آلاف ريال على الأقل بعد طرح أسهم الشركة للاكتتاب.

مادة (٨) - السنة المالية:

تبدأ سنة الشركة المالية من الأول من يناير وتنتهي بنهاية ديسمبر السنة نفسها على أن تبدأ السنة المالية الأولى من تاريخ القرار الوزاري الصادر بإعلان تأسيس الشركة وتنتهي في ٣١ ديسمبر من العام التالي.

مادة (٩) - الأحكام العامة:

تطبق أحكام نظام مراقبة شركات التأمين التعاوني ولائحته التنفيذية ونظام الشركات ونظام السوق المالية ولوائحه التنفيذية وأحكام مواد النظام الأساسي للشركة على كل ما لم يرد به نص في هذا العقد.

مادة (١٠) - إكمال إجراءات التأسيس :

يتعهد الموقعون على عقد التأسيس هذا بالسير في الإجراءات المؤدية لاستصدار المرسوم الملكي بتأسيس الشركة وكذلك القرار الوزاري بإعلان تأسيسها وقد فوضوا عنهم في القيام بهذه الإجراءات كل من الأستاذ عبد العزيز عبد المحسن العساف والأستاذ سعود عبد المحسن العساف والأستاذ سعد عبد العزيز العساف، مجتمعين من مكتب عبد العزيز العساف محامون ومستشارون بالإضافة إلى السيد / المحامي / محمد بن صالح بن مناع المؤنس .

حرر هذا العقد من (١٥) نسخة بيد كل مؤسس نسخة واحتفظ بالنسخ الباقية لاستخدامها في إكمال إجراءات التأسيس .



الطرف الأول

الإسم: الشركة السعودية العامة للتأمين
التوقيع:

الطرف الثاني

الإسم: شركة الخليج التعاونية للتأمين المحدودة
التوقيع:

الطرف الثالث

الإسم: شركة أسفار العالمية الفابضة للاستثمار التجاري
التوقيع:

الطرف الرابع

الإسم: شركة الإنصاف العالية للتنمية العقارية المحدودة
التوقيع:

الطرف الخامس

الإسم: شركة ايبلا للاتماء العقاري المحدودة
التوقيع:

الطرف السادس

الإسم: شركة الفضل للاستثمارات المحدودة
التوقيع:

الطرف السابع

الإسم: شركة محمد سعيد تر للاستثمار التجاري المحدودة
التوقيع:

الطرف الثامن

الإسم: شركة زينل للصناعات المحدودة
التوقيع:

الطرف التاسع

الإسم: شركة أبناء عبدالله العلي المنجم وإخوانه
التوقيع:

بالموكالة عن جميع الأطراف

محمد بن عبد العزيز العساف

3





إتحاد الخليج الأهلية للتأمين التعاوني
GULF UNION AL AHLIA COOPERATIVE INSURANCE