
**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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KPMG Al Fozan & Partners
Certified Public Accountants



Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company

Opinion

We have audited the financial statements of **Al Alamiya for Cooperative Insurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2019 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of 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 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

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 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.



KPMG Al Fozan & Partners
Certified Public Accountants



Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company (continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
<p>Valuation of ultimate claim liability arising from insurance contract</p> <p>As at 31 December 2019, the gross outstanding claims including claims Incurred but Not Reported (IBNR) and other technical reserves amounted to SR 123,677,000 as reported in Note 9.1 of the financial statements.</p> <p>The valuation of ultimate insurance contract liabilities is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain.</p> <p>The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements.</p> <p>Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate insurance contract liabilities, we have determined it to be a key audit matter.</p> <p><i>Refer to note 2 (e)(i) which disclosed the estimated liability arising from claims under insurance contracts and note 3 which discloses accounting policies for claims.</i></p>	<ul style="list-style-type: none"> • We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. • On a sample basis, we tested the measurement of claims reserves on a case-by-case basis by comparing the outstanding claims to source documentation. • We engaged our actuarial specialist to assess the methodologies and assumptions used by the management in determining the reserves for incurred but not reported claims. We have also reviewed the actuarial reserve report issued by the independent actuary. • We 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.



KPMG Al Fozan & Partners
Certified Public Accountants

Alder Audit Bureau



An Incentive for growth

Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2019 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 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 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.



KPMG Al Fozan & Partners
Certified Public Accountants



Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Al Alamiya for 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 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.

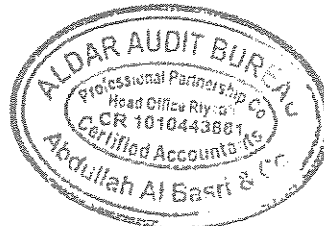
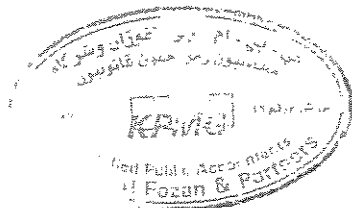
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27 Rajab 1441H
22 March 2020




AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		SAR '000	
	<i>Notes</i>	December 31, 2019	December 31, 2018
			(Restated)
ASSETS			
Cash and cash equivalents	4	14,919	55,676
Term deposits	5	431,765	411,230
Premiums and reinsurer' receivable, net	8	44,107	70,868
Reinsurers' share of unearned premiums	9.2	41,006	56,537
Reinsurers' share of outstanding claims	9.1	50,799	44,355
Reinsurers' share of claims incurred but not reported	9.1	9,178	8,230
Deferred policy acquisition costs	9.3	4,159	4,631
Investments	6	157,850	92,982
Due from related parties	20	69	630
Prepaid expenses and other assets		10,629	7,117
Deferred tax asset	15f	1,064	1,621
Property and equipment	12	1,145	1,541
Intangible assets	12	1,561	--
Statutory deposit	11	40,000	40,000
Accrued commission income on statutory deposit	11	4,151	3,059
TOTAL ASSETS		812,402	798,477


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 28 form an integral part of these financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2019

		SAR' 000	
	Notes	December 31, 2019	December 31, 2018 (Restated)
LIABILITIES			
Outstanding claims reserve	9.1	82,315	85,720
Claims incurred but not reported	9.1	36,575	46,357
Other technical reserves	9.1	4,787	693
Accrued expenses and other liabilities	13	35,893	35,784
Reinsurers' balances payable		81,420	52,784
Unearned premiums	9.2	73,610	112,473
Accounts payables		15,060	8,471
Unearned reinsurance commission	9.4	4,360	3,366
Due to related parties	20	1,788	1,045
End-of-service benefits	22	10,616	11,650
Zakat and income tax	15d	44,267	38,153
Accrued commission income payable to SAMA		4,151	3,059
Accumulated surplus	10	9,852	10,263
TOTAL LIABILITIES		404,694	409,818
EQUITY			
Share capital	16	400,000	400,000
Statutory reserve		1,161	--
Accumulated profits / (losses)		4,643	(9,215)
Fair value reserve for available for sale investments		2,168	(1,669)
Actuarial reserve for employee benefits		(264)	(457)
TOTAL EQUITY		407,708	388,659
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY			
		812,402	798,477
COMMITMENTS AND CONTINGENCIES			
	19	1,046	886


Khalid Allagany
CEO and Managing Director

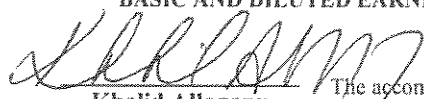

Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 28 form an integral part of these financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

		SAR '000	
	Notes	2019	2018
			(Restated)
REVENUES			
Gross premiums written			
- Direct		219,034	292,882
- Reinsurance		907	651
	9.2	219,941	293,533
Reinsurance premiums ceded			
- Local		(2,176)	(3,220)
- Foreign		(110,993)	(125,250)
		(113,169)	(128,470)
Excess of loss premium			
- Local		(206)	--
- Foreign		(4,157)	(7,641)
		(4,363)	(7,641)
Total reinsurance premium ceded	9.2	(117,532)	(136,111)
NET PREMIUMS WRITTEN	9.2	102,409	157,422
Changes in unearned premiums		38,863	(12,370)
Changes in reinsurers' share of unearned premiums		(15,531)	7,397
NET PREMIUMS EARNED		125,741	152,449
Reinsurance commissions	9.4	12,671	11,518
TOTAL REVENUES		138,412	163,967
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(116,200)	(112,829)
Reinsurers' share of claims paid		37,468	34,204
NET CLAIMS PAID		(78,732)	(78,625)
Changes in outstanding claims		3,405	496
Changes in reinsurers' share of outstanding claims		6,444	2,810
Changes in claims incurred but not reported, net		10,730	14,294
Changes in other technical reserves		(4,094)	1,040
NET CLAIMS INCURRED		(62,247)	(59,985)
Policy acquisition costs	9.3	(18,060)	(17,993)
Other underwriting expenses		(1,119)	(1,615)
TOTAL UNDERWRITING COSTS AND EXPENSES		(81,426)	(79,593)
NET UNDERWRITING INCOME		56,986	84,374
OTHER OPERATING (EXPENSES) / INCOME			
Reversal/(Allowance) for doubtful debts	8	6,827	(2,164)
General and administrative expenses	18	(58,673)	(59,588)
Investment income on term deposits		12,591	9,248
Investment income on bonds and sukuks		3,590	2,255
Other income		4,066	--
TOTAL OTHER OPERATING EXPENSES		(31,599)	(50,249)
TOTAL INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		25,387	34,125
TOTAL INCOME FOR THE YEAR ATTRIBUTED TO THE INSURANCE OPERATIONS	25B	(1,728)	(2,862)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		23,659	31,263
ZAKAT CHARGE FOR THE YEAR	15	(7,486)	(8,334)
INCOME TAX CHARGE FOR THE YEAR	15	(1,154)	(1,386)
NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE SHARE HOLDERS		15,019	21,543
BASIC AND DILUTED EARNINGS PER SHARE (SAR)		0.38	0.54


Khalid Allagany
CEO and Managing Director

The accompanying notes 1 to 28 form an integral part of these financial statements.


Fadi Aboul Hosn
Chief Financial Officer

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

		SAR '000	
	<u>Notes</u>	2019	2018 (Restated)
Total income for the year		16,747	24,405
OTHER COMPREHENSIVE INCOME			
<i>-Items that may be reclassified to statement of income in subsequent periods</i>			
Change in fair value of available for sale investments	6	3,837	(809)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		20,584	23,596
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTED TO THE INSURANCE OPERATIONS	25B	(1,728)	(2,862)
NET COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		18,856	20,734


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

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**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER
SAR in '000'**

<u>2019</u>	<u>Notes</u>	<u>Share capital</u>	<u>Statutory Reserve</u>	<u>Accumulated profits/(losses)</u>	<u>Fair value reserve for sale investments</u>	<u>Actuarial reserve for employee benefit</u>	<u>Total Equity</u>
Balance at January 1, 2019 (Restated)		400,000	--	(9,215)	(1,669)	(457)	388,659
Total comprehensive income for the year							
Changes in fair values of available for sale investments	6	--	--	--	3,837	--	3,837
Net income after Zakat and Income Tax for the year attributable to shareholders		--	--	15,019	--	--	15,019
Remeasurement of defined benefit liability	22a	--	--	--	--	193	193
Transfer to statutory reserve		--	1,161	(1,161)	--	--	--
Balance at December 31, 2019		400,000	1,161	4,643	2,168	(264)	407,708
2018 (Restated)							
Balance at January 1, 2018		400,000	--	(30,758)	(860)	(1,675)	366,707
Total comprehensive income for the year							
Changes in fair values of available for sale investments	6	--	--	--	(809)	--	(809)
Net income after Zakat and Income Tax for the year attributable to shareholders		--	--	21,543	--	--	21,543
Remeasurement of defined benefit liability	22a	--	--	--	--	1,218	1,218
Transfer to statutory reserve		--	--	--	--	--	--
Balance at December 31, 2018		400,000	--	(9,215)	(1,669)	(457)	388,659


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 28 form an integral part of these financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

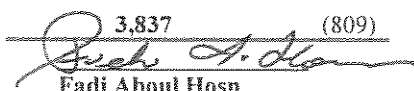
		SAR' 000	
	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Total Income for the year before zakat and income tax		25,387	34,125
Adjustments for non-cash items:			
Depreciation of property and equipment	12	789	414
Amortization of intangible assets	12	57	--
Amortizations of investments	6b	74	301
(Reversal)/Allowance for provisions for doubtful debts	8	(6,827)	2,164
Provision for end-of-service benefits	22	2,293	2,493
		21,773	39,497
<u>Changes in operating assets and liabilities:</u>			
Deposits against letters of guarantee		--	200
Premiums and reinsurers' receivable		33,588	8,152
Reinsurers' share of unearned premiums		15,531	(7,397)
Reinsurers' share of outstanding claims		(6,444)	(2,810)
Reinsurers' share of claims Incurred but not reported		(948)	17,108
Deferred policy acquisition costs		472	(839)
Due from related parties		561	(599)
Prepaid expenses and other assets		(3,512)	(1,737)
Accrued income from statutory deposits		(1,092)	(855)
Accounts payables		6,589	(4,548)
Accrued expenses and other liabilities		109	2,515
Reinsurers' balances payable		28,636	12,064
Unearned premiums		(38,863)	12,370
Unearned reinsurance commission		994	(1,099)
Outstanding claims reserve		(3,405)	(496)
Claims incurred but not reported		(9,782)	(31,402)
Other technical reserves		4,094	(1,040)
Accrued commission income payable to SAMA		1,092	855
Due to related parties		743	(19)
		50,136	39,920
Zakat and income tax paid	15d	(1,969)	(2,726)
End-of-service benefits paid	22	(3,134)	(546)
Surplus paid to policy holders	10	(2,139)	(2,215)
Net cash generated from operating activities		42,894	34,433
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in investments, net	6b	(61,105)	(16,814)
(Additions)/disposals in term deposits, net		(20,535)	22,875
Additions in intangible assets	12	(1,618)	--
Additions in property and equipment	12	(393)	(1,269)
Net cash (used in) / generated from investing activities		(83,651)	4,792
Net change in cash and cash equivalents		(40,757)	39,225
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		54,976	15,751
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	14,219	54,976

NON-CASH INFORMATION

Change in fair value of available for sale investments

6b 3,837 (809)


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 28 form an integral part of these financial statements

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company (The Company) is a Saudi joint stock Company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939). The registered address of the Company's head office is as follows:

Al Alamiya for Cooperative Insurance Company
Prince Mohammed bin Abdul Aziz Road,
Home Centre Building, P.O. Box: 6393,
Riyadh 11442, Kingdom of Saudi Arabia

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from Saudi Arabian Monetary Authority (SAMA) to transact insurance business in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

a) *Basis of Presentation*

The financial statements for the year ended 31 December 2019 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 Certified Public Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").
- The annual financial statement for the year ended 31 December 2018 were prepared in compliance with the International Financial Reporting Standards (IFRS) respectively, as modified by Saudi Arabian Monetary Agency (SAMA) SAMA for the 'accounting of zakat and income tax', which required, adoption of all IFRS as issued by the International Accounting Standards Board (IASB) except for the application of International Accounting Standard (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax and the Regulations for Companies in the Kingdom of Saudi Arabia. On 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (IASB) and as endorsed in the Kingdom of Saudi Arabia (collectively referred to as IFRS as endorsed in KSA).
- Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3) and the effects of this change are disclosed in note 15 to the financial statements.
- The requirements of the Regulations for Companies and 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.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate book of accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

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 25 of the financial statement have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing 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,

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 BASIS OF PREPARATION (Continued)

a) *Basis of Presentation (continued)*

comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred below in note 25 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial information in compliance with IFRS, 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. Surplus from insurance operations' and actuarial reserves from employee benefits are shown separately as Accumulated Surplus in the statement of financial position and as Actuarial reserve for employee benefits in the statement of equity.

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 Arabian Monetary Agency Authority (SAMA). Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

b) *Basis of measurement*

The financial statements have been prepared under the historical cost basis, except for the measurement at fair value of available for sale investments and End Of Service Benefits (EOSB) at present value. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, term deposits, premiums and reinsurers' receivable, net, reinsurance share of unearned premiums, reinsurance share of outstanding claims, deferred policy acquisition costs, deferred excess of loss premiums, prepaid expenses and other assets and investments with the exception of available for sale investments in insurance operations. The following balances would generally be classified as non-current property and equipment and intangible assets, statutory deposit, accrued commission income on statutory deposit and available for sale investments in insurance operations.

c) *Functional and presentational currency*

The financial statements have been presented in Saudi Riyals, which is the functional and presentational currency of the Company.

d) *Fiscal year*

The Company follows a fiscal year ending December 31.

e) *Critical accounting judgments, 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.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims Incurred But Not Reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the end of reporting date, for which the insured event has occurred prior to the end of reporting date. The Company uses the services of a qualified actuary in the valuation of IBNR as well as premium deficiency reserves.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 BASIS OF PREPARATION (Continued)

e) *Critical accounting judgments, estimates and assumptions (continued)*

(ii) Impairment on premiums and reinsurance balances receivable

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

(iii) Impairment of available for sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

f) *Seasonality of operations*

The Company operates in an industry where significant seasonal or cyclical variations in operating income are experienced during the financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the following new and amended IFRS and IFRIC interpretations. In the current year, the Company has applied a number of amendments to IFRS and new interpretations issued by International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after 1 January 2019. The adoption of new standards, amendments and revisions to existing standards, as mentioned below:

a) *Change in the accounting for zakat and income tax:*

As mentioned above, the basis of presentation (Note 2a) has been changed for the year ended 31 December 2019 as a result of the issuance of instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the instructions issued by SAMA dated 23 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 15 to the financial statements. The change has resulted in reduction of reported income of the Company for the year ended 31 December 2018 by SAR 9.7 million. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

i) *Income tax:*

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

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

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (continued)*

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

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

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have any impact on the financial statements of the Company.

iii) *Deferred income tax:*

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

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

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

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

iv) *Zakat:*

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

b) *Adoption of IFRS 16 Leases*

The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard regarding lease contracts for which the lease term ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has performed an assessment of IFRS 16 and determined the difference as compared to IAS 17 and IFRIC 4 is not material to the Company's financial statements as a whole.

The details of new significant accounting policy and the nature are set out below.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental commission rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases,

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Adoption of IFRS 16 Leases (continued)

the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

c) Standards issued but not yet effective

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect date in future dates.

i) IFRS 9 Financial Instruments

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

Classification and measurement

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IFRS 9 Financial Instruments (continued)

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.

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.

Hedge accounting

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

Effective date

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

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after January 1, 2021. On 17 March 2020, the International Accounting Standards Board ("IASB") has decided to further extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
- 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 preliminary assessment which included below:

- (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 the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IFRS 9 Financial Instruments (continued)

Impact assessment

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SR 611 million and SR 149.25 million, respectively. Financial assets mainly represent investments held at amortized cost which consist of cash and cash equivalents, term deposits and accrued income on term deposits amounting to SR 452 million (2018: SR 471 million). Other financial assets consist of available for sale investments and accrued income on such investments amounting to SR 159 million (2018: SR 94 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Credit risk exposure and concentration of credit risk of these financial assets are mentioned in note 23.

The Company's financial assets have low credit risk as at December 31, 2019 and 2018. The above is based on the preliminary assessment of IFRS 9 which is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present, it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

ii) IFRS 17 Insurance Contracts

Overview

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

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

- i) embedded derivatives, if they meet certain specified criteria;
- ii) distinct investment components; and
- iii) 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”:

- b) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows,
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - and a risk adjustment for non-financial risk;
- c) 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 but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) IFRS 17 Insurance Contracts (continued)

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

- i) the entity's share of the changes in the fair value of underlying items,
- ii) the effect of changes in the time value of money and in financial risks not relating to the underlying items.

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

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the International Accounting Standards Board ("IASB") has completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It has decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date i.e. 1 January 2023.

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

Presentation and Disclosures

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

Impact assessment:

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, 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 gaps and their impact are as follows:

Impact Area	Summary of Impact
<i>Initial recognition</i>	For insurance contracts issued, the initial recognition date is the earliest of the (1) premium due date, or where there is no due date specified, the date of receipt (2) the date the group of contracts is deemed to be onerous, (3) the date the group of contracts incepts. A formal process needs to be implemented to identify onerous contracts prior to inception.
<i>Product assessment</i>	The need for the BBA (Building Block Approach) depends on the business mix and any changes in the business mix in future and would require a substantial effort to implement. There are currently no plans for material change in business mix. Therefore, it is unlikely that Al Alamiya will require integrated BBA functionality.
<i>Level of aggregation</i>	Portfolios will need to be disaggregated into annual cohorts and classified (in groups) as either onerous or profitable, with no significant risk of becoming onerous or profitable, with significant possibility of becoming onerous (remaining contracts), on initial recognition Al Alamiya will need a process for the identification and monitoring of onerous contracts over time. Insurance and reinsurance contracts grouping needs to be reengineered in accordance with the aggregation criteria defined in IFRS 17.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) IFRS 17 Insurance Contracts (continued)

Best Estimate Liabilities ("BEL"):	"BEL" calculations will be required under IFRS 17 which needs a different level of granularity, depending on Al Alamiya's IFRS 17 level of aggregation. Some of the inputs of "BEL" calculation will need improved data flows compared to current standards particularly around expense allocation.
Premium Allocation Approach Liability For Remaining Coverage ("PAA LFRC")	Premium receipt data, coming from the Treasury system, is not readily linked to the core insurance system at the level of aggregation required under IFRS 17 (i.e. "Analyst" class) which is an important element of LFRC calculation under the IFRS 17 requirement.
Discounting	If Al Alamiya elects to discount its LFRC, then new functionality and new processes will be required to perform the necessary calculations. Cash-flows and yield curves need to be stored at the required level of aggregation. More complex functionality will be required if OCI is used.
Risk Adjustment	Al Alamiya will need to calculate an explicit Risk Adjustment in accordance with the IFRS 17 requirements, ensuring that it is available at the required level of aggregation. Further, the Risk Adjustment and resulting confidence level will need to be disclosed in the financial statements. Currently Al Alamiya does not calculate anything similar to the Risk Adjustment and there is no existing methodology
Contractual Service Margin ("CSM")	Financial impact assessment to assess PAA qualification of Al Alamiya is currently being carried out and if required to use BBA approach, the CSM would be required. Use of BBA and requirement of CSM depend on Al Alamiya's business mix and would require substantial effort to implement.
Reinsurance contracts held	Under IFRS 17 reinsurance contracts held should be considered and measured separately from the gross business. Al Alamiya will need to ensure that all the measurement principles mentioned above are also assessed for its reinsurance held and that presentation and disclosure and transition requirements are met. systems and processes will need to be developed to account for them appropriately
Presentation and Disclosure	IFRS 17 will fundamentally change the presentation of the primary financial statements and many of the notes and will result in a number of additional detailed disclosure requirements. This will be the case, in particular, for the requirements. New analysis/reports, disaggregation in the chart of accounts, level of aggregation, and system capability requires amendment to present and disclose information in line with the requirements of IFRS 17.
Financial Impact	Work is in progress to calculate the Financial impact of IFRS 17 in comparison to IFRS 4.
Data Impact	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the LFRC, RI contracts held break down into risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17).
IT Systems Impact	Assessment is being done of existing systems capabilities for IFRS 17 calculations and user requirements specification needs to be anticipated prior to the setup and configuration of the new IT platform, storage and reporting and whether new systems/calculation engines should be implemented. Calculation engine is expected to be able to deliver the IFRS 17 required calculations, such as discounting (with OCI) and the LFRC. Therefore, Al Alamiya need to have the required data and assumptions to feed the calculation engine.

The Company has started its implementation process and has set up a project team, supervised by a steering committee.

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

• Cash and Bank Balances

Cash and bank balances comprise cash on hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the date of acquisition.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• *Prepayments*

Prepayments 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 statement of comprehensive income as they are consumed or expire with the passage of time.

• *Accrued Expenses and Other Liabilities*

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

• *Insurance Contracts*

Insurance contracts are those contracts where the Company (The Insurer) has accepted significant insurance risk from another party (The Policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (The Insured 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. 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 are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

• *Available For Sale Investments (AFS)*

Available for sale investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through income statement. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS investments are subsequently measured at fair value.

Return on debt securities is recognised on an effective yield method. Profit or loss on sale of investments is recognised at the time of sale. Dividend income is recognised when right to receive such dividend is established.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under 'fair value reserve for available for sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Any significant or prolonged decline in value of investments is adjusted for and reported in the statement of comprehensive income as impairment charges. Fair values of investments are based on quoted prices for marketable securities or estimated fair values.

• *Provisions*

A provision for incurred liabilities is recognised when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

• *Liability Adequacy Test*

As at each year end, an assessment is made of whether provision of unearned premium is adequate. Provision for premiums deficiency reserve is made where the expected claims and related expenses are expected to exceed unearned premiums. At the end of each reporting date, the Company reviews its premiums deficiency reserve and carries out a liability adequacy test to ensure the adequacy of the insurance contracts liabilities using the current best estimates of future contractual cash flows, claims handling and administration expenses. If these estimates show that the carrying amount of insurance liabilities is insufficient, the deficiency is recognized in the statement of income by establishing a provision in the statement of financial position. The Company estimates premium deficiency reserve based on actuarial valuation for each line of business separately.

• *Revenue Recognition*

Premiums and commissions are taken into income over the terms of the policies to which they relate, on a pro-rata basis. Unearned premiums and commissions represent the portion of premiums and commissions relating to the unexpired period of coverage. The change in the provision for unearned premium and unearned commission is taken to the statement of income in the same order that revenue is recognised over the period of risk.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• *Revenue Recognition (continued)*

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

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

• *Claims*

These include the cost of claims and claims handling expenses paid during the year, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions.

Total outstanding claims comprise estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date, net of salvage and other recoveries including claims handling expenses.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported (IBNR) claims as well as for the cost of settling pending claims at the statement of financial position date.

The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratio which are reviewed at regular intervals by the Company's appointed actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

• *Receivables*

Premiums receivable are non-derivative financial assets with fixed or determinable payments. These are recognized when due and are measured initially at fair value of the consideration received or receivable. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of income. An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable. Premiums receivable are derecognized when the de recognition criteria for financial assets have been met.

• *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value is depreciated on a straight line basis over the estimated useful life as follows:

	Years
Furniture, fixtures and office equipment	3
Motor vehicles	3

The assets' residual values and useful lives are reviewed at each financial position date and adjusted prospectively if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• *Property and Equipment (continued)*

Gains or losses arising from disposal of property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the related property and equipment and are recognised in the statement of income when the related property and equipment is disposed.

• *Intangible Assets*

Intangible assets are stated at cost less accumulated amortization and any impairment in value. The cost less estimated residual value is amortized on a straight-line basis over the estimated useful life of three years.

• *Reinsurance*

The Company cedes insurance risk in the normal course of business for a portion of risk it is insuring. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the financial position representing premiums due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

• *Deferred Policy Acquisition Costs (DPAC)*

DPAC are those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts that are deferred to the extent that those costs are recoverable out of future premiums. All other policy acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, these costs are amortised based on the term of expected future premiums. Amortisation is recorded in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

• *Salvage and Subrogation Reimbursement*

Some insurance contracts permit the Company to sell a (usually damaged) asset acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. 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 property. 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 action against the liable third party.

• *Foreign Currencies*

Transactions in foreign currencies are initially recorded at the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot exchange rate at the reporting date. All differences arising on non-trading activities are taken to the statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

As the Company's foreign currency transactions are primarily in US dollars, which is pegged against Saudi Riyals, therefore foreign exchange gains and losses are not significant and have not been disclosed separately.

• *Impairment of Non-Financial assets*

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

• *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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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NOTES TO THE FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• *Impairment of Financial assets*

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- 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.

• *Derecognition of Financial Instruments*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) 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.

• *Trade Date Accounting*

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

• *Expense Recognition*

Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses are presented using the nature of expense method.

• *Unearned Commission Income*

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

• *Reinsurance Claims*

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• *Segmental Reporting*

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors that makes strategic decisions. The Company is organised into business units based on their products and services and has six reportable operating segments as follows:

- Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting there from.
- Motor insurance products which provide coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Engineering includes long term Erection All Risks (EAR) and Contractor All Risk (CAR) policies and annual policies for Machinery Break Down (MBD), Machinery All Risk, Electronic Data Processing, Business Interruption in conjunction with MBD.
- Medical products which provide health care cover to policyholders.
- Marine insurance for loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.
- Group Life insurance which provides life insurance to groups of policyholders.
- Others include mainly general accident.

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

No inter-segment transactions occurred during the year. If any transactions were to occur, transfer prices between operating segments are set mutually agreed terms. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

• *Statutory Reserve*

In accordance with its by-laws, the Company shall allocate 20% of its net income and after setting off the accumulated losses, each year to a statutory reserve until it has built up a reserve equal to the share capital.

• *Reinsurance Premiums*

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the year and are recognised from the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

SAR'000	December 31, 2019	December 31, 2018
Bank balances and cash – Insurance operations	13,312	12,175
Bank balances and cash – Shareholders' operations	907	1,374
Short term deposits – Shareholders' operations	--	41,427
Cash and cash equivalents in statement of cashflows	14,219	54,976
Deposits against letters of guarantee – Insurance operations	700	700
Total	14,919	55,676

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For the year ended 31 December 2019

4. CASH AND CASH EQUIVALENTS (Continued)

The Company holds an amount of SAR 0.7 million (31 December 2018: SAR 0.7 million) in the statement of financial position as letters of guarantee in favor of the Company's service providers.

5. TERM DEPOSITS

Term deposits are placed with counterparties which have credit ratings of A- to A+ ratings under Standard and Poor's and Fitch ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original placement and earn investment income at weighted average rate of 2.6 % per annum (2018: 2.7% per annum). The carrying amounts of the term deposits approximate the fair value at the statement of financial position date.

6. INVESTMENTS

Investments are classified as follows:

SAR'000	December 31, 2019			December 31, 2018		
	Domestic	International	Total	Domestic	International	Total
Available for sale investments – Insurance operations *	1,923	--	1,923	1,923	--	1,923
Available for sale investments – Shareholders' operations	126,867	29,060	155,927	62,424	28,635	91,059
Total available for sale investments	128,790	29,060	157,850	64,347	28,635	92,982

a) Insurance operations – Investments

* This represents investments in respect of the Company's shareholding in Najm for Insurance Services which is a claim's service provider. This investment has been carried at cost in the absence of active markets or other means of reliably measuring its fair value.

b) Shareholders' operations – Available for sale investments (AFS)

SAR '000	2019		2018	
	Amortised cost SR	Market value SR	Amortised cost SR	Market value SR
Bonds – Fixed rate (Quoted)				
QNB (Qatar National Bank) Finance	13,523	13,502	13,595	13,301
Abu Dhabi Commercial Bank	15,604	15,558	15,625	15,334
Sukuks – Fixed rate (Quoted)				
KSA Sukuk Ltd	124,630	126,867	63,507	62,424
	153,757	155,927	92,727	91,059

Movement in the investment balance for shareholders' operations is as follows:

SAR'000	Shareholders' operations	
	December 31, 2019	December 31, 2018
Opening balance	91,059	75,355
Purchases	61,105	44,564
Maturities	--	(27,750)
Amortization of investments	(74)	(301)
Changes in fair value of investments	3,837	(809)
Closing balance	155,927	91,059

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. INVESTMENTS (Continued)

The geographical split of investments held as available for sale comprise of sukuks / bonds issued by Government of Kingdom of Saudi Arabia and GCC (Gulf Cooperation Council) based companies through international stock exchanges.

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 2.17 million (31 December 2018: loss of SR 1.67 million) is presented within the shareholders' equity in the statement of financial position.

7. 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 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 the financial information.

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.

a. Carrying amounts and fair value

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

SAR'000s December 31, 2019 <u>Shareholders' operations</u> Available for sale investments measured at fair value	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Bonds and Sukuks	155,927	155,927	--	--	155,927
<u>Insurance Operations</u> Najm for Insurance Services Company	1,923	--	--	1,923	1,923
	157,850	155,927	--	1,923	157,850

SAR'000s December 31, 2018 <u>Shareholders' operations</u> Available for sale investments measured at fair value	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Bonds and Sukuks	91,059	91,059	--	--	91,059
<u>Insurance Operations</u> Najm for Insurance Services Company	1,923	--	--	1,923	1,923
	92,982	91,059	--	1,923	92,982

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The unlisted investment of SR 1.92 million (2018: SR 1.92 million) held as part of Company's insurance operations, was stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the year ended 31 December 2019, there were no transfers into or out of level 3 fair value measurements. As at 31 December 2018, available-for-sale investments with a carrying amount of SR 19.2 million were transferred from Level 2 to Level 1 because these investments are now being actively traded in the market. To determine the fair value of such investments, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from Level 1 to Level 2 during the year ended 31 December 2019.

8. PREMIUMS AND REINSURERS' RECEIVABLE

Receivables comprise amounts due from the following:

SAR'000	Insurance operations	
	December 31, 2019	December 31, 2018
Policyholders	15,494	46,443
Brokers and agents	16,193	28,424
Related parties (Note 20)	9,815	8,496
Receivables from reinsurers	12,635	4,362
	54,137	87,725
Provision for doubtful receivables	(10,030)	(16,857)
Premiums and reinsurers' receivable – net	44,107	70,868

Allowance for impairment of receivables include SR Nil (2018: SR 1.6 million) against receivables from related parties. Movement in the allowance for impairment of receivables is as follows:

SAR '000	2019 SR	2018 SR
Balance at 1 January	16,857	14,693
(Reversal) / charge of provision for the year	(6,827)	2,164
Balance at 31 December	10,030	16,857

SAR '000

	Neither past due nor impaired			Past due but not impaired		Past due and impaired	
	Total	Less than 30 days	31 - 60 days	61 - 90 days	90 - 180 days	181 - 360 days	More than 360 days
Premium and reinsurance receivables							
- Policyholders	15,494	664	1,177	7,274	1,756	1,330	3,293
- Brokers and agents	16,193	2,260	2,297	773	3,136	3,097	4,630
- Due from related parties	9,815	3,707	3,393	2,715	--	--	--
- Receivable from reinsurers	12,635	7,797	--	19	--	2,104	2,715
31 December 2019	54,137	14,428	6,867	10,781	4,892	6,531	10,638
Premium and reinsurance receivables							
- Policyholders	46,443	22,103	(53)	8,495	5,230	6,398	4,270
- Brokers and agents	28,424	1,604	2,886	5,425	4,409	7,265	6,835
- Due from related parties	8,496	2,259	3,192	108	379	751	1,807
- Receivable from reinsurers	4,362	224	--	12	1,469	87	2,570
31 December 2018	87,725	26,190	6,025	14,040	11,487	14,501	15,482

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. PREMIUMS AND REINSURERS' RECEIVABLE (Continued)

The Company classifies balances as "past due and impaired" on case by case basis and an impairment adjustment is recorded in the statement of income. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is the normal practice of the Company to not obtain collateral over premiums receivable. These balances are therefore unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to respective policyholders' credit history, where there are minimal account defaults and vast majority of the receivables have been fully recovered in the past.

The Company does not have a formal internal credit ratings assessment process. Amounts which are neither past due nor impaired, in respect of premium receivable balances, are from individuals and unrated corporates.

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia as well as reinsurance companies outside Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of transaction. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. As at 31 December 2019, no individual or corporate account is for more than 23% of the premiums receivable (31 December 2018: 23%). In addition, the five largest customers accounts amounts to 59% of the premiums receivable as at 31 December 2019 (31 December 2018: 57%).

9. TECHNICAL RESERVES

9.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	December 31, 2019	December 31, 2018
Outstanding claims	109,275	107,034
Less: Realizable value of salvage and subrogation	(26,960)	(21,314)
Outstanding claims reserve	82,315	85,720
Claims incurred but not reported	36,575	46,357
Other technical reserves	4,787	693
	123,677	132,770
Less:		
- Reinsurers' share of outstanding claims	(50,799)	(44,355)
- Reinsurers' share of claims Incurred but not reported	(9,178)	(8,230)
	(59,977)	(52,585)
Net outstanding claims and reserves	63,700	80,185

9.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

SAR'000	Year ended December 31, 2019		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	112,473	(56,537)	55,936
Premium written during the year	219,941	*(117,532)	102,409
Premium earned during the year	(258,804)	133,063	(125,741)
Balance as at the end of the year	73,610	(41,006)	32,604

* This amount includes SR 111 million for reinsurance premium ceded abroad, SR 2.2 million for reinsurance premium ceded locally and SR 4.2 million for excess of loss expenses ceded abroad and, SR 0.2 million ceded locally.

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For the year ended 31 December 2019

9. TECHNICAL RESERVES (Continued)

9.2 MOVEMENT IN UNEARNED PREMIUMS (Continued)

SAR'000	Year ended December 31, 2018		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	100,103	(49,140)	50,963
Premium written during the year	293,533	*(136,111)	157,422
Premium earned during the year	(281,163)	128,714	(152,449)
Balance as at the end of the year	112,473	(56,537)	55,936

* This amount includes SR 125.3 million for reinsurance premium ceded abroad, SR 3.2 million for reinsurance premium ceded locally and SR 7.7 million for excess of loss expenses ceded abroad.

9.3 DEFERRED POLICY ACQUISITION COSTS

SAR'000	2019	2018
	SR	SR
Balance at 1 January	4,631	3,792
Cost incurred during the year	17,588	18,832
Amortised during the year	(18,060)	(17,993)
Balance at 31 December	4,159	4,631

9.4 UNEARNED REINSURANCE COMMISSION

SAR'000	2019	2018
	SR	SR
Balance at 1 January	3,366	4,465
Commission received during the year	13,665	10,419
Commission earned during the year	(12,671)	(11,518)
Balance at 31 December	4,360	3,366

10. ACCUMULATED SURPLUS

SAR'000	2019	2018
	SR	SR
Balance at 1 January	10,263	9,616
Total income attributed to the insurance operations during the year	1,728	2,862
Surplus paid to policy holders	(2,139)	(2,215)
Balance at 31 December	9,852	10,263

11. STATUTORY DEPOSIT

In compliance with Insurance Implementing Regulations of SAMA, the Company deposited 10% of its paid up capital, amounting to SR 40 million (31 December 2018: SR 40 million) in a bank designated by SAMA. The received return on investment of statutory deposit as at 31 December 2019 amounts to SR 4.1m (31 December 2018: SR 3.1 m) and has been disclosed in assets as "Accrued commission income on statutory deposit" and the corresponding amount is shown in the liabilities as "Accrued commission income payable to SAMA" as this deposit cannot be withdrawn without SAMA's consent.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

SAR'000	<i>Furniture and fixtures</i> SR	<i>Office equipment</i> SR	<i>Motor vehicles</i> SR	<i>Intangible Assets</i> SR	<i>Total 2019</i> SR	<i>Total 2018</i> SR
<i>Cost:</i>						
Balance at 1 January	3,433	8,074	315	--	11,822	10,553
Additions during the year	74	319	--	1,618	2,011	1,269
Disposals during the year	--	--	--	--	--	--
Balance at 31 December	3,507	8,393	315	1,618	13,833	11,822
<i>Accumulated depreciation / amortization:</i>						
Balance at 1 January	(3,355)	(6,611)	(315)	--	(10,281)	(9,867)
Charge for the year (note 18)	(39)	(750)	--	(57)	(846)	(414)
Disposals during the year	--	--	--	--	--	--
Balance at 31 December	(3,394)	(7,361)	(315)	(57)	(11,127)	(10,281)
<i>Net book value:</i>						
At 31 December 2019	113	1,032	--	1,561	2,706	
At 31 December 2018	78	1,463	--	--		1,541

13. ACCRUED EXPENSES AND OTHER LIABILITIES

SAR'000	<i>Insurance operations</i> 2019 SR	<i>Shareholders' operations</i> 2019 SR	<i>Total</i> 2019 SR	<i>Insurance operations</i> 2018 SR	<i>Shareholders' operations</i> 2018 SR	<i>Total</i> 2018 SR
Accrued salaries and benefits	4,223	--	4,223	4,851	--	4,851
Accrued supervision fees	259	--	259	591	--	591
Board of Directors' remuneration	--	630	630	--	569	569
Accrued withholding tax	12,007	--	12,007	8,095	--	8,095
Provision for levy on insurance policies	2,856	--	2,856	2,955	--	2,955
Accrued IT related services	1,744	--	1,744	2,335	--	2,335
Accrued legal and professional fees	790	--	790	1,956	--	1,956
Outsourced service charges payable	8,769	--	8,769	8,674	--	8,674
Training and recruitments	--	--	--	--	--	--
Hotels and travelling	50	--	50	100	--	100
Value Added Tax payable	180	--	180	1,096	--	1,096
Others	328	4,057	4,385	830	3,732	4,562
	31,206	4,687	35,893	31,483	4,301	35,784

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For the year ended 31 December 2019

14. CLAIMS DEVELOPMENT

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each 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. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims. During each year, the estimate of ultimate claim cost for respective year presented net of payments. Claims triangulation analysis (gross and net) by accident year spanning a number of financial years is set out as below.

2019 – Gross Basis

<i>Accident Year</i>	<i>2014& earlier</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>TOTAL</i>
Estimate of ultimate claim cost:							
At the end of accident year	468,600	189,703	102,701	87,591	61,228	74,307	984,130
One year later	428,186	130,995	81,803	71,985	53,192	--	766,161
Two years later	429,105	110,278	50,616	59,596	--	--	649,595
Three years later	425,936	118,856	45,995	--	--	--	590,787
Four years later	427,778	115,767	--	--	--	--	543,545
Five years later and after	424,555	--	--	--	--	--	424,555
Current estimate of cumulative claims	424,555	115,767	45,995	59,596	53,192	74,307	773,412
Cumulative paid claims	417,439	106,332	35,215	53,568	37,181	--	649,735
Liability recognised in statement of financial position	7,116	9,435	10,780	6,028	16,011	74,307	123,677

2019 – Net Basis

<i>Accident Year</i>	<i>2014& earlier</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>TOTAL</i>
Estimate of ultimate claim cost:							
At the end of accident year	73,347	86,578	64,501	42,587	36,782	37,903	341,698
One year later	49,342	67,486	57,430	38,008	36,725	--	248,991
Two years later	53,821	55,129	37,835	34,127	--	--	180,912
Three years later	48,578	53,551	33,598	--	--	--	135,727
Four years later	52,780	46,217	--	--	--	--	98,997
Five years later and after	49,777	--	--	--	--	--	49,777
Current estimate of cumulative claims	49,777	46,217	33,598	34,127	36,725	37,903	238,347
Cumulative paid claims	47,091	41,980	23,370	32,811	29,395	--	174,647
Liability recognised in statement of financial position	2,686	4,237	10,228	1,316	7,330	37,903	63,700

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14. CLAIMS DEVELOPMENT (Continued)

2018- Gross basis

<i>Accident Year</i>	<i>2013& earlier</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>TOTAL</i>
Estimate of ultimate claim cost:							
At the end of accident year	659,615	116,010	189,703	102,701	87,591	61,228	1,216,848
One year later	577,528	87,714	130,995	81,803	71,985	--	950,025
Two years later	565,410	83,561	110,278	50,616	--	--	809,865
Three years later	570,481	81,946	118,856	--	--	--	771,283
Four years later	568,928	81,808	--	--	--	--	650,736
Five years later and after	570,908	--	--	--	--	--	570,908
Current estimate of cumulative claims	570,908	81,808	118,856	50,616	71,985	61,228	955,401
Cumulative paid claims	562,128	75,963	106,003	34,934	43,603	--	822,631
Liability recognised in statement of financial position	8,780	5,845	12,853	15,682	28,382	61,228	132,770

2018- Net basis

<i>Accident Year</i>	<i>2013& earlier</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>TOTAL</i>
Estimate of ultimate claim cost:							
At the end of accident year	57,472	60,252	86,578	64,501	42,587	36,782	348,172
One year later	64,516	42,715	67,487	57,430	38,008	--	270,156
Two years later	58,048	42,576	55,129	37,835	--	--	193,588
Three years later	62,665	39,169	53,551	--	--	--	155,385
Four years later	60,830	39,670	--	--	--	--	100,500
Five years later and after	64,528	--	--	--	--	--	64,528
Current estimate of cumulative claims	64,528	39,670	53,551	37,835	38,008	36,782	270,374
Cumulative paid claims	59,387	35,022	41,775	23,116	30,889	--	190,189
Liability recognised in statement of financial position	5,141	4,648	11,776	14,719	7,119	36,782	80,185

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15. ZAKAT AND INCOME TAX

Status of assessments

The Company's zakat and tax calculations and corresponding accruals and payment of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax.

The Company has submitted its zakat and tax returns up to the years ended 31 December 2018 and obtained the required certificates and acknowledgements. General Authority of Zakat and Tax (GAZT) has raised final assessments for the period / years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million respectively. The Company has submitted an appeal against the GAZT's assessments and (General Secretariat of Tax Committees) GSTC's review is awaited.

In respect of the assessment for the year 2014, the GAZT has raised an initial assessment with an additional zakat liability of SAR 2 million.

The zakat and tax charge for the year ended are as follows:

SAR'000	31 December 2019 SR	31 December 2018 SR
Zakat charge for the year (Note 15a)	7,486	8,334
Income tax charge for the year (Note 15c)	597	1,490
Deferred tax expense/(income) for the year (Note 15f)	557	(104)
	1,154	1,386
	8,640	9,720

a) Zakat charge for the year

The Company's zakat and tax calculations and corresponding accruals and payments of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax. The Company has submitted its zakat and tax returns up to the year ended 31 December 2018 and obtained the required certificates and acknowledgements.

The zakat charge is based on the following:

SAR'000	2019 SR	2018 SR
Share capital	400,000	400,000
Reserves and provisions	(13,781)	8,216
Book value of long term assets	(2,670)	(3,187)
Adjusted net profit for the year	15,892	39,672
Zakat base	399,441	444,701
Saudi shareholders' share of zakat base	299,441	333,370
Zakat @ 2.5%	7,486	8,334

The differences between the financial and the zakatable results are mainly due to provisions which are not included in the calculation of zakatable income.

b) Movement in the provision for zakat for the year

The movement in the provision for zakat for the year is as follows:

SAR'000	2019 SR	2018 SR
Balance at 1 January	35,911	28,484
Provided during the year	7,486	8,334
Payments made during the year	(656)	(907)
Balance at 31 December	42,741	35,911

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. ZAKAT AND INCOME TAX (Continued)

c) Movement in the provision for income tax for the year

The movement in the provision for income tax for the year is as follows:

SAR'000	2019 SR	2018 SR
Balance at 1 January	2,242	2,571
Provided during the year	597	1,490
Payments during the year	(1,313)	(1,819)
Balance at 31 December	1,526	2,242

d) Movement in the provision for zakat and income tax for the year

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

SAR'000	2019 SR	2018 SR
Balance at 1 January	38,153	31,055
Provided during the year	8,083	9,824
Paid during the year	(1,969)	(2,726)
Balance at 31 December	44,267	38,153

e) Restatement Effects

The change in the accounting treatment for zakat and income tax has the following impact on the line items of the statements of income, statement of financial position and changes in equity:

As at 31 December 2018:

Financial statement impacted	Account	Before the restatement for the year ended 31 December 2018	Effect of restatement	As restated as at year ended 31 December 2018
Statement of changes in equity	Provision for Zakat and			
	Income tax (retained earnings)	9,824	9,824	--
Statement of income	Zakat and Income tax expenses	--	(9,720)	(9,720)
Statement of income	Earnings per share	0.61	(0.07)	0.54
Statement of financial position	Deferred tax asset	--	1,621	1,621
Statement of financial position	Retained earnings	--	1,621	1,621

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NOTES TO THE FINANCIAL STATEMENTS

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15. ZAKAT AND INCOME TAX (Continued)

e) Restatement Effects (continued)

As at 1 January 2018

Financial statement impacted	Account	Before the restatement as at 1 January 2018	Effect of restatement	As restated as at 1 January 2018
Statement of financial position	Deferred tax asset	--	1,517	1,517
Statement of financial position	Retained earnings	--	1,517	1,517

f) Deferred tax asset

	31 December 2019 2019	31 December 2018
Opening deferred tax asset	1,621	1,517
Deferred tax (expense)/income	(557)	104
Closing deferred tax asset	1,064	1,621

	Year ended 31 December 2019	Year ended 31 December 2018
Opening zakat, income tax liability and deferred tax Asset	36,532	29,538
Charge / (reversal) for the period		
Current charge for zakat for the year	7,486	8,334
Current charge for income tax for the year	597	1,490
Deferred tax expense / (income) for the year	557	(104)
Settled during the period	(1,969)	(2,726)
Closing zakat, income tax liability and deferred tax Asset	43,203	36,532

16. SHARE CAPITAL

The authorized and paid up share capital of the Company is SAR 400 million divided into 40 million shares of SAR 10 each (31 December 2018: SAR 400 million divided into 40 million shares of SAR 10 each).

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

	December 31, 2019	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000
	December 31, 2018	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

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17. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company is required to establish a statutory reserve by appropriating 20% of net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution.

18. GENERAL AND ADMINISTRATIVE EXPENSES

SAR'000	2019			2018		
	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance Operations SR	Shareholders' operations SR	Total SR
Salaries and benefits	36,881	325	37,206	38,601	325	38,926
End of service benefits	2,249	--	2,249	2,492	--	2,492
Remuneration of the Board of Directors (note 20)	--	630	630	--	630	630
Technical service charges (note 20)	6,547	--	6,547	6,479	--	6,479
Rent	992	--	992	1,160	--	1,160
Depreciation	789	--	789	414	--	414
Amortization	57	--	57	--	--	--
Legal and professional fees	1,631	--	1,631	2,195	--	2,195
Business travel and transport	585	--	585	604	--	604
IT related services	5,654	--	5,654	4,206	--	4,206
Utilities	353	--	353	488	--	488
Stationery	188	--	188	297	--	297
Others	1,253	539	1,792	846	851	1,697
	57,179	1,494	58,673	57,782	1,806	59,588

19. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

SAR'000	December 31, 2019	December 31, 2018
Letters of guarantee	700	700
Commitments for the rents	346	186
Total	1,046	886

The Company 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 believes that such proceedings (including litigations) will not have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Transactions for the year ended	
	2019 SAR' 000	2018
Gross premiums written	94,481	91,807
Gross claims paid	49,169	43,825
Brokerage commission paid	4,758	3,773
Reinsurance premium ceded	27,688	20,646
Reinsurance share of gross claim paid	2,805	7,476
Reinsurance commission income	11,323	6,230
Investment income on term deposits	6,032	5,133
Technical service charges	6,547	6,479
Brand fees	30	30
Operational expenses paid on behalf of affiliates and reinsurance placements	831	754
Operational expenses paid by affiliates on behalf of Company	(2,267)	(1,444)
Key management personnel and Board members		
Gross written premiums	32	30
Remuneration and meeting fee	630	630
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Balance receivable / (payable) as at	
	2019	2018
	SAR'000	
Bank balances	1,008	1,786
Term deposits	171,523	251,363
Statutory deposit	44,151	43,059
Accrued interest receivable	2,974	2,976
Premium receivable	9,815	8,496
Reinsurance balance payable	(6,405)	(9,338)
Accrued expenses and other liabilities	(9,692)	(9,559)
Reinsurance share of gross outstanding claims	2,914	8,487
Gross outstanding claim	(53,351)	(40,357)
Due from related parties	69	630
Due to related parties	(1,788)	(1,045)

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

	December 31, 2019	December 31, 2018
	SAR'000	
Salaries and other allowances	7,373	7,256
End of service indemnities	378	424
	<u>7,751</u>	<u>7,680</u>

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NOTES TO THE FINANCIAL STATEMENTS

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21. 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 chief operating decision maker in order to allocate resources to the segments and to assess their performance.

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 statement of income.

Segment assets and liabilities comprise operating assets and liabilities.

Segment assets do not include (in respect of insurance operations) property and equipment, Term deposits, Investments, cash and cash equivalents, prepaid expenses, other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralized basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, reinsurance balances payable, accrued and other liabilities, account payables, due to related parties, zakat and income tax, accrued commission, income payable to SAMA and due from insurance operations. Accordingly these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralized basis.

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

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS (Continued)

As at December 31, 2019

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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. OPERATING SEGMENTS (Continued)

As at December 31, 2018 (Restated)											
Insurance operations											
Operating segments		Property	Motor	Engineering	Medical	Marine	Group life	Others	Total - Insurance operations	Shareholders' operations	Total
Assets		SAR'000									
Reinsurers' share of unearned premiums		28,138	--	7,674	15,994	1,636	48	3,047	56,537	--	56,537
Reinsurers' share of outstanding claims		14,859	2,083	4,918	2	4,752	15,517	2,224	44,355	--	44,355
Reinsurers' share of claims incurred but not reported		1,562	--	1,098	625	193	3,904	848	8,230	--	8,230
Deferred policy acquisition costs		762	3,037	497	4	110	58	163	4,631	--	4,631
Unallocated assets		--	--	--	--	--	--	--	302,359	435,042	737,401
Total assets		45,321	5,120	14,187	16,625	6,691	19,527	6,282	416,112	435,042	851,154
Liabilities and equity											
Outstanding claims		17,149	30,258	6,372	52	7,408	21,223	3,258	85,720	--	85,720
Claims incurred but not reported		1,805	35,938	1,132	905	188	5,204	1,185	46,357	--	46,357
Other technical reserves		--	--	--	693	--	--	--	693	--	693
Unearned premiums		37,368	37,970	8,431	19,164	3,135	444	5,961	112,473	--	112,473
Unearned reinsurance commission		1,239	--	1,590	--	360	1	176	3,366	--	3,366
Unallocated liabilities		--	--	--	--	--	--	--	167,503	435,042	602,545
Total Liabilities, Insurance operations' surplus and equity		57,561	104,166	17,525	20,814	11,091	26,872	10,580	416,112	435,042	851,154

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For the year ended 31 December 2019

21. OPERATING SEGMENTS (Continued)

	For the year ended December 31, 2019 - (SAR '000')					
	Property	Motor	Engineering	Medical	Marine	Group Life
Operating segments						
						Total
REVENUES						
Gross premiums written	65,908	74,692	13,451	2,885	11,952	38,261
Reinsurance premiums ceded	(63,600)	--	(11,254)	(1,624)	(8,533)	(22,144)
Excess of loss premium	(733)	(1,765)	(434)	--	(508)	(691)
Net premiums written	1,575	72,927	1,763	1,261	2,911	15,426
Changes in unearned premiums, net	8,025	11,173	351	2,881	1,044	85
Net premiums earned	9,600	84,100	2,114	4,142	3,955	15,511
Reinsurance commissions	5,564	--	3,370	(24)	3,298	178
TOTAL REVENUES	15,164	84,100	5,484	4,118	7,253	15,689
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(11,373)	(71,081)	(6,426)	(14,910)	(2,523)	(8,778)
Reinsurers' share of claims paid	10,583	--	6,179	12,277	1,830	6,522
Net claims paid	(790)	(71,081)	(247)	(2,633)	(693)	(2,256)
Changes in outstanding claims, IBNR & technical reserves	(450)	20,306	534	315	283	(4,774)
Net claims incurred	(1,240)	(50,775)	287	(2,318)	(410)	(7,030)
Policy acquisition costs	(3,621)	(7,857)	(1,420)	1	(550)	(4,085)
Other underwriting expenses						
TOTAL UNDERWRITING COSTS AND EXPENSES						
NET UNDERWRITING INCOME						
OTHER OPERATING (EXPENSES)/INCOME						
Reversal for doubtful debts						
General and administrative expenses						
Investment income on term deposits						
Investment income						
Other income						
TOTAL OTHER OPERATING EXPENSES						
TOTAL INCOME FOR THE YEAR						
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE INSURANCE OPERATIONS						
TOTAL INCOME FOR THE YEAR ATTRIBUTED TO THE SHAREHOLDERS'						

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

21. OPERATING SEGMENTS (Continued)

	For the year ended December 31, 2018 (Restated) - SAR ('000')							
	Operating segments			Group				
	Property	Motor	Engineering	Medical	Marine	Life	Others	Total
REVENUES								
Gross premiums written	81,880	110,373	20,473	20,615	19,073	27,195	13,924	293,533
Reinsurance premiums ceded	(63,367)	--	(16,574)	(16,860)	(9,896)	(15,822)	(5,951)	(128,470)
Excess of loss expenses	(2,128)	(1,793)	(603)	(133)	(1,900)	(800)	(284)	(7,641)
NET PREMIUMS WRITTEN	16,385	108,580	3,296	3,622	7,277	10,573	7,689	157,422
Changes in unearned premiums, net	9,923	(14,164)	244	(1,930)	1,163	(310)	101	(4,973)
NET PREMIUMS EARNED	26,308	94,416	3,540	1,692	8,440	10,263	7,790	152,449
Reinsurance commissions	6,250	--	3,477	--	2,046	(684)	429	11,518
TOTAL REVENUES	32,558	94,416	7,017	1,692	10,486	9,579	8,219	163,967
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(9,773)	(68,542)	(5,047)	(3,324)	(2,636)	(12,431)	(11,076)	(112,829)
Reinsurers' share of claims paid	6,415	--	4,632	2,192	1,205	9,259	10,501	34,204
Net claims paid	(3,358)	(68,542)	(415)	(1,132)	(1,431)	(3,172)	(575)	(78,625)
Changes in outstanding claims, IBNR & technical reserves	9,004	4,373	1,313	(126)	2,459	(725)	2,342	18,640
Net claims incurred	5,646	(64,169)	898	(1,258)	1,028	(3,897)	1,767	(59,985)
Policy acquisition costs	(3,442)	(6,832)	(1,972)	(208)	(1,409)	(3,132)	(998)	(17,993)
Other underwriting expenses								(1,615)
TOTAL UNDERWRITING COSTS AND EXPENSES								(79,593)
NET UNDERWRITING INCOME								84,374
OTHER OPERATING (EXPENSES)/ INCOME								
Allowance for doubtful debts								(2,164)
General and administrative expenses								(59,588)
Investment income on term deposits								9,248
Other investment income								2,255
Other income								--
TOTAL OTHER OPERATING EXPENSES								(50,249)
TOTAL INCOME FOR THE YEAR								34,125
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE INSURANCE OPERATIONS								(2,862)
TOTAL INCOME FOR THE YEAR ATTRIBUTED TO THE SHAREHOLDERS'								31,263

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For the year ended 31 December 2019

21. OPERATING SEGMENTS (Continued)

Gross premiums written	For the year ended December 31, 2019				
	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	(3,147)	63,096	83,973	37,625	181,547
Medium	3,648	3,225	14,279	532	21,684
Micro	13	3	35	--	51
Small	2,363	1,167	4,637	104	8,271
Individual	8	7,201	1,179	--	8,388
	2,885	74,692	104,103	38,261	219,941

Gross premiums written	For the year ended December 31, 2018				
	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	19,447	97,773	108,734	26,077	252,031
Medium	1,049	3,499	18,124	847	23,519
Micro	--	10	40	--	50
Small	119	982	6,108	271	7,480
Individual	--	8,109	2,344	--	10,453
	20,615	110,373	135,350	27,195	293,533

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

22. EMPLOYEE END OF SERVICE BENEFITS

The movement in provision for end-of-service benefits for the year ended 31 December 2019 as follows:

SAR'000	2019 SR	2018 SR
Balance as 1 January	11,650	10,921
Current service cost	1,991	2,279
Interest cost	302	214
	2,293	2,493
Amount recognized in profit or loss		
Re-measurement gain recognized in other comprehensive income	(193)	(1,218)
Benefits paid during the year	(3,134)	(546)
Balance as 31 December	10,616	11,650

a) Re-measurement gain recognized in statement of changes in equity for the year ended 31 December 2019 as follows:

SAR'000	2019 SR	2018 SR
Effect of experience adjustments	(193)	(1,218)
Re-measurement gain recognized in statement of changes in equity	(193)	(1,218)

b) Net defined benefit as at year-end as follows:

SAR'000	2019 SR	2018 SR
Present value of defined benefit obligation	10,616	11,650

c) Principal actuarial assumptions

The following were the principal actuarial assumptions:

Key actuarial assumptions	2019 SR	2018 SR
Discount rate used	3%	3%
Future growth in salary	3.5%	3.5%
Retirement Age	60 year	60 year

Discount rate used

This is the rate used to obtain the actuarial present value of the projected benefits. As per International Accounting Standard 19 "Employee Benefits", the rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The discount rate is derived with reference to the rates available in the market for the duration allowed as per the Company's investment policy. The Company currently considers bonds with a minimum credit rating of A as per Standard & Poor's or the equivalent from Moody's.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. EMPLOYEE END OF SERVICE BENEFITS (Continued)

c) Principal actuarial assumptions (continued)

Salary increases

With regards to the past trend, it is assumed that the salaries would increase at a rate of 3.5% per annum compound in the long range. The valuation is sensitive to the gap between the interest and salary increase assumptions. Salary increments are assumed to be given on 1st of April every year.

Turnover

We assumed age-dependent withdrawal rates, with high rates for younger employees. It was assumed that there would be zero withdrawals after age 55 years.

Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

SAR'000	2019 SR	
	Increase	Decrease
Discount rate (0.5% movement)	10,012	11,279
Future salary growth (0. 5% movement)	11,038	10,223
SAR'000	2018 SR	
	Increase	Decrease
Discount rate (0.5% movement)	11,050	12,308
Future salary growth (0. 5% movement)	12,073	11,256

d) Risks associated with defined benefit plans

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT

Risk Governance

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

Risk management structure

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

Board of Directors

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

Senior management

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

Audit Committee and Internal Audit Department

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

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to policy holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property, motor, casualty, engineering, medical and marine risks.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly property, engineering, motor, casualty, medical and marine classes. These classes of insurance except for long tail engineering policies are generally regarded as annual insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Sources of uncertainty in estimation of future probable claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at balance sheet date the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 9.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. 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 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. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

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

Property

Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting therefrom are underwritten either on a replacement value or on a market value basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties and the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims.

In respect of accumulation of the retentions under the property business, this is covered by proportional as well as non-proportional treaties.

Engineering

The engineering business includes long term Erection All Risks (EAR) and Contractor All Risk (CAR) policies and annual policies for Machinery Break Down (MBD), Machinery All Risk, Electronic Data Processing, Business Interruption in conjunction with MBD. The long tail EAR/CAR policies cover various projects for the whole project period. Selection of the risks and proper underwriting are the criteria for this line of business. These are adequately covered under the Engineering proportional and non-proportional treaties.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years, the Company has only underwritten comprehensive policies for owner/drivers over 18 years of age. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 1 million (2018: SR 2 million).

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim to SR 0.5 million (2018: SR 1.5 million).

Marine

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim to SR 2 million (2018: SR 1.75 million).

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT (Continued)

a) Insurance risk (continued)

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in property and motor. The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location or by the same party. 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 evaluate 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 does not have any foreign operations, hence, all the insurance risks relate to policies written in Saudi Arabia.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 10% change in the claims ratio would impact income annually in aggregate by:

	Income from insurance operations	
	2019	2018
	SAR'000	
Impact of change in claim ratio by +10%		
Property	124	(565)
Motor	5,078	6,417
Engineering	(29)	(90)
Medical	232	126
Marine	41	(103)
Group Life	703	390
Others	76	(177)
	6,225	5,998
Impact of change in claim ratio by -10%		
Property	(124)	565
Motor	(5,078)	(6,417)
Engineering	29	90
Medical	(232)	(126)
Marine	(41)	103
Group Life	(703)	(390)
Others	(76)	177
	(6,225)	(5,998)

b) Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Company's claims teams are focused on delivering quality, reliability and speed of service the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

c) Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, the Company's actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances. The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT (Continued)

d) *Reinsurance risk*

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. 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. Reinsurance program is effected under treaty, facultative and excess of loss reinsurance contracts.

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

Reinsurance ceded contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is SR 60 million (2018: SR 52.6 million).

e) *Regulatory framework risk*

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

f) *Credit risk*

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

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

- The Company only enters into insurance and reinsurance contracts with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investment portfolio is managed by the management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk on its financial assets as at 31 December 2019 is SR 374.5 million for Insurance Operations (31 December 2018: SR 353.4 million) and SR 388.9 million for Shareholders' Operations (31 December 2018: SR 380.7 million).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT (Continued)

f) Credit risk (continued)

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

SAR'000	2019		2018	
	SR		SR	
	Insurance Operations	Shareholders' Operations	Insurance Operations	Shareholders' Operations
Assets				
Cash and cash equivalents	14,012	907	12,875	42,801
Time deposits	248,869	182,896	211,522	199,708
Investments	1,923	155,927	1,923	91,059
Premiums and reinsurer' receivable, net	44,107	--	70,868	--
Reinsurers' share of outstanding claims	50,799	--	44,355	--
Reinsurers' share of claims incurred but not reported	9,178	--	8,230	--
Due from related parties	69	--	630	--
Other assets	5,567	5,062	3,000	4,117
Statutory deposit	--	40,000	--	40,000
Accrued commission income on statutory deposit	--	4,151	--	3,059
	<u>374,524</u>	<u>388,943</u>	<u>353,403</u>	<u>380,744</u>

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. 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.

g) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligation and commitments associated with financial liabilities when they fall due. The Company has a proper cash management system, where daily cash collection and payments are monitored and reconciled at the end of the day. At the time of investment, particular emphasis is focused on the selection of those companies which are actively traded. The Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

Maturity table

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

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NOTES TO THE FINANCIAL STATEMENTS

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23. RISK MANAGEMENT (Continued)

g) *Liquidity risk (continued)*

SAR'000	2019			2018		
	<i>Less than one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Less than one year</i>	<i>More than one year</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
INSURANCE OPERATIONS' ASSETS						
Cash and cash equivalents	14,012	--	14,012	12,875	--	12,875
Term deposits	248,869	--	248,869	211,522	--	211,522
Investments	--	1,923	1,923	--	1,923	1,923
Premiums and insurance balances receivable, net	44,107	--	44,107	70,868	--	70,868
Due from related parties	69	--	69	630	--	630
Reinsurers' share of outstanding claims	50,799	--	50,799	44,355	--	44,355
Reinsurers' share of claims Incurred but not reported	9,178	--	9,178	8,230	--	8,230
Other assets	5,567	--	5,567	3,000	--	3,000
TOTAL INSURANCE OPERATIONS' ASSETS	372,601	1,923	374,524	351,480	1,923	353,403
SAR'000	2019			2018		
	<i>Less than one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Less than one year</i>	<i>More than one year</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
SHAREHOLDERS' ASSETS						
Cash and cash equivalents	907	--	907	42,801	--	42,801
Term deposits	182,896	--	182,896	199,708	--	199,708
Investments	29,060	126,867	155,927	--	91,059	91,059
Other assets	5,062	--	5,062	4,117	--	4,117
Deferred tax asset	1,064	--	1,064	1,621	--	1,621
Accrued commission income on statutory deposit	--	4,151	4,151	--	3,059	3,059
Statutory deposit	--	40,000	40,000	--	40,000	40,000
TOTAL SHAREHOLDERS' ASSETS	218,989	171,018	390,007	248,247	134,118	382,365
TOTAL ASSETS	591,590	172,941	764,531	599,727	136,041	735,768

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT (continued)

g) *Liquidity risk (Continued)*

SAR'000	2019			2018		
	<i>Less than one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Less than one year</i>	<i>More than one year</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
INSURANCE OPERATIONS' LIABILITIES						
Outstanding claims reserve	82,315	--	82,315	85,720	--	85,720
Claims incurred but not reported	36,575	--	36,575	46,357	--	46,357
Other technical reserves	4,787	--	4,787	693	--	693
Accounts payable	15,060	--	15,060	8,471	--	8,471
Reinsurance balances payable	81,420	--	81,420	52,784	--	52,784
Due to related parties	1,375	--	1,375	632	--	632
Accrued expenses and other liabilities	31,206	--	31,206	31,483	--	31,483
End-of-service benefits	--	10,616	10,616	--	11,650	11,650
TOTAL INSURANCE OPERATIONS' LIABILITIES	252,738	10,616	263,354	226,140	11,650	237,790
SHAREHOLDERS' LIABILITIES						
Due to related parties	413	--	413	413	--	413
Accrued and other liabilities	4,687	--	4,687	4,301	--	4,301
TOTAL SHAREHOLDERS' LIABILITIES	5,100	--	5,100	4,714	--	4,714

The tables below summarise the maturity profile of the financial assets and financial liabilities of the Company based on residual maturity. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums, reinsurance share of unearned premiums and deferred acquisition cost have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT (Continued)

g) *Liquidity risk (continued)*

SAR'000	2019				
	On Demand	Up to 1 year	2-5 years	More than 5 years	Total
INSURANCE OPERATIONS' ASSETS					
Cash and cash equivalents	14,012	--	--	--	14,012
Term deposits	--	248,869	--	--	248,869
Investments	--	--	--	1,923	1,923
Premiums and insurance balances receivable, net	--	44,107	--	--	44,107
Due from related parties	--	69	--	--	69
Reinsurers' share of outstanding claims	--	50,799	--	--	50,799
Reinsurers' share of claims incurred but not reported	--	9,178	--	--	9,178
Other assets	--	5,567	--	--	5,567
TOTAL INSURANCE OPERATIONS' ASSETS	14,012	358,589	--	1,923	374,524
SHAREHOLDERS' ASSETS					
Cash and cash equivalents	907	--	--	--	907
Term deposits	--	182,896	--	--	182,896
Investments	--	29,060	126,867	--	155,927
Other assets	--	5,062	--	--	5,062
Accrued commission income on statutory deposit	--	--	--	4,151	4,151
Statutory deposit	--	--	--	40,000	40,000
Deferred tax asset	--	1,064	--	--	1,064
TOTAL SHAREHOLDERS' ASSETS	907	218,082	126,867	44,151	390,007

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT (Continued)

g) *Liquidity risk (continued)*

SAR'000	2019				
	<i>On Demand</i>	<i>Up to 1 Year</i>	<i>2-5 years</i>	<i>More than 5 years</i>	<i>Total</i>
INSURANCE OPERATIONS' LIABILITIES					
Outstanding claims reserve	--	82,315	--	--	82,315
Claims incurred but not reported	--	36,575	--	--	36,575
Other technical reserve	--	4,787	--	--	4,787
Accounts payables	--	15,060	--	--	15,060
Reinsurers' balances payable	--	81,420	--	--	81,420
Due to related parties	--	1,375	--	--	1,375
Accrued expenses and other liabilities	--	31,206	--	--	31,206
End-of-service benefits	10,616	--	--	--	10,616
TOTAL INSURANCE OPERATIONS' LIABILITIES	10,616	252,738	--	--	263,354
SHAREHOLDERS' LIABILITIES					
Due to a related parties	--	413	--	--	413
Accrued expenses and other liabilities	--	4,687	--	--	4,687
TOTAL SHAREHOLDERS' LIABILITIES	--	5,100	--	--	5,100
2018					
SAR'000	<i>On Demand</i>	<i>Up to 1 Year</i>	<i>2-5 years</i>	<i>More than 5 years</i>	<i>Total</i>
INSURANCE OPERATIONS' ASSETS					
Cash and cash equivalents	12,875	--	--	--	12,875
Term deposits	--	211,522	--	--	211,522
Investments	--	--	--	1,923	1,923
Premiums and insurance balances receivable, net	--	70,868	--	--	70,868
Due from related parties	--	630	--	--	630
Reinsurers' share of outstanding claims	--	44,355	--	--	44,355
Reinsurers' share of claims incurred but not reported	--	8,230	--	--	8,230
Other assets	--	3,000	--	--	3,000
TOTAL INSURANCE OPERATIONS' ASSETS	12,875	338,605	--	1,923	353,403

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT (Continued)

g) *Liquidity risk (continued)*

SAR'000	2018				
	On Demand	Up to 1 Year	2-5 years	More than 5 years	Total
SHAREHOLDERS' ASSETS					
Cash and bank balances	42,801	--	--	--	42,801
Term deposits	--	199,708	--	--	199,708
Investments	--	--	91,059	--	91,059
Other assets	--	4,117	--	--	4,117
Accrued commission income on statutory deposit	--	--	--	3,059	3,059
Statutory deposit	--	--	--	40,000	40,000
Deferred tax asset	--	1,621	--	--	1,621
TOTAL SHAREHOLDERS' ASSETS	42,801	205,446	91,059	43,059	382,365
SAR'000	2018				
	On Demand	Up to 1 Year	2-5 years	More than 5 years	Total
INSURANCE OPERATIONS' LIABILITIES					
Outstanding claims reserve	--	85,720	--	--	85,720
Claims incurred but not reported	--	46,357	--	--	46,357
Other technical reserve	--	693	--	--	693
Accounts payable	--	8,471	--	--	8,471
Reinsurers' balances payable	--	52,784	--	--	52,784
Due to related parties	--	632	--	--	632
Accrued expenses and other liabilities	--	31,483	--	--	31,483
End-of-service benefits	11,650	--	--	--	11,650
TOTAL INSURANCE OPERATIONS' LIABILITIES	11,650	226,140	--	--	237,790
SHAREHOLDERS' LIABILITIES					
Due to a related parties	--	413	--	--	413
Accrued expenses and other liabilities	--	4,301	--	--	4,301
TOTAL SHAREHOLDERS' LIABILITIES	--	4,714	--	--	4,714

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and bank balances and investment securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

h) *Foreign currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RISK MANAGEMENT (Continued)

i) Investment income rate risk

Investment income rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market investment income rates. Floating rate instruments expose the Company to cash flow investment income risk, whereas fixed investment income rate instruments expose the Company to fair value interest risk. The Company is not exposed to investment income rate risk as rates are fixed.

j) Market rate risk

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

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

The sensitivity of the income on the assumed changes in the market prices of quoted available for sale investments on the statement of shareholders' comprehensive income is set out below:

	<i>Change in market price</i>	<i>Effect on statement of shareholders' comprehensive operations SR</i>
2019	+5%	7,796
	-5%	(7,796)
2018	+5%	4,553
	-5%	(4,553)

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of the equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves. The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In order to maintain or adjust the capital structure, the Company may issue right shares. As per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per SAMA Implementing Regulations.

The Company has fully complied with the externally imposed capital requirements during the reported financial year.

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25. SUPPLEMENTARY INFORMATION

A) STATEMENT OF FINANCIAL POSITION

	SAR '000					
	December 31, 2019 -			December 31, 2018 -		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
ASSETS						
Cash and cash equivalents	14,012	907	14,919	12,875	42,801	55,676
Term deposits	248,869	182,896	431,765	211,522	199,708	411,230
Premiums and reinsurers' receivable, net	44,107	--	44,107	70,868	--	70,868
Reinsurers' share of unearned premiums	41,006	--	41,006	56,537	--	56,537
Reinsurers' share of outstanding claims	50,799	--	50,799	44,355	--	44,355
Reinsurers' share of claims Incurred but not reported	9,178	--	9,178	8,230	--	8,230
Deferred policy acquisition costs	4,159	--	4,159	4,631	--	4,631
Investments	1,923	155,927	157,850	1,923	91,059	92,982
Due from related parties	69	--	69	630	--	630
Prepaid expenses and other assets	5,567	5,062	10,629	3,000	4,117	7,117
Deferred tax asset	--	1,064	1,064	--	1,621	1,621
Property and equipment	1,145	--	1,145	1,541	--	1,541
Intangible assets	1,561	--	1,561	--	--	--
Statutory deposit	--	40,000	40,000	--	40,000	40,000
Accrued commission income on statutory deposit	--	4,151	4,151	--	3,059	3,059
TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	422,395	390,007	812,402	416,112	382,365	798,477
ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due from insurance operations	--	71,483	71,483	--	52,677	52,677
TOTAL ASSETS	422,395	461,490	883,885	416,112	435,042	851,154

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25. SUPPLEMENTARY INFORMATION (Continued)

A) STATEMENT OF FINANCIAL POSITION (continued)

	SAR '000					
	December 31, 2019 -			December 31, 2018 -		
				(Restated)		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
LIABILITIES						
Outstanding claims reserve	82,315	--	82,315	85,720	--	85,720
Claims incurred but not reported	36,575	--	36,575	46,357	--	46,357
Other technical reserves	4,787	--	4,787	693	--	693
Accrued expenses and other liabilities	31,206	4,687	35,893	31,483	4,301	35,784
Reinsurers' balances payable	81,420	--	81,420	52,784	--	52,784
Unearned premiums	73,610	--	73,610	112,473	--	112,473
Accounts payables	15,060	--	15,060	8,471	--	8,471
Unearned reinsurance commission	4,360	--	4,360	3,366	--	3,366
Due to related parties	1,375	413	1,788	632	413	1,045
End-of-service benefits	10,616	--	10,616	11,650	--	11,650
Zakat and income tax	--	44,267	44,267	--	38,153	38,153
Accrued commission income payable to SAMA	--	4,151	4,151	--	3,059	3,059
Accumulated surplus	9,852	--	9,852	10,263	--	10,263
TOTAL LIABILITIES	351,176	53,518	404,694	363,892	45,926	409,818
EQUITY						
Share capital	--	400,000	400,000	--	400,000	400,000
Statutory reserve	--	1,161	1,161	--	--	--
Accumulated profit / (losses)	--	4,643	4,643	--	(9,215)	(9,215)
Fair value reserve for available for sale investments	--	2,168	2,168	--	(1,669)	(1,669)
Actuarial reserve for employee benefits	(264)	--	(264)	(457)	--	(457)
TOTAL EQUITY	(264)	407,972	407,708	(457)	389,116	388,659
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION	350,912	461,490	812,402	363,435	435,042	798,477
LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due to shareholders operations	71,483	--	71,483	52,677	--	52,677
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY	422,395	461,490	883,885	416,112	435,042	851,154

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. SUPPLEMENTARY INFORMATION (Continued)

B) STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the year ended December					
	2019			2018		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
					(Restated)	
REVENUES						
Gross premiums written						
- Direct	219,034	--	219,034	292,882	--	292,882
- Reinsurance	907	--	907	651	--	651
	219,941	--	219,941	293,533	--	293,533
Reinsurance premiums ceded	(113,169)	--	(113,169)	(128,470)	--	(128,470)
Excess of loss premium	(4,363)	--	(4,363)	(7,641)	--	(7,641)
Net premiums written	102,409	--	102,409	157,422	--	157,422
Changes in unearned premiums	38,863	--	38,863	(12,370)	--	(12,370)
Changes in reinsurers' share of unearned premium	(15,531)	--	(15,531)	7,397	--	7,397
Net premiums earned	125,741	--	125,741	152,449	--	152,449
Reinsurance commissions	12,671	--	12,671	11,518	--	11,518
TOTAL REVENUES	138,412	--	138,412	163,967	--	163,967
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(116,200)	--	(116,200)	(112,829)	--	(112,829)
Reinsurers' share of claims paid	37,468	--	37,468	34,204	--	34,204
Net claims and other benefits paid	(78,732)	--	(78,732)	(78,625)	--	(78,625)
Changes in outstanding claims	3,405	--	3,405	496	--	496
Changes in reinsurers' share of outstanding claims	6,444	--	6,444	2,810	--	2,810
Changes in IBNR, net	10,730	--	10,730	14,294	--	14,294
Other technical reserves	(4,094)	--	(4,094)	1,040	--	1,040
Net claims incurred	(62,247)	--	(62,247)	(59,985)	--	(59,985)
Policy acquisition costs	(18,060)	--	(18,060)	(17,993)	--	(17,993)
Other underwriting expenses	(1,119)	--	(1,119)	(1,615)	--	(1,615)
TOTAL UNDERWRITING COSTS AND EXPENSES	(81,426)	--	(81,426)	(79,593)	--	(79,593)
NET UNDERWRITING INCOME	56,986	--	56,986	84,374	--	84,374

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For the year ended 31 December 2019

25. SUPPLEMENTARY INFORMATION (Continued)

B) STATEMENT OF COMPREHENSIVE INCOME (Continued)

	SAR '000					
	For the year ended December					
	2019			2018		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
				(Restated)		
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal/(Allowance) for doubtful debts	6,827	--	6,827	(2,164)	--	(2,164)
General and administrative expenses	(57,179)	(1,494)	(58,673)	(57,782)	(1,806)	(59,588)
Investment income on term deposits	6,580	6,011	12,591	4,188	5,060	9,248
Investment income on bonds and sukus	--	3,590	3,590	--	2,255	2,255
Other income	4,066	--	4,066	--	--	--
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(39,706)	8,107	(31,599)	(55,758)	5,509	(50,249)
TOTAL INCOME FOR THE YEAR	17,280	8,107	25,387	28,616	5,509	34,125
Total income for the year attributed to the insurance operations	(1,728)	--	(1,728)	(2,862)	--	(2,862)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(15,552)	15,552	--	(25,754)	25,754	--
TOTAL INCOME BEFORE ZAKAT AND INCOME TAX FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	--	23,659	23,659	--	31,263	31,263
ZAKAT CHARGE FOR THE YEAR	--	(7,486)	(7,486)	--	(8,334)	(8,334)
TAX CHARGE FOR THE YEAR	--	(1,154)	(1,154)	--	(1,386)	(1,386)
		15,019	15,019		21,543	21,543
Earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	0.38	0.38	--	0.54	0.54

Statement of comprehensive income

	SAR '000					
	For the year ended December					
	2019			2018		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
				(Restated)		
Total income for the year	1,728	15,019	16,747	2,862	21,543	24,405
Other comprehensive loss						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	3,837	3,837	--	(809)	(809)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,728	18,856	20,584	2,862	20,734	23,596
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO INSURANCE OPERATIONS	(1,728)	--	(1,728)	(2,862)	--	(2,862)
NET COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	--	18,856	18,856	--	20,734	20,734

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25. SUPPLEMENTARY INFORMATION (Continued)

C) STATEMENT OF CASH FLOWS

	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
	2019			2018		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit for the year	1,728	23,659	25,387	2,862	31,263	34,125
Adjustments for non-cash items:						
Depreciation of property and equipment	789	--	789	414	--	414
Amortization of intangible assets	57	--	57	--	--	--
Amortization of investments	--	74	74	--	301	301
(Reversal)/Allowance for provisions for doubtful debts	(6,827)	--	(6,827)	2,164	--	2,164
Provision for end-of-service benefits	2,293	--	2,293	2,493	--	2,493
Changes in operating assets and liabilities:						
Deposits against letter of guarantees	--	--	--	200	--	200
Premiums and reinsurers' receivable	33,588	--	33,588	8,152	--	8,152
Reinsurers' share of unearned premiums	15,531	--	15,531	(7,397)	--	(7,397)
Reinsurers' share of outstanding claims	(6,444)	--	(6,444)	(2,810)	--	(2,810)
Reinsurers' share of claims Incurred but not reported	(948)	--	(948)	17,108	--	17,108
Deferred policy acquisition costs	472	--	472	(839)	--	(839)
Due from related parties	561	--	561	(599)	--	(599)
Prepaid expenses and other assets	(2,567)	(945)	(3,512)	(50)	(1,687)	(1,737)
Statutory deposits	--	(1,092)	(1,092)	--	(855)	(855)
Accounts payables	6,589	--	6,589	(4,548)	--	(4,548)
Accrued expenses and other liabilities	(277)	386	109	1,811	704	2,515
Reinsurers' balances payable	28,636	--	28,636	12,064	--	12,064
Unearned premiums	(38,863)	--	(38,863)	12,370	--	12,370
Unearned reinsurance commission	994	--	994	(1,099)	--	(1,099)
Outstanding claims	(3,405)	--	(3,405)	(496)	--	(496)
Claims incurred but not reported	(9,782)	--	(9,782)	(31,402)	--	(31,402)
Other technical reserves	4,094	--	4,094	(1,040)	--	(1,040)
Accrued commission income payable to SAMA	--	1,092	1,092	--	855	855
Due to related parties	743	--	743	(19)	--	(19)
	26,962	23,174	50,136	9,339	30,581	39,920
Zakat and Tax paid	--	(1,969)	(1,969)	--	(2,726)	(2,726)
End-of-service benefits paid	(3,134)	--	(3,134)	(546)	--	(546)
Surplus paid to policy holders	(2,139)	--	(2,139)	(2,215)	--	(2,215)
Net cash generated from operating activities	21,689	21,205	42,894	6,578	27,855	34,433
CASH FLOWS FROM INVESTING						
Additions in investments	--	(61,105)	(61,105)	--	(16,814)	(16,814)
(Additions)/disposals in term deposits	(37,347)	16,812	(20,535)	(29,984)	52,859	22,875
Additions in intangible assets	(1,618)	--	(1,618)	--	--	--
Additions in property and equipment	(393)	--	(393)	(1,269)	--	(1,269)
Net cash generated (used in)/from investing activities	(39,358)	(44,293)	(83,651)	(31,253)	36,045	4,792
Net change in cash and cash equivalents	(17,669)	(23,088)	(40,757)	(24,676)	63,901	39,225
Cash and cash equivalents, beginning of the year	12,175	42,801	54,976	14,110	1,641	15,751
Due from/ (to) insurance operations	18,806	(18,806)	--	22,741	(22,741)	--
Cash and cash equivalents, end of the year	13,312	907	14,219	12,175	42,801	54,976

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26. SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), affecting health of individuals and causing disruptions to businesses and economic activity, which, may eventually impact the insurance claims reported to and ultimately settled by the Company. Moreover, the Government of KSA through SAMA has announced several initiatives to provide necessary relief to the financial services sector including underlying consumers. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The management and those charged with governance will continue to monitor the impact of this outbreak on the Company's financial statements including ultimate cost of claims and will update stakeholders as per regulatory requirements. Changes in circumstances may require enhanced disclosures or recognition of adjustments in the interim financial statements of the Company in subsequent periods during the financial year 2020.

27. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statement have been approved by the Board of Directors on 04 March 2020, corresponding to 09 Rajab 1441H.