GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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Certified Public Accountants

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Jeddah 21421
Kingdom of Saudi Arabia
License No. 35 – 1408 H

PKF
Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

P. O. Box 15651
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Kingdom of Saudi Arabia
License No. 520/11/323

INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Gulf General Cooperative Insurance Company - A Saudi Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes from 1 to 35.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA").

Basis of Opinion

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

Key Audit Matters

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

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INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts *As at 31 December 2019, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves and other technical reserves amounted to SR 31.5 million, SR 37.1 million, SR 3.8 million and SR 2.2 million as stated in note 9.2 to the financial statements.* The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgements could result in material overstatement / understatement of the Company's profitability. The Company's disclosures about the significant accounting policies of the above mentioned key audit matter are included in Note 3 to the financial statements.	We performed the following in relation to the valuation of ultimate claim liabilities arising from insurance contracts: We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our actuarial specialist performed the following: ▪ Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. ▪ Assessed key actuarial assumptions including claims historical experience, ratios and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's current trends and our own industry knowledge. ▪ Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

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INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill *As of 31 December 2019, carrying value of the goodwill amounted to SR 36 million (2018: SR 36 million), which represents the fair value of the consideration paid in excess of the fair value of assets and liabilities acquired as described in note 1.2.* There is a risk regarding the potential impairment of the carrying value of the goodwill given the judgements management are required to make in respect of the assumptions used to determine the recoverable amount. The key judgements include identification of cash generating units, growth rates in future cash flow forecasts both short term and long term, terminal value, discount rates applied to these forecasts and determining the impact of reasonably possible changes in these assumptions. We considered goodwill impairment as a key audit matter due to the significant judgement and key assumptions involved in the goodwill impairment review process.	We performed the following procedures in relation to goodwill impairment: ▪ assessing the competence, capabilities of the staff within the Company who performed the impairment evaluation of the goodwill ▪ evaluating the appropriateness of the methodology used by an independent specialist to assess the impairment of goodwill ▪ assessing the appropriateness of the key assumptions used in the impairment test model including projected cash flows, terminal value of growth rates, margins and weighted average cost of capital (discount rate) etc. ▪ evaluating the adequacy of the disclosures in the financial statements, including the disclosures of key assumptions and judgements.

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INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

Other information included in the Company's 2019 Annual Report

The Management of the Company is responsible for the other information in the Company's annual report. The other information consists of the information included in the Company's 2019 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, 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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in KSA, the applicable requirements of the Regulations for Companies, the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia and the Company's By-laws and for such internal control as the managment determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF GENERAL COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain jointly responsible for our audit opinion.

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

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

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

for El Sayed El Ayouty & Co.

Mohamed El Sayed El Ayouty
Certified Public Accountant
License No. 211

for Al-Bassam & Co.

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337

Jeddah, Kingdom of Saudi Arabia
28 Rajab 1441H
23 March 2020

السيد العيوطي وشركاه محاسبون ومراجعون قانونيون ترخيص رقم / ٣٥ CERTIFIED PUBLIC ACCOUNTANTS License No. 35 EL SAYED EL AYOUTY & CO.

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GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*31 December 2019 SR'000*	*31 December 2018 SR'000*
ASSETS			
Cash and cash equivalents	4	**113,815**	90,387
Murabaha deposits	5	**30,000**	82,000
Premiums receivable, net	6	**74,763**	48,465
Due from reinsurers, net	7	**17,430**	16,857
Reinsurers' share of unearned premiums	9.1	**33,197**	35,607
Reinsurers' share of outstanding claims	9.2	**12,441**	45,365
Reinsurers' share of claims incurred but not reported	9.2	**13,952**	14,776
Reinsurers' excess of loss claims		**200**	3,644
Deferred policy acquisition costs	9.4	**9,322**	6,224
Investments	8	**43,348**	39,431
Prepayments and other assets	10	**8,549**	8,754
Right-of-use assets	11	**3,735**	--
Property and equipment	12	**5,459**	4,160
Intangible assets	13	**5,864**	4,028
Goodwill	1.2	**36,260**	36,260
Statutory deposit	14	**20,000**	20,000
Accrued income on statutory deposit	14	**1,866**	1,347
TOTAL ASSETS		**430,201**	457,305
LIABILITIES			
Due to policyholders	15	**10,750**	7,926
Accrued expenses and other liabilities	16	**14,557**	14,089
Due to reinsurers		**4,033**	11,323
Due to brokers		**13,080**	12,994
Unearned premiums	9.1	**126,260**	101,854
Unearned reinsurance commission	9.5	**6,008**	5,878
Outstanding claims	9.2	**31,478**	68,443
Claims incurred but not reported	9.2	**37,060**	31,248
Premium deficiency reserve	9.6	**3,801**	11,004
Other technical reserves	9.2	**2,212**	3,740
Employees' defined benefit obligations	17	**4,852**	7,130
Lease liabilities	11	**3,280**	--
Surplus distribution payable	18	**9,038**	9,078
Accrued Zakat	19	**3,342**	11,500
Accrued income payable to SAMA	14	**1,866**	1,347
TOTAL LIABILITIES		**271,617**	297,554
SHAREHOLDERS' EQUITY			
Share capital	20	**200,000**	200,000
Statutory reserve	21	**2,165**	2,165
Accumulated losses		**(43,888)**	(43,038)
TOTAL SHAREHOLDERS' EQUITY		**158,277**	159,127
Re-measurement reserve of defined benefit obligations		**307**	624
TOTAL EQUITY		**158,584**	159,751
TOTAL LIABILITIES AND EQUITY		**430,201**	457,305
COMMITMENTS AND CONTINGENCIES	34	**300**	300

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
For the year ended 31 December 2019

	Notes	*2019* *SR'000*	*2018 (Restated)* *SR'000*
REVENUES			
Gross written premiums	9.1 & 23	**279,690**	264,675
Less: Reinsurance contracts premiums ceded			
- Local reinsurance		**(3,279)**	(2,446)
- Foreign reinsurance		**(78,828)**	(108,310)
Excess of loss expenses		**(12,892)**	(6,955)
Net written premiums		**184,691**	146,964
Changes in unearned premiums, net		**(26,816)**	(34,779)
Net premiums earned	9.1	**157,875**	112,185
Reinsurance commissions	9.5	**18,817**	19,642
Other underwriting income		**99**	1,654
TOTAL REVENUES		**176,791**	133,481
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**171,314**	140,414
Expenses incurred related to claims		**10,363**	19,220
Less: Reinsurers' share of claims paid		**(65,832)**	(67,100)
Net claims and other benefits paid		**115,845**	92,534
Change in outstanding claims, net		**(599)**	(7,327)
Changes in claims incurred but not reported, net		**6,636**	(1,500)
Net claims and other benefits incurred		**121,882**	83,707
(Reversal) / provision for premium deficiency reserve	9.6	**(7,203)**	6,205
Other technical reserves		**(1,528)**	1,512
Policy acquisition costs	9.4	**14,494**	14,371
TOTAL UNDERWRITING COSTS AND EXPENSES		**127,645**	105,795
NET UNDERWRITING INCOME		**49,146**	27,686
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for impairment of premium receivables	6.1	**(2,337)**	(2,154)
Reversal for impairment of reinsurance receivables	7.1	**652**	2,121
General and administration expenses	24	**(68,164)**	(69,147)
Commission income on deposits		**3,597**	3,391
Realized gain on investments	8.1	**780**	396
Unrealized gain on investments	8.1	**5,524**	4,268
Other income	25	**7,013**	4,512
TOTAL OTHER OPERATING EXPENSES, NET		**(52,935)**	(56,613)
Net loss for the year before allocation		**(3,789)**	(28,927)
Net loss attributed to the insurance operations	28 & 31	**--**	--
Net loss for the year attributable to the shareholders before Zakat		**(3,789)**	(28,927)
ZAKAT			
Zakat expense for the year	19	**(3,223)**	(3,886)
Zakat reversal / (expense) for prior years	19	**5,747**	(5,538)
NET LOSS FOR THE YEAR		**(1,265)**	(38,351)
Earnings / (loss) per share (expressed in SR per share)			
Weighted average number of shares (in thousands)		**20,000**	20,000
Loss per share	32	**(0.06)**	(1.92)

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	*2019* **SR'000**	*2018 (Restated) SR'000*
NET LOSS FOR THE YEAR	31	**(1,265)**	(38,351)
Other comprehensive income / (loss)			
Items that will not be reclassified to statement of income in subsequent years			
Actuarial gains on defined benefit obligations	17	**317**	128
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(948)**	(38,223)

Director

Chief Executive Officer

Chief Financial Officer

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

2019	***Share capital SR'000***	***Statutory reserve SR'000***	***Accumulated losses SR'000***	***Re-measurement reserve of defined benefit obligations SR'000***	***Total SR'000***
Balance as at 1 January,	**200,000**	**2,165**	**(43,038)**	**624**	**159,751**
Impact on adoption of IFRS 16 (note 3.2)	--	--	98	--	98
Adjusted balance as at 1 January,	**200,000**	**2,165**	**(42,940)**	**624**	**159,849**
Total comprehensive income / (loss) for the year					
Total comprehensive loss for the year	--	--	**(948)**	--	**(948)**
Actuarial gains on defined benefit obligations (note 17)	--	--	--	**(317)**	**(317)**
Balance as at 31 December,	**200,000**	**2,165**	**(43,888)**	**307**	**158,584**

2018	*Share capital SR'000*	*Statutory reserve SR'000*	*Accumulated losses SR'000*	*Re-measurement reserve of defined benefit obligations SR'000*	*Total SR'000*
Balance as at 1 January,	200,000	2,165	(4,815)	752	198,102
Total comprehensive income / (loss) for the year					
Total comprehensive loss for the year (restated)	--	--	(38,223)	--	(38,223)
Actuarial gains on defined benefit obligations (note 17)	--	--	--	(128)	(128)
Balance as at 31 December,	200,000	2,165	(43,038)	624	159,751

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	*2019 SR'000*	*2018 SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year before Zakat		**(3,789)**	(28,927)
Adjustments for non-cash items:			
Depreciation	12 & 24	**1,582**	1,325
Amortization of intangible assets	13 & 24	**1,025**	543
Amortization of right-of-use assets	11 & 24	**1,068**	--
Allowance for impairment of premiums receivables	6.1	**2,337**	2,154
Reversal of impairment of reinsurance receivables	7.1	**(652)**	(2,121)
Realized gain on investments	8.1	**(780)**	(396)
Unrealized gain on investments	8.1	**(5,524)**	(4,268)
Impact on adoption of IFRS 16	3.2	**98**	--
		(4,635)	(31,690)
Changes in operating assets and liabilities:			
Premiums receivable		**(28,635)**	(8,642)
Due from reinsurers		**79**	6,068
Reinsurers' share of unearned premiums		**2,410**	(5,682)
Reinsurer's share of outstanding claims		**32,924**	(4,094)
Reinsurer's share of claims incurred but not reported		**824**	6,721
Deferred excess of loss claims		**3,444**	(492)
Deferred policy acquisition costs		**(3,098)**	(1,354)
Prepayments and other assets		**205**	5,722
Right-of-use assets, net		**(4,803)**	--
Due to policy holders		**2,824**	(1,624)
Accrued expenses and other liabilities		**468**	(10,082)
Due to reinsurers		**(7,290)**	1,962
Due to brokers		**86**	812
Unearned premiums		**24,406**	40,461
Unearned reinsurance commission		**130**	131
Outstanding claims		**(36,965)**	7,697
Claims incurred but not reported		**5,812**	(18,654)
Premium deficiency reserve		**(7,203)**	6,205
Other technical reserves		**(1,528)**	1,513
Employees defined benefit obligations, net		**(2,278)**	16
Lease liabilities		**4,449**	--
		(13,739)	26,684
Zakat paid	19	**(5,634)**	(10,956)
Surplus paid to policy holders	18	**(40)**	(1,112)
Net cash used in operating activities		**(24,048)**	(17,074)

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2019

	Notes	*2019* *SR'000*	*2018* *SR'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(2,881)**	(1,549)
Purchase of intangible assets	13	**(2,861)**	(3,506)
Purchase of investments	8.1	**(283)**	(4,217)
Disposal of investments	8.1	**2,670**	4,965
Maturity of Murabaha deposits		**52,000**	1,000
Net cash generated from / (used in) investing activities		**48,645**	(3,307)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		**(1,169)**	--
Net cash used in financing activities		**(1,169)**	--
Net increase / (decrease) in cash and cash equivalents		**23,428**	(20,381)
Cash and cash equivalents at the beginning of the year		**90,387**	110,768
Cash and cash equivalents at the end of the year	4	**113,815**	90,387
SUPPLEMENTAL NON-CASH TRANSACTIONS			
Actuarial gains on defined benefit obligation	17	**317**	128

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Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

1. GENERAL

1.1. Organization and principal activities

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company
Al Gheithy Plaza, Second Floor,
Ameer Al Shoura'a Street
Jeddah, Kingdom of Saudi Arabia

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

Branch	***Commercial Registration No.***	***Date of Registration***
Riyadh	1010316823	29 Shawwal 1432H (corresponding to 27 September 2011)
Al Khobar	2051046836	19 Dhul Qa'dah 1432H (corresponding to 17 October 2011)

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24 Safar 1431H (corresponding to 8 February 2010).

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident & liability, marine, property and engineering. The share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each. Further, in compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Authority ("SAMA"), the Company has deposited 10% of its share capital, amounting to SR 20 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank and can be withdrawn only with the consent of SAMA. The Company cannot withdraw this deposit without SAMA's approval and commission accruing on this deposit is payable to SAMA.

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

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

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

1. GENERAL (continued)

1.2. Portfolio transfer

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

In December 2013, consequent to SAMA approval, a sum of SR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Further, SAMA approved additional payment of SR 5.37 million to the Sellers relating to 2012 profits, which was transferred to amount due to related parties, as at 31 December 2013, and settled in 2014. Further, during the year ended 31 December 2014, consequent to SAMA's approval, dated 28 Shawwal 1435H (corresponding to 24 August 2014), a payment of SR 2.96 million was made to the Sellers in respect of goodwill, out of 2013 profits. During the year ended 31 December 2015, consequent to SAMA's approval, dated 3 Rajab 1436H (corresponding to 22 April 2015), a final payment of SR 9.80 million was made to the Sellers in respect of goodwill, out of 2014 profits.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating units to which goodwill has been allocated. The recoverable amount has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the Board of Directors covering a five-year period.

The budgeted annual growth rate for gross premiums to be written over the next five years (2020 – 2024) to be in the range of 8% to 9% (2018: 8% to 9%). The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 3.0% (2018: 1.0%). The discount rate applied to the cash flow projections is 14.6% (2018: 20.0%). The valuation result has determined that the carrying value of the goodwill at the reporting date is less than its recoverable amount.

The calculation of value in use is most sensitive to the following assumptions:

- Growth rate of premiums
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

With regard to the assessment of value in use, the management believes that no reasonably possible change in any of the above assumptions would cause the carrying value to materially exceed its recoverable amount at the reporting date.

2. BASIS OF PREPARATION

2.1. Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia (KSA), and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (referred to as “IFRS as endorsed in KSA”). The financial statements of the Company as at and for the year ended 31 December 2019 were prepared in compliance with IFRS as endorsed in KSA.

The Company has updated its accounting policy to account for zakat and income taxes in the statement of income based on the instructions issued by SAMA on 23 July 2019 to insurance companies in the Kingdom of Saudi Arabia. This aligns with the 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 (“IAS 8”). The effects of this change are disclosed in note 3.2 of the financial statements.

2. BASIS OF PREPARATION (continued)

2.1. Basis of presentation and measurement (continued)

These financial statements have been prepared under the going concern basis and historical cost convention except for the measurement at fair value of investments held as fair value through statement of income (FVSI). and employees' defined benefit obligations which is recognized at the present value of future obligations using the projected unit credit method. 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, Murabaha deposits, premiums receivable - net, due from reinsurers - net, reinsurers' share of unearned premiums, deferred policy acquisition costs, deferred excess of loss premiums, prepayments and other assets, due to policyholders, reinsurers and brokers, accrued expenses, unearned premiums and reinsurance commission, outstanding claims and claims incurred but not reported, premium deficiency reserve, other technical reserves and accrued Zakat. All other financial statement line items would generally be classified as non-current unless stated otherwise.

The Company presents its statement of financial position broadly in order of liquidity. As required by Saudi Arabian Insurance Regulations "the Implementing Regulations" the Company maintains separate books of accounts for "Insurance operations" and "Shareholders' operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors. The physical custody of all assets related to the insurance operations and shareholders' operations are held by the Company. Note 31 to these annual financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

The financial statements of the Company as at and for the year ended 31 December 2018, were prepared in compliance with the International Financial Reporting Standards ("IFRS"), as modified by SAMA for the accounting of Zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to Zakat and income tax).

The accounting policies used in the preparation of the 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 where otherwise stated.

2.2. Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals ("SR"), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyals have been rounded off to the nearest thousands, except where otherwise indicated.

2.3. Fiscal year

The Company follows a fiscal year ending 31 December.

2.4. Critical accounting judgements, estimates and assumptions

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

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

Set out below are the accounting judgements and estimates that are critical in the preparation of these financial statements:

2. BASIS OF PREPARATION (continued)

2.4. Critical accounting judgements, estimates and assumptions (continued)

2.4.1. The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting year both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred on a monthly basis, and IBNR on a quarterly basis. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

The provision for claims incurred but not reported ("IBNR") is an estimation of claims which are expected to be reported subsequent to the date of the statement of financial position, for which the insured event has occurred prior to the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using the past claims settlement trends to predict future claims settlement trends. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. These provisions are not discounted for the time value of money.

A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2.4.2. Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per the Company's policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

2.4.3. Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The Company is exposed to disputes with, and the possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

2.4.4. Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of income over the related period of policy coverage. If the assumptions relating to the future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income.

2. BASIS OF PREPARATION (continued)

2.4. Critical accounting judgements, estimates and assumptions (continued)

2.4.5. Useful lives of property and equipment and intangible assets

The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation / amortization. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation / amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

2.4.6. Goodwill

Goodwill represents the amount paid by the Company in excess of the net fair value of the identifiable assets, liabilities acquired from SGI and GCI as explained in note 1.2. Goodwill is subsequently recognized at cost net of any accumulated impairment losses. The carrying value of goodwill is reviewed annually to determine whether any objective indicator of impairment exists unless an event or change in circumstances occurs during the year indicating an impairment of the carrying value which requires a valuation of goodwill during the year.

The impairment is determined by reviewing the recoverable amount of cash generating unit, the acquisition of which has given rise to goodwill. The recoverable amount of the operations has been determined based on its value in use. The key assumptions used are the discount rate and estimated future cash flows from the business. Where the recoverable amount is less than its carrying value, an impairment loss is recognized in the statement of income. These calculations require the use of estimates as explained in note 1.2.

2.4.7. Premium deficiency reserve

Estimation of premium deficiency reserve is highly sensitive to a number of assumptions as to future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the Company’s actuarial team and the independent actuary, consider the claims and premiums relationship which is expected to apply on a monthly basis, and ascertain, at the end of the financial year, whether a premium deficiency reserve is required.

2.4.8. Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

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

2.4.9. Going concern

The Company’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2. BASIS OF PREPARATION (continued)

2.4. Critical accounting judgements, estimates and assumptions (continued)

2.4.10. Employees defined benefit obligations

The employees' defined benefits obligation is determined by an independent actuary using the projected unit credit method as recommended in IAS 19 "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of sovereign debt instruments that are denominated in Saudi Riyals and have maturity periods approximating that of the gratuity liability.

The present value of the defined benefit obligation depends on several factors that are determined by the actuary using assumptions such as discount rate, expected future salary increases, mortality rates and staff turnover etc. These estimates are subject to significant uncertainty due to their long-term nature and are reviewed at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2019 except for the adoption of the following:

3.1. The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB)

New IFRSs, International Financial Reporting and Interpretations Committee's interpretations ("IFRICs") and Amendments thereof, adopted by the Company

Standard / Amendments	***Description***
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long-term interest in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3 & 11 and IAS 12 & 13	Annual improvements to IFRS 2015-2017 cycle

The adoption of the above amendments and interpretations did not have any significant impact on these financial statements.

3.2. The Company has adopted the following new standard issued

IFRS 16 – Leases

The Company adopted IFRS 16 "Leases" the standard which replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and finance lessees to account for all the leases under a single on-balance sheet model similar to the accounting for finance lease under IAS 17. The standard includes two recognition exemption for lease of low value assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the special commission expense on the lease liability and an amortization expense on the right-of-use asset.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of application of 1 January 2019 and therefore comparative information has not been restated and continues to be reported under IAS 17. The detailed accounting policies relating to leases is disclosed under note 3.3.15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2. The Company has adopted the following new standard issued (continued)

IFRS 16 – Leases (continued)

Impact on financial statements
When measuring lease liabilities, the Company discounted lease payments using weighted average rate of 4.6%. The impact of transition is summarized below:

	1 January 2019 *SR'000*
Right-of-use assets	4,803
Lease liabilities	(4,274)
Prepayments	(431)
Impact on accumulated losses	98

Zakat and income tax

As mentioned in note 2.1, the basis of preparation of the financial statements has changed as a result of the issuance on latest 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 latest instructions issued by SAMA dated 23 July 2019, Zakat and income tax shall be recognized in the statement of income.

The Company amended its accounting policy relating to zakat and have started to apply International Accounting Standard – Income Taxes ("IAS 12") and IFRIC 21 – Levies so far as these relate to Zakat. The Company has accounted for this change in the accounting policy relating to zakat retrospectively (see note 2) and the effects of the above change are disclosed below:

The change has resulted in increase in reported loss of the Company for the year ended 31 December 2018 by SR 13.2 million. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

For the year ended 31 December 2018:

Account	***Financial statement impacted***	***Balance previously reported SR'000***	***Effect of restatement SR'000***	***Balance restated SR'000***
Zakat	Statement of income	-	(9,424)	(9,424)
Net loss for the year	Statement of income	(24,968)	(13,383)	(38,351)
Loss per share for the year	Statement of income	(1.25)	(0.67)	(1.92)
Zakat	Statement of changes equity	(3,886)	3,886	-
Total comprehensive loss for the year	Statements of comprehensive income and changes in equity	(24,968)	(13,383)	(38,351)

Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. New IFRSs, IFRICs and Amendments thereof, issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards, where applicable when they become effective.

Standard / Amendments	***Description***	***Effective from periods beginning on or after the following date***
IFRS 9	Financial Instruments (see below)	See note below
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance Contracts (see below)	1 January 2022

IFRS 9 – Financial Instruments

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

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

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

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

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

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

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

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 the statement of income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. New IFRSs, IFRICs and Amendments thereof, issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

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

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

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
   a) the effective date of a new insurance contract standard; or
   b) annual reporting periods beginning on or after 1 January 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2022. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2017: (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.

Impact assessment:
As at 31 December 2019, the Company has total financial assets and insurance related assets amounting to SR 281 million (2018: 277 million) and SR 69 million (2018: 106 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 146 million (2018: SR 174 million. Investments are carried currently at fair value through statement of income at SR 41 million (2018: SR 38 million. Credit risk exposure, concentration of credit risk and credit quality of the company's receivables portfolio are mentioned in note 6 and 7. The Company financial assets have low credit risk as at 31 December 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. New IFRSs, IFRICs and Amendments thereof, issued but not yet effective (continued)

IFRS 17 – Insurance Contracts

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

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

1) The General model:

Which is based on the following "building blocks" of:
a) the fulfilment cash flows ("FCF"), which comprises:
- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows; and
- a risk adjustment for non-financial risk;.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. New IFRSs, IFRICs and Amendments thereof, issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) The Variable Fee Approach ("VFA"):

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

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

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

Effective date:
The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 1 January 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

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

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

Impact:
The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of 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 areas of Gaps are as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. New IFRSs, IFRICs and Amendments thereof, issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact: (continued)

Impact area	***Summary of impact***
Financial impact	Not yet fully assessed by the Company.
Data impact	The Company believes that the data impact is not likely to be significant as a major proportion of the company's business would qualify for measurement under the premium allocation approach.
IT systems	The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17
Process impact	The process impact is under evaluation, but no significant process changes are anticipated.
Impact on reinsurance arrangements	The Company's reinsurance arrangements are currently under testing to determine the suitable measurement approach
Impact on policies & control's frameworks	The Company is currently working with an external consultant to review and modify the current policy control framework
Human resources	The Company needs to recruit suitably qualified personnel who have a comprehensive understanding of IFRS 17

The Company has started with their implementation process and have set up an implementation committee.

The Company plans to adopt the new standard on the required effective date together with IFRS 9 (see above).

The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract assets and liabilities of the Company and is likely to have a significant impact on profit and total equity together with the presentation and disclosure in the audited financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies

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

3.3.1. Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations extinguish or expire.

Insurance contracts are principally divided into medical, motor, property, engineering, marine, and accident and liability and are principally short-term insurance contracts.

Medical insurance is designed to compensate holders for expenses incurred in the treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicle holders to have minimum third-party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident. Various extensions cover natural perils, personal accident benefits and dealer repairs.

Property insurance contracts mainly compensate the Company’s customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, natural perils, business interruption and burglary.

Engineering insurance covers two principal types (a) “Contractors all risk” insurance offering cover during erection or construction of buildings, or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs. (b) “Erection all risk” insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and business interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

General accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance, personal accident, jeweller block, jewellery all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen’s compensation/employer’s liability and professional indemnity cover protecting the insured’s legal liability arising out of acts of negligence during their business operations.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.2. Revenue recognition

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

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Commission income
Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income
Dividend income on equity instruments classified under investments is recognized when the right to receive payment is established.

3.3.3. Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

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

3.3.4. Salvage and subrogation reimbursement

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

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset. Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the third party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.5. Reinsurance contracts held

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

Reinsurance is distributed between treaty, facultative and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in note 3.3.1 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties and in accordance with the reinsurance contract. These amounts are shown as "reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recorded in the statement of income as incurred. For further details, please refer note 3.3.11.

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

3.3.6. Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned, to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded under "Policy acquisition costs" in the statement of income.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.7. Liability adequacy test

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

3.3.8. Premiums and reinsurance receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded as “Allowance for impairment of premium / reinsurance receivables” separately in the statement of income. Receivable balances are derecognized when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in notes 6 and 7 fall under the scope of IFRS 4 “Insurance Contracts”.

3.3.9. Investments

All investments, are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. Financial assets are initially recognized at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

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

i. Investments held at fair value through income statement (“FVSI”)

Investments in this category are classified if they are held for trading or designated by management as fair value through statement of income (“FVSI”) on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in the short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in statement of income.

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments are classified as FVSI if the fair value of the investment can be reliably measured and the classification as investments held at fair value through income statement is as per the documented strategy of the Company. Investments classified as investments held at FVSI are initially recognized at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Commission income and dividend income on financial assets held as FVSI are reflected as other income from FVSI financial instruments in the statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.9. Investments (continued)

ii. Held to maturity investments

Investments having fixed or determinable payments and fixed maturity that the Company has a positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Any permanent decline in value of investments is adjusted for and reported in the statement income as impairment charges.

iii. Available-for-sale investments

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

Dividend, commission income and foreign currency gain / loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss.

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

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

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

3.3.10. Financial instruments

i. Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurers' share of outstanding claims, due from reinsurers, statutory deposit, investments and other receivables. Financial liabilities consist of outstanding claims, due to reinsurers and brokers, due to policyholders, surplus distribution payable and certain other liabilities.

Date of recognition
Regular way sale and purchase of financial instruments are recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.10. Financial instruments (continued)

i. Financial instruments – initial recognition and subsequent measurement (continued)

Measurement of financial instruments
All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortized cost except for investments held at fair value through income statement which are carried at fair value.

ii. Derecognition of financial instrument

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

iii. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

3.3.11. Impairment of financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.11. Impairment of financial assets (continued)

Evidence of impairment may include:

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

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

- For assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

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

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

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through the statement of income as long as the asset continues to be recognized, i.e. any increase in fair value after impairment has been recorded can only be recognized in other comprehensive income. On derecognition, any cumulative gain or loss previously recognized in other comprehensive income is included in the statement of income.

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.12. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Category	***Years***
Leasehold improvements	8
Furniture and fittings	10
Computer and office equipment	4
Motor vehicles	4

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

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

3.3.13. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of income when it is incurred.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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

Category	***Years***
Computer software	4

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.14. Goodwill

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

3.3.15. Leases

The Company has applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 (if any) is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Definition of lease
Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.

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

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate as at 1 January 2019. The Company's incremental borrowing rate applied is 4.6%.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.16. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

Impairment losses related to goodwill cannot be reversed in future periods.

3.3.17. Employees' defined benefit obligations

The Company operates a defined benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. This involves making various assumptions which may differ from actual developments in the future. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, the employees' defined benefit obligations valuation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income.

3.3.18. Provisions, accrued expenses and other liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.19. Zakat

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

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3.3.20. Cash and cash equivalents

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

3.3.21. Cash flow statement

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

3.3.22. Murabaha deposits

Murabaha deposits, with an original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortized cost using the effective yield method, less any impairment changes.

3.3.23. Prepayments and other assets

Prepayments and other assets represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to the statement of income as they are consumed or expire with the passage of time.

3.3.24. Foreign currencies

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

3.3.25. Expenses

Due to the nature of the operations of the Company, all expenses incurred are classified as general and administration expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies (continued)

3.3.26. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and Companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, and the Chief Financial Officer of the Company.

3.3.27. Operating segments

An operating segment is a distinguishable component of the Company that is engaged in business activities from which it is subject to risk and rewards that are different from those of other segments. Further, an operating segment earns revenues and incur expenses and has discrete financial information which is available that is evaluated regularly by the chief operating decision-maker.

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

- Medical provides healthcare cover to policyholders
- Motor provides coverage against losses and liability related to motor vehicles, excluding transport insurance
- Property provides coverage against losses related to fire, natural perils, business interruption and burglary
- Engineering provides coverage during erection or construction of civil engineering works and installation of plant and machinery
- Marine provides coverage against damages and liabilities arising through loss/damage to marine cargo/hull.
- Accident and liability insurance provides coverage against money, fidelity guarantee, personal accident, jeweller block, jewellery all risks, and travel insurance and liability insurance provide coverage against the insured’s legal liability arising out of acts of negligence during their business operations

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

3.3.28. Statutory reserve

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

3.3.29. Fair values

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

For financial assets where there is no active market, fair value is determined by reference to the market value of similar financial assets or where the fair values cannot be derived from an active market; they are determined using a variety of valuation techniques. The inputs of this model are taken from an observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Fair value disclosures are disclosed in note 27.

4. CASH AND CASH EQUIVALENTS

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

	2019	*2018*
	SR'000	*SR'000*
Insurance operations		
Cash in hand	**32**	30
Cash at banks (see note below)	**11,226**	13,597
Murabaha deposits with maturity less than three months	**34,000**	74,000
	45,258	87,627
Shareholders' operations		
Cash at banks	**6,557**	2,760
Murabaha deposits with maturity less than three months	**62,000**	--
	68,557	2,760
Total of cash and cash equivalents	**113,815**	90,387

a) This includes bank balances amounting to SR 0.5 million (2018: SR 0.5 million), held in the name of related parties of the Company, on behalf of the Company.

b) Murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These Murabaha deposits are denominated in Saudi Riyals and have an original maturity not exceeding three months. These investments earn commission at an average rate of 2.66% per annum as at 31 December 2019 (2018: 2.36% per annum)

5. MURABAHA DEPOSITS

Murabaha deposits comprises the following:

	2019	*2018*
	SR'000	*SR'000*
Insurance operations		
Murabaha deposits	**64,000**	74,000
Less: Murabaha deposits with maturity less than three months (see note 4)	**(34,000)**	(74,000)
	30,000	--
Shareholders' operations		
Murabaha deposits	**62,000**	82,000
Less: Murabaha deposits with maturity less than three months (see note 4)	**(62,000)**	--
	--	82,000
Total of Murabaha deposits	**30,000**	82,000

a) Murabaha deposits represent deposits with local banks that have an original maturity of more than three months from the date of acquisition.

b) These investments earn commission at an average rate of 2.66% per annum as at 31 December 2019 (2018: 2.36% per annum)

6. PREMIUMS RECEIVABLE, NET

Premiums receivable comprise amounts due from the following:

	2019	*2018*
	SR'000	*SR'000*
Policyholders	**99,217**	66,771
Related parties (note 29)	**408**	4,219
	99,625	70,990
Allowance for impairment of premiums receivables (note 6.1)	**(24,862)**	(22,525)
Total of premiums receivable, net	**74,763**	48,465

6.1. Movement in allowance for impairment of premiums receivable:

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**22,525**	20,371
Addition during the year	**2,337**	2,154
Balance as at 31 December,	**24,862**	22,525

6.2. Aging analysis of unimpaired premiums receivable:

		Past due but not impaired			
	Total	***Less than 90 days***	***91 – 180 days***	***181 – 360 days***	***More than 360 days***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***
31 December, 2019	**74,763**	**40,744**	**23,312**	**6,795**	**3,912**
31 December, 2018	48,465	23,693	11,160	10,389	3,223

The Company only enters into insurance contracts with recognized, 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, premiums receivable are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

In respect of premiums receivable, the five largest customer balances accounted for approximately 37% of this balance as at 31 December 2019 (2018: 16%). Premiums receivable comprise a large number of customers and are mainly within the Kingdom of Saudi Arabia.

Management considers its external customers to be individual policyholders. Four customers (2018: Ten customers) of the Company accounts for more than 21% of the gross written premiums for the year ended 31 December 2019 (2018: 18%)

7. DUE FROM REINSURERS, NET

These represent net claims due from reinsurers under facultative deals and treaty arrangements. Three reinsurance brokers represent 70% (2018: Three represents: 54%) of the total amount due from reinsurers.

	2019	*2018*
	SR'000	*SR'000*
Due from reinsurers	**17,958**	18,037
Allowance for impairment of due from reinsurers (note 7.1)	**(528)**	(1,180)
Total of due from reinsurers, net	**17,430**	16,857

7.1. Movement in allowance for impairment of due from reinsurers:

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**1,180**	3,301
Reversals during the year	**(652)**	(2,121)
Balance as at 31 December,	**528**	1,180

7.2. Aging analysis of unimpaired due from reinsurers:

		Past due but not impaired			
	Total	***Less than 90 days***	***91 – 180 days***	***181 – 360 days***	***More than 360 days***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***
31 December, 2019	**17,430**	**12,901**	**4,353**	**--**	**176**
31 December, 2018	16,857	14,973	990	521	373

The Company only enters into reinsurance contracts with recognized, 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, due from reinsurers are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

8. INVESTMENTS

Investments of the shareholders' operations comprise the following:

	2019	*2018*
	SR'000	*SR'000*
Shareholders' operations		
Investments held at fair value through income statement ("FVSI") (note 8.1)	**41,425**	37,508
Available-for-sale investment (note 8.2)	**1,923**	1,923
Total of investments	**43,348**	39,431

8. INVESTMENTS (continued)

8.1. Investments held at fair value through income statement ("FVSI")

Movement in investments classified as fair value through income statement ("FVSI") is as follows:

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**37,508**	33,592
Purchases during the year	**283**	4,217
Disposals during the year	**(2,670)**	(4,965)
Realized gain during the year	**780**	396
Unrealized gain during the year	**5,524**	4,268
Balance as at 31 December,	**41,425**	37,508

a) The investments held at fair value through income statement of shareholders' operations comprise of portfolio amounting to SR 41.43 million (2018: SR 37.51 million) which is invested in mutual funds and equity shares in the Kingdom of Saudi Arabia.

b) The investments are denominated in Saudi Arabian Riyals and US Dollars. All investments held at fair value through income statement are quoted. The portfolio is invested in securities and mutual funds issued by corporates and financial institutions in the Kingdom of Saudi Arabia.

8.2. Available-for-sale investment

The Company holds 3.85% of the equity in Najm for Insurance Services Company ("Najm"), a Saudi Closed Joint Stock Company. The investment is classified as an available-for-sale investment and is stated at cost.

9. TECHNICAL RESERVES

9.1. NET PREMIUMS

	2019	*2018*
	SR'000	*SR'000*
Gross written premiums	**279,690**	264,675
Gross unearned premiums at the beginning of the year	**101,854**	61,393
	381,544	326,068
Gross unearned premiums at the end of the year	**(126,260)**	(101,854)
Gross premiums earned	**255,284**	224,214
Reinsurance premiums ceded	**(94,999)**	(117,711)
Reinsurers' share of unearned premiums at the beginning of the year	**(35,607)**	(29,925)
	(130,606)	(147,636)
Reinsurers' share of unearned premiums at the end of the year	**33,197**	35,607
Insurance premium ceded to reinsurers	**(97,409)**	(112,029)
Net premiums earned	**157,875**	112,185

9. TECHNICAL RESERVES (continued)

9.2. NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

	2019	*2018*
	SR'000	*SR'000*
Outstanding claims	**31,478**	68,443
Claims incurred but not reported	**37,060**	31,248
Premium deficiency reserve (note 9.6)	**3,801**	11,004
Other technical reserves	**2,212**	3,740
	74,551	114,435
Less:		
Reinsurers' share of outstanding claims	**12,441**	45,365
Reinsurers' share of claims incurred but not reported	**13,952**	14,776
	26,393	60,141
Net outstanding claims and reserves	**48,158**	54,294

9.3. MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following:

	For the year ended 31 December 2019		
	Gross	***Reinsurance***	***Net***
	SR'000	***SR'000***	***SR'000***
Balance as at 1 January,	**101,854**	**(35,607)**	**66,247**
Premiums written during the year	**279,690**	**(94,999)**	**184,691**
Premiums earned during the year	**(255,284)**	**97,409**	**(157,875)**
Balance as at 31 December,	**126,260**	**(33,197)**	**93,063**

	For the year ended 31 December 2018		
	Gross	*Reinsurance*	*Net*
	SR'000	*SR'000*	*SR'000*
Balance as at 1 January,	61,393	(29,925)	31,468
Premiums written during the year	264,675	(117,711)	146,964
Premiums earned during the year	(224,214)	112,029	(112,185)
Balance as at 31 December,	101,854	(35,607)	66,247

9. TECHNICAL RESERVES (continued)

9.4. MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS

Movement in deferred policy acquisition costs comprise of the following:

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**6,224**	4,870
Incurred during the year	**17,592**	15,725
Amortized during the year	**(14,494)**	(14,371)
Balance as at 31 December,	**9,322**	6,224

9.5. MOVEMENT IN UNEARNED REINSURANCE COMMISSION

Movement in unearned reinsurance commission comprise of the following:

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**5,878**	5,747
Accrued during the year	**18,947**	19,773
Earned during the year	**(18,817)**	(19,642)
Balance as at 31 December,	**6,008**	5,878

9.6. MOVEMENT IN PREMIUM DEFICIENCY RESERVE

Movement in premium deficiency reserve comprise of the following:

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**11,004**	4,799
(Reversal) / provision during the year	**(7,203)**	6,205
Balance as at 31 December,	**3,801**	11,004

10. PREPAYMENTS AND OTHER ASSETS

	2019	*2018*
	SR'000	*SR'000*
Insurance operations		
Prepayments	**2,189**	3,585
Other assets	**5,223**	3,896
Due from related parties (note 29)	**1,088**	1,088
	8,500	8,569
Shareholders' operations		
Advances	**35**	--
Other assets	**14**	185
	49	185
Total of prepayments and other assets	**8,549**	8,754

11. LEASES

11.1. Right-of-use assets

	2019	*2018*
	SR'000	*SR'000*
Cost:		
Balance as at 1 January,	**--**	--
Impact on adoption of IFRS 16 (note 3.2)	**4,803**	--
Adjusted balance as at 1 January,	**4,803**	--
Additions	**--**	--
Balance as at 31 December,	**4,803**	--
Accumulated amortization:		
Balance as at 1 January,	**--**	--
Amortization for the year (note 24)	**1,068**	--
Balance as at 31 December,	**1,068**	--
Carrying value	**3,735**	--

11.2. Lease liabilities

Lease liabilities as at 31 December and 1 January 2019 are as follows:

	Minimum lease payments	***Interest***	***Present value of minimum lease payments***
	SR'000	***SR'000***	***SR'000***
31 December 2019	**3,508**	**228**	**3,280**
1 January 2019	4,677	404	4,273

At 31 December, the maturity of lease liabilities are as follows:

	2019	*2018*
	SR'000	*SR'000*
Non-current portion	**1,035**	--
Current portion	**2,245**	--
Balance as at 31 December,	**3,280**	--

The minimum lease payments together with the present value of minimum lease payments as at 31 December 2019 are as follows:

	Minimum lease payments	***Present value of minimum lease payments***
	SR'000	***SR'000***
Less than one year	**1,169**	**1,035**
More than one year	**2,339**	**2,245**
Total minimum lease payments	**3,508**	**3,280**
Finance charges	**(228)**	--
Present value of minimum lease payments	**3,280**	**3,280**

12. PROPERTY AND EQUIPMENT

	Leasehold improvements SR'000	*Furniture and fittings SR'000*	*Computer and office equipment SR'000*	*Motor vehicles SR'000*	*Total SR'000*
Cost:					
Balance as at 1 January 2018	3,646	2,159	7,253	240	13,298
Additions during the year	117	54	1,323	55	1,549
Disposals during the year	--	--	--	(18)	(18)
Balance as at 1 January 2019	3,763	2,213	8,576	277	14,829
Additions during the year	--	41	2,840	--	2,881
Balance as at 31 December 2019	3,763	2,254	11,416	277	17,710
Accumulated depreciation:					
Balance as at 1 January 2018	3,348	1,790	3,995	229	9,362
Depreciation for the year (note 24)	96	96	1,110	23	1,325
Disposals during the year	--	--	--	(18)	(18)
Balance as at 1 January 2019	3,444	1,886	5,105	234	10,669
Depreciation for the year (note 24)	61	93	1,414	14	1,582
Balance as at 31 December 2019	3,505	1,979	6,519	248	12,251
Net book value:					
31 December 2019	**258**	**275**	**4,897**	**29**	**5,459**
31 December 2018	319	327	3,471	43	4,160

13. INTANGIBLE ASSETS

	Computer software SR'000	*Capital work in progress SR'000*	*Total SR'000*
Cost:			
Balance as at 1 January 2018	4,272	--	4,272
Additions during the year	1,604	1,902	3,506
Balance as at 1 January 2019	**5,876**	**1,902**	**7,778**
Additions during the year	**1,194**	**1,667**	**2,861**
Balance as at 31 December 2019	**7,070**	**3,569**	**10,639**
Accumulated amortization:			
Balance as at 1 January 2018	3,207	--	3,207
Amortization for the year (note 24)	543	--	543
Balance as at 1 January 2019	**3,750**	--	**3,750**
Amortization for the year (note 24)	**1,025**	--	**1,025**
Balance as at 31 December 2019	**4,775**	--	**4,775**
Net book value:			
31 December 2019	**2,295**	**3,569**	**5,864**
31 December 2018	2,126	1,902	4,028

a) Capital work in progress represents the progress payments made relating to the implementation of the Company's new IT system and related software.

14. STATUTORY DEPOSIT

	2019	2018
	SR'000	*SR'000*
Statutory deposit	**20,000**	20,000

a) In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Authority ("SAMA"), the Company has deposited 10% of its share capital, amounting to SR 20 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank and the Company cannot withdraw this deposit without SAMA's approval. Commission accruing on this deposit is payable to SAMA.

b) In accordance with the instruction received from the SAMA vide their circular dated 1 March, 2016, the Company has disclosed the commission due on the statutory deposit as at 31 December, 2019 and 2018 as an asset and a liability in these financial statements.

15. DUE TO POLICYHOLDERS

	2019	2018
	SR'000	*SR'000*
Due to policyholders	**10,750**	7,926

a) Due to policyholders represent claims and surplus due to certain policyholders. Five policyholders (2018: five policyholders) balance comprises 34% (2018: 17%) of the outstanding balance due to policyholders as at 31 December, 2019.

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2019	2018
	SR'000	*SR'000*
Insurance operations		
Accrued expenses	**1,966**	3,553
Value added tax payable	**1,121**	846
Due to related parties (note 29)	**309**	309
Payable to garages and workshops	**464**	699
Other liabilities	**8,425**	6,444
	12,285	11,851
Shareholders' operations		
Accrued expenses	**2,272**	2,238
	2,272	2,238
Total of accrued expenses and other liabilities	**14,557**	14,089

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	2019	*2018*
	SR'000	*SR'000*
Employees' defined benefit obligations	**4,852**	7,130

The Company operates a defined benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

17.1. Movement of defined benefit obligations

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**7,130**	7,114
Charged to the statement of income	**2,503**	3,732
Charged to the statement of other comprehensive income	**(317)**	(128)
Payment of benefits during the year	**(4,464)**	(3,588)
Balance as at 31 December,	**4,852**	7,130

17.2. Reconciliation of present value of defined benefit obligation

	2019	*2018*
	SR'000	*SR'000*
Present value of defined benefit obligation as at 1 January,	**7,130**	7,114
Current service costs	**2,311**	3,368
Financial costs	**192**	364
Actuarial gain from experience adjustments	**(317)**	(128)
Payment of benefits during the year	**(4,464)**	(3,588)
Present value of defined benefit obligation as at 31 December,	**4,852**	7,130

17.3. Principal actuarial assumptions

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

	2019	*2018*
Valuation discount rate	**3.20%**	4.60%
Expected rate of increase in salary level across different age bands	**4.10%**	4.34%

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

17.4. Sensitivity analysis

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

	2019	*2018*
Current	**4,852**	7,130
Valuation discount rate		
- Increase by 0.5%	**4,965**	6,706
- Decrease by 0.5%	**5,389**	7,567
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	**5,386**	7,563
- Decrease by 0.5%	**4,964**	6,715

The average duration of the defined benefit plan obligation is 4.20 years (2018: 3.51 years) as at 31 December 2019.

18. SURPLUS DISTRIBUTION PAYABLE

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**9,078**	10,190
Surplus paid to policyholders	**(40)**	(1,112)
Balance as at 31 December,	**9,038**	9,078

19. ZAKAT

19.1. Zakat provision

The Zakat provision at 31 December is based on the following:

	2019	*2018*
	SR'000	*SR'000*
Equity	**202,165**	202,165
Opening provision and adjustments	**(16,945)**	8,954
Net book value of long-term assets	**(49,506)**	(44,469)
	135,714	166,650
Amended net loss for the year	**(6,775)**	(11,198)
Zakat base	**128,939**	155,452
Zakat due at 2.5%	**3,223**	3,886

The differences between the financial and the results subject to Zakat are mainly due to certain adjustments in accordance with the relevant Zakat regulations. The movement in the Zakat provision for the year is as follows:

	2019	*2018*
	SR'000	*SR'000*
Balance as at 1 January,	**11,500**	13,032
Provided during the year	**3,223**	3,886
(Reversal) / provision for prior years	**(5,747)**	5,538
Paid during the year	**(5,634)**	(10,956)
Balance as at 31 December,	**3,342**	11,500

19.2. Status of assessments

The Company has finalized its Zakat and withholding status for the period/years from 31 December 2010 to 2015, after reaching a final settlement for Zakat and withholding tax of SR 1.8 million and SR 1.1 million at the Dispute Resolution Committee.

The Company filed its Zakat returns for years 31 December 2016 and 2017 and obtained the related Zakat certificates. In line with the previous assessment, the company obtained the GAZT approval to apply the same withholding tax treatment for the above years and settled additional withholding tax of SR 1.8 million

The Company filed its Zakat return for year 31 December 2018 and obtained the related Zakat certificate. The GAZT did not raise Zakat assessments for the years from 31 December 2016 till 2018.

Management is confident that no additional zakat will be imposed for the period from 2016 till 2018 as per the finalization of the assessment for the previous years. Accordingly, the Company has reversed additional zakat provision amounting to SR 5.7 million to the statement of income during 2019.

20. SHARE CAPITAL

The share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (2018: 20 million shares of SR 10 each). The shareholding structure of the Company is as below. The shareholders of the Company are subject to Zakat tax:

	2019		2018	
	Percentage of holding	***Amount SR '000***	*Percentage of holding*	*Amount SR '000*
Founding shareholders	**35.0%**	**75,800**	37.9%	75,800
General public	**65.0%**	**124,200**	62.1%	124,200
	100.0%	**200,000**	100.0%	200,000

On 24 Shabaan 1440H, corresponding to 29 April 2019, the Board of Directors have recommended an increase in the Company's capital through offering a rights issue with a total value of SR 300 million. During the year ended 31 December 2019, the Company has received approval from Saudi Arabian Monetary Authority ("SAMA") and are in the process of finalizing the remaining regulatory and legal formalities underlying such increase.

21. STATUTORY RESERVE

As required by Article 70 of the Saudi Arabian Insurance Regulations, 20% of the net shareholders' income (after deducting losses brought forward) shall be set aside as a statutory reserve until this reserve amounts to 100% of paid up share capital. No reserve has been set aside during the year as the Company has accumulated losses as at 31 December 2019.

22. CAPITAL MANAGEMENT

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

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings. As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2019 consists of paid-up share capital of SR 200 million, statutory reserves of SR 2.17 million and accumulated losses of SR 43.89 million (2018: paid-up share capital of SR 200 million, statutory reserves of SR 2.17 million and accumulated losses of SR 43.04 million) in the statement of financial position. In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year. The following information summarizes the minimum regulatory capital of the Company:

	2019 SR'000	*2018 SR'000*
Available capital	**88,439**	101,381
Minimum regulatory capital	**(100,000)**	(100,000)
(Deficit) / surplus capital	**(11,561)**	1,381

23. GROSS WRITTEN PREMIUMS

For the year ended 31 December 2019

	Corporate					
	Small SR '000	**Medium SR '000**	**Large SR '000**	**Total Corporate SR '000**	**Individual SR '000**	**Total Gross written premiums SR '000**
Medical	**45,943**	**6,878**	**15,980**	**68,801**	**2,060**	**70,861**
Motor	**37,395**	**12,930**	**38,612**	**88,937**	**42,448**	**131,385**
Property & accident	**10,421**	**9,642**	**49,838**	**69,901**	**7,543**	**77,444**
Protection & savings	**--**	**--**	**--**	**--**	**--**	**--**
	93,759	**29,450**	**104,430**	**227,639**	**52,051**	**279,690**

For the year ended 31 December 2018

	Corporate					
	Small SR '000	Medium SR '000	Large SR '000	Total Corporate SR '000	Individual SR '000	Total Gross written premiums SR '000
Medical	21,150	7,135	16,892	45,177	297	45,474
Motor	21,579	6,897	15,097	43,573	81,340	124,913
Property & accident	10,307	11,967	68,509	90,783	3,505	94,288
Protection & savings	--	--	--	--	--	--
	53,036	25,999	100,498	179,533	85,142	264,675

24. GENERAL AND ADMINISTRATION EXPENSES

	2019 SR'000	*2018 SR'000*
Insurance operations		
Employee costs	**37,110**	36,011
Regulatory fees	**2,091**	1,793
Repairs and maintenance	**3,781**	3,749
Depreciation of property and equipment (note 12)	**1,582**	1,325
Amortization of intangible assets (note 13)	**1,025**	543
Amortization of right-of-use assets (note 11)	**1,068**	--
Professional fees	**4,423**	4,631
Rent	**--**	1,357
Marketing expenses	**3,516**	4,077
Withholding tax expenses and delay fines	**1,722**	5,314
VAT expenses	**1,057**	1,044
Finance cost on lease liabilities	**175**	--
Write-off of prepayments and other assets	**1,381**	--
Others	**5,204**	5,339
	64,135	65,183
Shareholders' operations		
Legal and professional fees	**1,323**	1,440
Board of Directors' remuneration and related expenses	**2,335**	2,358
Others	**371**	166
	4,029	3,964
Total of general and administration expenses	**68,164**	69,147

25. OTHER INCOME

	2019	*2018*
	SR'000	*SR'000*
Share of surplus from Al Manafeth (note 25.1)	**3,039**	2,369
Income on road assistance services	**3,201**	1,252
Investment income	**773**	--
Dividend income	**--**	643
Miscellaneous	**--**	248
Total of other income	**7,013**	4,512

25.1. Share of surplus from Al Manafeth:

This represents the Company's share in the surplus arising from the Al Manafeth Third Party Liability Insurance Fund ("the Fund"). The Company with twenty four other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with 'The Company for Cooperative Insurance' ("CCI") effective from January 1, 2015 for three years and subsequently renewed for 2019, for participating in the insurance of foreign vehicles entering Saudi Arabia through all its borders except from the Kingdom of Bahrain. As per the agreement, CCI will receive 4.25% of the Fund's gross written premiums to cover the related indirect expense along with 15% management fee of the net results of the Fund's portfolio. The remaining results after the aforesaid distribution are due to be shared equally by the CCI and above mentioned twenty five insurance companies including the Company.

26. CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the years beginning from the year 2015 onwards whose claim experience has not been fully developed.

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

Accident Year	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
At the end of accident year	550,964	124,006	115,862	143,284	170,191	
One year later	567,951	134,464	119,324	158,676	--	
Two years later	572,815	132,913	117,641	--	--	
Three years later	574,036	134,924	--	--	--	
Four year later	574,261	--	--	--	--	
Ultimate paid claims (estimated)	574,261	134,924	117,641	158,676	170,191	1,155,693
Cumulative paid claims	(573,586)	(133,417)	(115,210)	(149,482)	(115,460)	(1,087,155)
Outstanding claims and IBNR	**675**	**1,507**	**2,431**	**9,194**	**54,731**	**68,538**

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in these financial statements.

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

Carrying amounts and fair value
The following table shows the carrying amount and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value. At 31 December, 2019 there were no financial instruments held by the Company that were measured at fair value, apart from the investments which are carried at fair value.

		Fair Value			
31 December 2019	***Carrying value SR'000***	***Level 1 SR'000***	***Level 2 SR'000***	***Level 3 SR'000***	***Total SR'000***
Shareholders' operations					
Investments held at FVSI	**41,425**	**41,425**	**--**	**--**	**41,425**
	41,425	**41,425**	**--**	**--**	**41,425**

		Fair Value			
31 December 2018	*Carrying value SR'000*	*Level 1 SR'000*	*Level 2 SR'000*	*Level 3 SR'000*	*Total SR'000*
Shareholders' operations					
Investments held at FVSI	37,508	37,508	--	--	37,508
	37,508	37,508	--	--	37,508

- As at 31 December 2019, the Company has an investment amounting to SR 1.9 million in an unquoted available for sale investment. This investment has not been measured at fair value because of unavailability of quoted prices of comparable companies and other financial information.
- All investments are fair valued except for available-for-sale investment which is stated at cost (see above and note 8.2).
- Cash and bank balances and other short-term financial assets are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature.
- There were no transfers between levels during the years ended 31 December 2019 and 31 December 2018. Further, there were no changes in the valuation techniques during the year from previous years.

28. OPERATING SEGMENTS

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

All of the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in six major lines of business. Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed income statement. Segment assets and liabilities comprise operating assets and liabilities. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December, 2018.

Segment assets do not include cash and cash equivalents, Murabaha deposits, premiums receivable-net, due from reinsurers-net, investments, prepayments and other assets, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include due to policyholders, due to reinsurers, due to brokers, employees' defined benefit obligations, lease liabilities, surplus distribution payable, accrued expenses and other liabilities, accrued Zakat and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis. The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December, 2019 and 31 December, 2018, its total revenues, expenses, and net income / (loss) for the year then ended, are as follows:

28. OPERATING SEGMENTS (continued)

STATEMENT OF FINANCIAL POSITION

							Insurance Operations		
As at 31 December 2019	***Medical***	***Motor***	***Property***	***Engineering***	***Marine***	***Accident & liability***	***Total Insurance Operations***	***Shareholders' Operations***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
ASSETS									
Reinsurers' share of unearned premiums	**--**	**14,613**	**10,426**	**2,766**	**2,493**	**2,899**	**33,197**	**--**	**33,197**
Reinsurers' share of outstanding claims	**295**	**1,145**	**3,392**	**629**	**2,472**	**4,508**	**12,441**	**--**	**12,441**
Reinsurers' share of claims IBNR	**437**	**3,182**	**4,664**	**1,835**	**1,580**	**2,254**	**13,952**	**--**	**13,952**
Reinsurers' excess of loss claims	**--**	**200**	**--**	**--**	**--**	**--**	**200**	**--**	**200**
Deferred policy acquisition costs	**1,785**	**5,120**	**1,152**	**257**	**434**	**574**	**9,322**	**--**	**9,322**
Unallocated assets	**--**	**--**	**--**	**--**	**--**	**--**	**191,009**	**170,080**	**361,089**
TOTAL ASSETS	**2,517**	**24,260**	**19,634**	**5,487**	**6,979**	**10,235**	**260,121**	**170,080**	**430,201**
LIABILITIES									
Unearned premiums	**28,706**	**73,703**	**11,571**	**3,068**	**3,384**	**5,828**	**126,260**	**--**	**126,260**
Unearned reinsurance commission	**--**	**1,501**	**2,462**	**551**	**774**	**720**	**6,008**	**--**	**6,008**
Outstanding claims	**11,889**	**5,766**	**3,725**	**720**	**2,798**	**6,580**	**31,478**	**--**	**31,478**
Claims incurred but not reported	**9,200**	**14,802**	**5,300**	**2,086**	**2,358**	**3,314**	**37,060**	**--**	**37,060**
Premium deficiency reserve	**2,355**	**1,000**	**--**	**376**	**70**	**--**	**3,801**	**--**	**3,801**
Other technical reserves	**146**	**1,501**	**40**	**373**	**47**	**105**	**2,212**	**--**	**2,212**
Unallocated liabilities	**--**	**--**	**--**	**--**	**--**	**--**	**57,318**	**7,480**	**64,798**
TOTAL LIABILITIES	**52,296**	**98,273**	**23,098**	**7,174**	**9,431**	**16,547**	**264,137**	**7,480**	**271,617**

28. OPERATING SEGMENTS (continued)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2018	*Insurance Operations*								
	Medical	*Motor*	*Property*	*Engineering*	*Marine*	*Accident & liability*	*Total Insurance Operations*	*Shareholders' Operations*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
ASSETS									
Reinsurers' share of unearned premiums	5,971	10,231	9,608	3,535	3,133	3,129	35,607	--	35,607
Reinsurers' share of outstanding claims	11,470	1,590	22,010	2,945	4,120	3,230	45,365	--	45,365
Reinsurers' share of claims IBNR	2,318	2,342	6,714	1,100	1,225	1,077	14,776	--	14,776
Reinsurers' excess of loss claims	--	1,978	1,666	--	--	--	3,644	--	3,644
Deferred policy acquisition costs	445	3,036	1,120	412	510	701	6,224	--	6,224
Unallocated assets	--	--	--	--	--	--	169,706	181,983	351,689
TOTAL ASSETS	20,204	19,177	41,118	7,992	8,988	8,137	275,322	181,983	457,305
LIABILITIES									
Unearned premiums	11,175	65,427	10,427	3,941	4,435	6,449	101,854	--	101,854
Unearned reinsurance commission	--	973	2,027	834	1,201	843	5,878	--	5,878
Outstanding claims	14,265	12,873	25,936	3,172	5,656	6,541	68,443	--	68,443
Claims incurred but not reported	4,129	14,193	7,463	1,269	1,946	2,248	31,248	--	31,248
Premium deficiency reserve	884	8,163	1,091	375	--	491	11,004	--	11,004
Other technical reserves	--	1,470	1,599	362	143	166	3,740	--	3,740
Unallocated liabilities	--	--	--	--	--	--	60,302	15,085	75,387
TOTAL LIABILITIES	30,453	103,099	48,543	9,953	13,381	16,738	282,469	15,085	297,554

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME

	For the year ended 31 December 2019						
	Medical **SR '000**	***Motor*** **SR '000**	***Property*** **SR '000**	***Engineering*** **SR '000**	***Marine*** **SR '000**	***Accident & liability*** **SR '000**	***Total*** **SR '000**
REVENUES							
Gross written premiums	70,861	131,385	32,722	5,702	15,717	23,303	279,690
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(1,859)	(446)	(728)	(246)	(3,279)
- Foreign reinsurance	(38)	(28,121)	(28,041)	(4,669)	(10,154)	(7,805)	(78,828)
Excess of loss expenses	(2,232)	(5,279)	(5,190)	--	(191)	--	(12,892)
Net written premiums	68,591	97,985	(2,368)	587	4,644	15,252	184,691
Changes in unearned premiums, net	(23,502)	(3,893)	(325)	103	410	391	(26,816)
Net premiums earned	45,089	94,092	(2,693)	690	5,054	15,643	157,875
Reinsurance commissions	--	4,666	6,453	1,550	3,870	2,278	18,817
Other underwriting income	14	26	10	3	28	18	99
Total revenues	45,103	98,784	3,770	2,243	8,952	17,939	176,791
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	46,807	99,932	16,520	2,531	3,165	2,359	171,314
Expenses incurred related to claims	2,823	7,540	--	--	--	--	10,363
Less: Reinsurers' share of claims paid	(26,280)	(18,782)	(14,684)	(2,365)	(1,991)	(1,730)	(65,832)
Net claims and other benefits paid	23,350	88,690	1,836	166	1,174	629	115,845
Changes in outstanding claims, net	8,799	(4,884)	(1,928)	(137)	(1,212)	(1,237)	(599)
Changes in IBNR, net	6,952	(230)	(113)	82	57	(112)	6,636
Net claims and other benefits incurred	39,101	83,576	(205)	111	19	(720)	121,882
Provision / (reversal) for premium deficiency reserve	1,472	(7,163)	(1,091)	--	70	(491)	(7,203)
Other technical reserves	146	30	(1,559)	12	(96)	(61)	(1,528)
Policy acquisition costs	1,972	5,952	2,817	726	1,319	1,708	14,494
Total underwriting costs and expenses	42,691	82,395	(38)	849	1,312	436	127,645
NET UNDERWRITING INCOME	2,412	16,389	3,808	1,394	7,640	17,503	49,146

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	For the year ended 31 December 2019						
	Medical **SR '000**	***Motor*** **SR '000**	***Property*** **SR '000**	***Engineering*** **SR '000**	***Marine*** **SR '000**	***Accident & liability*** **SR '000**	***Total*** **SR '000**
NET UNDERWRITING INCOME	2,412	16,389	3,808	1,394	7,640	17,503	49,146
OTHER OPERATING (EXPENSES) / INCOME:							
Allowance for impairment of premium receivables							(2,337)
Reversal for impairment of reinsurance receivables							652
General and administration expenses							(68,164)
Commission income on deposits							3,597
Realized gain on investments							780
Unrealized gain on investments							5,524
Other income							7,013
Total other operating expenses, net							(52,935)
Loss for the year							(3,789)
Total income attributed to insurance operations							--
Net loss for the year attributable to the shareholders, before Zakat							(3,789)
Zakat expense for the year							(3,223)
Zakat reversal for prior years							5,747
Net loss for the year							(1,265)

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	For the year ended 31 December 2018 (Restated)						
	Medical SR '000	*Motor* SR '000	*Property* SR '000	*Engineering* SR '000	*Marine* SR '000	*Accident & liability* SR '000	*Total* SR '000
REVENUES							
Gross written premiums	45,474	124,913	31,776	9,427	19,821	33,264	264,675
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(1,149)	(449)	(664)	(184)	(2,446)
- Foreign reinsurance	(27,280)	(22,777)	(28,161)	(8,015)	(13,216)	(8,861)	(108,310)
Excess of loss expenses	--	(3,441)	(3,297)	--	(217)	--	(6,955)
Net written premiums	18,194	98,695	(831)	963	5,724	24,219	146,964
Changes in unearned premiums, net	(975)	(34,398)	373	71	285	(135)	(34,779)
Net premiums earned	17,219	64,297	(458)	1,034	6,009	24,084	112,185
Reinsurance commissions	--	1,514	6,493	3,173	5,584	2,878	19,642
Other underwriting income	18	1,573	10	4	32	17	1,654
Total revenues	17,237	67,384	6,045	4,211	11,625	26,979	133,481
Gross claims paid	32,446	74,437	22,175	6,984	1,643	2,729	140,414
Expenses incurred related to claims	2,177	5,020	11,068	955	--	--	19,220
Less: Reinsurers' share of claims paid	(26,197)	(11,299)	(20,577)	(6,345)	(824)	(1,858)	(67,100)
Net claims and other benefits paid	8,426	68,158	12,666	1,594	819	871	92,534
Changes in outstanding claims, net	2,208	(1,787)	(9,034)	(619)	1,017	888	(7,327)
Changes in IBNR, net	883	(1,708)	(969)	(6)	40	260	(1,500)
Net claims and other benefits incurred	11,517	64,663	2,663	969	1,876	2,019	83,707
Provision / (reversal) for premium deficiency reserve	561	8,161	(1,877)	(1,131)	--	491	6,205
Other technical reserves	--	910	1,333	(943)	105	107	1,512
Policy acquisition costs	1,041	5,094	3,028	1,037	2,213	1,958	14,371
Total underwriting costs and expenses	13,119	78,828	5,147	(68)	4,194	4,575	105,795
NET UNDERWRITING INCOME / (LOSS)	4,118	(11,444)	898	4,279	7,431	22,404	27,686

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	For the year ended 31 December 2018 (Restated)						
	Medical SR '000	*Motor* SR '000	*Property* SR '000	*Engineering* SR '000	*Marine* SR '000	*Accident & liability* SR '000	*Total* SR '000
NET UNDERWRITING INCOME / (LOSS)	4,118	(11,444)	898	4,279	7,431	22,404	27,686
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of premium receivables							(2,154)
Reversal for impairment of reinsurance receivables							2,121
General and administration expenses							(69,147)
Commission income on deposits							3,391
Realized gain on investments							396
Unrealized gain on investments							4,268
Other income							4,512
Total other operating expenses, net							(56,613)
Loss for the year							(28,927)
Total income attributed to insurance operations							--
Net loss for the year attributable to the shareholders, before Zakat							(28,927)
Zakat expense for the year							(3,886)
Zakat expense for prior year							(5,538)
Net loss for the year							(38,351)

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	***Relationship***	***Nature of transactions***	***Transactions for the year ended***		***Balance receivable / (payable) as at***	
			2019 SR'000	*2018 SR'000*	***2019 SR'000***	*2018 SR'000*
Insurance operations						
Gulf Cooperation Insurance Company Ltd. E.C.	Shareholder	Expenses paid	--	--	**1,088**	1,088
Saudi General Insurance Company Ltd. E.C.	Shareholder	Expenses paid	--	--	**(309)**	(309)
Rolaco Group	Related to Shareholders	Premiums underwritten (note 6)	**707**	702	**15**	10
		Claims paid	**(2)**	(43)	**--**	(4)
Dabbagh Group	Related to Shareholders	Premiums underwritten (note 6)	**4,299**	8,175	**307**	2,574
		Claims paid	**(2,617)**	(2,822)	**(303)**	(712)
Farouk, Maamoun Tamer & Company	Shareholder	Premiums underwritten (note 6)	**9,870**	12,473	**86**	1,635
		Claims paid	**(1,340)**	(785)	**(1,201)**	(3,013)
Key Management Personnel		Short-term benefits	**(2,942)**	(2,504)		
		Long-term benefits	**(172)**	(126)	**(556)**	(385)
Shareholders' operations						
Board of Directors		Board of Directors remuneration and related expenses	**1,800**	1,800	**(1,800)**	(1,800)

- Note 4.a refers to bank balances that are held in the name of related parties of the Company, on behalf of the Company.
- The above balances are included in prepayments and other assets, accrued expenses and other liabilities, premiums receivable - net and due to policyholders. Furthermore, due to related parties in respect of goodwill settled in prior periods is disclosed in the statement of financial position (see note 1.2).
- Outstanding balances at the financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment of related party balances was made at the financial reporting date. This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.

30. RISK MANAGEMENT

a. Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 78% of total reinsurance assets at the reporting date.

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through its strategic planning process.

Risk management structure

Board of Directors
The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

Audit Committee
The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

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

Internal Audit
All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the Company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

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

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 0.5% of shareholders' equity on a gross basis and 0.5% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 0.5% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The Company monitors the concentration of insurance risks primarily by class of business. The table below sets out the concentration of outstanding claims and unearned premiums (in percentage) by class of business at the date of financial positions.

2019	***Gross unearned premiums SR '000***	***Net unearned premiums SR '000***	***Gross outstanding claims SR '000***	***Net outstanding claims SR '000***
Medical	**23%**	**32%**	**38%**	**61%**
Motor	**58%**	**63%**	**18%**	**24%**
Property	**9%**	**1%**	**12%**	**2%**
Engineering	**2%**	**0%**	**2%**	**0%**
Marine	**3%**	**1%**	**9%**	**2%**
Accident & Liability	**5%**	**3%**	**21%**	**11%**
	100%	**100%**	**100%**	**100%**

2018	*Gross unearned premiums SR '000*	*Net unearned premiums SR '000*	*Gross outstanding claims SR '000*	*Net outstanding claims SR '000*
Medical	11%	8%	21%	12%
Motor	64%	83%	19%	49%
Property	10%	1%	38%	17%
Engineering	4%	1%	5%	1%
Marine	4%	2%	8%	7%
Accident & Liability	7%	5%	9%	14%
	100%	100%	100%	100%

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Concentration of insurance risk

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

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

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

Sources of uncertainty in the estimation of future claim payments

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

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

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details, please refer note 2.4.1.

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

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

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

Sensitivity analysis

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

30. RISK MANAGEMENT (continued)

b. Reinsurance risk

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

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

Reinsurers are selected using the following parameters and guidelines set by the Company's management. The criteria may be summarized as follows:

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

The exception to this rule is in respect of local companies which do not carry any such credit rating. This, however, is limited to those Companies registered and approved by the Local Insurance Regulators. Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's management before approving them for the exchange of reinsurance business. As at 31 December, 2019 and 2018, there is no significant concentration of reinsurance balances.

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

The credit risk exposure in respect of reinsurer's share of outstanding claims is SR 12.4 million (2018: SR 45.3 million) and in respect of due from reinsurers is SR 18.8 million (2018: SR 16.9 million).

c. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations
- The Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall
- There is strict control over hedging activities (e.g. equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk)

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

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

30. RISK MANAGEMENT (continued)

c. Market risk (continued)

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals and US Dollars. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure.

Commission rate risk
Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 100 basis points in interest yields would result in a change in the profit / (loss) for the year of SR 1.26 million (2018: SR 1.56 million).

The commission and non-commission bearing investments of the Company and their maturities as at 31 December 2019, and 2018 are as follows:

	Less than 3 months	*3 months to 5 years*	*No fixed maturity*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*
Insurance operations				
2019	**34,000**	**30,000**	**--**	**64,000**
2018	74,000	--	--	74,000
Shareholders' operations				
2019	**62,000**	**--**	**--**	**62,000**
2018	--	82,000	--	82,000

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

The Company's investments amounting to SR 41.4 million (2018: SR 37.5 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of a hypothetical change of a 10% increase and a 10% decrease in the market prices of investments on the Company's profit / (loss) would be as follows:

	Fair value change	*Effect on Company's profit / (loss)*
		SR '000
31 December 2019	**+ / - 10 %**	**+ / - 4,143**
31 December 2018	+ / - 10 %	+ / - 3,751

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2019 and 2018. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

30. RISK MANAGEMENT (continued)

d. Credit risk

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

The Company seeks to limit its credit risk with respect to customers by following its credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premium receivables. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of the creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowances for impairment.

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

	2019	*2018*
	SR'000	*SR'000*
Cash and cash equivalents	**113,815**	90,387
Murabaha deposits	**30,000**	82,000
Premiums receivable, net	**74,763**	48,465
Due from reinsurers, net	**17,430**	16,857
Reinsurance share of outstanding claims	**12,441**	45,365
Investments	**43,348**	39,431
Statutory deposit	**20,000**	20,000
Accrued income on statutory deposit	**1,866**	1,347
	313,663	343,852

30. RISK MANAGEMENT (continued)

d. Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. All of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the management's best estimate. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
	SR' 000	***SR' 000***	***SR' 000***	***SR' 000***
Cash and cash equivalents	**113,815**	**--**	**--**	**113,815**
Murabaha deposits	**30,000**	**--**	**--**	**30,000**
Premiums receivable, net	**--**	**40,744**	**34,019**	**74,763**
Due from reinsurers, net	**--**	**12,901**	**4,529**	**17,430**
Reinsurance share of outstanding claims	**--**	**12,441**	**--**	**12,441**
Investments	**43,348**	**--**	**--**	**43,348**
Statutory deposit	**20,000**	**--**	**--**	**20,000**
Accrued income on statutory deposit	**1,866**	**--**	**--**	**1,866**
As at 31 December 2019	**209,029**	**66,086**	**38,548**	**313,663**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
	SR' 000	*SR' 000*	*SR' 000*	*SR' 000*
Cash and cash equivalents	90,387	--	--	90,387
Murabaha deposits	82,000	--	--	82,000
Premiums receivable, net	--	23,693	24,772	48,465
Due from reinsurers, net	--	14,973	1,884	16,857
Reinsurance share of outstanding claims	--	45,365	--	45,365
Investments	39,431	--	--	39,431
Statutory deposit	20,000	--	--	20,000
Accrued income on statutory deposit	1,347	--	--	1,347
As at 31 December 2018	233,165	84,031	26,656	343,852

30. RISK MANAGEMENT (continued)

e. Liquidity risk

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

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

The table below summarizes the maturities of the Company's undiscounted contractual obligations relating to financial liabilities:

Financial liabilities	***Up to one year SR' 000***	***More than one year SR' 000***	***Total SR' 000***
Outstanding claims	**22,649**	**8,829**	**31,478**
Due to reinsurers	**3,830**	**203**	**4,033**
Due to brokers	**12,931**	**149**	**13,080**
Due to policyholders	**7,472**	**3,278**	**10,750**
Accrued expenses and other liabilities	**14,557**	**--**	**14,557**
Lease liabilities	**2,245**	**1,035**	**3,280**
Surplus distribution payable	**9,038**	**--**	**9,038**
Accrued Zakat	**3,342**	**--**	**3,342**
Accrued income payable to SAMA	**--**	**1,866**	**1,866**
As at 31 December 2019	**76,064**	**15,360**	**91,424**

Financial liabilities	*Up to one year SR' 000*	*More than one year SR' 000*	*Total SR' 000*
Outstanding claims	59,014	9,429	68,443
Due to reinsurers	11,122	201	11,323
Due to brokers	12,312	682	12,994
Due to policyholders	7,840	86	7,926
Accrued expenses and other liabilities	14,089	--	14,089
Surplus distribution payable	9,078	--	9,078
Accrued Zakat	11,500	--	11,500
Accrued income payable to SAMA	--	1,347	1,347
As at 31 December 2018	124,955	11,745	136,700

30. RISK MANAGEMENT (continued)

e. Liquidity risk (continued)

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

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

- Murabaha deposits and fair value through income statement investments include investments in mutual funds and are held for cash management purposes and expected to be matured/ settled within 12 months from the statement of financial position date
- Murabaha deposits classified as ‘cash and cash equivalents’ are deposits placed with high credit rating financial institutions with a maturity of less than three months from the date of placement
- Cash and bank balances are available on demand
- Reinsurers’ share of outstanding claims mainly pertain to property and engineering segment and are generally realized within 6 to 9 months based on the settlement of balances with reinsurers

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

- Reinsurers’ balances payable are settled on a periodic basis as per terms of reinsurance agreements
- Majority of gross outstanding claims are expected to settled within 12 months in accordance with statutory timelines for payment. Property and engineering policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report
- The claims payable, accrued expenses and other liabilities are expected to settle within a year of 12 months from the year end date
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved

f. Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities. The operations of the Company are also subject to regulatory requirements within the jurisdiction within which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

g. Operational risk

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

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

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

31. SUPPLEMENTARY INFORMATION

As required by the Implementing Regulations, the statement of financial position, statement of income and statement of cash flows separately for insurance operations and shareholders operations are as follows:

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019	***31 December 2019***			*31 December 2018*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
ASSETS						
Cash and cash equivalents	**45,258**	**68,557**	**113,815**	87,627	2,760	90,387
Investment in Murabaha deposits	**30,000**	**--**	**30,000**	--	82,000	82,000
Premiums receivable - net	**74,763**	**--**	**74,763**	48,465	--	48,465
Due from reinsurers - net	**17,430**	**--**	**17,430**	16,857	--	16,857
Reinsurers' share of unearned premiums	**33,197**	**--**	**33,197**	35,607	--	35,607
Reinsurers' share of outstanding claims	**12,441**	**--**	**12,441**	45,365	--	45,365
Reinsurers' share of claims incurred but not reported	**13,952**	**--**	**13,952**	14,776	--	14,776
Deferred excess of loss claims	**200**	**--**	**200**	3,644	--	3,644
Deferred policy acquisition costs	**9,322**	**--**	**9,322**	6,224	--	6,224
Investments	**--**	**43,348**	**43,348**	--	39,431	39,431
Due to insurance operations	**--**	**(4,311)**	**(4,311)**	--	(11,730)	(11,730)
Prepayments and other assets	**8,500**	**49**	**8,549**	8,569	185	8,754
Right-of-use assets	**3,735**	**--**	**3,735**	--	--	--
Property and equipment	**5,459**	**--**	**5,459**	4,160	--	4,160
Intangible assets	**5,864**	**--**	**5,864**	4,028	--	4,028
Goodwill	**--**	**36,260**	**36,260**	--	36,260	36,260
Statutory deposit	**--**	**20,000**	**20,000**	--	20,000	20,000
Accrued income on statutory deposit	**--**	**1,866**	**1,866**	--	1,347	1,347
TOTAL OPERATIONS ASSETS	**260,121**	**165,769**	**425,890**	275,322	170,253	445,575
Less: Inter-operations eliminations	**--**	**4,311**	**4,311**	--	11,730	11,730
TOTAL ASSETS	**260,121**	**170,080**	**430,201**	275,322	181,983	457,305

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2019	***31 December 2019***			*31 December 2018*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
LIABILITIES						
Due to policyholders	**10,750**	**--**	**10,750**	7,926	--	7,926
Accrued expenses and other liabilities	**12,285**	**2,272**	**14,557**	11,851	2,238	14,089
Due to reinsurers	**4,033**	**--**	**4,033**	11,323	--	11,323
Due to brokers	**13,080**	**--**	**13,080**	12,994	--	12,994
Unearned premiums	**126,260**	**--**	**126,260**	101,854	--	101,854
Unearned reinsurance commission	**6,008**	**--**	**6,008**	5,878	--	5,878
Outstanding claims	**31,478**	**--**	**31,478**	68,443	--	68,443
Claims incurred but not reported	**37,060**	**--**	**37,060**	31,248	--	31,248
premium deficiency reserve	**3,801**	**--**	**3,801**	11,004	--	11,004
Other technical reserves	**2,212**	**--**	**2,212**	3,740	--	3,740
Due from shareholders' operations	**(4,311)**	**--**	**(4,311)**	(11,730)	--	(11,730)
Employees' defined benefit obligations	**4,852**	**--**	**4,852**	7,130	--	7,130
Lease liabilities	**3,280**	**--**	**3,280**	--	--	--
Surplus distribution payable	**9,038**	**--**	**9,038**	9,078	--	9,078
Accrued Zakat	**--**	**3,342**	**3,342**	--	11,500	11,500
Accrued income payable to SAMA	**--**	**1,866**	**1,866**	--	1,347	1,347
TOTAL OPERATIONS LIABILITIES	**259,826**	**7,480**	**267,306**	270,739	15,085	285,824
Less: Inter-operations eliminations	**4,311**	**--**	**4,311**	11,730	--	11,730
TOTAL LIABILITIES	**264,137**	**7,480**	**271,617**	282,469	15,085	297,554
SHAREHOLDERS' EQUITY						
Share capital	**--**	**200,000**	**200,000**	--	200,000	200,000
Statutory reserve	**--**	**2,165**	**2,165**	--	2,165	2,165
Accumulated losses	**--**	**(43,888)**	**(43,888)**	--	(43,038)	(43,038)
TOTAL SHAREHOLDERS' EQUITY	**--**	**158,277**	**158,277**	--	159,127	159,127
Re-measurement reserve of defined benefit obligations	**307**	**--**	**307**	624	--	624
TOTAL EQUITY	**307**	**158,277**	**158,584**	624	159,127	159,751
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**264,444**	**165,757**	**430,201**	283,093	174,212	457,305

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF INCOME

For the year ended 31 December 2019		***31 December 2019***			*31 December 2018 (Restated)*	
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
REVENUES						
Gross written premiums	**279,690**	**--**	**279,690**	264,675	--	264,675
Less: Reinsurance contracts premiums ceded						
- Local reinsurance	**(3,279)**	**--**	**(3,279)**	(2,446)	--	(2,446)
- Foreign reinsurance	**(78,828)**	**--**	**(78,828)**	(108,310)	--	(108,310)
Excess of loss expenses	**(12,892)**	**--**	**(12,892)**	(6,955)	--	(6,955)
Net written premiums	**184,691**	**--**	**184,691**	146,964	--	146,964
Changes in unearned premiums, net	**(26,816)**	**--**	**(26,816)**	(34,779)	--	(34,779)
Net premiums earned	**157,875**	**--**	**157,875**	112,185	--	112,185
Reinsurance commissions	**18,817**	**--**	**18,817**	19,642	--	19,642
Other underwriting income	**99**		**99**	1,654		1,654
TOTAL REVENUES	**176,791**	**--**	**176,791**	133,481	--	133,481
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**171,314**	**--**	**171,314**	140,414	--	140,414
Expenses incurred related to claims	**10,363**	**--**	**10,363**	19,220	--	19,220
Less: Reinsurers' share of claims paid	**(65,832)**	**--**	**(65,832)**	(67,100)	--	(67,100)
Net claims and other benefits paid	**115,845**	**--**	**115,845**	92,534	--	92,534
Change in outstanding claims, net	**(599)**	**--**	**(599)**	(7,327)	--	(7,327)
Changes in IBNR, net	**6,636**	**--**	**6,636**	(1,500)	--	(1,500)
Net claims and other benefits incurred	**121,882**	**--**	**121,882**	83,707	--	83,707
(Reversal) / provision for premium deficiency reserve	**(7,203)**	**--**	**(7,203)**	6,205	--	6,205
Other technical reserves	**(1,528)**	**--**	**(1,528)**	1,512	--	1,512
Policy acquisition costs	**14,494**	**--**	**14,494**	14,371	--	14,371
TOTAL UNDERWRITING COSTS AND EXPENSES	**127,645**	**--**	**127,645**	105,795	--	105,795
NET UNDERWRITING INCOME	**49,146**	**--**	**49,146**	27,686	--	27,686

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF INCOME (continued)

For the year ended 31 December 2019		***31 December 2019***			*31 December 2018 (Restated)*	
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for impairment of premium receivables	**(2,337)**	**--**	**(2,337)**	(2,154)	--	(2,154)
Reversal for impairment of reinsurance receivables	**652**	**--**	**652**	2,121	--	2,121
General and administration expenses	**(64,135)**	**(4,029)**	**(68,164)**	(65,183)	(3,964)	(69,147)
Commission income on deposits	**1,620**	**1,977**	**3,597**	1,542	1,849	3,391
Realized gain on investments	**--**	**780**	**780**	--	396	396
Unrealized gain on investments	**--**	**5,524**	**5,524**	--	4,268	4,268
Other income	**6,240**	**773**	**7,013**	3,869	643	4,512
TOTAL OTHER OPERATING (EXPENSES) / INCOME	**(57,960)**	**5,025**	**(52,935)**	(59,805)	3,192	(56,613)
Net (deficit) / surplus from insurance / shareholders' operations	**(8,814)**	**5,025**	**(3,789)**	(32,119)	3,192	(28,927)
Deficit transferred to shareholders (note 1.1)	**8,814**	**(8,814)**	**--**	32,119	(32,119)	--
Net loss for the year after transfer of deficit to the shareholders before zakat	**--**	**(3,789)**	**(3,789)**	--	(28,927)	(28,927)
ZAKAT						
Zakat expense for the year	**--**	**(3,223)**	**(3,223)**	--	(3,886)	(3,886)
Zakat reversal / (expense) for prior years	**--**	**5,747**	**5,747**	--	(5,538)	(5,538)
NET LOSS FOR THE YEAR	**--**	**(1,265)**	**(1,265)**	--	(38,351)	(38,351)
EARNINGS / (LOSS) PER SHARE (Expressed in SR per share)						
Weighted average number of shares (in thousands)		**20,000**			20,000	
Loss per share		**(0.06)**			(1.92)	

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019	***31 December 2019***			*31 December 2018*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
NET LOSS FOR THE YEAR	**--**	**(1,265)**	**(1,265)**	--	(38,351)	(38,351)
Other comprehensive (loss) / income:						
Items that will not be reclassified to statement of income in subsequent years						
Actuarial gains on defined benefit obligations	**317**	--	**317**	128	--	128
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**317**	**(1,265)**	**(948)**	128	(38,351)	(38,223)
Less: Net income attributable to insurance operations			--			--
TOTAL COMPREHENSIVE LOSS FOR THE YEAR			**(948)**			(38,223)

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019	***31 December 2019***			*31 December 2018*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the year before Zakat	**--**	**(3,789)**	**(3,789)**	--	(28,927)	(28,927)
Adjustments for non-cash items:						
Depreciation	**1,582**	**--**	**1,582**	1,325	--	1,325
Amortization of intangible assets	**1,025**	**--**	**1,025**	543	--	543
Amortization of right-of-use assets	**1,068**	**--**	**1,068**	--	--	--
Allowance for impairment of premiums receivable	**2,337**	**--**	**2,337**	2,154	--	2,154
Allowance / (reversal) for impairment of reinsurance receivables	**(652)**	**--**	**(652)**	(2,121)	--	(2,121)
Realized gain on investments held at FVSI	**--**	**(780)**	**(780)**	--	(396)	(396)
Unrealized gain / (loss) on investments held at FVSI	**--**	**(5,524)**	**(5,524)**	--	(4,268)	(4,268)
Impact on adoption of IFRS 16	**--**	**98**	**98**	--	--	--
	5,360	**(9,995)**	**(4,635)**	1,901	(33,591)	(31,690)
Changes in operating assets and liabilities:						
Premiums receivable	**(28,635)**	**--**	**(28,635)**	(8,642)	--	(8,642)
Due from reinsurers	**79**	**--**	**79**	6,068	--	6,068
Reinsurers' share of unearned premiums	**2,410**	**--**	**2,410**	(5,682)	--	(5,682)
Reinsurer's share of outstanding claims	**32,924**	**--**	**32,924**	(4,094)	--	(4,094)
Reinsurer's share of claims incurred but not reported	**824**	**--**	**824**	6,721	--	6,721
Deferred excess of loss claims	**3,444**	**--**	**3,444**	(492)	--	(492)
Deferred policy acquisition costs	**(3,098)**	**--**	**(3,098)**	(1,354)	--	(1,354)
Prepayments and other assets	**69**	**136**	**205**	548	5,174	5,722
Right-of-use assets, net	**(4,803)**	**--**	**(4,803)**	--	--	--
Due from shareholders' operations, net	**3,131**	**(3,131)**	**--**	(40,281)	40,281	--
Due to policyholders	**2,824**	**--**	**2,824**	(1,624)	--	(1,624)
Accrued expenses and other liabilities	**434**	**34**	**468**	(8,696)	(1,386)	(10,082)
Due to reinsurers	**(7,290)**	**--**	**(7,290)**	1,962	--	1,962
Due to brokers	**86**	**--**	**86**	812	--	812
Unearned premiums	**24,406**	**--**	**24,406**	40,461	--	40,461
Unearned reinsurance commission	**130**	**--**	**130**	131	--	131

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2019	***31 December 2019***			*31 December 2018*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES (continued)						
Changes in operating assets and liabilities: (continued)						
Outstanding claims	**(36,965)**	**--**	**(36,965)**	7,697	--	7,697
Claims incurred but not reported	**5,812**	**--**	**5,812**	(18,654)	--	(18,654)
Premium deficiency reserve	**(7,203)**	**--**	**(7,203)**	6,205	--	6,205
Other technical reserves	**(1,528)**	**--**	**(1,528)**	1,513	--	1,513
Employees' defined benefit obligations, net	**(2,278)**	**--**	**(2,278)**	16	--	16
Lease liabilities	**4,449**	**--**	**4,449**	--	--	--
	(10,778)	**(2,961)**	**(13,739)**	(17,385)	44,069	26,684
Zakat paid	**--**	**(5,634)**	**(5,634)**	--	(10,956)	(10,956)
Surplus paid to policy holders	**(40)**	**--**	**(40)**	(1,112)	--	(1,112)
Net cash used in operating activities	**(5,458)**	**(18,590)**	**(24,048)**	(16,596)	(478)	(17,074)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property and equipment	**(2,881)**	**--**	**(2,881)**	(1,549)	--	(1,549)
Purchase of intangible assets	**(2,861)**	**--**	**(2,861)**	(3,506)	--	(3,506)
Purchase of investments	**--**	**(283)**	**(283)**	--	(4,217)	(4,217)
Disposal of investments	**--**	**2,670**	**2,670**	--	4,965	4,965
Maturity of Murabaha deposits	**(30,000)**	**82,000**	**52,000**	--	1,000	1,000
Net cash (used in) / generated from investing activities	**(35,742)**	**84,387**	**48,645**	(5,055)	1,748	(3,307)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of lease liabilities	**(1,169)**	**--**	**(1,169)**	--	--	--
Net cash used in from financing activities	**(1,169)**	**--**	**(1,169)**	--	--	--
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(42,369)**	**65,797**	**23,428**	(21,651)	1,270	(20,381)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**87,627**	**2,760**	**90,387**	109,278	1,490	110,768
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**45,258**	**68,557**	**113,815**	87,627	2,760	90,387
SUPPLEMENTAL NON-CASH INFORMATION						
Actuarial gains on defined benefit obligations	**317**	**--**	**317**	128	--	128

32. EARNINGS / (LOSS) PER SHARE

The basic earnings / (loss) per share have been calculated by dividing the net income / (loss) for the year by the weighted average number of ordinary shares issued and outstanding at the year-end.

Diluted earnings / (loss) per share is not applicable to the Company.

33. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified and regrouped to conform to the current year presentation. These changes as summarized below were mainly to conform with SAMA requirements:

- As discussed in note 2.1 to these financial statements, previous statement of financial position, statements of income and cash flows were presented separately for insurance operations and shareholders operations, which are now combined together to present the Company level statement of financial position, statement of income and statement of cash flows.
- The amounts “due to / from” shareholders and insurance operations which previously reported separately in the respective statement of financial position are now eliminated.
- Share of insurance operations surplus split in the ratio of “90/10” between shareholders and insurance operations and presented separately is now presented as an expense in the statement of income.

34. COMMITMENTS AND CONTINGENCIES

a) The Company’s commitments and contingencies are as follows:

	2019	*2018*
	SR’000	*SR’000*
Letters of guarantee	**300**	300

b) Zakat and withholding tax contingencies have been disclosed in note 19.2.
c) The Company is not subject to any significant legal proceedings in the ordinary course of business.

35. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on 17 March 2020 (corresponding to 22 Rajab 1441H).