

**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2020

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPAs & Consultants
Member Crowe Global

INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Alinma Tokio Marine Company (the "Company"), which comprise the statement of financial position as at 31 December 2020 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 32, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, 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 issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2020. 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. The key audit matters include:



Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Valuation of insurance contract liabilities	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020, outstanding claims and claims incurred but not reported (IBNR) amounted to SR 61.85 million (2019: SR 172.77 million) and SR 46.58 million (2019: SR 31.89 million), respectively, as reported in note 8.2 to the financial statements.</p> <p>The estimation of 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 the reporting date, whether reported or not, together with the related claim handling costs.</p> <p>The company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the valuation of insurance contract liability require the use of significant judgments and estimates.</p> <p><i>Refer to note 2.4.1 which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the ultimate liability arising from claims under insurance contracts and note 3 which discloses accounting policies for claims.</i></p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - Understood, evaluated and tested key controls around the claims handling and provision setting processes. - Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. - Performed substantive tests on the amounts recorded for sample of claims notified and paid: including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. - Obtained 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. - Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert our actuary performed the following: <ul style="list-style-type: none"> i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. - Assessed the adequacy and appropriateness of the related disclosures in the financial statements.



Independent Auditors' Report (Continued)

Other information

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance or 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and the Company's by-laws / Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



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Independent Auditors' Report (Continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude on the appropriateness of the managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For Al-Bassam & Co.

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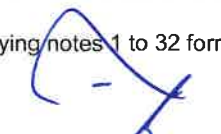
22 March, 2021
9 Sha'ban, 1442H

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Note	2020	2019
		SAR' 000	SAR' 000
ASSETS			
Cash and cash equivalents	4	235,480	219,182
Investments	5	49,456	39,823
Premiums and reinsurance receivables, net	7	70,633	73,111
Reinsurers' share of unearned premiums	8.1	96,511	58,844
Reinsurers' share of outstanding claims	8.2	36,486	137,583
Reinsurers' share of incurred but not reported claims	8.2	23,072	15,204
Deferred policy acquisition costs	9	7,638	8,171
Prepayments and other assets	10	18,963	13,580
Due from related parties	14	-	206
Murabaha deposits	6	-	96,728
Statutory deposit	11	45,000	45,000
Property and equipment	12	4,937	7,076
Right of use assets	29	4,472	6,140
Intangible assets	13	6,200	5,439
Unit linked investments	8.4	57,149	35,941
TOTAL ASSETS		655,997	762,028
LIABILITIES			
Outstanding claims	8.2	61,847	172,767
Incurred but not reported claims	8.2	46,576	31,895
Other reserves	8.2	2,840	1,838
Premium deficiency reserves	8.3	6,737	4,487
Unearned premiums	8.1	133,049	107,765
Reinsurance balances payable		67,858	36,559
Unearned reinsurance commission		11,966	7,878
Accrued expenses and other liabilities	15	48,470	137,978
Lease liabilities	29	4,542	5,439
Due to related party	14	66	66
Zakat and income tax payable	16	7,075	5,979
Unit linked liabilities	8.4	57,149	35,941
Mathematical reserves	8.5	458	688
Retirement benefit obligation	17	5,601	5,698
TOTAL LIABILITIES		454,234	554,978
EQUITY			
Issued, authorised and paid up share capital	18	300,000	300,000
Accumulated losses		(98,427)	(92,604)
Remeasurement of retirement benefit obligation		190	(346)
TOTAL EQUITY		201,763	207,050
TOTAL LIABILITIES AND EQUITY		655,997	762,028
CONTINGENCIES AND COMMITMENTS			
24			

The accompanying notes 1 to 32 form an integral part of these financial statements.


Director


Chief Financial Officer



Chief Executive Officer

STATEMENT OF INCOME

For the year ended 31 December

	Note	2020 SAR' 000	2019 SAR' 000
REVENUES			
Gross premiums written	8.1	316,315	331,141
Fee income from insurance contracts	8.1	38	30
Reinsurance premiums ceded			
Local		(4,156)	(4,202)
Foreign		(182,357)	(151,430)
Excess of loss expenses		(5,387)	(6,258)
Net premiums written		124,453	169,281
Changes in unearned premiums	20	(25,284)	(26,938)
Changes in reinsurers' share of unearned premiums	20	37,667	19,203
Net premiums earned		136,836	161,546
Reinsurance commission earned		24,351	24,123
Other underwriting income		6,623	2,284
Total revenues		167,810	187,953
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(160,147)	(243,553)
Surrenders		(5,182)	(1,918)
Reinsurers' share of claims paid		99,538	136,220
Net claims and other benefits paid		(65,791)	(109,251)
Changes in outstanding claims		110,920	(75,064)
Changes in reinsurers' share of outstanding claims		(101,097)	74,591
Changes in incurred but not reported claims		(14,681)	(3,189)
Changes in reinsurers' share of incurred but not reported claims		7,868	(1,496)
Changes in other reserves		(1,002)	(964)
Changes in premium deficiency reserves		(2,250)	(2,412)
Net claims and other benefits incurred		(66,033)	(117,785)
Changes in unit linked reserves	8.4	(21,208)	(17,173)
Changes in mathematical reserves	8.5	231	(688)
Policy acquisition costs	9	(25,588)	(30,496)
Other underwriting expenses		(1,561)	(1,715)
Total underwriting costs and expenses		(114,159)	(167,857)
NET UNDERWRITING INCOME		53,651	20,096
OTHER OPERATING INCOME / (EXPENSES)			
General and administrative expenses	21	(61,304)	(59,512)
Provision for doubtful receivables	7	(3,613)	(3,465)
Unrealized gain on unit linked investments		4,926	151
Unrealized (loss) / gain on investments	22	(269)	1,307
Realized gain on investments	22	5,161	7,392
Total other operating expenses, net		(55,099)	(54,127)
Total loss for the year before zakat		(1,448)	(34,031)
Zakat for the year	16	(4,145)	(4,200)
Tax for the year		(230)	-
Net loss for the year		(5,823)	(38,231)
Loss per share (SAR)	23	(0.19)	(1.27)

The accompanying notes 1 to 32 form an integral part of these financial statements.


Director

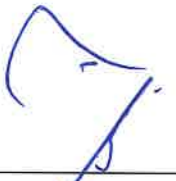

Chief Financial Officer


Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

Note	2020	2019
	SAR' 000	SAR' 000
Net loss for the year	(5,823)	(38,231)
Other comprehensive income:		
Items that will not be reclassified to statement of income in subsequent years		
- Actuarial gain on remeasurement of retirement benefit obligations	17 536	283
Total comprehensive loss for the year	(5,287)	(37,948)
Total comprehensive income for the year attributed to insurance operations	536	283
Total comprehensive loss for the year attributed to shareholders	(5,823)	(38,231)

The accompanying notes 1 to 32 form an integral part of these financial statements.


Director


Chief Financial Officer


Chief Executive Officer

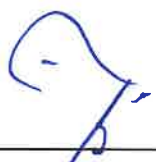
ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Note	Share capital	Accumulated losses	Remeasurement of retirement benefit obligation	Total
		SAR'000	SAR'000	SAR'000	SAR'000
2020					
Balance as at 31 December 2019	18	300,000	(92,604)	(346)	207,050
Total comprehensive loss for the year		-	(5,823)	-	(5,823)
Actuarial gain on remeasurement of retirement benefit obligations	17	-	-	536	536
Balance as at 31 December 2020		300,000	(98,427)	190	201,763
2019					
Balance as at 31 December 2018	18	300,000	(54,373)	(629)	244,998
Total comprehensive loss for the year		-	(38,231)	-	(38,231)
Actuarial gain on remeasurement of retirement benefit obligations	17	-	-	283	283
Balance as at 31 December 2019		300,000	(92,604)	(346)	207,050

The accompanying notes 1 to 32 form an integral part of these financial statements.



 Director



 Chief Financial Officer



 Chief Executive Officer

STATEMENT OF CASH FLOWS

For the year ended 31 December

	Note	2020	2019
		SAR' 000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(5,823)	(38,231)
Adjustments for non cash items:			
Depreciation and amortisation	12, 13	4,283	4,186
Depreciation of right to use assets	29	1,250	1,208
Financing cost on lease liabilities		201	261
Provision for doubtful receivables	7	3,613	3,465
Realized gain on investments held at FVSI	22	(375)	(801)
Unrealized (loss) / gain on investment held at FVSI	22	741	(686)
Provision for retirement benefit obligations	17	1,698	1,537
Provision for zakat	16	4,375	4,200
		9,963	(24,861)
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		(1,135)	19,749
Reinsurers' share of unearned premiums		(37,667)	(19,203)
Reinsurers' share of outstanding claims		101,097	(74,591)
Reinsurers' share of incurred but not reported claims		(7,868)	1,496
Deferred policy acquisition costs		533	442
Prepayments and other assets		(5,383)	(6,554)
Due from related parties		206	640
Unit linked investments		(21,208)	(17,173)
Outstanding claims		(110,920)	75,064
Incurred but not reported claims		14,681	3,189
Other reserves		1,002	964
Premium deficiency reserves		2,250	2,412
Mathematical reserves		(230)	688
Unearned premiums		25,284	26,938
Reinsurance balances payable		31,299	(8,439)
Unearned reinsurance commission		4,088	808
Accrued expenses and other liabilities		(89,508)	96,633
Lease liabilities		321	6,626
Due to related party		-	(139)
Unit linked liabilities		21,208	17,173
Cash (used in) / generated from operations		(61,987)	101,862
Retirement benefit obligations paid	17	(1,259)	(1,063)
Zakat and income tax paid	16	(3,279)	(3,807)
Net cash (used in) / generated from operating activities		(66,525)	96,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of murabaha deposits		96,728	69,270
Purchase of investments	5.2	(100,000)	(141,810)
Proceeds from disposal of investments	5.2	100,000	147,298
Redemption / subscription of sukuk	5.3	(10,000)	7,974
Purchase of property and equipment	12	(200)	(1,313)
Purchase of intangible assets	13	(2,705)	(3,143)
Right of use assets	29	418	(7,348)
Proceeds from disposal of property and equipment		1	-
Net cash generated from investing activities		84,242	70,928
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments during the year		(1,419)	(1,448)
Net cash generated from all activities		16,298	166,472
Cash and cash equivalents at the beginning of the year		219,182	52,710
Cash and cash equivalents at the end of the year	4	235,480	219,182
Non cash transactions			
Actuarial gain on retirement benefit obligations	17	(536)	(283)

The accompanying notes 1 to 32 form an integral part of these financial statements.

Director

Chief Financial Officer

Chief Executive Officer

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 GENERAL

Alinma Tokio Marine Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 309/Q dated 19 Rajab 1433H (corresponding to 9 June 2012). The Commercial Registration number of the Company is 7001727200, dated 28 Rajab 1433H (corresponding to 18 June 2012). The Company is listed on the Saudi Arabian Stock Exchange ("Tadawul") since 24 June 2012. The Registered address of the Company's head office is as follows:

King Fahad Road
P.O. Box 643
Riyadh 11421
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 25/M, dated 3 Jumada-Al Thani 1430H (corresponding to 27 June 2009), pursuant to the Council of Ministers' Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009).

The purpose of the Company is to transact in cooperative insurance operations and all related activities in accordance with its By Laws and applicable regulations in the Kingdom of Saudi Arabia.

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) as endorsed in Kingdom of Saudi Arabia (KSA) by Saudi Organization for Certified Public Accountants (SOCPA), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws.

In accordance with Article 70 of the SAMA Implementing Regulations, as per the Articles of Association of the Company, the Company maintains separate accounts for both insurance operations and shareholders' operations. It distributes the net annual insurance surplus as set forth in the Company's Articles of Association and the insurance policy in terms of cooperative insurance. The customer (insurance policy) is valid and paid to date at the time of payment of the cooperative distribution amount.

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investment held as FVSI. 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 non-current: Property and Equipment, Intangible Assets, Right to use assets, Unit linked Investments, Statutory Deposit, Murabaha Deposits maturing over one year, Available for sale investments, Held to maturity investments and Retirement benefit obligations. All other financial statement line items would generally be classified as current.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and present same supplementary information in the financial statements (note 30). 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 statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 29 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (Continued)

2.1 Basis of presentation and measurement (Continued)

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances and transactions, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The Company has accumulated losses as at 31 December 2020 which are 32.81% (31 December 2019: 30.76%) of the share capital. The reason for these losses is high expense ratio and deterioration in loss ratio. The Board of Directors has approved a business plan on 17 December 2020. The plan is based on improving the net premium written and control over expenses and loss ratios. The plan demonstrates that the Company will be able to continue as a going concern for foreseeable future.

2.2 Functional and presentation currency

The financial statements have been prepared in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in SAR has been rounded off to the nearest thousand, unless otherwise stated.

2.3 Fiscal year

The Company follows a fiscal year ending December 31.

2.4 Critical accounting judgement, estimates and assumptions

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts 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 judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

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

2.4.1 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 period both for the expected ultimate cost of claim reported and for the expected ultimate costs of incurred but not reported claims ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for incurred but not reported claims (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (Continued)

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 original cost is considered significant as per Company 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 bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

2.4.4 Fair value of financial instruments

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.

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.

2.4.5 Useful lives of property and equipment

The Company's management determines the estimated useful lives for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual values, useful lives and depreciation method annually. Future depreciation charge, if any shall be adjusted where the management believes the useful lives, residual values and depreciation method differ from previous estimates.

2.5 Provision for zakat

Zakat provision is made and recorded at the end of each fiscal year in accordance with General Authority of Zakat and Tax (GAZT) regulations applicable in the Kingdom of Saudi Arabia. Differences in zakat assessments are recorded in the income statement when final zakat assessments are obtained.

2.6 Retirement benefit obligations

The retirement benefit obligation is determined using projected unit credit method which requires estimates to be made of the various inputs. The key estimates are the discount rate, rate of salary, mortality rate and employee turnover rate.

2.7 Deferred Tax

Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2020 since the Company does not anticipate availability of future taxable profit to utilize any tax credits. The amount of deferred tax asset as at 31 December 2020 is estimated to be SAR 2.6 Million (31 December 2019: SAR 2.3M).

2.8 Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (Continued)

2.9 Premium deficiency reserves

Estimation of premium deficiency is largely dependent on the assumptions of expected loss ratio and the expected expense ratio of the unexpired portion of the risks for the written policies. The expected loss ratio is derived from the actual incurred loss ratio for each of the accident quarters. Suitable adjustment is made by the Appointed Actuary to reflect any prospective deviation in the unexpired portion of risk as compared to the actual loss ratio. The expense ratio is derived with reference to the maintenance expense of the company on the earned business allocated to each line of business on the basis of detailed expense allocation methodology. This is then used as a basis of assumption for the expected expense ratio to be used in Premium Deficiency Reserve calculation.

The adjustment of Deferred Acquisition Cost and Unearned Reinsurance Commission income is taken at actual using the reserves as aside at the valuation date.

2.10 Other reserves

Other reserves represent unallocated loss adjustment expense reserve and are based on estimates of future payments and derived from the claim department expenses, including payroll and allocation of other expenses.

Other reserves represent unallocated loss adjustment expense reserve. The related expense is charged to statement of income as incurred. The reserves are set aside with reference to the unit handling and settlement expense per unit of net claims. The claims handling and settlement expenses is derived from the claim department expenses, including payroll and allocation of other expenses. This factor is then applied to net Outstanding and IBNR claims as at the reserving date, which represents the future claim payments. Suitable adjustment is made to reflect the fact that the expected workload of the claims department will be more for the IBNR claims compared to Outstanding Claims. The Company does not discount other reserves.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these Financial Statements are summarised below. These policies have been consistently applied to each of the financial years presented except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the financial statements of the Company on the current year or prior year and is expected to have no significant effect in future years:

3.1 IMPACT OF COVID-19

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

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

The major impact of Covid-19 pandemic is seen in motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 IMPACT OF COVID-19 (continued)

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended two months' period.

For new policies written as per above circular, the premium is earned over the period of coverage i.e. 14 months as per the Company accounting policy.

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated (or "segmented") level for motor line of business and recorded a Premium deficiency reserve amounting to SAR 6.7 million as at 31 December 2020.

Financial assets

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended 31 December 2020. The Company's management continues to monitor the situation closely.

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at the granular economic sector, region and counterparty level and the Company has taken appropriate action where required. Based on the review, the Company has identified the certain sectors such as government contracting, airlines, retail sector and hospitality industry as being impacted significantly by the Covid-19 pandemic and lower oil prices.

3.2 Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

Overview

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Measurement

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

The General model is based on the following "building blocks":

- a) the fulfilment cash flows (FCF), which comprise:
 - i. probability-weighted estimates of future cash flows,
 - ii. an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - iii. 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:
 - i. the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
 - ii. 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.

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

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

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

Effective date

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Transition

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

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts 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:

Major areas of design phase	Progress
Governance and control framework	Governance and control is an on-going activity, which entails deployment of a governance framework to ensure design of implementation plan is comprehensive and ensuring design-decision of implementation meets IFRS 17 requirements inline with business plans together with conforming with IFRS 17 principles.
	Governance Structure has been agreed and setup for the phase to monitor progress and ensure timely corrective actions are taken.
	Responsibility Matrix for IFRS 17 related activities has been mapped and finalized
	Materiality threshold's have been devised with criteria to support design-decisions and significant judgements.
Operational area	This area is composed of the following sub-areas:
	Data benchmarking and related development of data dictionaries has been completed, along with data policy developed.
	System architecture design, flow chart, plan for system integration, deployment and training have been designed
	Processes related to the introduction of the accounting standard have been designed in the form of policy update for accounting, actuarial and data.
	Skills & Resources required for IFRS 17 operations has been carried out along with training and upskilling of the staff
Technical and financial area	Technical Notes on critical areas have been developed
	Accounting Policy Choices have been developed
	Financial Statement , illustrative has been developed
	Transition choice option has been developed
Systems	System vendor for IFRS 17 solution on-boarded. System deployment has begun with Go-live expected in the latter half of the year.
Financial Impact	Financial Impact was carried out and delivered as part of SAMA Phase 2 - Financial Impact Assessment (FIA)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

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:

Classification and measurement

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

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

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

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

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

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

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Hedge accounting

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

Effective date

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

- a) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - i. the effective date of a new insurance contract standard; or
 - ii. annual reporting periods beginning on or after January 1, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 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
- b) 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 Jan 01, 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.

As at December 31, 2020, the Company has total financial assets and insurance related assets amounting to SAR 472 million and SAR 234 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SAR 245 million (2019: SAR 292 million). Fair value of unit linked investments held at fair value through statement of income as at December 31, 2020 is SAR 57 million (2019: SAR 36 million). Other financial assets consist of available for sale investments amounting to SAR 2 million (2019: SAR 2 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. As at December 31, 2020 these debt securities are measured at fair value of SAR 33 million with changes in fair value during the year of SAR 0.3 million. Other financial assets have a fair value of SAR 2 million as at December 31, 2020 with a fair value change during the year of SAR Nil. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 26. The Company financial assets have low credit risk as at December 31, 2020 and 2019. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. This comprises of cash in hand, bank balances and Murabaha deposits with an original maturity of three months or less.

3.4 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.

3.5 Impairment of financial assets

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

Evidence of impairment may include:

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

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

- For assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
- For assets carried at 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 an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the 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 statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under "Realized gain / (loss) on investments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment of financial assets (continued)

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% or more from original cost is considered significant as per the 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 amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income and statement of comprehensive income.

3.6 Premiums receivable

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 recognised 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 in "Other expenses / income - net" in the statement of income. Receivable balances are derecognised 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 note 7 fall under the scope of IFRS 4 "Insurance contracts". Receivables are also analyzed as per the ageing and accordingly provision is maintained on a systematic basis.

3.7 Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Riyals (SAR) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to SAR at the rate of exchange prevailing at the date of statement of financial position. Exchange differences are taken to the statements of insurance operations or statement of shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

3.8 Reinsurance

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 3.16 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 - insurance operations' representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are 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. The impairment loss is recorded in the statement of income as incurred.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Provisions, accrued expenses and other liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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.

3.10 Investments

3.10.1 Available-for-sale investments (AFS)

Available-for-sale financial assets are those 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 fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the statement of income under "Realized gain / (loss) on investments."

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the statement of income or statement of comprehensive income 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 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.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Investments (continued)

3.10.2 Fair Value through Statement of Income

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in 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 at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as income from FVSI financial instruments in the statement of income.

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

3.10.3 Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Company has the 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.

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Company's ability to use this classification

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value
- Sales or reclassifications after the Company has collected substantially all the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

3.11 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Property and Equipment (continued)

	Years
Leasehold improvements	5
Furniture and office equipment	5
Computer equipment	3-5

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "other (expenses) / income - net" in the statement of income.

3.12 Intangible assets

Intangible assets are shown at historical cost less accumulated amortisation. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over three to five years.

3.12.1 Capital work-in-progress

Capital work-in-progress, if any, includes software that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category i.e. intangible assets, and amortized in accordance with the Company's policy.

3.13 Impairment of non-financial assets

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

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

3.14 Retirement benefit obligation

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

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding credit to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to statement of income in subsequent periods.

Past service cost are recognised in statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognizes related restructuring costs

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income under general and administrative expenses:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non routine
- Net special commission expense or income

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk depends upon the probability of occurrence of an insurance event and the magnitude of its potential effect.

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 is significantly reduced subsequently unless all rights and liabilities are extinguished or expired.

3.16 Liability adequacy test

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

3.17 Zakat and income tax

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.

Zakat

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

Deferred tax

Deferred tax is calculated by using the statement of financial position liability method, providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the statement of financial position date. Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized.

Deferred tax is charged or credited in the statement of income, except in the case of items credited or charged to other comprehensive income/equity in which case it is included in other comprehensive income/equity.

Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2020 since the Company does not anticipate availability of future taxable profit to utilize any tax credits. The deferred tax liability has not been recorded since there are no temporary taxable differences.

3.18 Revenue recognition

Recognition of premium and commission revenue

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term engineering policies. Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Last three months premium at a 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 recognised over the period of risk.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Revenue recognition (continued)

Recognition of premium and commission revenue (continued)

Insurance policyholders are charged for policy administration services, surrenders and policy fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over future periods.

3.19 Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries.

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

3.2 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.

3.21 Deferred policy acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred and shown as an asset in statement of financial position. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned and charged to statement of income.

3.22 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or 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.

3.23 Trade date accounting

All routine purchases and sales of financial assets are initially recognized / derecognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provisions of the instrument). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

3.24 De-recognition of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Fire and property
- Marine
- General Accident
- Engineering
- Motor insurance.
- Protection and Savings
- Medical - coverage for health insurance.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

Operating segments have been approved by management in respect of the Company's activities, assets and liabilities and is based on current reporting to the Chief Executive Officer.

3.26 Fair values

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

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

3.27 Surrenders and maturities

Surrenders refer to the partial or full termination of the individual life insurance contract. Surrenders are accounted for on the basis of notifications received and are charged to statement of income in the period in which they are notified. Maturities refers to the amount given to the insured towards the end of the maturity period of the individual life contract.

Surrenders and maturities are calculated based on the terms and conditions of the respective life insurance contract.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 CASH AND CASH EQUIVALENTS

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Cash in hand	45	-	45	45	-	45
Cash at banks – current accounts	111,858	32,173	144,031	133,736	11,244	144,980
Short term murabaha deposits	-	91,404	91,404	50,000	24,157	74,157
Total	111,903	123,577	235,480	183,781	35,401	219,182

Cash at bank includes an amount of SAR 137.05 million (2019: SAR 76.18 million) held with Alinma Bank, a related party (note 14). Short term murabaha deposits are placed with local banks that have investment grade rating and have an original maturity of not more than three months from the date of acquisition.

5 INVESTMENTS

This represents investment in Najm for Insurance Services Company (classified as available for sale), equity shares, Shari'ah compliant mutual funds, discretionary portfolios and real estate fund (classified as investment at fair value through income statement "FVSI") and sukuks (classified as held to maturity investments).

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Available for sale investments	-	1,923	1,923	-	1,923	1,923
Investments at fair value through statement of income (FVSI)	727	31,806	32,533	240	32,660	32,900
Investments at held to maturity	-	15,000	15,000	-	5,000	5,000
Total	727	48,729	49,456	240	39,583	39,823

The movement during the year is as follows:

5.1 Available for sale investments

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning and end	-	1,923	1,923	-	1,923	1,923

The investment is carried at cost. Management considers that carrying amount is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5 INVESTMENTS (continued)

5.2 Investments at fair value through statement of income (FVSI)

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	240	32,660	32,900	411	36,490	36,901
Purchases	100,000	-	100,000	139,600	2,210	141,810
Disposals	(100,000)	-	(100,000)	(140,245)	(7,053)	(147,298)
Realised gain	374	-	374	470	331	801
Unrealised gain	113	(854)	(741)	4	682	686
Balance at the end	727	31,806	32,533	240	32,660	32,900

5.3 Investments at held to maturity

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	5,000	5,000	-	12,974	12,974
Subscriptions / redemptions	-	10,000	10,000	-	(7,974)	(7,974)
Balance at the end	-	15,000	15,000	-	5,000	5,000

Investments held to maturity have a tenure of ten years with quarterly partial redemptions, yielding an average profit rate of SIBOR (3M) + 2.06% per annum (2019: SIBOR(3M) +2.125% per annum).

Management considers that carrying amount is a reasonable approximation of fair value.

6 MURABAHA DEPOSITS

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	96,728	96,728	-	165,998	165,998
Purchased during the year	-	-	-	-	274,419	274,419
Matured during the year	-	(96,728)	(96,728)	-	(343,689)	(343,689)
Balance at the end	-	-	-	-	96,728	96,728

Murabaha deposits represents deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months to 1 year from the date of acquisition, yielding an average profit rate of 3.73% per annum (2019: 3.73% per annum).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

7 PREMIUMS AND REINSURANCE RECEIVABLES - NET

<i>Insurance Operations</i>	As at 31 December 2020 SAR'000	As at 31 December 2019 SAR'000
Policyholders	71,749	63,963
Related party (note 14)	1,557	7,463
Reinsurance receivables	31,296	32,041
	104,602	103,467
Provision for doubtful receivables	(33,969)	(30,356)
	70,633	73,111

These balances comprise amounts receivable from a number of corporate customers as well as insurance and reinsurance companies. Arrangements with reinsurers normally require settlement within a mutually agreed period.

The Company only enters into insurance and 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, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest customers accounts for 18% (December 31, 2019: 31%) of the premiums receivable as at December 31, 2020.

The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the statement of income. It is not the practice of the Company to obtain collateral over receivables.

Movement in the provision for doubtful receivables is as follows:

	As at 31 December 2020 SAR'000	As at 31 December 2019 SAR'000
Balance at the beginning	30,356	26,891
Provided during the year	3,613	3,465
Balance at the end	33,969	30,356

The age analysis of net premiums and reinsurance receivables arising from insurance contracts is as follows:

- Policyholders' and Reinsurers

	Neither past due nor impaired SAR '000	Past due but not impaired				Past due and impaired SAR '000	Total SAR '000
		Up to 3 months SAR '000	3 to 6 months SAR '000	6 to 12 months SAR '000	Above 12 months SAR '000		
2020	11,260	27,553	9,817	20,657	33,758	(33,969)	69,076
2019	930	35,307	11,362	24,004	24,401	(28,971)	67,033

- Related party

	Neither past due nor impaired SAR '000	Past due but not impaired				Past due and impaired SAR '000	Total SAR '000
		Up to 3 months SAR '000	3 to 6 months SAR '000	6 to 12 months SAR '000	Above 12 months SAR '000		
2020	1,557	-	-	-	-	-	1,557
2019	-	5,993	95	6	1,369	(1,385)	6,078

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8 TECHNICAL RESERVES

8.1 MOVEMENT IN UNEARNED PREMIUMS

	As at 31 December 2020			As at 31 December 2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SAR'000			SAR'000		
Balance at the beginning	107,765	(58,844)	48,921	80,827	(39,641)	41,186
Premium written	316,315	(191,900)	124,415	331,141	(161,890)	169,251
Policy fee	38	-	38	30	-	30
Premium earned	(291,069)	154,233	(136,836)	(304,233)	142,687	(161,546)
Balance at the end	133,049	(96,511)	36,538	107,765	(58,844)	48,921

8.2 NET OUTSTANDING CLAIMS AND RESERVES

	As at 31 December 2020	As at 31 December 2019
	SAR'000	SAR'000
Outstanding claims	66,837	182,078
Less: Realizable value of salvage and subrogation	(4,990)	(9,311)
	61,847	172,767
Incurred but not reported claims	46,576	31,895
Other reserves	2,840	1,838
Premium deficiency reserves (note 8.3)	6,737	4,487
	118,000	210,987
Less: Reinsurers' share of outstanding claims	(36,486)	(137,583)
Less: Reinsurers' share of Incurred but not reported claims	(23,072)	(15,204)
	(59,558)	(152,787)
Net outstanding claims and reserves	58,442	58,200

8.3 PREMIUM DEFICIENCY RESERVE

The Company has created a provision in respect of premium deficiency reserves ('PDR') for its motor line of business amounting to SAR 6.7 million (31 December 2019: motor SAR 4.3 million, medical SAR 0.1 million). The PDR has been created with respect to additional reserve required to cover expected claims not initially built in the premium and for the extension of all existing retail motor insurance policies by two months as well as providing a two month additional coverage for all new retail motor policies written within one month of Circular 189 issued by Saudi Central Bank (SAMA) to all insurance companies dated 8th May 2020. The Company expected this provision based on the assumption that the unearned premiums will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of policies in force at the date of statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8 TECHNICAL RESERVES (Continued)

8.4 UNIT LINKED INVESTMENTS AND LIABILITIES

Unit Linked Assets Movement

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	35,941	-	35,941	18,768	-	18,768
Purchased during the year	21,412	-	21,412	17,938	-	17,938
Sold during the year	(5,130)	-	(5,130)	(915)	-	(915)
	52,223	-	52,223	35,791	-	35,791
Net changes in fair values of investments	4,926	-	4,926	150	-	150
Balance at the end	57,149	-	57,149	35,941	-	35,941

Unit Linked Liabilities Movement

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	35,941	-	35,941	18,768	-	18,768
Additions during the year	16,282	-	16,282	17,023	-	17,023
	52,223	-	52,223	35,791	-	35,791
Net changes in fair values of investments	4,926	-	4,926	150	-	150
Balance at the end	57,149	-	57,149	35,941	-	35,941

8.5 MATHEMATICAL RESERVE

During the year ended 31 December 2020 the Company has recorded a non-unit reserve of SAR 0.46 million (2019: SAR 0.69 million), pertaining to individual life. The reserve is calculated based on the present value of future assumed expenses less the present value of future income arising from charges on all individual life policies.

9 MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS

	As at 31 December 2020	As at 31 December 2019
	SAR'000	SAR'000
Insurance Operations		
Balance at the beginning	8,171	8,613
Incurred during the year	25,055	30,054
Amortized during the year	(25,588)	(30,496)
Balance at the end	7,638	8,171

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10 PREPAYMENTS AND OTHER ASSETS

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Prepayments	5,644	44	5,688	4,457	133	4,590
Bank guarantees	2,984	-	2,984	2,384	-	2,384
Other receivables	9,569	-	9,569	3,745	-	3,745
Accrued income	-	722	722	5	2,856	2,861
	18,197	766	18,963	10,591	2,989	13,580

11 STATUTORY DEPOSIT

	As at 31 December 2020	As at 31 December 2020
	SAR' 000	SAR' 000
Statutory deposit	45,000	45,000

In accordance with the Saudi Arabian Implementing Regulations issued by SAMA, the Company has deposited an amount equivalent to 15% (2019: 15%) of its paid up share capital in a bank account designated by SAMA. This is a restricted deposit and cannot be utilized in the operations of the Company.

12 PROPERTY AND EQUIPMENT

	Leasehold improvements	Computer Equipments	Furniture, fittings and office equipments	Total 2020	Total 2019
	SAR'000				
Cost:					
Balance at the beginning	6,568	6,826	2,981	16,375	15,062
Additions	110	87	3	200	1,313
Disposals	-	(5)	-	(5)	-
Balance at the end	6,678	6,908	2,984	16,570	16,375
Accumulated depreciation:					
Balance at the beginning	3,286	4,053	1,960	9,299	6,513
Charge for the year	1,028	974	337	2,339	2,786
Depreciation on disposal	-	(5)	-	(5)	-
Balance at the end	4,314	5,022	2,297	11,633	9,299
Net book value					
31 December 2020	2,364	1,886	687	4,937	
31 December 2019	3,282	2,773	1,021		7,076

13 INTANGIBLE ASSETS

	Intangible assets	Capital work in progress	Total 2020	Total 2019
	SAR'000			
Cost:				
Balance at the beginning	13,028	2,045	15,073	11,930
Additions	1,755	950	2,705	3,143
Balance at the end	14,783	2,995	17,778	15,073
Accumulated amortization:				
Balance at the beginning	9,634	-	9,634	8,234
Charge for the year	1,944	-	1,944	1,400
Balance at the end	11,578	-	11,578	9,634
Net book value				
31 December 2020	3,205	2,995	6,200	
31 December 2019	3,394	2,045		5,439

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14 TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of business, the Company transacts with related parties. Transactions with related parties are carried out on an arm's length basis.

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. In addition to the notes 4 and 7, following are the details of major related party transactions during and the related balances at the end of the year:

Nature of transactions	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
<u>Shareholders:</u>						
Gross written premiums	38,416	-	38,416	29,932	-	29,932
Reinsurance premiums ceded	10,390	-	10,390	8,554	-	8,554
Claims paid - net of recoveries	12,674	-	12,674	13,477	-	13,477
Reinsurance commission	2,884	-	2,884	2,424	-	2,424
Reinsurance share of claims	5,962	-	5,962	8,384	-	8,384
General and administrative expenses	831	75	906	939	75	1,014
<u>Other Related parties:</u>						
Investments	26,217	-	26,217	18,108	6,892	25,000
Agency commission	3,994	-	3,994	2,902	-	2,902
General and administrative expenses	8	-	8	78	69	147
Closing Balances						
	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
<u>Shareholders:</u>						
Premium Receivable	1,557	-	1,557	7,463	-	7,463
Reinsurance premiums payable	12,798	-	12,798	7,045	-	7,045
Claims payable	242	-	242	89	-	89
Bank Balance	104,872	32,173	137,045	64,937	11,243	76,180
General and administrative expenses	66	-	66	(66)	-	(66)
<u>Other related parties</u>						
Investments	57,149	29,389	86,538	35,941	30,225	66,166
Dividend receivable	-	-	-	-	206	206
Agency commission	910	-	910	224	-	224
General and administrative expenses	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14 TRANSACTIONS WITH RELATED PARTIES (Continued)

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.

Information relating to key management personnel:

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Short term benefits	4,046	-	4,046	4,426	-	4,426
Long term benefits	303	-	303	353	-	353

Short term benefits include salaries and allowances whilst long term benefits include employees' retirement benefit obligation.

Board and sub committees

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Directors' remuneration	-	1,532	1,532	-	1,400	1,400
Attendance fees	-	232	232	-	487	487

Board and sub-committees attendance fees represent allowance for attending board and sub-committee meetings.

15 ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Accrued expenses	10,759	2,994	13,753	9,897	2,402	12,299
Brokers commission	12,708	-	12,708	15,719	-	15,719
Payable to policyholders	3,618	-	3,618	99,253	-	99,253
Payable to local and regulatory authorities	7,247	-	7,247	7,907	-	7,907
Other payables	9,751	1,393	11,144	1,409	1,391	2,800
	44,083	4,387	48,470	134,185	3,793	137,978

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16 ZAKAT AND INCOME TAX PAYABLE

Zakat

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

	For the year ended 31 December 2020	For the year ended 31 December 2019
	SAR'000	SAR'000
Share capital	300,000	300,000
Reserves, opening provisions and other adjustments	42,067	36,206
Brought forward losses	(92,604)	(54,373)
Book value of long term assets	(66,044)	(72,523)
Zakat base before adjusted loss	183,419	209,310
Saudi Shareholder's share of Zakat base @71.25%		
Zakat on Zakat base prior to net adjusted loss @ 2.5777%	3,369	3,844
Net Adjusted loss for the year	5,341	(28,785)
Zakat on Net adjusted loss for the year @ 2.5%	95	(513)
Zakat due at 2.5%	3,464	3,331

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Zakat payable	-	6,879	6,879	-	6,013	6,013
Income tax payable	-	196	196	-	(34)	(34)
Zakat and Income tax payable	-	7,075	7,075	-	5,979	5,979

The difference between the accounting income and the adjusted net loss is mainly due to provisions which are not allowed in the calculation of adjustable net income. Local shareholding used for the Zakat calculation is 71.25%

The movement in Zakat provision is as follows:

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	6,013	6,013	-	5,586	5,586
Zakat charge	-	3,464	3,464	-	3,331	3,331
Additional charge for prior years	-	681	681	-	869	869
Zakat payment made	-	(3,279)	(3,279)	-	(3,763)	(3,763)
Advance zakat paid	-	-	-	-	(10)	(10)
Balance at the end	-	6,879	6,879	-	6,013	6,013

Income tax:

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholder of the Company. Foreign shareholder subject to income tax is 28.75%.

The movement in income tax provision is as follows:

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	(34)	(34)	-	-	-
Reversal of prior year charge	-	230	230	-	-	-
Advance Income tax paid	-	-	-	-	(34)	(34)
Balance at the end	-	196	196	-	(34)	(34)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16 ZAKAT AND INCOME TAX PAYABLE (Continued)

Status of Assessments

Zakat and Withholding tax

During 2017, the General Authority for Zakat and Tax (GAZT) has issued assessments for the years from 2012 to 2015, requiring an additional zakat and Withholding Tax liability amounting to SAR 5.5 million and SAR 2.9 million respectively. The Company filed an appeal against the assessment of GAZT for the additional liability arising out of various disallowances for years from 2012 to 2015 within the statutory deadlines. Subsequently, the GAZT issued their response on the above appeal whereby they requested the Company to forward their appeal at the General Secretariat of Tax Committee (GSTC). Subsequent to the GSTC hearings conducted, the Tax Violations and Dispute Resolution Committee (TVDR) has issued their ruling no. 315-2020-IFR dated 08/05/1442H on the appeals filed for 2012 to 2015. In Jan 2021, the Company has filed an appeal to the Appellate Committee (2nd level) against the unfavorable ruling of the TVDR on the imposition of Zakat on capital for 2012. Further, the Company has booked an additional zakat liability of SAR 3.3 million against the above disallowance. The Company has obtained limited certificates for the year from 2012 to 2019.

Value added tax (VAT)

The Company was assessed by the GAZT and received their final assessment notice on 10 September 2020. The total assessment was SAR 10.2M which was made up of SAR 4.4M of VAT due to the GAZT and SAR 5.8M of penalties. Subsequent to the year end, on 26 January 2021, the Company received rejection notices to the objection letters submitted to the GAZT. The Company is now in the process of submitting appeals to the General Secretariat of Tax Committees on all the points that the GAZT have rejected. The appeals are due to be submitted on 24 February 2021.

17 RETIREMENT BENEFIT OBLIGATION

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

The following tables summarise the components of retirement benefit obligation recognised in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

Principal actuarial assumption at:	31 December 2020	31 December 2019
Discount rate	1.90%	4.00%
Expected rate of salary increase	1.90%	3.00%

17.1 Amount recognised in the statement of financial position

<i>Insurance Operations</i>	As at 31 December 2020 SAR'000	As at 31 December 2019 SAR'000
Present value of retirement benefits obligation	5,601	5,698
Fair value of retirement benefit obligation	5,601	5,698
Net liability at the end	5,601	5,698

17.2 Amount recognized in the statement of income

<i>Insurance Operations</i>	For the year ended 31 December 2020 SAR'000	For the year ended 31 December 2019 SAR'000
Current service cost	1,470	1,313
Commission rate cost	228	224
Benefit expense	1,259	1,064

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

17 RETIREMENT BENEFIT OBLIGATION (Continued)

17.3 Reconciliation of present value of defined benefit obligation

<i>Insurance Operations</i>	As at 31 December 2020 SAR'000	As at 31 December 2019 SAR'000
Present value of retirement benefit obligation at the beginning	5,698	5,507
Current service cost	1,470	1,313
Commission rate cost	228	224
Actuarial gain on retirement benefit obligation	(536)	(283)
Benefits paid	(1,259)	(1,063)
Present value of retirement benefit obligation at the end	5,601	5,698

17.4 Movement in net liability recognised in statement of financial position:

<i>Insurance Operations</i>	As at 31 December 2020 SAR'000	As at 31 December 2019 SAR'000
Net liability at the beginning	5,698	5,507
Charge recognised in statement of income	1,698	1,537
Actuarial loss recognised in other comprehensive income	(536)	(283)
Retirement benefit obligation paid	(1,259)	(1,063)
Net liability at the end	5,601	5,698

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

	31 December 2020	31 December 2019
Valuation discount rate		
- Increase by 1%	-8.80%	-9.25%
- Decrease by 1%	10.26%	10.91%
Expected rate of increase in salary level across different age bands		
- Increase by 1%	10.41%	11.41%
- Decrease by 1%	-9.09%	-9.82%
Mortality rate		
- Increase by 10%	-0.02%	0%
- Decrease by 10%	0.02%	0%
Employee turnover		
- Increase by 10%	-1.23%	-1.05%
- Decrease by 10%	1.33%	1.10%

18 ISSUED, AUTHORISED AND PAID UP SHARE CAPITAL

The issued, authorised and paid up share capital of the Company was SAR 300 million as at 31 December 2020 (31 December 2019: SAR 300 million) consisting of 30 million shares (31 December 2019: 30 million) of SAR 10 each.

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

	No. of shares	Value per share	Share Capital SAR	No. of shares	Value per share	Share Capital SAR
Alinma Bank	8,625,000	10	86,250,000	8,625,000	10	86,250,000
Tokio Marine & Nichido Fire Insurance	8,625,000	10	86,250,000	8,625,000	10	86,250,000
Others	12,750,000	10	127,500,000	12,750,000	10	127,500,000
	30,000,000	10	300,000,000	30,000,000	10	300,000,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19 CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize Shareholder's value.

The Company manages its capital to ensure that it is able to continue as a going concern and comply with the regulator's 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 up share capital, reserves and accumulated losses.

The Company maintains its capital as per guidelines laid out by Saudi Central Bank (SAMA) in Article 66 table 3 and 4 of the Implementing Regulations detailing the solvency margin required to be maintained. The Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

The Company is in compliance with all the externally imposed Capital requirements with sound solvency margin. The Capital structure of the Company as at 31 December 2020 consists of paid up share Capital of SAR 300 million (31 December 2019: SAR 300 million) and accumulated losses of SAR 98.4 million (31 December 2019: SAR 92.6 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 period.

20 NET EARNED PREMIUMS

Insurance Operations

	For the year ended 31 December 2020 SAR'000	For the year ended 31 December 2019 SAR'000
Gross written premiums	316,315	331,141
Gross unearned premiums at the beginning	107,765	80,827
Gross unearned premiums at the end	(133,049)	(107,765)
Gross earned premiums	291,031	304,203
Fee income from insurance contracts	38	30
Reinsurance premiums ceded	(186,513)	(155,632)
Excess of loss expenses	(5,387)	(6,258)
	(191,900)	(161,890)
Reinsurers' share of unearned premiums at the beginning	(58,844)	(39,641)
Reinsurers' share of unearned premiums at the end	96,511	58,844
Reinsurance Premiums earned	(154,233)	(142,687)
Net earned premiums	136,836	161,546

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

21 GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Employees cost	31,725	-	31,725	37,656	-	37,656
Maintenance	4,919	-	4,919	5,260	-	5,260
Depreciation and amortisation	4,283	-	4,283	4,186	-	4,186
Depreciation on right to use assets	1,250	-	1,250	1,208	-	1,208
Rental	-	-	-	66	-	66
Bad debts written off	3,724	-	3,724	320	-	320
Legal and professional fees	3,414	1,583	4,997	1,359	1,317	2,676
Others	7,702	940	8,642	5,878	375	6,253
Directors' remuneration (note 14)	-	1,532	1,532	-	1,400	1,400
Board and sub-committee attendance fee (note 14)	-	232	232	-	487	487
	57,017	4,287	61,304	55,933	3,579	59,512

22 INVESTMENTS AND OTHER INCOME

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Investments at fair value through statement of income (FVSI)						
- Realized gain during the year	375	-	375	470	331	801
- Unrealized gain during the year	113	(854)	(741)	4	682	686
	488	(854)	(366)	474	1,013	1,487
Investments held to maturity						
- Income on redemption of Sukuk	-	-	-	-	542	542
- Accrued income on Sukuk	-	371	371	-	58	58
	-	371	371	-	600	600
Income from Murabaha deposits						
- Income on Murabaha Deposit maturity	1,095	3,485	4,580	-	5,640	5,640
- Accrued income on Murabaha Deposit	-	101	101	5	558	563
	1,095	3,586	4,681	5	6,198	6,203
- Dividend income from real estate fund	-	206	206	-	409	409

23 BASIC AND DILUTED LOSS PER SHARE

Loss per share has been calculated by dividing the net loss by the weighted average number of outstanding shares.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Net loss (SAR "000")	(5,823)	(38,231)
Weighted average number of ordinary shares ("000")	30,000	30,000
Loss per share SAR	(0.19)	(1.27)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

24 CONTINGENCIES AND COMMITMENT

As at 31 December 2020, the Company's banker has issued letters of guarantee of SAR 2.98 million (2019: SAR 2.38 million) to various customers, motor agencies, workshops and health service providers as per the terms of their respective agreements which have been classified under prepayments and other assets in the statement of financial position. The Company has no capital commitments as at 31 December 2020 and 31 December 2019.

Following table lists the legal proceedings in the ordinary course of business that the Company is subject to.

	2020	2019
	SAR'000	SAR'000
Motor claims related compensation	113	330

25 SEGMENT REPORTING

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

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of income. Segment assets and liabilities comprise operating assets and liabilities.

Segment information is presented in respect of the Company's business segments which are property & casualty, motor, protection & savings and medical based on the Company's management and internal reporting structure. The property and casualty segment comprises of fire & property, marine, accident & liability and engineering segments.

Operating segments do not include shareholders' operations of the Company.

Segment assets do not include cash and bank balances, investments, premiums and reinsurance receivables, due from shareholders' operations, prepayments and other assets and fixed assets.

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and retirement benefit obligation.

Segment results do not include general and administrative expenses.

The unallocated assets and liabilities are reported to the Chief Executive Officer on a cumulative basis and not reported under the related segment.

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the Chief Executive Officer.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

25 SEGMENT REPORTING (Continued)

For the year ended 31 December 2020							
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
REVENUES							
Gross premiums written	192,138	67,124	57,004	49	316,315	-	316,315
- Corporate	155,896	19,023	29,561	-	204,480	-	204,480
- Medium business	25,173	21,866	712	-	47,751	-	47,751
- Small business	10,503	6,006	-	49	16,558	-	16,558
- Very small business	566	2,657	-	-	3,223	-	3,223
- Retail	-	17,572	26,731	-	44,303	-	44,303
Fee income from Insurance contracts	38	-	-	-	38	-	38
Reinsurance premiums ceded							
- Local	(4,156)	-	-	-	(4,156)	-	(4,156)
- Foreign	(169,015)	-	(13,342)	-	(182,357)	-	(182,357)
Excess of loss expenses	(4,111)	(1,276)	-	-	(5,387)	-	(5,387)
Net premiums written	14,894	65,848	43,662	49	124,453	-	124,453
Net change in unearned premiums	(2,261)	14,210	(53)	487	12,383	-	12,383
Net premiums earned	12,633	80,058	43,609	536	136,836	-	136,836
Reinsurance commission earned	24,351	-	-	-	24,351	-	24,351
Other underwriting income	3,149	1,221	-	2,253	6,623	-	6,623
Total insurance revenues	40,133	81,279	43,609	2,789	167,810	-	167,810
UNDERWRITING COSTS AND EXPENSES							
Net claims incurred	(4,649)	(49,620)	(12,384)	620	(66,033)	-	(66,033)
Changes in mathematical reserves	-	-	231	-	231	-	231
Changes in unit linked reserves	-	-	(21,208)	-	(21,208)	-	(21,208)
Policy acquisition costs	(13,929)	(8,111)	(3,514)	(34)	(25,588)	-	(25,588)
Other underwriting expenses	(940)	(335)	(285)	(1)	(1,561)	-	(1,561)
Total underwriting costs and expenses	(19,518)	(58,066)	(37,160)	585	(114,159)	-	(114,159)
NET UNDERWRITING INCOME	20,615	23,213	6,449	3,374	53,651	-	53,651
OTHER OPERATING INCOME / (EXPENSES)							
General and administrative expenses					(57,017)	(4,287)	(61,304)
Provision for doubtful receivables					(3,613)	-	(3,613)
Unrealized gain on unit linked investments					4,926	-	4,926
Unrealized gain / (loss) on investments					113	(382)	(269)
Realized gain on investments					1,470	3,691	5,161
Total operating and other expenses					(54,121)	(978)	(55,099)
Total loss for the year before zakat and tax					(470)	(978)	(1,448)
Zakat for the year					-	(4,145)	(4,145)
Tax for the year					-	(230)	(230)
Net loss for the year							(5,823)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

25 SEGMENT REPORTING (Continued)

	For the year ended 31 December 2019						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
REVENUES							
Gross premiums written	161,537	113,695	49,440	6,469	331,141	-	331,141
- Corporate	82,855	68,697	26,621	-	178,173	-	178,173
- Medium business	53,588	19,644	417	-	73,649	-	73,649
- Small business	20,771	5,907	-	6,469	33,147	-	33,147
- Very small business	4,323	5,111	-	-	9,434	-	9,434
- Retail	-	14,336	22,402	-	36,738	-	36,738
Fee income from Insurance contracts	30	-	-	-	30	-	30
Reinsurance premiums ceded							
- Local	(4,202)	-	-	-	(4,202)	-	(4,202)
- Foreign	(138,942)	(72)	(12,416)	-	(151,430)	-	(151,430)
Excess of loss expenses	(5,182)	(1,076)	-	-	(6,258)	-	(6,258)
Net premiums written	13,241	112,547	37,024	6,469	169,281	-	169,281
Net change in unearned premiums	(3,269)	(8,453)	1,990	1,997	(7,735)	-	(7,735)
Net premiums earned	9,972	104,094	39,014	8,466	161,546	-	161,546
Reinsurance commission earned	24,096	27	-	-	24,123	-	24,123
Other underwriting income	-	2,284	-	-	2,284	-	2,284
Total insurance revenues	34,068	106,405	39,014	8,466	187,953	-	187,953
UNDERWRITING COSTS AND EXPENSES							
Net claims incurred	(3,568)	(94,208)	(12,752)	(7,257)	(117,785)	-	(117,785)
Changes in mathematical reserves	-	-	(688)	-	(688)	-	(688)
Changes in unit linked reserves	-	-	(17,173)	-	(17,173)	-	(17,173)
Policy acquisition costs	(15,545)	(11,548)	(3,017)	(386)	(30,496)	-	(30,496)
Other underwriting expenses	(798)	(573)	(247)	(97)	(1,715)	-	(1,715)
Total underwriting costs and expenses	(19,911)	(106,329)	(33,877)	(7,740)	(167,857)	-	(167,857)
NET UNDERWRITING INCOME	14,157	76	5,137	726	20,096	-	20,096
OTHER OPERATING INCOME / (EXPENSES)							
General and administrative expenses					(55,933)	(3,579)	(59,512)
Provision for doubtful receivables					(3,465)	-	(3,465)
Unrealized loss on unit linked investments					151	-	151
Unrealized gain on investments					9	1,298	1,307
Realized gain on investments					470	6,922	7,392
Total operating and other expenses					(58,768)	4,641	(54,127)
Total loss for the year before zakat					(38,672)	4,641	(34,031)
Zakat for the year					-	(4,200)	(4,200)
Net loss for the year							(38,231)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

25 SEGMENT REPORTING (Continued)

	As at 31 December 2020						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
ASSETS							
Cash and cash equivalents	-	-	-	-	111,903	123,577	235,480
Investments	-	-	-	-	727	48,729	49,456
Reinsurers' share of outstanding claims	28,499	-	7,987	-	36,486	-	36,486
Reinsurers' share of incurred but not reported claims	18,488	-	4,584	-	23,072	-	23,072
Reinsurers' share of unearned premiums	96,434	-	77	-	96,511	-	96,511
Deferred policy acquisition costs	5,328	2,285	25	-	7,638	-	7,638
Unit linked investments	-	-	57,149	-	57,149	-	57,149
Unallocated assets					109,476	45,766	155,242
Total assets					442,962	218,072	661,034

	As at 31 December 2020						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
LIABILITIES							
Outstanding claims	31,839	17,190	12,818	-	61,847	-	61,847
Incurred but not reported claims	22,230	16,560	7,786	-	46,576	-	46,576
Other reserves	763	1,509	568	-	2,840	-	2,840
Premium deficiency reserves	-	6,737	-	-	6,737	-	6,737
Non-unit reserve	-	-	458	-	458	-	458
Unearned premiums	106,040	26,832	177	-	133,049	-	133,049
Unearned reinsurance commission	11,966	-	-	-	11,966	-	11,966
Unit linked liabilities	-	-	57,149	-	57,149	-	57,149
Unallocated liabilities and equity					122,340	218,072	340,412
Total liabilities and equity					442,962	218,072	661,034

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

25 SEGMENT REPORTING (Continued)

	As at 31 December 2019					
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations
	SAR'000					
ASSETS						
Cash and cash equivalents	-	-	-	-	183,781	35,401
Investments	-	-	-	-	240	39,583
Reinsurers' share of outstanding claims	130,358	-	7,225	-	137,583	-
Reinsurers' share of incurred but not reported claims	12,139	-	3,065	-	15,204	-
Reinsurers' share of unearned premiums	58,802	-	42	-	58,844	-
Deferred policy acquisition costs	4,684	3,453	4	30	8,171	-
Unit linked investments	-	-	35,941	-	35,941	-
Unallocated assets					105,096	144,923
Total assets					544,860	219,907

	As at 31 December 2019					
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations
	SAR'000					
LIABILITIES						
Outstanding claims	133,056	27,657	11,376	678	172,767	-
Incurred but not reported claims	14,819	11,144	5,263	669	31,895	-
Other reserves	322	1,354	162	-	1,838	-
Premium deficiency reserves	-	4,360	-	127	4,487	-
Mathematical reserve			688		688	
Unearned premiums	66,146	41,043	90	487	107,766	-
Unearned reinsurance commission	7,878	-	-	-	7,878	-
Unit linked liabilities	-	-	35,941	-	35,941	-
Unallocated liabilities and equity					181,600	219,907
Total liabilities and equity					544,860	219,907

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26 RISK MANAGEMENT

Insurance risk

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

The Company purchases reinsurance as part of its risks mitigation 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 facultative and 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 25% of total reinsurance assets at the reporting date.

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 49.56% of equity on a gross basis and 1.98% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 24.78 % of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

<u>2020</u>	Gross unearned premiums	Net unearned premiums	Gross outstanding claims	Net outstanding claims
Property and Casualty	79.70%	26.29%	51.48%	13.17%
Motor	20.17%	73.44%	27.79%	67.78%
Protection and savings	0.13%	0.27%	20.73%	19.05%
Medical	0.00%	0.00%	0.00%	0.00%
Total	100%	100%	100%	100%

<u>2019</u>	Gross unearned premiums	Net unearned premiums	Gross outstanding claims	Net outstanding claims
Property and Casualty	61.64%	14.84%	77.01%	7.67%
Motor	37.84%	84.09%	16.01%	78.61%
Protection and savings	0.08%	0.10%	6.58%	11.80%
Medical	0.44%	0.98%	0.39%	1.93%
Total	100%	100%	100%	100%

Concentration of insurance risk

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26 RISK MANAGEMENT (Continued)

Concentration of insurance risk (continued)

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

Sources of uncertainty in estimation of future claim payments:

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

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

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 3.

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

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

Sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26 RISK MANAGEMENT (Continued)

Sensitivity analysis (continued)

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

Impact of change in claim ratio by + / - 10%

	2020	2019
	SAR'000	SAR'000
Motor	8,006	10,409
Medical	54	847
Protection and savings	4,361	3,901
Property and Casualty	1,263	997

Impact on average claim cost + / - 10%

	2020	2019
	SAR'000	SAR'000
Motor	5,214	8,365
Medical	85	984
Protection and savings	511	974
Property and Casualty	250	1,177

Reinsurance risk

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

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

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors and Technical Committee. The criteria may be summarized as follows:

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to preset requirements of the Company's Board of Directors and Technical Committee before approving them for exchange of reinsurance business. As at December 31, 2020 and 2019, there is no significant concentration of reinsurance balances.

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

Market Risk

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

- The Company's risk management 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 the assets are held to deliver income and gains for policyholders which are in line with their expectations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26 RISK MANAGEMENT (Continued)

Market Risk (continued)

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 Risk Committee. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect shares and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

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

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals and the foreign currency risk is not significant.

Commission Rate Risk

The Company places deposits that are subject to commission rate risk, with the exception of restricted deposits which are required to be maintained in accordance with SAMA regulations on which the Company does not earn any commission. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 100 basis points in interest yields would result in a change in the loss or gain for the year by SAR 1.10 million (2019: SAR 0.78 million).

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

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Insurance operations					
2020	-	-	-	57,876	57,876
2019	50,000	-	-	36,181	86,181
	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Shareholders' operations					
2020	106,404	-	-	33,729	140,133
2019	24,157	96,726	-	39,583	160,466

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 SAR 91.6 million (2019: SAR 68.8 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 hypothetical change of a 10% increase / decrease in the market prices of investments on Company's profit would be as follows:

	Fair value change	Effect on Company's profit
		SAR'000
2020	+ / - 10 %	+/- 9,161
2019	+ / - 10 %	+/- 6,884

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2020 and 2019. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26 RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk that arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. For all classes of financial assets 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's credit risk exposure relating to customers and deposits is mainly concentrated in Saudi Arabia.

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

	As at 31 December 2020			As at 31 December 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Cash and cash equivalents	111,903	123,577	235,480	183,781	35,401	219,182
Premiums and reinsurance receivables, net	70,633	-	70,633	73,111	-	73,111
Reinsurers' share of outstanding claims	36,486	-	36,486	137,583	-	137,583
Investments net of equity investments	727	46,295	47,022	240	37,149	37,389
Due from related parties	-	-	-	-	206	206
Murabaha Deposits	-	-	-	-	96,728	96,728
Statutory deposit	-	45,000	45,000	-	45,000	45,000
	219,749	214,872	434,621	394,715	214,484	609,199

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.

Insurance operations' financial assets	Non investment grade 2020			
	Investment grade	Satisfactory	Past due but not impaired	Total
	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	111,903	-	-	111,903
Investments	-	727	-	727
Premiums and reinsurance receivable, net	-	12,817	57,816	70,633
Reinsurers' share of outstanding claims	-	36,486	-	36,486
31 December 2020	111,903	50,030	57,816	219,749

	Non investment grade 2019			
	Investment grade	Satisfactory	Past due but not impaired	Total
	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	183,781	-	-	183,781
Investments	-	240	-	240
Premiums and reinsurance receivable, net	-	930	72,181	73,111
Reinsurers' share of outstanding claims	-	137,583	-	137,583
31 December 2019	183,781	138,753	72,181	394,715

Shareholders' operations' financial assets	Non investment grade 2020			
	Investment grade	Satisfactory	Past due but not impaired	Total
	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	123,577	-	-	123,577
Investments	-	48,729	-	48,729
Statutory deposit	-	45,000	-	45,000
31 December 2020	123,577	93,729	-	217,306

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26 RISK MANAGEMENT (Continued)
Credit risk (continued)

	Non investment grade 2019		
	Investment grade	Satisfactory	Past due but not impaired
	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	35,401	-	-
Investments	-	39,583	-
Due from related parties	-	206	-
Murabaha deposits	-	96,728	-
Statutory deposit	-	45,000	-
31 December 2019	35,401	181,517	-

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is not broadly diversified however, transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

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. Liquidity requirements are monitored on a timely basis and manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

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

	As at 31 December 2020			As at 31 December 2019		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	SAR'000			SAR'000		
Insurance operations' assets						
Cash and cash equivalents	111,903	-	111,903	183,781	-	183,781
Investments	727	-	727	240	-	240
Premiums and reinsurance receivables, net	70,633	-	70,633	73,111	-	73,111
Reinsurers' share of unearned premiums	96,511	-	96,511	58,844	-	58,844
Reinsurers' share of outstanding claims	36,486	-	36,486	137,583	-	137,583
Reinsurers' share of incurred but not reported claims	23,072	-	23,072	15,204	-	15,204
Deferred policy acquisition costs	7,638	-	7,638	8,171	-	8,171
Prepayments and other assets	18,197	-	18,197	10,591	-	10,591
Due from shareholders' operations	5,037	-	5,037	2,739	-	2,739
Property and equipment	-	4,937	4,937	-	7,076	7,076
Intangible assets	-	6,200	6,200	-	5,439	5,439
Right to use assets	-	4,472	4,472	-	6,140	6,140
Unit linked investments	-	57,149	57,149	-	35,941	35,941
	370,204	72,758	442,962	490,264	54,596	544,860

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26 RISK MANAGEMENT (Continued)
Liquidity risk (continued)

	As at 31 December 2020			As at 31 December 2019		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	SAR'000			SAR'000		
Shareholders' assets						
Cash and cash equivalents	123,577	-	123,577	35,401	-	35,401
Investments	48,729	-	48,729	39,583	-	39,583
Prepayments and other assets	766	-	766	2,989	-	2,989
Due from a related party	-	-	-	206	-	206
Murabaha Deposit	-	-	-	96,728	-	96,728
Statutory Deposit	-	45,000	45,000	-	45,000	45,000
	173,072	45,000	218,072	174,907	45,000	219,907

	As at 31 December 2020			As at 31 December 2019		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	SAR'000			SAR'000		
Insurance operations' liabilities						
Outstanding claims	61,847	-	61,847	172,767	-	172,767
Incurred but not reported claims	46,576	-	46,576	31,895	-	31,895
Other reserves	2,840	-	2,840	1,838	-	1,838
Premium deficiency reserves	6,737	-	6,737	4,487	-	4,487
Unearned reinsurance commission	11,966	-	11,966	7,878	-	7,878
Unearned premiums	133,049	-	133,049	107,765	-	107,765
Reinsurance balances payable	67,858	-	67,858	36,559	-	36,559
Accrued expenses and other liabilities	44,083	-	44,083	134,185	-	134,185
Lease liabilities	-	4,542	4,542	-	5,439	5,439
Due to related party	66	-	66	66	-	66
Retirement benefit obligation	5,601	-	5,601	5,698	-	5,698
Unit linked liabilities	-	57,149	57,149	-	35,941	35,941
Mathematical reserves	458	-	458	688	-	688
	381,081	61,691	442,772	503,826	41,380	545,206

	As at 31 December 2020			As at 31 December 2019		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	SAR'000			SAR'000		
Shareholders' liabilities						
Accrued expenses and other liabilities	4,387	-	4,387	3,793	-	3,793
Zakat and income tax payable	7,075	-	7,075	5,979	-	5,979
Due to insurance operations	5,037	-	5,037	2,739	-	2,739
	16,499	-	16,499	12,511	-	12,511
Total Liquidity Gap	364,582	61,691	426,273	491,315	41,380	532,695

To manage the liquidity risk arising from above financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active market except for unquoted equity instruments. These assets can be readily sold to provide additional liquidity when needed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26 RISK MANAGEMENT (Continued)

Liquidity risk (continued)

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

- Murabaha deposits are expected to be matured/ settled within 11 months to 2 years from the statement of financial position date.
- Accrued investment income classified under prepayments and other asset is expected to be realized within 2 to 11 months from statement of financial position's date.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims majorly pertain to fire and property, marine, general accident, engineering, and protection and savings businesses and are generally realized within 3 to 6 months based on 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 net basis as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to settle within 3 months in accordance with statutory timelines for payment. All other 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 12 months from the year end date.

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 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

Regulatory framework risk

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

27 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

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. Underlying the definition of fair value there is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, premiums and reinsurance receivables, Murabaha deposits, reinsurance share of unearned premium, deferred policy acquisition cost, reinsurance share of outstanding claims, reinsurance share of incurred but not reported claims, reinsurance share of other reserves, investments and its financial liabilities consist of reinsurance balance payables, unearned premium, unearned commission income, outstanding claims, incurred but not reported claims, other reserves, premium deficiency reserve. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

27 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Shareholders' operations

	As at 31 December 2020			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in discretionary portfolios	16,442	-	-	16,442
- Investments in real estate fund	-	7,789	5,157	12,946
- Investments in quoted equity	2,418	-	-	2,418
Investments at held to maturity				
- Sukuks	-	15,000	-	15,000
Total	18,860	22,789	7,080	48,729
	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in equity shares	2,434	-	-	2,434
- Investments in discretionary portfolios	15,661	-	-	15,661
- Investments in real estate funds	-	9,434	5,131	14,565
Investments at held to maturity				
- Sukuks	-	5,000	-	5,000
Total	18,095	14,434	7,054	39,583

28 CLAIMS DEVELOPMENT TABLE

The following table reflects the net incurred claims including both the net claims notified and incurred but not reported claims for each accident year at each financial position date together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company will transfer much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

NOTES TO THE FINANCIAL STATEMENTS
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28 CLAIMS DEVELOPMENT TABLE (continued)

Claims triangulation analysis by accident years for the last five years on gross outstanding and incurred but not reported claims basis is set out below:

2020 Accident year	2016 SAR'000	2017 SAR'000	2018 SAR'000	2019 SAR'000	2020 SAR'000	Total SAR'000
Estimate of ultimate claims cost						
At the end of accident year	-	-	-	-	126,371	126,371
One year later	-	-	-	302,150	-	302,150
Two years later	-	-	179,505	-	-	179,505
Three years later	-	171,514	-	-	-	171,514
Four years later	493,202	-	-	-	-	493,202
Current estimate of cumulative net claims	493,202	171,514	179,505	302,150	126,371	1,272,742
Cumulative payments to date	(489,604)	(167,583)	(165,393)	(289,434)	(49,464)	(1,161,478)
Gross liability recognised in the statement of financial position	3,598	3,931	14,112	12,716	76,907	111,264
2019 Accident year	2015 SAR'000	2016 SAR'000	2017 SAR'000	2018 SAR'000	2019 SAR'000	Total SAR'000
Estimate of ultimate claims cost						
At the end of accident year	79,365	136,222	130,984	133,145	331,916	811,632
One year later	48,139	96,613	67,371	47,763	-	259,886
Two years later	1,767	5,164	5,551	-	-	12,482
Three years later	1,272	2,810	-	-	-	4,082
Four years later	1,340	-	-	-	-	1,340
Current estimate of cumulative net claims	131,883	240,809	203,906	180,908	331,916	1,089,422
Cumulative payments to date	(136,535)	(236,964)	(164,929)	(158,949)	(187,384)	(884,761)
Gross liability recognised in the statement of financial position	(4,652)	3,845	38,977	21,959	144,532	204,661

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

28 CLAIMS DEVELOPMENT TABLE (Continued)

Claims triangulation analysis by accident years for the last five years on net outstanding and incurred but not reported claims basis is set out below:

2020						
Accident year	2016	2017	2018	2019	2020	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Estimate of ultimate claims cost						
At the end of accident year	-	-	-	-	74,543	74,543
One year later	-	-	-	93,999	-	93,999
Two years later	-	-	136,498	-	-	136,498
Three years later	-	90,985	-	-	-	90,985
Four years later	151,132	-	-	-	-	151,132
Current estimate of cumulative net claims	151,132	90,985	136,498	93,999	74,543	547,157
Cumulative payments to date	(148,954)	(89,562)	(130,269)	(88,334)	(38,333)	(495,452)
Net liability recognised in the statement of financial position	2,178	1,423	6,229	5,665	36,210	51,705
2019						
Accident year	2015	2016	2017	2018	2019	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Estimate of ultimate claims cost						
At the end of accident year	21,609	55,349	67,838	104,857	117,088	366,741
One year later	10,858	19,021	21,625	33,702	-	85,206
Two years later	648	3,286	2,599	-	-	6,533
Three years later	1,039	(337)	-	-	-	702
Four years later	1,316	-	-	-	-	1,316
Current estimate of cumulative net claims	35,470	77,319	92,062	138,559	117,088	460,498
Cumulative payments to date	(35,700)	(75,294)	(89,430)	(127,603)	(80,596)	(408,623)
Net liability recognised in the statement of financial position	(230)	2,025	2,632	10,956	36,492	51,875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

29 LEASES

Definition of lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases. 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 lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using 1 year SIBOR plus Risk Adjustment rate.

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.

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 2020. The Company's incremental borrowing rate applied is 4%.

Transition

Previously, the Company classified certain leases as operating leases under IAS 17. These include the Company's head office and branches. Some leases include an option to renew the lease for an extended period that is to be mutually agreed between the parties. Further, some leases provide for additional rent payments that are based on annual increments. At transition, leases which were classified under IAS 17 as operating leases were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at the value of the lease liabilities in accordance with practical expedients available for initial application of IFRS 16. Therefore, there is no impact on retained earnings as at 1 January 2019. Further, the Company used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

29 LEASES (Continued)

Impact on Financial Statements

The Company has leases for the office buildings. With the exception of short-term leases, each lease is reflected on the Statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property and equipment (see Note Property and equipment).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are non-cancellable and have option to extend the lease for a further term with the consent of both parties. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and employees accommodation Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on Statement of financial position:

Right-of use assets

No of right-of use assets leased	4
Range of remaining term	1 to 9 Years
Average remaining lease term	7
No of leases with extension options	4
No of leases with options to purchase	Nil
No of leases with variable payments linked to an index	Nil
No of leases with termination options	4

Amounts recognized in the statement of Financial Position

	As at 31 December 2020 SAR "000"	As at 31 December 2019 SAR "000"
Right-of-use assets- Rental property		
Opening balance	6,140	-
Adoption of IFRS 16	-	7,348
Reversal of lease assets during the year	(418)	-
Depreciation charge for the period	(1,250)	(1,208)
Closing Net Book Value	4,472	6,140
	As at 31 December 2020 SAR '000	As at 31 December 2019 SAR '000
Lease Liabilities		
Opening balance	5,439	-
Adoption of IFRS 16	-	6,626
Increase in lease liabilities	723	-
Financing cost (non-cash)	(201)	261
Lease payments (cash outflows)	(1,419)	(1,448)
Closing balance	4,542	5,439

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

29 LEASES (Continued)

Maturity profile of lease liabilities:

As at 31 December 2020			
SAR '000			
	Lease Payments	Finance charges	Net present values
Year 1	1,126	164	962
Year 2	1,126	164	962
Year 3	1,126	164	962
Year 4	1,126	164	962
Year 5 onwards	985	291	694
Total undiscounted lease liabilities	5,489	947	4,542

Maturity profile of lease liabilities:

As at 31 December 2019			
SAR '000			
	Lease Payments	Finance charges	Net present values
Year 1	1,420	261	1,159
Year 2	1,126	252	874
Year 3	1,126	252	874
Year 4	1,126	252	874
Year 5 onwards	2,113	455	1,658
Total undiscounted lease liabilities	6,911	1,472	5,439

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	As at 31 December 2020	As at 31 December 2019
	SAR '000	SAR '000
Short term leases	-	-
Leases of low value assets	66	66
Variable lease payments	-	-

Total cash outflow for leases for the year ended 31 December 2020 was SAR 1,419 (2019: SAR 1,448).

	As at 31 December 2020	As at 31 December 2019
	SAR '000	SAR '000
Current portion		
Lease liabilities	962	1,159
Non-current portion		
Lease liabilities	3,580	4,280

Amounts recognized in the statement of Comprehensive Income

	As at 31 December 2020	As at 31 December 2019
	SAR '000	SAR '000
Lease financial cost (included in finance cost)	164	261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30 SUPPLEMENTARY INFORMATION

30.1 Statement of financial position

		As at 31 December 2020			As at 31 December 2019		
	Note	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000		
ASSETS							
Cash and cash equivalents	4	111,903	123,577	235,480	183,781	35,401	219,182
Investments	5	727	48,729	49,456	240	39,583	39,823
Premiums and reinsurance receivables, net	7	70,633	-	70,633	73,111	-	73,111
Reinsurers' share of unearned premiums	8.2	96,511	-	96,511	58,844	-	58,844
Reinsurers' share of outstanding claims	8.1	36,486	-	36,486	137,583	-	137,583
Reinsurers' share of claims incurred but not reported	8.1	23,072	-	23,072	15,204	-	15,204
Deferred policy acquisition costs		7,638	-	7,638	8,171	-	8,171
Prepayments and other assets		18,197	766	18,963	10,591	2,989	13,580
Due from shareholders' operations		5,037	-	5,037	2,739	-	2,739
Due from related parties	14	-	-	-	-	206	206
Murabaha deposits	6	-	-	-	-	96,728	96,728
Statutory deposit	11	-	45,000	45,000	-	45,000	45,000
Property and equipment		4,937	-	4,937	7,076	-	7,076
Right to use assets		4,472	-	4,472	6,140	-	6,140
Intangible assets		6,200	-	6,200	5,439	-	5,439
Unit linked investments	8.4	57,149	-	57,149	35,941	-	35,941
TOTAL ASSETS		442,962	218,072	661,034	544,860	219,907	764,767
LIABILITIES							
Outstanding claims	8.2	61,847	-	61,847	172,767	-	172,767
Claims incurred but not reported	8.2	46,576	-	46,576	31,895	-	31,895
Other reserves	8.2	2,840	-	2,840	1,838	-	1,838
Premium deficiency reserves	8.3	6,737	-	6,737	4,487	-	4,487
Unearned premiums	8.1	133,049	-	133,049	107,765	-	107,765
Reinsurance balances payable		67,858	-	67,858	36,559	-	36,559
Unearned reinsurance commission		11,966	-	11,966	7,878	-	7,878
Accrued expenses and other liabilities		44,083	4,387	48,470	134,185	3,793	137,978
Lease liabilities	29	4,542	-	4,542	5,439	-	5,439
Due to related party	14	66	-	66	66	-	66
Zakat and income tax payable	16	-	7,075	7,075	-	5,979	5,979
Unit linked liabilities	8.4	57,149	-	57,149	35,941	-	35,941
Mathematical reserve	8.5	458	-	458	688	-	688
Retirement benefit obligation	17	5,601	-	5,601	5,698	-	5,698
Due to insurance operations		-	5,037	5,037	-	2,739	2,739
TOTAL LIABILITIES		442,772	16,499	459,271	545,206	12,511	557,717
EQUITY							
Share capital	18	-	300,000	300,000	-	300,000	300,000
Accumulated losses		-	(98,427)	(98,427)	-	(92,604)	(92,604)
Remeasurement of retirement benefit obligation	17	190	-	190	(346)	-	(346)
TOTAL SHAREHOLDERS' EQUITY		190	201,573	201,763	(346)	207,396	207,050
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		442,962	218,072	661,034	544,860	219,907	764,767

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30 SUPPLEMENTARY INFORMATION (continued)

30.2 Statement of income

		2020			2019		
	Note	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000		
REVENUES							
Gross premiums written	8.1	316,315	-	316,315	331,141	-	331,141
Fee income from insurance contracts	8.1	38	-	38	30	-	30
Reinsurance premiums ceded							
- Local		(4,156)	-	(4,156)	(4,202)	-	(4,202)
- Foreign		(182,357)	-	(182,357)	(151,430)	-	(151,430)
Excess of loss expenses		(5,387)	-	(5,387)	(6,258)	-	(6,258)
Net premiums written		124,453	-	124,453	169,281	-	169,281
Changes in unearned premiums	20	(25,284)	-	(25,284)	(26,938)	-	(26,938)
Changes in reinsurers' share of unearned premiums	20	37,667	-	37,667	19,203	-	19,203
Net premiums earned		136,836	-	136,836	161,546	-	161,546
Reinsurance commission earned		24,351	-	24,351	24,123	-	24,123
Other underwriting income		6,623	-	6,623	2,284	-	2,284
Total Revenues		167,810	-	167,810	187,953	-	187,953
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid		(160,147)	-	(160,147)	(243,553)	-	(243,553)
Surrenders		(5,182)	-	(5,182)	(1,918)	-	(1,918)
Reinsurers' share of claims paid		99,538	-	99,538	136,220	-	136,220
Net claims paid		(65,791)	-	(65,791)	(109,251)	-	(109,251)
Changes in outstanding claims	8.2	110,920	-	110,920	(75,064)	-	(75,064)
Changes in reinsurers' share of outstanding claims	8.2	(101,097)	-	(101,097)	74,591	-	74,591
Changes in incurred but not reported claims	8.2	(14,681)	-	(14,681)	(3,189)	-	(3,189)
Changes in reinsurers' share of incurred but not reported claims	8.2	7,868	-	7,868	(1,496)	-	(1,496)
Changes in other reserves	8.2	(1,002)	-	(1,002)	(964)	-	(964)
Changes in premium deficiency reserves	8.3	(2,250)	-	(2,250)	(2,412)	-	(2,412)
Net claims incurred		(66,033)	-	(66,033)	(117,785)	-	(117,785)
Changes in unit linked reserves		(21,208)	-	(21,208)	(17,173)	-	(17,173)
Changes in mathematical reserves		231	-	231	(688)	-	(688)
Policy acquisition costs		(25,588)	-	(25,588)	(30,496)	-	(30,496)
Other underwriting expenses		(1,561)	-	(1,561)	(1,715)	-	(1,715)
Total underwriting costs and expenses		(114,159)	-	(114,159)	(167,857)	-	(167,857)
NET UNDERWRITING INCOME		53,651	-	53,651	20,096	-	20,096
OTHER OPERATING INCOME / (EXPENSES)							
General and administrative expenses	21	(57,017)	(4,287)	(61,304)	(55,933)	(3,579)	(59,512)
Provision for doubtful receivables	21	(3,613)	-	(3,613)	(3,465)	-	(3,465)
Loss on disposal of property and equipment		-	-	-	-	-	-
Unrealized gain on unit linked investments		4,926	-	4,926	151	-	151
Unrealized gain on investments	22	113	(382)	(269)	9	1,298	1,307
Realized gain on investments	22	1,470	3,691	5,161	470	6,922	7,392
Total operating and other (expenses) / income, net		(54,121)	(978)	(55,099)	(58,768)	4,641	(54,127)
Total loss for the year before zakat		(470)	(978)	(1,448)	(38,672)	4,641	(34,031)
Zakat for the year		-	(4,145)	(4,145)	-	(4,200)	(4,200)
Tax for the year		-	(230)	(230)	-	-	-
Net loss for the year		(470)	(5,353)	(5,823)	(38,672)	441	(38,231)
Loss per share (SAR)				(0.19)			(1.27)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30 SUPPLEMENTARY INFORMATION (continued)

30.3 Statement of comprehensive income

	Note	2020			2019		
		Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000		
Net loss for the year		(470)	(5,353)	(5,823)	(38,672)	441	(38,231)
Other comprehensive income:							
Items that will not be reclassified to statement of income in subsequent periods:							
- Actuarial gain on retirement benefit obligation	17	536	-	536	283	-	283
Total comprehensive loss for the year		66	(5,353)	(5,287)	(38,389)	441	(37,948)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30 SUPPLEMENTARY INFORMATION (continued)

30.4 Statement of cash flows

		2020			2019		
	Note	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000		
CASH FLOWS FROM OPERATING ACTIVITIES							
Net loss for the year		-	(5,823)	(5,823)	-	(38,231)	(38,231)
Adjustments for non cash items:							
Depreciation of property and equipment	12, 13	4,283	-	4,283	4,186	-	4,186
Depreciation of right to use assets	29	1,250	-	1,250	1,208	-	1,208
Financing cost on lease liabilities		201	-	201	261	-	261
Provision for doubtful receivables	7	3,613	-	3,613	3,465	-	3,465
Realized gain on FVTIS	22	(375)	-	(375)	(470)	(331)	(801)
Unrealized gain on FVTIS	22	(113)	854	741	(4)	(682)	(686)
Provision for retirement benefit obligation	17	1,698	-	1,698	1,537	-	1,537
Provision for zakat and tax	16	-	4,375	4,375	-	4,200	4,200
		10,557	(594)	9,963	10,183	(35,044)	(24,861)
Changes in operating assets and liabilities:							
Premiums and reinsurance receivables		(1,135)	-	(1,135)	19,749	-	19,749
Reinsurers' share of unearned premiums		(37,667)	-	(37,667)	(19,203)	-	(19,203)
Reinsurers' share of outstanding claims		101,097	-	101,097	(74,591)	-	(74,591)
Reinsurers' share of claims incurred but not reported		(7,868)	-	(7,868)	1,496	-	1,496
Deferred policy acquisition costs		533	-	533	442	-	442
Prepayments and other assets		(7,606)	2,223	(5,383)	(5,079)	(1,475)	(6,554)
Due from related parties		-	206	206	-	640	640
Due to / (from) insurance operations		-	2,298	2,298	-	(8,202)	(8,202)
Unit linked investments		(21,208)	-	(21,208)	(17,173)	-	(17,173)
Outstanding claims		(110,920)	-	(110,920)	75,064	-	75,064
Claims incurred but not reported		14,681	-	14,681	3,189	-	3,189
Other reserves		1,002	-	1,002	964	-	964
Premium deficiency reserves		2,250	-	2,250	2,412	-	2,412
Mathematical reserves		(230)	-	(230)	688	-	688
Unearned premiums		25,284	-	25,284	26,938	-	26,938
Reinsurance balances payable		31,299	-	31,299	(8,439)	-	(8,439)
Unearned reinsurance commission		4,088	-	4,088	808	-	808
Accrued expenses and other liabilities		(90,102)	594	(89,508)	96,696	(63)	96,633
Lease liabilities		321	-	321	6,626	-	6,626
Due to related party		-	-	-	(64)	(75)	(139)
Unit linked liabilities		21,208	-	21,208	17,173	-	17,173
Due to / (from) shareholders' operations		(2,298)	-	(2,298)	8,202	-	8,202
Cash (used in) / generated from operations		(66,714)	4,727	(61,987)	146,081	(44,219)	101,862
Retirement benefit obligation paid	17	(1,259)	-	(1,259)	(1,063)	-	(1,063)
Zakat and income tax paid	16	-	(3,279)	(3,279)	-	(3,807)	(3,807)
Net cash generated from / (used in) operating activities		(67,973)	1,448	(66,525)	145,018	(48,026)	96,992
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from maturity of murabaha deposits	6	-	96,728	96,728	-	69,270	69,270
Purchase of investments	5.2	(100,000)	-	(100,000)	(139,600)	(2,210)	(141,810)
Proceeds from disposal of investments	5.2	100,000	-	100,000	140,245	7,053	147,298
Redemption / subscription of sukuk	5.3	-	(10,000)	(10,000)	-	7,974	7,974
Purchase of property and equipment	12	(200)	-	(200)	(1,313)	-	(1,313)
Right of use assets	29	418	-	418	(7,348)	-	(7,348)
Purchase of intangible assets	13	(2,705)	-	(2,705)	(3,143)	-	(3,143)
Proceeds from disposal of property and equipment		1	-	1	-	-	-
Net cash (used in) / generated from investing activities		(2,486)	86,728	84,242	(11,159)	82,087	70,928
CASH FLOWS FROM FINANCING ACTIVITIES							
Lease payments during the year		(1,419)	-	(1,419)	(1,448)	-	(1,448)
Net change in cash and cash equivalents		(71,878)	88,176	16,298	132,411	34,061	166,472
Cash and cash equivalents at the beginning of the year		183,781	35,401	219,182	51,370	1,340	52,710
Cash and cash equivalents at the end of the year	4	111,903	123,577	235,480	183,781	35,401	219,182

31 COMPARATIVE FIGURES

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

32 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company on Rajab 24, 1442H corresponding to 8th March 2021G.