ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
As at 31 December 2020

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AlAhli Takaful Company – a Saudi Joint Stock 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, 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") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi organization for Certified Public Accountants ('SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Technical Reserve for Insurance Operations and Incurred But Not Reported (IBNR) reserves (jointly referred as "technical reserves") *The Company's accounting policy related to technical reserve for insurance operations and IBNR reserves are described in note 3 to the financial statements.* Technical Reserve for Insurance Operations represents the largest liability for the Company totalling SR 681.5 million as at 31 December 2020 (31 December 2019: SR 684.5 million) and consist of the following: o Technical reserves relating to the Participant Investment Strategies (unit-linked liability) o Allowance for retained risk IBNR reserves amounted to SR 21.7 million as at 31 December 2020 (31 December 2019: SR 22.9 million). A range of methods is used to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims. The Company also involves an independent actuary to calculate the technical reserves. The Company exercises significant judgments including a number of subjective assumptions when determining both the timing and the amounts of the technical reserves. Changes in the assumptions used to value the reserves can lead to material impact on the valuation of technical reserves. Because of the significance of the judgments involved, assumptions used and the magnitude of the total balance, technical reserves have been considered as a key audit matter.	We have performed test of key controls over the claims administration and the valuation of individual reported claims reserves to confirm the operating effectiveness of those key controls. We also tested the completeness and accuracy of the underlying data used in the actuarial calculations by performing reconciliations on the underlying data to the financial ledger and the actuarial data used by the Company's independent actuary while calculating the technical reserves for insurance operations. In addition, we have involved our actuarial specialist to: o Assess the approach and methodology used by the management in calculating required technical reserve. o Review key assumptions and judgments used by management in calculating technical reserve. o Assess the compliance of actuarial report on technical reserves with the professional guidance available. o Assess consistency in applying the reserving methodology across periods. We also assessed the adequacy of the financial statements disclosures with respect to technical reserves.

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

Other Information included in the Company's 2020 Annual Report

Management is responsible for the other information. Other information comprises the information included in the Company's 2020 annual report but does not include financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the 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 as endorsed in KSA, the applicable requirements of the Companies' Law, the Company's By-Laws and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report (continued)
To the Shareholders of AlAhli Takaful Company
(A Saudi Joint Stock Company)

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore included in our audit report as 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.

Report on other legal and regulatory requirements

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance with the requirements of the Regulations for Companies, the Cooperative Insurance Companies Control Law and the Company's By-Laws in so far as they affect the preparation and presentation of the financial statements.

for Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Abdullah M. Al Azem
Certified Public Accountant
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MKM & CO.

Jeddah, Kingdom of Saudi Arabia
9 Sha'ban 1442H
22 March 2021

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 SR'000	2019 SR'000
ASSETS			
Cash and cash equivalents	4	**33,713**	19,619
Contributions and reinsurance receivables, net	5	**21,483**	14,569
Reinsurance share of unearned contributions	6	**2,238**	2,107
Reinsurance share of outstanding claims	14	**31,779**	21,088
Reinsurance share of claims incurred but not reported	14	**16,979**	17,838
Unit-linked investments	7	**658,721**	671,674
Investments	8	**288,386**	316,528
Accrued income	23	**345**	702
Prepayments and other assets	9	**11,898**	6,061
Furniture, fittings and office equipment	10	**3,487**	2,703
Intangible assets	11	**924**	852
Statutory deposit	12	**16,667**	16,667
Accrued income on statutory deposit		**2,187**	1,947
TOTAL ASSETS		**1,088,807**	1,092,355
LIABILITIES			
Accrued expenses and other liabilities	16	**18,865**	19,976
Reinsurance balances payable		**12,216**	22,227
Unearned contributions	6	**3,669**	3,449
Technical reserve for insurance operations	13	**681,540**	684,546
Outstanding claims	14	**55,102**	43,171
Claims incurred but not reported	14	**21,717**	22,891
Due to related parties	23	**273**	479
Employee benefits	17	**2,802**	2,460
Surplus from insurance operations		**21,859**	20,184
Zakat and income tax	18	**18,623**	29,254
Dividends payable		**8**	8
Accrued income payable to SAMA		**2,187**	1,947
TOTAL LIABILITIES		**838,861**	850,592
EQUITY			
Share capital	19	**166,667**	166,667
Statutory reserve	20	**31,499**	29,895
Retained earnings		**51,904**	45,489
TOTAL SHAREHOLDERS' EQUITY		**250,070**	242,051
Remeasurement reserve of employee benefits - related to Insurance operations		**(124)**	(288)
TOTAL EQUITY		**249,946**	241,763
TOTAL LIABILITIES AND EQUITY		**1,088,807**	1,092,355

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF INCOME

For the year ended 31 December 2020

	Note	2020 SR'000	2019 SR'000
REVENUE			
Gross written contributions	6	**248,234**	238,841
Contributions ceded:			
Local		**-**	-
Foreign	6	**(61,950)**	(42,183)
Net written contributions		**186,284**	196,658
Change in unearned contributions, net		**(89)**	445
Net contribution earned		**186,195**	197,103
Investment fund fee	23	**4,896**	5,062
TOTAL REVENUES		**191,091**	202,165
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	14	**(77,777)**	(93,766)
Reinsurance share of claims paid	14	**61,095**	68,798
Net claims paid	14	**(16,682)**	(24,968)
Change in outstanding claims, net		**(1,240)**	4,102
Changes in claims incurred but not reported, net		**315**	2,144
Net claims incurred		**(17,607)**	(18,722)
Investible contributions, net	13	**(129,772)**	(149,627)
Changes in technical reserves, net	13	**(290)**	2,110
Policy acquisition costs		**(3,763)**	(2,394)
Other underwriting expenses		**(1,241)**	(1,194)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(152,673)**	(169,827)
NET UNDERWRITING INCOME		**38,418**	32,338
OTHER OPERATING INCOME/(EXPENSES)			
Allowance for doubtful debts	5.1	**(297)**	(196)
General and administration expenses	21	**(34,602)**	(33,090)
Unrealised gain on FVIS investments	8	**6,858**	12,715
Realised gain on FVIS investments		**48**	294
Other income	22	**5,306**	2,859
TOTAL OTHER OPERATING EXPENSES		**(22,687)**	(17,418)
Income before surplus, Zakat and income tax		**15,731**	14,920
Net income attributed to the insurance operations		**(1,675)**	(1,174)
Net income for the year attributable to the shareholders, before Zakat and income tax – b/f		**14,056**	13,746

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

STATEMENT OF INCOME (continued)
For the year ended 31 December 2020

	Note	*2020* *SR'000*	*2019* *SR'000*
Net income for the year attributable to the shareholders, before Zakat and income tax – c/f		**14,056**	13,746
Zakat	18	**(6,037)**	(6,143)
Income tax	18	-	(265)
Net income for the year attributable to the shareholders		**8,019**	7,338
Weighted average number of ordinary shares outstanding (in thousands)		**16,667**	16,667
Basic earnings per share for the year after zakat and tax (SR)		**0.48**	0.44

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	*2020* *SR'000*	*2019* *SR'000*
Net income for the year attributable to the shareholders		**8,019**	7,338
Other comprehensive income / (loss)			
Items that will not be reclassified to statement of income in subsequent years			
Actuarial gain / (loss) on employee benefits – related to Insurance operations	17	**164**	(312)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,183**	7,026

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Related to shareholders operations					
	Share capital SR'000	*Statutory reserve SR'000*	*Retained earnings SR'000*	*Total shareholders' equity SR'000*	*Remeasurement reserve of defined benefit obligation – related to insurance operations SR'000*	*Total SR'000*
Balance at 1 January 2020	166,667	29,895	45,489	242,051	(288)	241,763
Net income for the year	-	-	8,019	8,019	-	8,019
Other comprehensive income	-	-	-	-	164	164
Total comprehensive income	-	-	8,019	8,019	164	8,183
Transfer to statutory reserve	-	1,604	(1,604)	-	-	-
Balance as at 31 December 2020	166,667	31,499	51,904	250,070	(124)	249,946

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2020

	Related to shareholders operations					
	Share capital SR'000	*Statutory reserve SR'000*	*Retained earnings SR'000*	*Total shareholders' equity SR'000*	*Remeasurement reserve of defined benefit obligation – related to insurance operations SR'000*	*Total SR'000*
Balance at 1 January 2019	166,667	28,427	39,619	234,713	24	234,737
Net income for the year	-	-	7,338	7,338	-	7,338
Other comprehensive loss	-	-	-	-	(312)	(312)
Total comprehensive income	-	-	7,338	7,338	(312)	7,026
Transfer to statutory reserve	-	1,468	(1,468)	-	-	-
Balance as at 31 December 2019	166,667	29,895	45,489	242,051	(288)	241,763

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 SR'000	2019 SR'000
OPERATING ACTIVITIES			
Net income for the year attributable to shareholders before zakat and income tax		**14,056**	13,746
Adjustments for non – cash items:			
Net income attributed to the insurance operations		**1,675**	1,174
Depreciation	10	**771**	822
Amortization of intangible assets	11	**431**	1,827
Provision for employee benefits	17	**634**	645
Allowance for doubtful debts	5.1	**297**	196
Unrealised gain on re-measurement of FVIS investments	8	**(6,858)**	(12,715)
Income before changes in operating assets and liabilities		**11,006**	5,695
Changes in operating assets and liabilities:			
Unit-linked investments		**12,953**	(24,599)
Contributions and reinsurance receivables		**(7,211)**	59,308
Accrued income		**357**	(273)
Prepayments and other assets		**(5,837)**	(568)
Reinsurance share of unearned contributions		**(131)**	1,080
Unearned contributions		**220**	(1,525)
Reinsurance share of outstanding claims		**(10,691)**	19,602
Reinsurance share of claims incurred but not reported		**859**	8,676
Technical reserve for insurance operations		**(3,006)**	30,321
Claims incurred but not reported		**(1,174)**	(10,820)
Outstanding claims		**11,931**	(23,704)
Reinsurance balances payable		**(10,011)**	(24,162)
Due to related parties		**(206)**	(1,870)
Accrued expenses and other liabilities		**(1,111)**	(15,748)
Accrued income on statutory deposit		**(240)**	(483)
Accrued income payable to SAMA		**240**	483
Cash (used in) / from operations		**(2,052)**	21,413
Zakat and income tax paid	18	**(16,668)**	(1,014)
Employee benefits paid	17	**(128)**	(306)
Net cash (used in) / from operating activities		**(18,848)**	20,093
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment	10	**(1,566)**	(1,813)
Additions to intangible assets	11	**(492)**	(332)
Purchase of FVIS investments	8	**(25,000)**	(17,200)
Redemption of FVIS investments	8.1	**60,000**	-
Net cash from / (used in) investing activities		**32,942**	(19,345)

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2020

	Notes	2020 SR'000	2019 SR'000
Net increase in cash and cash equivalents		**14,094**	748
Cash and cash equivalents at the beginning of the year		**19,619**	18,871
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**33,713**	19,619

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

AlAhli Takaful Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171573 dated 21 Rajab 1428H, corresponding to 4 August 2007. The following is the address of the Company's registered office:

National address:
8746 Al Amir Sultan - Al Khalidiah
Unit no. 4
Jeddah 23423 - 3791
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on 4 February 2008. The Company was listed on the Saudi Stock Exchange on 18 August 2007. The Company is owned 91.77% by Saudi founding shareholders and general public subject to zakat and 8.23% by non-Saudi founding shareholders who is exempted from income tax

On 2 Jumada II 1424H, corresponding to 31 July 2003, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On 29 Sha'ban 1428H, corresponding to 11 September 2007, the Saudi Central Bank (SAMA), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

The accompanying financial statements include accounts of Company's Head Office which is in Jeddah and its Riyadh Branch within Saudi Arabia which operates under CR No. 1010619140 registered in Riyadh on 28 Rabi' Uthani 1441H corresponding to 25th December 2019.

2 BASIS OF PREPARATION

a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia (KSA), and other standards and pronouncements that are endorsed by Saudi organization for Certified Public Accountants ('SOCPA") (referred to as "IFRS as endorsed in KSA").

The financial statements have been prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investment held as fair value through statement of income (FVIS). The Company's statement of financial position is not presented using a current/non-current classification. Except for furniture, fittings and office equipment, statutory deposit and related accrued income, employee benefits based on the actuary's valuation methods, outstanding claims, claims incurred but not reported and technical reserve for insurance operations, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations "the Implementation Regulations", the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. Note 29 to these annual financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

b) Functional and presentation currency

The financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company. All financial information presented in SR has been rounded off to the nearest thousand, unless otherwise indicated.

2 BASIS OF PREPARATION (continued)

c) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. (Actual results may differ from these estimates).

Estimates, assumptions, and judgements are reviewed on ongoing basis. Revisions to estimates are recognized prospectively. Information about judgements, assumptions and estimation uncertainties that have most significant effect on amounts recognized in these financial statements are given below:

Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to participants arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported (IBNR), on a quarterly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income for that year. The provision for outstanding claims, as at 31 December, is also certified by an independent actuary.

Premium deficiency reserve

Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risk for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and contribution relationship which are expected to apply in future.

Allowance for doubtful receivables

A provision for impairment of contributions receivable 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 and default or delinquency in payments are considered indicators that the contributions receivable are impaired.

Going concern

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

Fair values of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

Useful lives of furniture, fittings and office equipment

The Company's management determines the estimated useful lives of its furniture, fittings and office equipment 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 and useful lives annually and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impact of Covid - 19

The outbreak of novel coronavirus (Covid-19) since early 2020, its spread across mainland China and then globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope. This has led to significant disruptions in the retail, travel and hospitality industries, and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. On 11 March 2020, the World Health Organisation ("WHO") declared 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.

2 BASIS OF PREPARATION (continued)

***c) Use of estimates and judgements* (continued)**

Impact of Covid - 19 (continued)

In response to the spread of the Covid-19 virus in the Kingdom of Saudi Arabia where the Company operates and its consequential disruption to the social and economic activities in the Saudi Arabia market, 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; and
- the continuity of its business throughout the Kingdom is protected and kept intact.

The Company has considered the following while assessing the impact of COVID-19 outbreak:

Financial assets

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. 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 sukuks classified under held to maturity, the Company has performed an assessment to determine whether there is a significant 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 granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified the following sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

- Transportation
- Construction
- Entertainment

Liquidity Risk

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance as well as the continued development of external economic factors.

Claims

During the lockdown, the Company saw a decline in Covid-19 related death reported claims which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims due to Covid-19 related deaths which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in such claims in the current estimate of future contractual cash flows of the life insurance contracts in force as at December 31, 2020 for its liability adequacy test. Notwithstanding these challenges, management believes that the actuarial reserves remains largely unaffected as the overall mortality due to Covid-19 in the Kingdom of Saudi Arabia is very low.

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. 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.

d) Seasonality of operations

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following new standards, interpretations, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2020, as applicable:

Standard/ Amendments	*Description*
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to References to the Conceptual Framework in IFRS Standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Profit or Loss. These will be considered while implementing of IFRS 17 effective from 1 January 2023.

b) Standards issued but not yet effective

The following are the standards issued but not yet effective up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards when they become effective.

Standard/ Interpretation	*Description*	*Annual periods beginning on or after*
IFRS 17	Insurance Contracts	See below
IFRS 9	Financial Instruments	See below
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2021
IFRS 16	Leases for COVID-19 rent related concessions	1 January 2021
IFRS 3	Reference to Conceptual Framework	1 January 2021
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2021
IAS 37	Onerous contracts: Cost of Fulfilling a contract	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

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

a) the fulfilment cash flows (FCF), which comprise:
   - probability-weighted estimates of future cash flows,
   - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and
   - a risk adjustment for non-financial risk

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

The 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, in addition to the adjustment under GMM, the CSM is also adjusted for:

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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

Effective date

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

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 and reinsurance, and investment contracts with discretionary participating features, together with amendments to presentation and disclosures.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact

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

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company is in progress of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and currently working on vendor selection while finalizing various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.
Systems	The Company is considering acquisition of IFRS 17 calculation system to accommodate calculation of Insurance contracts and Reinsurance held contracts in-line with IFRS 17.
Financial Impact	Work is in progress to calculate the Financial impact of IFRS 17 in comparison to IFRS 4.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, at fair value through other comprehensive income or at 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 are 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

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

1. apply a temporary exemption from implementing IFRS 9 until the earlier of

   a. the effective date of a new insurance contract standard; or
2. annual reporting periods beginning on or after 01 January 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominantly connected with insurance and have not applied IFRS 9 previously; or,

3. 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 of 1 January 2020 which included below:

1. The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and

2. the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment

As at 31 December, 2020, the Company has total financial assets and insurance related assets amounting to SR 87 million (2019: 55 million) and SR 34 million (2019: 23 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 87 million (2019: SR 55 million). Fair value of unit linked investments held at fair value through statement of income as at 31 December 2020 is SR 659 million (2019: SR 672 million). Other financial assets consist of FVIS investments amounting to SR 288 million (2019: SR 317 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 FVIS under IFRS 9. Credit risk exposure, concentration of credit risk and credit quality of the company's receivables portfolio are mentioned in note 5.

The Company financial assets have low credit risk as at 31 December 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Amendments to IFRS 16 - Leases for COVID-19 rent related concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments remove the potential for confusion regarding lease incentives by amending an Illustrative example 13 accompanying IFRS 16.

Amendments to IFRS 3, IAS 16, IAS 37

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

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

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

c) The significant accounting policies used in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks.

Contributions receivable

Contributions receivable are recognised when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of contributions receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recorded in the statement of income. Contributions receivables are derecognised when the de recognition criteria for financial assets have been met.

Financial instruments – recognition and measurement

Financial assets consist of cash and cash equivalents, contributions receivable, reinsurance receivables, statutory deposit, unit linked investments, FVIS and AFS investments, due from Insurance Operations and other receivables. Financial liabilities consist of outstanding claims, reinsurance balances payable, amounts due to related parties, due to Shareholders' Operations and certain other liabilities.

Date of recognition

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

Recognition and measurement of financial instruments

Financial instruments are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through income statement, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortised cost except for unit linked investments, AFS investments and FVIS investments, which are carried at fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

***Financial instruments – recognition and measurement* (continued)**

De-recognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

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

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

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Unit-linked investments

Unit-linked investments held to cover unit-linked liabilities represent assets associated with certain contracts, for which the investment risk lies predominantly with the contract holder. These represent investments in short-term Murabaha funds, which are readily marketable, and are initially recognised at cost and subsequently remeasured at fair value. Unrealised gain on these investments is transferred to investment contract liabilities. The fair value is determined by reference to the net asset value quoted by the Fund Manager. Where partial holdings are sold, the cost of investments is calculated on a weighted average basis.

Fair Value through Income Statement (FVIS) investments

The FVIS investments represent investments in a discretionary portfolio by shareholder operations and investment by Insurance Operations in a mutual fund. FVIS Investments are marked-to-market using the fund's net asset value (NAV). The resultant realised and unrealised gains and losses are recognised in the statement of income accordingly. Where partial holdings are sold, the cost of investments is calculated on a weighted average basis.

Available-for-sale investments

Investments which are classified as "available-for-sale" are subsequently measured at fair value. Available-for-sale investments are those investments that are not held to maturity nor held for trading. For an available-for-sale investment, any unrealised gain or loss arising from a change in its fair value is recognised directly under shareholders' comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised under the statement of comprehensive income is included in the statement of changes in equity for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at cost less impairment provision.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income or the statement of changes in equity.
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortized cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

Fair values

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is not an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

Prepayments

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

Furniture, fittings and office equipment

Furniture, fittings and office equipment is measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. Work in progress is not depreciated and is carried at cost. The estimated useful lives of the assets for calculation of depreciation are as follows:

	Years
• Furniture and fittings	5 to 10
• Computer and office equipment	4

Residual values, useful lives and the method of the depreciation are reviewed and adjusted if appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the statement of income. Similarly, impairment losses, if any, are recognised in the statement of income.

Expenditure for repairs and maintenance is charged to the statement of income. Improvements are capitalised only when it’s probable that future economic benefits associated with the expenditure will flow to the Company.

Intangible assets

Intangible assets, including software’s that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in statement of income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of computer software is 4 years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

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

The Company bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of income and statement of changes in equity in expense categories consistent with the function of the impaired asset.

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

Such reversal is recognised in the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Accruals and other liabilities
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether claimed by the supplier or not.

Provisions
Provisions are recognised when the Company has an 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.

Foreign currencies
The accounting records of the Company are maintained in Saudi Arabian Riyals. Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of income. As the Company's foreign currency transactions are primarily in US dollars, to which the Saudi Arabian Riyal is pegged, foreign exchange gains and losses are not significant and have not been disclosed separately.

Product classification
The Company issues life insurance contracts which are linked to investment contracts. Where contracts contain both an investment component and an insurance component and the cash flows from the two components are distinct, the underlying amounts are unbundled. Contributions relating to the insurance component are accounted for through the statement of income and the remaining element is accounted through the Insurance Operations' statement of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Insurance contracts
Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. The significance of insurance risk is dependent on both the probability 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 term of the policies, even if the insurance risk reduced significantly during this period.

Contributions, in respect of insurance contacts, are recognized as revenue over the contribution paying period of the related policies.

Investment contracts
Any contracts with customers not considered insurance contracts under International Financial Reporting Standards are classified as investment contracts. Amounts collected under investment contracts are accounted for through the statement of income, and the investible portion of the contributions collected is shown as a deduction from the gross contributions for the year from Insurance Operations and transferred to investment contract liabilities (unit-linked contracts).

Technical reserve for Insurance Operations
The provision for investment contract liabilities is calculated on the basis of an actuarial valuation method through the use of current unit fund prices.

The actuarial valuation includes a provision for participation which is the amount the Company expects to pay investment contract holders.

The Technical reserve is determined by an actuarial valuation of future policy claims. Actuarial assumptions include a margin for adverse deviation and generally take account of the type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience.

Reinsurance
The Company has modified quota-share reinsurance arrangements with independent reinsurance companies. The Company only deals with reinsurers approved by the management, which are rated at least BBB or above by international rating agencies.

A liability or asset is recorded in the Insurance Operations' statement of financial position representing contributions due to or payments due from the Reinsurer. Amounts receivable from the Reinsurer are estimated in a manner consistent with the claim liability associated with the insured parties. Receivable arising from reinsurance contracts are reviewed for impairment as part of the impairment review of receivables.

Liability adequacy test
At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, are charged to the statement of income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

***Claims* (continued)**
The Company generally estimates its claims based on actuarial inputs. This includes a provision based on management's judgement and the cost of settling claims incurred but not reported at the statement of financial position date. The ultimate liability may be in excess of, or less than, the amount provided.

The Company does not discount its liability for unpaid claims.

Acquisition fees
Acquisition fees are paid to the distributing shareholder and are charged to expense as and when they are due, as per the terms of the contract.

Entrance and administration fees
Entrance and administration fees payable to the technical and distributing shareholders, by the Company, which are costs directly incurred in securing contributions on insurance certificates, are recognised as incurred and charged to expense as and when they are due, as per the terms of the contract.

Commissions
Commissions are paid to AlAhli Insurance Marketing Services Company Limited, sales staff, call centre staff, and are charged to expense as and when they are due.

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

Segment reporting
A segment is a distinguishable component of the Company's portfolio that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments and whose operating results are reviewed regularly by the chief operating decision maker to allocate resources to each segment and assess their performance.

Leases
The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Company as a lessee

A- Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

***Leases* (continued)**

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the statement of profit or loss.

Zakat and income tax

Zakat

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

Income tax

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

Withholding tax

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

Deferred tax

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Zakat and income tax (continued)

IFRIC Interpretation 23 Uncertainty over income tax treatment

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

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

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

The Company applies significant judgement in identifying uncertainties over income tax treatments.
The Interpretation did not have an impact on the financial statements of the Company.

Employees' benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. According to IAS 19 accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds like dollar denominated KSA Sovereign Bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

4 CASH AND CASH EQUIVALENTS

2020	***Insurance operations SR'000***	***Shareholders' operations SR'000***	***Total SR'000***
Cash in hand	**16**	**-**	**16**
Cash at bank (see note 4.1)	**33,684**	**13**	**33,697**
Total	**33,700**	**13**	**33,713**

2019	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
Cash in hand	16	-	16
Cash at bank (see note 4.1)	19,590	13	19,603
Total	19,606	13	19,619

4.1 Cash at bank is held in bank accounts maintained with a shareholder (National Commercial Bank).

5 CONTRIBUTIONS AND REINSURANCE RECEIVABLES, NET

	2020 SR'000	*2019 SR'000*
Gross		
Policyholders	**5,094**	4,251
Related parties	**16,942**	8,562
Receivable from reinsurers	**-**	2,012
Allowance for doubtful receivables	**(553)**	(256)
	21,483	14,569

	2020 SR'000	*2019 SR'000*
Net		
Policyholders – net	**4,682**	3,995
Related parties - net (see note 23)	**16,801**	8,562
Receivable from reinsurers – net	**-**	2,012
	21,483	14,569

5 CONTRIBUTIONS AND REINSURANCE RECEIVABLES, NET (continued)

5.1 The movement in allowance for doubtful receivables during the year is as follows:

	2020 ***SR'000***	*2019* *SR'000*
Balance at the beginning	**256**	60
Charge to statement of income	**297**	196
	553	256

The age analysis of contributions and reinsurance receivables is as follows:

	Neither past due nor impaired	***Past due but not impaired***	***Past due and impaired***			***Total***
		From one to three months	***Above three and up to six months***	***Above six and up to twelve months***	***Above twelve months***	
	SR'000					
2020	**-**	**20,101**	**341**	**1,022**	**19**	**21,483**
2019	2,012	11,969	520	15	53	14,569

6 UNEARNED CONTRIBUTIONS

	2020		
	Gross ***SR'000***	***Reinsurance*** ***SR'000***	***Net*** ***SR'000***
Balance at the beginning of the year	**3,449**	**(2,107)**	**1,342**
Contributions written/(ceded) during the year	**248,234**	**(61,950)**	**186,284**
Contributions earned during the year	**(248,014)**	**61,819**	**(186,195)**
Balance at the end of the year	**3,669**	**(2,238)**	**1,431**

	2019		
	Gross *SR'000*	*Reinsurance* *SR'000*	*Net* *SR'000*
Balance at the beginning of the year	4,974	(3,187)	1,787
Contributions written/(ceded) during the year	238,841	(42,183)	196,658
Contributions earned during the year	(240,366)	43,263	(197,103)
Balance at the end of the year	3,449	(2,107)	1,342

7 UNIT-LINKED INVESTMENTS

Insurance Operations

Unit-linked investments comprise units of fund of funds, denominated in United States Dollars, which are managed by a subsidiary of the Company's major shareholder and are based in the Kingdom of Saudi Arabia.

	2020 ***SR'000***	*2019* *SR'000*
Investments held to cover unit-linked liabilities:		
AlAhli Multi-Asset Conservative Fund	**337,660**	352,737
AlAhli Multi-Asset Moderate Fund	**177,670**	178,642
AlAhli Multi-Asset Growth Fund	**143,391**	140,295
	658,721	671,674

The movement in unit-linked investments during the year is as follows:

	2020 ***SR'000***	*2019* *SR'000*
Balance at the beginning of the year	**671,674**	647,075
Redemption during the year, net	**(60,000)**	(59,000)
Unrealised gains during the year (note 13b)	**47,047**	83,599
Balance at the end of the year	**658,721**	671,674

8 INVESTMENTS

	2020			*2019*		
	Insurance operations SR'000 **(note 8.1)**	***Shareholders' operations SR'000*** **(note 8.2)**	***Total SR'000***	*Insurance operations SR'000* (note 8.1)	*Shareholders' operations SR'000* (note 8.2)	*Total SR'000*
FVIS investments	**36,749**	**251,637**	**288,386**	71,050	245,478	316,528

8.1 Insurance Operations – FVIS Investments

Investments of Insurance Operations represent investments in AlAhli Diversified Saudi Riyal Trade Fund (a quoted income fund), managed by a subsidiary of the Company's major shareholder and is based in the Kingdom of Saudi Arabia. This investment is designated as a FVIS investment upon initial recognition because it is managed on a fair value basis and its performance is actively monitored.

	2020 ***SR'000***	*2019* *SR'000*
AlAhli Diversified Saudi Riyal Trade Fund	**36,749**	71,050

8 INVESTMENTS (continued)

8.1 Insurance Operations – FVIS Investments (continued)

The movement in the FVIS investments during the year ended 31 December 2020 and 31 December 2019 is as follows:

	2020 ***SR'000***	*2019* *SR'000*
Balance at the beginning of the year	**71,050**	47,805
Purchases	**25,000**	15,000
Redemption	**(60,000)**	-
Transferred from FVIS shareholders' operations	-	6,889
Unrealised gains	**699**	1,356
Balance at the end of the year	**36,749**	71,050

8.2 Shareholders' Operations – FVIS Investments

	2020 ***SR'000***	*2019* *SR'000*
AlAhli Takaful Discretionary Portfolio (note a)	**238,471**	230,820
Investment in a Real Estate Fund	**5,435**	7,025
AlAhli Diversified Saudi Riyal Trade Fund	**7,731**	7,633
	251,637	245,478

AlAhli Takaful discretionary portfolio is managed by a subsidiary of the Company's major shareholder. The discretionary portfolio is invested in securities issued by financial institutions, government entities, and mutual funds which are denominated in Saudi Arabian Riyals and US Dollars.

	2020 ***SR'000***	*2019* *SR'000*
Balance at the beginning of the year	**245,478**	238,808
Purchases	-	2,200
Transferred to FVIS insurance operations	-	(6,889)
Unrealised gains	**6,159**	11,359
Balance at the end of the year	**251,637**	245,478

a) AlAhli Takaful Discretionary Portfolio consists of:

	2020 ***SR'000***	*2019* *SR'000*
Mutual funds	**64,279**	57,400
Murabaha deposits	**91,793**	84,816
Equity investments	**24,657**	5,630
Investment in sukuk	**57,742**	82,974
	238,471	230,820

9 PREPAYMENTS AND OTHER ASSETS

	2020			*2019*		
	Insurance operations SR'000	***Shareholders' operations SR'000***	***Total SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
Prepaid rent	**89**	**-**	**89**	56	-	56
Advances to suppliers	**1,995**	**19**	**2,014**	620	324	944
Recoverable from GAZT	**-**	**269**	**269**	-	269	269
Receivable from employees	**984**	**-**	**984**	795	-	795
Deposits against bank guarantee	**4,545**	**3,997**	**8,542**	-	3,997	3,997
	7,613	**4,285**	**11,898**	1,471	4,590	6,061

10 FURNITURE, FITTINGS AND OFFICE EQUIPMENT

	Furniture and fittings SR'000	***Computer and office equipment SR'000***	***Work in Progress SR'000***	***Total 2020 SR'000***	*Total 2019 SR'000*
Cost:					
At the beginning of the year	**2,635**	**8,592**	**610**	**11,837**	10,024
Additions	**105**	**763**	**698**	**1,566**	1,813
Transferred during the year	**463**	**137**	**(611)**	**(11)**	-
As at 31 December	**3,203**	**9,492**	**697**	**13,392**	11,837
Accumulated depreciation:					
At the beginning of the year	**1,689**	**7,445**	**-**	**9,134**	8,312
Charge for the year	**485**	**286**	**-**	**771**	822
As at 31 December	**2,174**	**7,731**	**-**	**9,905**	9,134
Net book value					
As at 31 December 2020	**1,029**	**1,761**	**697**	**3,487**	
As at 31 December 2019	946	1,147	610		2,703

11 INTANGIBLE ASSET

	2020 *SR'000*	*2019* *SR'000*
Cost:		
At the beginning of the year	**9,614**	9,282
Additions	**492**	332
Transferred during the year	**11**	-
As at 31 December	**10,117**	9,614
Accumulated amortization:		
At the beginning of the year	**8,762**	6,935
Charge for the year	**431**	1,827
As at 31 December	**9,193**	8,762
Net book value:		
As at 31 December	**924**	852

Intangible asset comprises of computer software.

12 STATUTORY DEPOSIT

As required by Saudi Arabian Insurance Laws and Regulations, the Company deposited 10% of its paid up capital, amounting to SR 16.67 million in a bank designated by SAMA. The Company cannot withdraw this deposit without SAMA's approval. This deposit is held with a founding shareholder.

13 TECHNICAL RESERVES FOR INSURANCE OPERATIONS

a) A technical reserve for Insurance Operations is created, as per the report received from the Actuary, as detailed below:

	2020 *SR'000*	*2019* *SR'000*
Technical reserve relating to the Participant Investment Strategies (unit-linked liability)	**679,978**	683,274
Allowance for the retained risk	**1,562**	1,272
	681,540	684,546

b) Movement in technical reserve for insurance operations is as follows:

	2020 *SR'000*	*2019* *SR'000*
Balance as at the beginning of the year	**684,546**	654,225
Change in allowance for the retained risk	**290**	(2,110)
Unrealised gain on unit-linked investments (note 7)	**47,047**	83,599
Investible contributions	**129,772**	149,627
Surrenders and maturities	**(180,115)**	(200,795)
Balance as at the end of the year	**681,540**	684,546

14 OUTSTANDING CLAIMS INCLUDING IBNR

	2020			*2019*		
	Gross SR'000	***Reinsurers' share SR'000***	***Net SR'000***	*Gross SR'000*	*Reinsurers' share SR'000*	*Net SR'000*
At 1 January						
Reported claims	**43,171**	**(21,088)**	**22,083**	66,875	(40,690)	26,185
IBNR	**22,891**	**(17,838)**	**5,053**	33,711	(26,514)	7,197
	66,062	**(38,926)**	**27,136**	100,586	(67,204)	33,382
Incurred during the year	**88,534**	**(70,927)**	**17,607**	59,242	(40,520)	18,722
(Paid)/recovered during the year	**(77,777)**	**61,095**	**(16,682)**	(93,766)	68,798	(24,968)
At 31 December	**76,819**	**(48,758)**	**28,061**	66,062	(38,926)	27,136
Reported claims	**55,102**	**(31,779)**	**23,323**	43,171	(21,088)	22,083
IBNR	**21,717**	**(16,979)**	**4,738**	22,891	(17,838)	5,053
At 31 December	**76,819**	**(48,758)**	**28,061**	66,062	(38,926)	27,136

15 CLAIMS DEVELOPMENT TABLE

The Company aims to maintain adequate reserves in respect of its takaful 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 result 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 claim is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

15 CLAIMS DEVELOPMENT TABLE (continued)

Claims triangulation analysis by accident year spanning a number of financial years is as follows:

Gross Accident year	*2016*	*2017*	*2018*	*2019*	***2020***	***Total***
	SR'000	*SR'000*	*SR'000*	*SR'000*	***SR'000***	***SR'000***
At end of accident year	174,871	89,559	112,727	35,657	**89,492**	
One year later	266,757	111,612	144,480	41,877	-	
Two years later	271,555	116,304	144,480	-	-	
Three years later	273,879	115,522	-	-	-	
Four years later	277,040	-	-	-	-	
Current estimate of cumulative claims incurred	277,040	115,522	144,480	41,877	**89,492**	**668,411**
Cumulative payments to date	(270,342)	(111,065)	(129,521)	(35,024)	**(67,357)**	**(613,309)**
Total reported claims	6,698	4,457	14,959	6,853	**22,135**	**55,102**
IBNR (note 14)						**21,717**
Total outstanding claims (note 14)						**76,819**

Net Accident year	*2016*	*2017*	*2018*	*2019*	***2020***	***Total***
	SR'000	*SR'000*	*SR'000*	*SR'000*	***SR'000***	***SR'000***
At end of accident year	27,190	8,606	24,183	7,403	**18,076**	
One year later	40,220	10,941	38,239	8,833	**-**	
Two years later	41,040	14,785	38,239	-	**-**	
Three years later	41,269	13,989	-	-	**-**	
Four years later	41,546	-	-	-	**-**	
Current estimate of cumulative claims incurred	41,546	13,989	38,239	8,833	**18,076**	**120,683**
Cumulative payments to date	(40,762)	(10,684)	(25,207)	(7,185)	**(13,522)**	**(97,360)**
Total reported claims	784	3,305	13,032	1,648	**4,554**	**23,323**
IBNR (note 14)						**4,738**
Total outstanding claims (note 14)						**28,061**

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	2020			*2019*		
	Insurance operations SR'000	***Shareholders' operations SR'000***	***Total SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
Underwriting expenses	**4,274**	**-**	**4,274**	8,088	-	8,088
Policies surrendered	**1,570**	**-**	**1,570**	1,272	-	1,272
Accrued expenses and other payable (*)	**3,623**	**4,317**	**7,940**	3,573	2,860	6,433
Advance contribution	**5,081**	**-**	**5,081**	4,183	-	4,183
Total	**14,548**	**4,317**	**18,865**	17,116	2,860	19,976

(*) Accrued expenses and other liabilities for shareholders' operations include remuneration and other expenses payable to the Board and other committee members which amounted to SR 2,833 thousand (2019: SR 1,140 thousand) (note 23).

17 EMPLOYEE BENEFITS

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

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

	2020 SR'000	*2019 SR'000*
Present value of defined benefit obligation	**2,802**	2,460

17.2 Movement of defined benefit obligation

	2020 SR'000	*2020 SR'000*
Opening balance	**2,460**	1,809
Charge to statement of income	**634**	645
Benefits paid during the year	**(128)**	(306)
Charge to statement of other comprehensive income	**(164)**	312
Closing balance	**2,802**	2,460

17.3 Reconciliation of present value of defined benefit obligation

	2020 SR'000	*2019 SR'000*
Balance at beginning of the year	**2,460**	1,809
Current service costs	**548**	573
Financial costs	**86**	72
Benefits paid during the year	**(128)**	(306)
Actuarial (gain) / loss from experience adjustments	**(164)**	312
	2,802	2,460

17.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined benefit obligation liability:

	2020	*2019*
Valuation discount rate	**2.90%**	3.45%
Expected rate of increase in salary level across different age bands	**3.00%**	5.00%

17 EMPLOYEE BENEFITS (continued)

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

	2020 ***SR'000***	*2019* *SR'000*
Valuation discount rate		
- Increase by 1%	**(225)**	(210)
- Decrease by 1%	**261**	246
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**245**	227
- Decrease by 1%	**(214)**	(199)
Employee turnover		
- Increase by 10%	**(52)**	(65)
- Decrease by 10%	**56**	72

The average duration of the defined benefit plan obligation at the end of the reporting period is 12.45 years.

Expected cash flows over the next years valued on undiscounted basis are as following:

	2020 ***SR'000***	*2019* *SR'000*
1 year	**233**	177
2 to 5 years	**436**	365
6 to 10 years	**1,118**	1,099
More than 10 years	**2,794**	2,988

18 ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimates of the management.

The movement in Zakat and income tax payable for the year ended 31 December 2020 and 31 December 2019 is as follows:

	Zakat ***2020*** ***SR'000***	***Tax*** ***2020*** ***SR'000***	***2020*** ***SR'000***	*2019* *SR'000*
Balance at the beginning of the year	**29,202**	**52**	**29,254**	23,860
Charge for the year	**6,037**	**-**	**6,037**	6,408
Zakat and income tax paid	**(16,668)**	**-**	**(16,668)**	(1,014)
Balance at the end of the year	**18,571**	**52**	**18,623**	29,254

Status of assessments

The Company finalized its Zakat and tax status for the years 2007 to 2012.

The GAZT has issued initial assessments for the years 2013 through 2014, demanding additional Zakat and tax liability including a delay fine of SR 2,585 thousand and SR 5,474 thousand, respectively. The Company has settled an amount of SR 2,326 thousand related to year 2014 and filed an objection with GAZT against the remaining amounts for the said years and the management is confident of a favourable outcome, GAZT is expecting to issue revised assessment in the near future.

The GAZT has issued assessment for the year 2015 to 2017, demanding additional zakat and income tax liability in addition to penalties of SR 11.8 million. Subsequent to year ended 2020 the Company has settled SR 9.7 million and filed an objection against the remaining amount.

The GAZT raised an assessment for the year ended 31 December 2018 demanding additional Zakat liability of SR 5,543 thousand. The company has settled the amount of SR 5,098 thousand subsequent to 31 December 2019 and objected against the remaining amount. The GAZT refused the Company's objection which was escalated to the General Secretariat of Tax Committees to assign a hearing session.

18 ZAKAT AND INCOME TAX (continued)

Status of assessments (continued)

In line of the Dispute Resolution committee treatment of WHT for the years 2010 to 2012, the GAZT agreed to apply the new WHT approach for the years 2013 through 2017. The Company settled SR 10 million for the years 2013 through 2017 and finalized its WHT status for the said years. Accordingly, WHT status for the said years has been finalized.

The GAZT issued an assessment for the year ended 31 December 2018 demanding additional WHT liability of SR 5,377 thousand. The company has settled the amount of SR 4,538 thousand based on the initiative disclosure and the Company has objected against the remaining amount, the GAZT refused the Company's objection and the case will be escalated to GSTC to assign a hearing session.

In line with Dispute Resolution Committee agreement for the years 2010 to 2012, the Company has applied the initiative disclosure for computing the WHT for the year 2019 and settled the amount SR 2,607 for the year.

On June 2, 2020, the GAZT has issued an assessment in relation to VAT for the years 2018 and 2019 based on the examination carried out by GAZT related to said assessment, where GAZT imposed VAT on the fees of Takaful life insurance policies provided by the company to its customers for the years 2018 and 2019, in addition to late payment fines totalling SR 4,545 thousand. Accordingly, the Company has filed an objection against the assessment issued by GAZT. The Company has also filed a bank guarantee letter against the said assessment. However, the Company objection was rejected by GAZT. Subsequently, the Company has filed an appeal with General Secretariat of Tax Committees against the GAZT decision. The management believes that the outcome will be in Company's favour. Subsequent to the year ended 31 December 2020 the Company has paid the principle amount of the above said VAT assessments amounts to SR 2,905 thousand to get the benefits of governmental revised 1st phase amnesty period (full exemption of penalty) which will be end on 31 March 2021.

The Company has filed all VAT returns for the year 2020 on a timely basis and there were no final assessments issued by GAZT on this regard.

The Company submitted the Zakat and Tax return for the year ended 31 December 2019 and obtained the necessary Zakat and tax certificate, which are still under review by the GAZT.

19 SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 166.7 million consisting of 16.67 million shares (2019: 16.67 million) of SR 10 each and subscribed by the following:

	% holding		***2020***	*2019*
	2020	*2019*	***SR'000***	*SR'000*
Founding shareholders (*)	**38.23**	39.54	**63,717**	65,900
General public	**61.77**	60.46	**102,950**	100,767
	100	100	**166,667**	166,667

(*) Including non-Saudi founding shareholder who is exempted from income tax by 8.23%.

20 STATUTORY RESERVE

As required by Saudi Arabian Insurance Laws and Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital.

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2020			*2019*		
	Insurance operations SR'000	***Shareholders' operations SR'000***	***Total SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
Staff costs	**18,262**	**-**	**18,262**	15,853	-	15,853
Repair and maintenance	**403**	**-**	**403**	502	-	502
Utilities, postage and telecommunications	**169**	**-**	**169**	251	-	251
Rent	**983**	**-**	**983**	931	-	931
Legal and professional fees	**88**	**3,643**	**3,731**	20	4,455	4,475
Information technology expenses	**3,737**	**-**	**3,737**	2,959	-	2,959
Depreciation (note 10)	**771**	**-**	**771**	822	-	822
Amortization (note 11)	**431**	**-**	**431**	1,827	-	1,827
Other expenses	**2,500**	**652**	**3,152**	1,704	502	2,206
Regulatory fee	**-**	**275**	**275**	-	426	426
Board and committees remuneration (note 23)	**-**	**2,070**	**2,070**	-	2,184	2,184
Board and committees attendance fees (note 23)	**-**	**595**	**595**	-	515	515
Board and committees' expenses (note 23)	**-**	**23**	**23**	-	139	139
Total	**27,344**	**7,258**	**34,602**	24,869	8,221	33,090

a) Board and committees remuneration is paid in accordance with by-laws of the Company.
b) Board and committees attendance fee represents allowances for attending board meetings and committee meetings.
c) Board and committees expenses include fee for accommodation, travel and other related expenses.

22 OTHER INCOME

	2020 SR'000	*2019 SR'000*
Surplus from reinsurance and reinsurance adjustments	**3,716**	1,448
Provisions no longer required	**1,590**	1,411
	5,306	2,859

23 TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions, which are approved by management.

Following are the details of related party transactions during the years ended 31 December 2020 and 2019:

Name	**Relationship**	**Nature of transactions**	***Amount of transactions***	
			2020	*2019*
			SR'000	*SR'000*
National Commercial Bank	Shareholder	Gross Group Insurance contributions	**79,055**	53,255
		Gross claims paid	**71,034**	87,582
Saudi Ground Services Company	Company related to the member of Board of Directors (BOD)	Gross Group Insurance contribution	**644**	-
		Gross claims paid	**534**	-
AlAhli Insurance Marketing Services Company Limited	Subsidiary of a shareholder	Agency commission and others	**-**	-
FWU	A former shareholder	Administration fee	**-**	1,586
NCB Capital	Subsidiary of a shareholder	Investment fund fee	**4,896**	5,062
Key management personnel		Short-term benefits	**4,217**	3,746
		Employee benefits	**254**	253

a. Receivable from / (payable) to related parties

	2020	*2019*
	SR'000	*SR'000*
Receivable from National Commercial Bank - a shareholder, net (note 5)	**16,801**	8,562
Accrued investment fund fee receivable from subsidiary of a shareholder	**345**	702
Payable to FWU – a former shareholder	**-**	(121)
Payable to AlAhli Insurance Marketing Services Company Limited - subsidiary of a shareholder	**(273)**	(358)
	(273)	(479)
Outstanding claims payable to National Commercial Bank - a shareholder – gross	**(45,942)**	(37,975)
Outstanding claims payable to Saudi Ground Services Co. - Company related to the member of Board of Directors (BOD) - gross	**(285)**	-

23 TRANSACTIONS WITH RELATED PARTIES (continued)

b. Board of directors' remuneration and related expenses

Following are the details of Board of Directors' and members of other committees' remuneration and related expenses during the years ended 31 December 2020 and 31 December 2019:

	Amount of transactions	
	2020	*2019*
	SR'000	*SR'000*
Board and other committees' remuneration (note 21)	**2,070**	2,184
Board and other committees' attendance fees (note 21)	**595**	515
Board accommodation and travel (note 21)	**23**	139

In addition to the disclosures set out in notes 4, 5, 7, 8 and 12 relating to related parties, amount due from and due to related parties as shown in the Statement of Financial Position, further payable to related parties are as following:

	2020	*2019*
	SR'000	*SR'000*
Remuneration and other expenses payable to Board and other committees (note 16)	**(2,833)**	(1,140)

24 OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions. For management purposes, the activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under two business units, as detailed below:

- Insurance – individual segment offers life insurance products on an individual basis including unit linked investment oriented products.

- Insurance – group life segment offers life protection programmes to the members of organizations on a group basis and credit's protection benefits in respect of personal loan given by financing organisation. This segment also include protection benefits in respect of various credit facilities other than personal loans extended by the financing organisations to its customers.

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

Shareholders' operations are separated from operating segments and disclosed for presentation purposes only in a separate column.

24 OPERATING SEGMENT INFORMATION (continued)

	As at 31 December 2020				
	Insurance - individual SR'000	*Insurance - group SR'000*	*Total - Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
ASSETS					
Cash and cash equivalents	**28,779**	**4,921**	**33,700**	**13**	**33,713**
Contributions and reinsurance receivables, net	**-**	**21,483**	**21,483**	**-**	**21,483**
Reinsurance share of unearned contributions	**1**	**2,237**	**2,238**	**-**	**2,238**
Reinsurance share of outstanding claims	**1,860**	**29,919**	**31,779**	**-**	**31,779**
Reinsurance share of claims incurred but not reported	**397**	**16,582**	**16,979**	**-**	**16,979**
Unit-linked investments	**658,721**	**-**	**658,721**	**-**	**658,721**
Investments	**17,562**	**19,187**	**36,749**	**251,637**	**288,386**
Accrued income	**345**	**-**	**345**	**-**	**345**
	707,665	**94,329**	**801,994**	**251,650**	**1,053,644**
Unallocated amounts:					
- Prepayments and other assets			**7,613**	**4,285**	**11,898**
- Furniture, fittings and office equipment			**3,487**	**-**	**3,487**
- Intangible assets			**924**	**-**	**924**
- Statutory deposit			**-**	**16,667**	**16,667**
- Accrued income on statutory deposit			**-**	**2,187**	**2,187**
TOTAL ASSETS			**814,018**	**274,789**	**1,088,807**
LIABILITIES					
Accrued expenses and other liabilities	**7,324**	**3,350**	**10,674**	**4,317**	**14,991**
Reinsurance balances payable	**4,101**	**8,115**	**12,216**	**-**	**12,216**
Unearned contributions	**12**	**3,657**	**3,669**	**-**	**3,669**
Technical reserve for insurance operations	**680,892**	**648**	**681,540**	**-**	**681,540**
Outstanding claims	**2,861**	**52,241**	**55,102**	**-**	**55,102**
Claims incurred but not reported	**989**	**20,728**	**21,717**	**-**	**21,717**
Due to related parties	**273**	**-**	**273**	**-**	**273**
	696,452	**88,739**	**785,191**	**4,317**	**789,508**
Unallocated amounts:					
- Accrued expenses and other liabilities			**3,874**	**-**	**3,874**
- Employee benefits			**2,802**	**-**	**2,802**
- Surplus from insurance operations			**21,859**	**-**	**21,859**
- Zakat and income tax			**-**	**18,623**	**18,623**
- Dividends payable			**-**	**8**	**8**
- Accrued income payable to SAMA			**-**	**2,187**	**2,187**
TOTAL LIABILITIES			**813,726**	**25,135**	**838,861**
EQUITY					
Share capital			**-**	**166,667**	**166,667**
Statutory reserves			**-**	**31,499**	**31,499**
Retained earnings			**-**	**51,904**	**51,904**
Remeasurement reserve of employee benefits			**(124)**	**-**	**(124)**
TOTAL EQUITY			**(124)**	**250,070**	**249,946**
TOTAL LIABILITIES AND EQUITY			**813,602**	**275,205**	**1,088,807**

24 OPERATING SEGMENT INFORMATION (continued)

	As at 31 December 2019				
	Insurance - individual SR'000	*Insurance- group SR'000*	*Total - Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
ASSETS					
Cash and cash equivalents	17,086	2,520	19,606	13	19,619
Contributions and reinsurance receivables, net	-	14,569	14,569	-	14,569
Reinsurance share of unearned contributions	-	2,107	2,107	-	2,107
Reinsurance share of outstanding claims	1,370	19,718	21,088	-	21,088
Reinsurance share of claims incurred but not reported	524	17,314	17,838	-	17,838
Unit-linked investments	671,674	-	671,674	-	671,674
Investments	36,258	34,792	71,050	245,478	316,528
Accrued income	702	-	702	-	702
	727,614	91,020	818,634	245,491	1,064,125
Unallocated amounts:					
- Prepayments and other assets			1,471	4,590	6,061
- Furniture, fittings and office equipment			2,703	-	2,703
- Intangible assets			852	-	852
- Statutory deposit			-	16,667	16,667
- Accrued income on statutory deposit			-	1,947	1,947
TOTAL ASSETS			823,660	268,695	1,092,355
LIABILITIES					
Accrued expenses and other liabilities	5,940	7,382	13,322	2,860	16,182
Reinsurance balances payable	5,043	17,184	22,227	-	22,227
Unearned contributions	-	3,449	3,449	-	3,449
Technical reserve for insurance operations	684,251	295	684,546	-	684,546
Outstanding claims	2,105	41,066	43,171	-	43,171
Claims incurred but not reported	1,249	21,642	22,891	-	22,891
Due to related parties	479	-	479	-	479
	699,067	91,018	790,085	2,860	792,945
Unallocated amounts:					
- Accrued expenses and other liabilities			3,794	-	3,794
- Employee benefits			2,460	-	2,460
- Surplus from insurance operations			20,184	-	20,184
- Zakat and income tax			-	29,254	29,254
- Dividends payable			-	8	8
- Accrued income payable to SAMA			-	1,947	1,947
TOTAL LIABILITIES			816,523	34,069	850,592
EQUITY					
Share capital			-	166,667	166,667
Statutory reserves			-	29,895	29,895
Retained earnings			-	45,489	45,489
Remeasurement reserve of employee benefits			(288)	-	(288)
TOTAL EQUITY			(288)	242,051	241,763
TOTAL LIABILITIES AND EQUITY			816,235	276,120	1,092,355

24 OPERATING SEGMENT INFORMATION (continued)

	2020		
	Insurance - individual SR'000	***Insurance- group SR'000***	***Total SR'000***
REVENUE			
Gross contributions written			
- Individual	**156,323**	**-**	**156,323**
- Micro enterprises	**-**	**-**	**-**
- Small enterprises	**-**	**242**	**242**
- Medium enterprises	**-**	**3,939**	**3,939**
- Large enterprises	**-**	**87,730**	**87,730**
Total gross contribution written	**156,323**	**91,911**	**248,234**
Reinsurance contributions ceded:			
- Local	**-**	**-**	**-**
- Foreign	**(3,939)**	**(58,011)**	**(61,950)**
Net contributions written	**152,384**	**33,900**	**186,284**
Change in unearned contributions ,net	**(11)**	**(78)**	**(89)**
Net contributions earned	**152,373**	**33,822**	**186,195**
Investment fund fee	**4,896**	**-**	**4,896**
TOTAL REVENUES	**157,269**	**33,822**	**191,091**
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	**(690)**	**(77,087)**	**(77,777)**
Reinsurance share of claims paid	**436**	**60,659**	**61,095**
Net claims paid	**(254)**	**(16,428)**	**(16,682)**
Changes in outstanding claims, net	**(266)**	**(974)**	**(1,240)**
Changes in claims incurred but not reported, net	**133**	**182**	**315**
Net claims incurred	**(387)**	**(17,220)**	**(17,607)**
Investible contributions, net	**(129,772)**	**-**	**(129,772)**
Changes in technical reserves, net	**63**	**(353)**	**(290)**
Policy acquisition costs	**(2,810)**	**(953)**	**(3,763)**
Other underwriting expenses	**(782)**	**(459)**	**(1,241)**
TOTAL UNDERWRITING COSTS AND EXPENSES	**(133,688)**	**(18,985)**	**(152,673)**
NET UNDERWRITING INCOME	**23,581**	**14,837**	**38,418**
OTHER OPERATING INCOME/(EXPENSES)			
Allocated amount:			
- Other income	**4,301**	**-**	**4,301**
- Allowance for doubtful debts	**-**	**(297)**	**(297)**
Unallocated amounts:			
- General and administration expenses			**(34,602)**
- Unrealised gain on FVIS investments			**6,858**
- Realised gain on FVIS investments			**48**
- Other income			**1,005**
TOTAL OTHER OPERATING EXPENSES			**(22,687)**
Income before surplus and Zakat			**15,731**
Net income attributed to the insurance operations			**(1,675)**
Net income for the year attributable to the shareholders, before Zakat			**14,056**
Zakat			**(6,037)**
Net income for the year attributable to the shareholders			**8,019**

24 OPERATING SEGMENT INFORMATION (continued)

	2019		
	Insurance - individual SR'000	*Insurance- group SR'000*	*Total SR'000*
REVENUE			
Gross contributions written			
- Individual	177,231	-	177,231
- Micro enterprises	-	21	21
- Small enterprises	-	166	166
- Medium enterprises	-	3,331	3,331
- Large enterprises	-	58,092	58,092
Total gross contribution written	177,231	61,610	238,841
Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(4,707)	(37,476)	(42,183)
Net contributions written	172,524	24,134	196,658
Change in unearned contributions, net	-	445	445
Net contributions earned	172,524	24,579	197,103
Investment fund fee	5,062	-	5,062
TOTAL REVENUES	177,586	24,579	202,165
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,328)	(92,438)	(93,766)
Reinsurance share of claims paid	704	68,094	68,798
Net claims paid	(624)	(24,344)	(24,968)
Changes in outstanding claims, net	(48)	4,150	4,102
Changes in claims incurred but not reported, net	54	2,090	2,144
Net claims incurred	(618)	(18,104)	(18,722)
Investible contributions, net	(149,627)	-	(149,627)
Changes in technical reserves, net	564	1,546	2,110
Policy acquisition costs	(1,943)	(451)	(2,394)
Other underwriting expenses	(886)	(308)	(1,194)
TOTAL UNDERWRITING COSTS AND EXPENSES	(152,510)	(17,317)	(169,827)
NET UNDERWRITING INCOME	25,076	7,262	32,338
OTHER OPERATING INCOME/(EXPENSES)			
Allocated amount:			
- Other income	2,859	-	2,859
- Allowance for doubtful debts	-	(196)	(196)
Unallocated amounts:			
- General and administration expenses			(33,090)
- Unrealised gain on FVIS investments			12,715
- Realised gain on FVIS investments			294
TOTAL OTHER OPERATING EXPENSES			(17,418)
Income before surplus, Zakat and income tax			14,920
Net income attributed to the insurance operations			(1,174)
Net income for the year attributable to the shareholders, before Zakat and income tax			13,746
Zakat			(6,143)
Income tax			(265)
Net income for the year attributable to the shareholders			7,338

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial assets consist of cash and cash equivalents, unit-linked investments, FVIS investments, available-for-sale investments, contributions and reinsurance receivables, amount due from a related party, other receivables and due from Insurance Operations, and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties, due to Shareholder Operations and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 31 December 2020, apart from the investments which are carried at fair value (note 7 and 8), there were no other financial instruments held by the Company that were measured at fair value.

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

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging);

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

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

As at 31 December 2020 and 31 December 2019, all financial instruments which are fair valued are Level 1 instruments except for investment in real estate fund and AlAhli Takaful discretionary portfolio which were Level 2 investments. The Company determines Level 2 fair values for these investments based on the net assets value of the respective funds as at the end of the reporting period. There are no transfers between Level 1, Level 2 and Level 3 during the year (2019: same).

c) Refer to note 7 for the fair value measurement of unit-linked investments and note 8 for details of the fair value measurements of FVIS investments.

26 RISK MANAGEMENT

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

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

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

Senior management
Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's Board authorised risk appetite parameters.

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

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

26 RISK MANAGEMENT (continued)

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

i) Insurance risk

Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of reserve for insurance activities. This is influenced by the frequency and amounts of claims paid and subsequent development of long term claims. Therefore, the objective of the Insurance Operations is to ensure that sufficient reserves are available to cover these liabilities. The Insurance Operations manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim.

Concentration of insurance risk
The Company's insurance risk exposure relating to contract holders is concentrated in the Kingdom of Saudi Arabia.

Key assumptions
The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risk, civil riots, etc. The Company manages these risks through conservative underwriting strategies and effective use of reinsurance arrangements.

Frequency and amount of claims
For individual life business, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/ consultants and comprehensive medical tests. The Company also assesses financial, lifestyle and occupational information to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For group life and group credit protection, the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, e.g. employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/ consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual life business and group credit protection portfolios are protected through an efficient reinsurance arrangement. This protects the Company from adverse mortality/morbidity experience.

Sensitivity of claims
Insurance claim liabilities are sensitive to the various assumptions mentioned above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. A hypothetical 5% change in the net claims ratio, with other variables held constant, would impact the net contribution earned after netting off the investible contributions for the year by approximately SR 2,821 thousand (2019: SR 2,374 thousand) in aggregate.

ii) Reinsurance risk

In common with other insurance companies, in order to minimise the financial exposure arising from large claims, the Company in normal course of business, enters into reinsurance arrangements with the reinsurers. Such reinsurance arrangements provide for greater diversification of business, allow the management to control exposure potential losses arising from large risk, and provide additional capacity for growth. All of the reinsurance is affected under treaty, Quota share and Surplus reinsurance contracts.

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

Reinsurers are selected using the following parameters and guidelines set by the Company’s management, COO and Reinsurance manager. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies not lower than (AA) or above.
- Reputation of particular reinsurance companies.
- Existing or past business relationship with the reinsurer.

26 RISK MANAGEMENT (continued)

ii) Reinsurance risk (continued)

The exception to this rule is in respect of local companies which do not carry any such credit rating. This, however, is limited to those companies registered and approved by the Local Insurance Regulators. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

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.

iii) Regulatory framework risk

The operations of the Company are 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 minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Company complied with the relevant regulations.

iv) Capital management (solvency) risk

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

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

As per guidelines laid out by SAMA in Article 67 of the Implementing Insurance Regulations, the Company is required to maintain a solvency margin equivalent to an aggregate of the minimum Capital requirement, 0.3% and 0.1% of capital at risk for individual life and group life policies respectively after certain deductions and subject to a cap of 50% of total Capital at risk. The Company complied with the relevant regulations.

v) Financial risk

The Company's principal financial instruments are cash and cash equivalents, unit-linked investments, FVIS investments, available-for-sale investments, contribution and reinsurance receivables, gross outstanding claims, reinsurance share of outstanding claims, accrued income, other receivables, due from Insurance Operations, reinsurance balances payable/ receivable, due to/from related parties, due to Shareholders' Operations and other payables. The Company does not enter into derivative transactions.

The main risks arising from the financial instruments of the Company are market price risk, foreign currency risk, commission rate risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below:

Market price risk
Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company is exposed to market risk with respect to their investments. The underlying investments of mutual funds and discretionary portfolios are in equities, Sukuks and Murabaha purchased in the local and international markets and the unit price of these investments is dependent on the movements in the market prices of underlying investments. The fund manager limits market risk by monitoring the developments in the relevant markets for these instruments.

26 RISK MANAGEMENT (continued)

v) Financial risk (continued)

Market price risk (continued)
A 5% increase/decrease in the value of FVIS investments of the Company, with all other variables held constant, would increase/decrease the statement of income by SR 14,419 thousand (2019: SR 15,826 thousand).

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Riyals and in US Dollars. The Saudi Riyal is pegged to the US Dollar so balances in US Dollar do not carry any significant foreign currency risk.

Commission rate risk
Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. As the Company does not have any commission bearing assets or liabilities, the Company is not exposed to commission rate risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting credit limits and monitoring outstanding receivables.

The Company issues unit linked policies. In unit linked business, the plan holder bears the investment risk on the assets held in the unit linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on the unit linked investments. The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2020	*2019*
	SR'000	*SR'000*
Cash at bank	**33,697**	19,603
Reinsurance share of outstanding claims	**31,779**	21,088
Contributions and reinsurance receivables	**22,036**	14,825
Other receivables	**10,729**	5,944
Receivables from employees	**984**	795
Accrued income	**345**	702
	99,570	62,957

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of the counterparties whose aggregate credit exposure is significant in relation to the Company's total exposure.

Currently credit risk of bank balance, contributions receivable concentrated in a major shareholder of a Company (National Commercial Bank) and its subsidiary.

Credit quality

Bank balances and contribution receivable are with major shareholder of the Company (National Commercial Bank) with an A+ credit rating assigned by an international credit rating agency. Unit-linked and FVIS investments are not rated.

26 RISK MANAGEMENT (continued)

v) Financial risk (continued)

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. All assets of the Company are current, except for furniture, fittings and office equipment, intangible assets and statutory deposit, which are non-current in nature.

The Company's financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties and other payables. All financial liabilities are non-interest bearing and are expected to be settled within 12 months from the date of statement of financial position.

27. EARNINGS PER SHARE

The basic earnings per share have been calculated by dividing the net income for the year after zakat and income tax attributable to the shareholders by the weighted average number of ordinary shares issued and outstanding at the year end. Diluted earnings per share is not applicable to the Company.

28. CONTINGENT LIABILITIES AND COMMITMENTS

As at the statement of financial position date, the Company had no contingent liabilities and commitments (2019: nil).

29 SUPPLEMENTARY INFORMATION

a) STATEMENT OF FINANCIAL POSITION

	Insurance operations SR'000	***Shareholders' operations SR'000***	***31 December 2020 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*31 December 2019 SR'000*
ASSETS						
Cash and cash equivalents	**33,700**	**13**	**33,713**	19,606	13	19,619
Contributions and reinsurance receivables, net	**21,483**	**-**	**21,483**	14,569	-	14,569
Reinsurance share of unearned contributions	**2,238**	**-**	**2,238**	2,107	-	2,107
Reinsurance share of outstanding claims	**31,779**	**-**	**31,779**	21,088	-	21,088
Reinsurance share of claims incurred but not reported	**16,979**	**-**	**16,979**	17,838	-	17,838
Unit-linked investments	**658,721**	**-**	**658,721**	671,674	-	671,674
Investments	**36,749**	**251,637**	**288,386**	71,050	245,478	316,528
Due from insurance operations	**-**	**416**	**416**	-	7,425	7,425
Accrued income	**345**	**-**	**345**	702	-	702
Prepayments and other assets	**7,613**	**4,285**	**11,898**	1,471	4,590	6,061
Furniture, fittings and office equipment	**3,487**	**-**	**3,487**	2,703	-	2,703
Intangible assets	**924**	**-**	**924**	852	-	852
Statutory deposit	**-**	**16,667**	**16,667**	-	16,667	16,667
Accrued income on statutory deposit	**-**	**2,187**	**2,187**	-	1,947	1,947
	814,018	**275,205**	**1,089,223**	823,660	276,120	1,099,780
Less: Inter-operations eliminations	**-**	**(416)**	**(416)**	-	(7,425)	(7,425)
TOTAL ASSETS	**814,018**	**274,789**	**1,088,807**	823,660	268,695	1,092,355

29 SUPPLEMENTARY INFORMATION (continued)

a) STATEMENT OF FINANCIAL POSITION (continued)

	Insurance operations SR'000	***Shareholders' operations SR'000***	***31 December 2020 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*31 December 2019 SR'000*
LIABILITIES						
Accrued expenses and other liabilities	**14,548**	**4,317**	**18,865**	17,116	2,860	19,976
Reinsurance balances payable	**12,216**	**-**	**12,216**	22,227	-	22,227
Unearned contributions	**3,669**	**-**	**3,669**	3,449	-	3,449
Technical Reserve for insurance operations	**681,540**	**-**	**681,540**	684,546	-	684,546
Outstanding claims	**55,102**	**-**	**55,102**	43,171	-	43,171
Claims incurred but not reported	**21,717**	**-**	**21,717**	22,891	-	22,891
Due to related parties	**273**	**-**	**273**	479	-	479
Due to shareholders' operations	**416**	**-**	**416**	7,425	-	7,425
Employee benefits	**2,802**	**-**	**2,802**	2,460	-	2,460
Surplus from insurance operations	**21,859**	**-**	**21,859**	20,184	-	20,184
Zakat and income tax	**-**	**18,623**	**18,623**	-	29,254	29,254
Dividends payable	**-**	**8**	**8**	-	8	8
Accrued income payable to SAMA	**-**	**2,187**	**2,187**	-	1,947	1,947
	814,142	**25,135**	**839,277**	823,948	34,069	858,017
Less: Inter-operations eliminations	**(416)**	**-**	**(416)**	(7,425)	-	(7,425)
TOTAL LIABILITIES	**813,726**	**25,135**	**838,861**	816,523	34,069	850,592
EQUITY						
Share capital	**-**	**166,667**	**166,667**	-	166,667	166,667
Statutory reserve	**-**	**31,499**	**31,499**	-	29,895	29,895
Retained earnings	**-**	**51,904**	**51,904**	-	45,489	45,489
Remeasurement reserve of employee benefit	**(124)**	**-**	**(124)**	(288)	-	(288)
TOTAL EQUITY	**(124)**	**250,070**	**249,946**	(288)	242,051	241,763
TOTAL LIABILITIES AND EQUITY	**813,602**	**275,205**	**1,088,807**	816,235	276,120	1,092,355

29 SUPPLEMENTARY INFORMATION (continued)

b) STATEMENT OF INCOME

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2020 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2019 SR'000*
REVENUES						
Gross contributions written	**248,234**	**-**	**248,234**	238,841	-	238,841
Reinsurance contributions ceded:						
Local	**-**	**-**	**-**	-	-	-
Foreign	**(61,950)**	**-**	**(61,950)**	(42,183)	-	(42,183)
Net contributions written	**186,284**	**-**	**186,284**	196,658	-	196,658
Change in unearned contributions, net	**(89)**	**-**	**(89)**	445	-	445
Net contributions earned	**186,195**	**-**	**186,195**	197,103	-	197,103
Investment fund fee	**4,896**	**-**	**4,896**	5,062	-	5,062
TOTAL REVENUES	**191,091**	**-**	**191,091**	202,165	-	202,165
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(77,777)**	**-**	**(77,777)**	(93,766)	-	(93,766)
Reinsurance share of claims paid	**61,095**	**-**	**61,095**	68,798	-	68,798
Net claims paid	**(16,682)**	**-**	**(16,682)**	(24,968)	-	(24,968)
Changes outstanding claims	**(1,240)**	**-**	**(1,240)**	4,102	-	4,102
Changes in claims incurred but not reported, net	**315**	**-**	**315**	2,144	-	2,144
Net claims incurred	**(17,607)**	**-**	**(17,607)**	(18,722)	-	(18,722)
Investible contributions, net	**(129,772)**	**-**	**(129,772)**	(149,627)	-	(149,627)
Changes in technical reserves, net	**(290)**	**-**	**(290)**	2,110	-	2,110
Policy acquisition costs	**(3,763)**	**-**	**(3,763)**	(2,394)	-	(2,394)
Other underwriting expenses	**(1,241)**	**-**	**(1,241)**	(1,194)	-	(1,194)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(152,673)**	**-**	**(152,673)**	(169,827)	-	(169,827)
NET UNDERWRITING INCOME	**38,418**	**-**	**38,418**	32,338	-	32,338

29 SUPPLEMENTARY INFORMATION (continued)

b) STATEMENT OF INCOME (continued)

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2020 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2019 SR'000*
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	**(297)**	**-**	**(297)**	(196)	-	(196)
General and administration expenses	**(27,344)**	**(7,258)**	**(34,602)**	(24,869)	(8,221)	(33,090)
Unrealised gain on FVIS investment	**699**	**6,159**	**6,858**	1,356	11,359	12,715
Realised gain on FVIS investments	**11**	**37**	**48**	249	45	294
Other income	**5,261**	**45**	**5,306**	2,859	-	2,859
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	**(21,670)**	**(1,017)**	**(22,687)**	(20,601)	3,183	(17,418)
NET SURPLUS/(DEFICIT) FROM OPERATIONS	**16,748**	**(1,017)**	**15,731**	11,737	3,183	14,920
Surplus transferred to shareholders	**(15,073)**	**15,073**	**-**	(10,563)	10,563	-
NET INCOME FOR THE YEAR BEFORE ZAKAT AND TAX	**1,675**	**14,056**	**15,731**	1,174	13,746	14,920
Zakat	**-**	**(6,037)**	**(6,037)**	-	(6,143)	(6,143)
Income tax	**-**	**-**	**-**	-	(265)	(265)
NET INCOME FOR THE YEAR AFTER ZAKAT AND TAX	**1,675**	**8,019**	**9,694**	1,174	7,338	8,512
Weighted averages number of ordinary shares outstanding (in thousands)		**16,667**			16,667	
Basic earnings per share for the year (SR) after zakat and tax		**0.48**			0.44	

29 SUPPLEMENTARY INFORMATION (continued)

c) STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2020 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2019 SR'000*
NET INCOME FOR THE YEAR	**1,675**	**8,019**	**9,694**	1,174	7,338	8,512
Other comprehensive income:						
Items that will not be reclassified to statement of income in subsequent years						
Actuarial gains / (losses) on employee benefit	**164**	**-**	**164**	(312)	-	(312)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,839**	**8,019**	**9,858**	862	7,338	8,200
Reconciliation:						
Less: Net income attributable to insurance operations			**(1,675)**			(1,174)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**8,183**			7,026

29 SUPPLEMENTARY INFORMATION (continued)

d) STATEMENT OF CASH FLOWS

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2020 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2019 SR'000*
OPERATING ACTIVITIES						
Net income for the year attributable to shareholders before zakat and income tax	**-**	**14,056**	**14,056**	-	13,746	13,746
Adjustments for the year:						
Net income attributed to the insurance operations	**1,675**	**-**	**1,675**	1,174	-	1,174
Depreciation	**771**	**-**	**771**	822	-	822
Amortization of intangible assets	**431**	**-**	**431**	1,827	-	1,827
Provision for employee benefits	**634**	**-**	**634**	645	-	645
Allowance for doubtful debts	**297**	**-**	**297**	196	-	196
Unrealised gain on re-measurement of FVIS investments	**(699)**	**(6,159)**	**(6,858)**	(1,356)	(11,359)	(12,715)
Income before changes in operating assets and liabilities	**3,109**	**7,897**	**11,006**	3,308	2,387	5,695
Changes in operating assets and liabilities:						
Unit-linked investments	**12,953**	**-**	**12,953**	(24,599)	-	(24,599)
Contributions and reinsurance receivables	**(7,211)**	**-**	**(7,211)**	59,308	-	59,308
Prepayments and other assets	**(6,142)**	**305**	**(5,837)**	(561)	(7)	(568)
Accrued income	**357**	**-**	**357**	(273)	-	(273)
Reinsurance share of unearned contributions	**(131)**	**-**	**(131)**	1,080	-	1,080
Unearned contributions	**220**	**-**	**220**	(1,525)	-	(1,525)
Reinsurance share of outstanding claims	**(10,691)**	**-**	**(10,691)**	19,602	-	19,602
Reinsurance share of claims incurred but not reported	**859**	**-**	**859**	8,676	-	8,676
Technical reserve for insurance operations	**(3,006)**	**-**	**(3,006)**	30,321	-	30,321
Claims incurred but not reported	**(1,174)**	**-**	**(1,174)**	(10,820)	-	(10,820)
Outstanding claims	**11,931**	**-**	**11,931**	(23,704)	-	(23,704)
Reinsurance balances payable	**(10,011)**	**-**	**(10,011)**	(24,162)	-	(24,162)
Due to shareholders' operations	**(7,009)**	**-**	**(7,009)**	536	-	536
Due from insurance operations	**-**	**7,009**	**7,009**	-	(536)	(536)
Due to related parties	**(206)**	**-**	**(206)**	(1,870)	-	(1,870)
Accrued expenses and other liabilities	**(2,568)**	**1,457**	**(1,111)**	(14,714)	(1,034)	(15,748)
Accrued income on statutory deposit	**-**	**(240)**	**(240)**	-	(483)	(483)
Accrued income payable to SAMA	**-**	**240**	**240**	-	483	483
Cash (used in) / from operations	**(18,720)**	**16,668**	**(2,052)**	20,603	810	21,413
Zakat and income tax paid, net	**-**	**(16,668)**	**(16,668)**	-	(1,014)	(1,014)
End-of-service benefits paid	**(128)**	**-**	**(128)**	(306)	-	(306)
Net cash (used in) / from operating activities	**(18,848)**	**-**	**(18,848)**	20,297	(204)	20,093

29 SUPPLEMENTARY INFORMATION (continued)

d) STATEMENT OF CASH FLOWS (continued)

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2020 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2019 SR'000*
INVESTING ACTIVITIES						
Purchase of furniture, fittings and office equipment	**(1,566)**	**-**	**(1,566)**	(1,813)	-	(1,813)
Additions to intangible assets	**(492)**	**-**	**(492)**	(332)	-	(332)
Redemption of FVIS investments	**60,000**	**-**	**60,000**	-	-	-
Purchase of FVIS investments	**(25,000)**	**-**	**(25,000)**	(15,000)	(2,200)	(17,200)
Net cash from / (used in) investing activities	**32,942**	**-**	**32,942**	(17,145)	(2,200)	(19,345)
Net increase / (decrease) in cash and cash equivalents	**14,094**	**-**	**14,094**	3,152	(2,404)	748
Cash and cash equivalents at the beginning of the year	**19,606**	**13**	**19,619**	16,454	2,417	18,871
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**33,700**	**13**	**33,713**	19,606	13	19,619

30 COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the in the current year presentation and there is no impact on Statement of Changes in Equity or Statement of Income as a result of this reclassification.

31 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 15 March 2021, corresponding to 2 Sha'aban 1442H.