ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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

Aldar Audit Bureau
Abdullah Al-Basri & Co
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INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATMENTS TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Alinma Tokio Marine Company, a Saudi Joint Stock Company (the "Company"), which comprise of statement of financial position as at 31 December 2019 and the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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 the matter below, a description of how our audit addressed the matter is provided in that context:

Aldar Audit Bureau
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INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATMENTS TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY (A SAUDI JOINT STOCK COMPANY) – CONTINUED

Key Audit Matters (Continued)

Key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts

As at 31 December 2019, outstanding claims and claims incurred but not reported (IBNR) amounted to SR 172.77 million (2018: SR 97.70 million) and SR 31.89 million (2018: SR 28.71 million), respectively, as reported in note 8.2 to the financial statements.

The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs.

In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

We considered this as a key audit matter since use of management assumptions and judgments could result in material over / understatement of the Company's profitability.

The Company's policies for claims related estimates and judgments and accounting policies are disclosed in notes 2 and 3, respectively, to the financial statements. Liabilities for outstanding claims including IBNR and claims incurred, claims development table have been disclosed in note 8 and 28, respectively, to the financial statements. The Company's approach to claim related risk management has been disclosed in note 26 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 25 to the financial statements.

How our audit addressed the key audit matter

We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.

We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the Company.

In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.

In order to assess management's methodologies and assumptions, we were assisted by our actuaries to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the Company's actuarial report, our actuaries performed the following:

- evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences;
- assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and
- reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

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

Other information included in the Company's 2019 Annual Report

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

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;

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

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

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

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

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

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

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

For Al-Bassam & Co.
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Certified Accountants
Abdullah Al Basri & Co

22 March 2020
27 Rajab 1441

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Note	2019	2018
		SAR' 000	SAR' 000
ASSETS			
Cash and cash equivalents	*4*	219,182	52,710
Investments	*5*	39,823	51,798
Premiums and reinsurance receivables, net	*7*	73,111	96,325
Reinsurers' share of unearned premiums	*8.1*	58,844	39,641
Reinsurers' share of outstanding claims	*8.2*	137,583	62,992
Reinsurers' share of incurred but not reported claims	*8.2*	15,204	16,700
Deferred policy acquisition costs	*9*	8,171	8,613
Prepayments and other assets	*10*	13,580	7,026
Due from related parties	*14*	206	846
Murabaha deposits	*6*	96,728	165,998
Statutory deposit	*11*	45,000	45,000
Property and equipment	*12*	7,076	8,549
Intangible assets	*13*	5,439	3,696
Right of use assets	*3*	6,140	-
Unit linked investments	*8.4*	35,941	18,768
TOTAL ASSETS		762,028	578,662
LIABILITIES			
Outstanding claims	*8.2*	172,767	97,703
Incurred but not reported claims	*8.2*	31,895	28,706
Other reserves	*8.2*	1,838	874
Premium deficiency reserves	*8.3*	4,487	2,075
Unearned premiums	*8.1*	107,765	80,827
Reinsurance balances payable		36,559	44,998
Unearned reinsurance commission		7,878	7,070
Accrued expenses and other liabilities	*15*	137,978	41,345
Lease liabilities	*3*	5,439	-
Due to related party	*14*	66	205
Zakat and income tax payable	*16*	5,979	5,586
Unit linked liabilities	*8.4*	35,941	18,768
Mathematical reserve	*8.5*	688	-
Retirement benefit obligations	*17*	5,698	5,507
TOTAL LIABILITIES		554,978	333,664
EQUITY			
Issued, authorised and paid up share capital	*18*	300,000	300,000
Accumulated losses		(92,604)	(54,373)
Remeasurement of retirement benefit obligation	*17*	(346)	(629)
TOTAL EQUITY		207,050	244,998
TOTAL LIABILITIES AND EQUITY		762,028	578,662
CONTINGENCIES AND COMMITMENTS	*24*	-	-

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

Director | Chief Financial Officer | Chief Executive Officer

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME

For the year ended 31 December

	Note	2019 SAR' 000	2018 SAR' 000 (Restated)
REVENUES			
Gross premiums written	*8.1*	331,141	353,591
- Corporate		178,173	233,729
- Medium business		73,649	75,713
- Small business		33,147	27,780
- Very small business		9,434	1,229
- Retail		36,738	15,140
Fee income from insurance contracts	*8.1*	30	75
Reinsurance premiums ceded			
- Local		(4,202)	(9,319)
- Foreign		(151,430)	(139,722)
Excess of loss expenses		(6,258)	(7,877)
Net premiums written		169,281	196,748
Changes in unearned premiums	*20*	(26,938)	(4,689)
Changes in reinsurers' share of unearned premiums	*20*	19,203	9,344
Net premiums earned		161,546	201,403
Reinsurance commission earned		24,123	22,904
Other underwriting income		2,284	2,188
Total revenues		187,953	226,495
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(243,553)	(199,214)
Surrenders		(1,918)	(993)
Reinsurers' share of claims paid		136,220	62,607
Net claims and other benefits paid		(109,251)	(137,600)
Changes in outstanding claims		(75,064)	44,752
Changes in reinsurers' share of outstanding claims		74,591	(65,962)
Changes in incurred but not reported claims		(3,189)	10,515
Changes in reinsurers' share of incurred but not reported claims		(1,496)	(1,456)
Changes in other reserves		(964)	983
Changes in reinsurers' share of other reserves		-	(905)
Changes in premium deficiency reserves		(2,412)	(2,075)
Net claims and other benefits incurred		(117,785)	(151,748)
Changes in unit linked reserves		(17,173)	(10,368)
Changes in mathematical reserves		(688)	-
Policy acquisition costs	*9*	(30,496)	(30,299)
Other underwriting expenses		(1,715)	(1,824)
Total underwriting costs and expenses		(167,857)	(194,239)
NET UNDERWRITING INCOME		20,096	32,256
OTHER (EXPENSES) / INCOME			
General and administrative expenses	*21*	(59,512)	(62,300)
Provision for doubtful receivables	*7*	(3,465)	(9,628)
Loss on disposal of property and equipment		-	(37)
Unrealized gain on unit linked investments		151	512
Unrealized gain on investments	*22*	1,307	2,149
Realized gain on investments	*22*	7,392	5,302
Total operating expenses, net		(54,127)	(64,002)
Total loss for the year before zakat		(34,031)	(31,746)
Zakat for the year	16	(4,200)	(5,400)
Net loss for the year		(38,231)	(37,146)
Loss per share (SR) - restated	*23*	(1.27)	(1.24)

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

Director | Chief Financial Officer | Chief Executive Officer

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2019	2018
		SAR' 000	SAR' 000
			(Restated)
Net loss for the year		(38,231)	(37,146)
Other comprehensive loss:			
Items that will not be reclassified to statement of income in subsequent years			
- Actuarial gain / (loss) on remeasurement of retirement benefit obligations	*17*	283	(304)
Total comprehensive loss for the year		**(37,948)**	(37,450)
Total comprehensive income / (loss) for the year attributed to insurance operations		**283**	(304)
Total comprehensive loss for the year attributed to shareholders		**(38,231)**	(37,146)

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

Director	**Chief Financial Officer**	**Chief Executive Officer**

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Note	Share capital	Accumulated losses	Remeasurement of retirement benefit obligations	Total
		SAR'000	SAR'000	SAR'000	SAR'000
2019					
Balance as at 31 December 2018	18	300,000	(54,373)	(629)	244,998
Total comprehensive loss for the year		-	(38,231)	-	(38,231)
Actuarial loss on remeasurement of retirement benefit obligations		-	-	283	283
Balance as at 31 December 2019		300,000	(92,604)	(346)	207,050
2018					
Balance as at 31 December 2017	18	300,000	(17,227)	(325)	282,448
Total comprehensive loss for the year (Restated)		-	(37,146)	-	(37,146)
Actuarial loss on remeasurement of retirement benefit obligations		-	-	(304)	(304)
Balance as at 31 December 2018		300,000	(54,373)	(629)	244,998

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

Director

Chief Financial Officer

Chief Executive Officer

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
For the year ended 31 December

	Note	2019	2018
		SAR' 000	
CASH FLOWS FROM OPERATING ACTIVITIES			(Restated)
Net loss for the year		(38,231)	(37,146)
Adjustments for non cash items:			
Depreciation and amortisation	12, 13	4,186	2,874
Depreciation of right to use assets	3	1,208	-
Financing cost on lease liabilities		261	-
Provision for doubtful receivables	7	3,465	9,628
Loss on disposal of property and equipment		-	37
Realized gain on investments held as FVSI	22	(801)	(2,039)
Unrealized gain on investment held as FVSI	22	(686)	(789)
Provision for retirement benefit obligations	17	1,537	1,458
Provision for zakat	16	4,200	5,400
		(24,861)	(20,577)
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		19,749	20,437
Reinsurers' share of unearned premiums		(19,203)	(9,344)
Reinsurers' share of outstanding claims		(74,591)	65,962
Reinsurers' share of claims incurred but not reported		1,496	1,456
Reinsurers' share of other reserves		-	905
Deferred policy acquisition costs		442	(1,084)
Prepayments and other assets		(6,554)	7,720
Due from / (to) related parties		501	(708)
Unit linked investments		(17,173)	(10,368)
Outstanding claims		75,064	(44,752)
Claims incurred but not reported		3,189	(10,515)
Other reserves		964	(983)
Premium deficiency reserves		2,412	2,075
Mathematical reserves		688	-
Unearned premiums		26,938	4,689
Reinsurance balances payable		(8,439)	(16,392)
Unearned reinsurance commission		808	409
Accrued expenses and other liabilities		96,633	(9,569)
Lease liabilities		6,626	-
Unit linked liabilities		17,173	10,368
Cash generated from / (used in) operations		101,862	(10,271)
Retirement benefit obligations paid	17	(1,063)	(528)
Zakat and income tax paid	16	(3,807)	(4,838)
Net cash generated from / (used in) operating activities		96,992	(15,637)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity / (purchase) of murabaha deposits		69,270	(165,998)
Purchase of investments	5	(141,810)	(160,500)
Proceeds from disposal of investments	5	147,298	294,290
Proceeds from redemption of sukuk		7,974	737
Purchase of property and equipment	12	(1,313)	(5,419)
Purchase of intangible assets	13	(3,143)	(2,628)
Right of use assets		(7,348)	-
Proceeds from disposal of property and equipment		-	2
Net cash generated from / (used in) investing activities		70,928	(39,516)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments during the year		(1,448)	-
Net cash generated from / (used in) all activities		166,472	(55,153)
Cash and cash equivalents at the beginning of the year		52,710	107,863
Cash and cash equivalents at the end of the year	4	219,182	52,710
Non cash transactions			
Actuarial loss on remeasurement of retirement benefit obligations	17	(283)	304

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

Director   Chief Financial Officer   Chief Executive Officer

1 GENERAL

Alinma Tokio Marine Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 309/Q dated 19 Rajab 1433H (corresponding to 9 June 2012). The Commercial Registration number of the Company is 1010342527, dated 28 Rajab 1433H (corresponding to 18 June 2012). The Company is listed on the Saudi Arabian Stock Exchange ("Tadawul") since 24 June 2012. The Registered address of the Company's head office is as follows:

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

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

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

2 BASIS OF PREPARATION

2.1 Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in Kingdom of Saudi Arabia (KSA) by Saudi Organization for Certified Public Accountants (SOCPA), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws.

Previously financial statements were prepared in accordance with IFRS as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax, and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). As per Circular no. 2019/23099 dated 26 shaban 1440H, (corresponding to 1 May 2019) SAMA instructed the Insurance Companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRSs and its interpretations as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 - Accounting Policies Changes in Accounting Estimates and Errors and the effects of this change is disclosed in note 16 to the financial

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

2 BASIS OF PREPARATION (Continued)

2.1 Basis of presentation and measurement (Continued)

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investment held as FVSI. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Property and Equipment, Intangible Assets, Right to use assets, Unit linked Investments, Statutory Deposit, Murabaha Deposits maturing over one year, Available for sale investments, Held to maturity investments, retirement benefit obligations and unit linked liabilities. All other financial statement line items would generally be classified as current.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and present same supplementary information in the financial statements (note 30). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 29 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

The Company has accumulated losses as at 31 December 2019 which are 30.87% (31 December 2018: 18.12%) of the share capital. The reason for these losses is high expense ratio and deterioration in loss ratio. The Board of Directors has approved a business plan on 16 December 2019. The plan is based on increase in topline and control over expenses and loss ratios. The plan demonstrates that the Company will be able to continue as a going concern for foreseeable future.

2.2 Functional and presentation currency

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

2.3 Fiscal year

The Company follows a fiscal year ending December 31.

2 BASIS OF PREPARATION (Continued)

2.4 Critical accounting judgement, estimates and assumptions

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

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

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

2.4.1 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2.4.2 Impairment of financial assets

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

2.4.3 Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

2 BASIS OF PREPARATION (Continued)

2.4 Critical accounting judgement, estimates and assumptions (Continued)

2.4.4 Fair value of financial instruments

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

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

2.4.5 Useful lives of property and equipment

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

2.5 Provision for zakat

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

2.6 Retirement benefit obligations

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

2.7 Deferred Tax

Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2019 since the Company does not anticipate availability of future taxable profit to utilize any tax credits. The amount of deferred tax asset as at 31 December 2019 is estimated to be SAR 2.25 Million (31 December 2018: SAR 2.21

2.8 Contingencies

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

2 BASIS OF PREPARATION (Continued)

2.9 Premium deficiency reserves

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

The adjustment of deferred acquisition cost and unearned reinsurance commission income is taken at actual using the reserves as aside at the valuation date.

2.10 Other reserves

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Standards adopted during the year

IFRS 16 - Leases

The Company has initially adopted IFRS 16 - Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items, Lessor accounting remains similar to the current standard (IAS 17 Leases) - i.e. lessors continue to classify leases as finance or operating leases. Refer note 29 for impact on Financial Statements and detialed disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

Overview

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

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

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

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

Measurement

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective

ii. and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

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

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

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

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

Effective date

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective

Transition

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

Presentation and Disclosures

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

Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

Financial Impact

A detailed financial impact assessment (FIA) is presently in progress as per SAMA requirements with due date of 31 March 2020. A few gaps identified during gap assessment phase include:-

a) On a financial year basis, the combined ratio of the Company is 109%. It means that Company could have a significant portion of contracts that are onerous at initial recognition or have a significant probability of becoming onerous. Such groups of onerous contracts should be defined and managed separately from profitable portfolios. A loss from onerous insurance contracts is immediately recognized in profit or loss. That will lead to an increase in recognized losses in the period.

b) Risk adjustment should be done for the incurred claims liability calculation. It will affect all LoB's. The methodology for risk adjustment should be chosen, taking into account insurance portfolios' features.

c) An adjustment should be done for the discounting for the incurred claims liability calculation. For LoB's, that have short expected duration to the settlement of claims for these LoB's, the discounting factor will have no material impact on the claims severity in respect of incurred claims, but the impact will be significant for LoB's with long tails. The methodology for discount rates should be chosen, taking into account insurance portfolios' features.

d) There are significant changes in measurement methodology for unit-linked products. Actuarial model should be developed for VFA application.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective

Data Impact

a) Addition of data attributes to include Profit and loss VS other Comprehensive income identification.
b) Store both the locked-in inception rate and the current rate in the data base.
c) New functionality required for actuarial database.
d) Any existing spreadsheet data models will be revised to support IFRS 17 discounting calculations.
e) Delivering IFRS 17 compliant chart of accounts by Jan 1 2021 for parallel run.

Impact on information technology systems

a) A new system solution is needed to produce IFRS 17 discounted cash flows.
b) Enable multiple calculations for both locked-in and current discount rates.
c) A process / flag will be required to reclassify finance cost in other comprehensive income for settled liabilities to profit and loss.
d) Develop a CSM (if applicable) calculation model.
e) A new interface will be built to the G/L.
f) New general ledger accounts will be setup to capture discounting financial entries in profit and loss and other comprehensive income.

Process impact

a) Current processes need to be enhanced to include the IFRS 17 basis in the reconciliation process.
b) Financial planning process will need to accommodate discounted IFRS 17.
c) A new process will be required to create, review, and maintain levels of aggregation in the system
d) New calculation engine that will be used to calculate IFRS 17 cash flows.
e) Set up new cost allocation process in finance systems.
f) Deliver IFRS 17 processes and systems by 1 January 2021 for parallel run.

Impact on reinsurance arrangements

a) A process will be developed that monitors and tests multi-year reinsurance policies for PAA eligibility.
b) The impact of the outward reinsurance should be estimated and disclosed separately using the appropriate methodology that depends on the features of the reinsurance contracts. Since company has different types of reinsurance contracts, each of reinsurance treaties should be estimated separately.
c) The assumptions used for measurement of reinsurance contracts held should be consistent with the assumptions used for measurement of the underlying insurance contracts.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective

Impact on policies and control frameworks

a) A new accounting policy will be required.
b) Determine new relevant IFRS 17 metrics and key performance indicators.
c) Rigorous controls around data inputs and outputs into the CSM (if applicable) spreadsheet solution will need to be developed and enforced.
d) New controls designed for the IFRS 17 process.
e) Periodic reviews of the expense base.
f) Performance of the onerous contracts test with new set of controls (financial and actuarial).

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

IFRS 9 – Financial Instruments

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

Classification and measurement

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective

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

Hedge accounting

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

Effective date

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

a) apply a temporary exemption from implementing IFRS 9 until the earlier of
   i. the effective date of a new insurance contract standard; or
   ii. annual reporting periods beginning on or after January 1, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

b) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective

The Company has performed a detailed assessment beginning Jan 01, 2017: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SAR 407 million and SAR 322 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SAR 292 million (2018: SAR 149 million). Fair value of unit linked investments held at fair value through statement of income as at December 31, 2019 is SAR 36 million (2018: SAR 19 million). Other financial assets consist of available for sale investments amounting to SAR 2 million (2018: SAR 2 million). The Company expect to use the Fair Value of Other Comprehensive Income (FVOCI) classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. As at December 31, 2019 these debt securities are measured at fair value of SAR 33 million with changes in fair value during the year of SAR 1 million. Other financial assets have a fair value of SAR 2 million as at December 31, 2019 with a fair value change during the year of SAR Nil. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 26. The Company financial assets have low credit risk as at December 31, 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the

3.3 Cash and cash equivalents

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

3.4 Cash flow statement

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment of financial assets

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

Evidence of impairment may include:

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

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:
- For assets carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Impairment of financial assets (Continued)

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

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

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

3.6 Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other expenses / income - net" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 7 fall under the scope of IFRS 4 "Insurance contracts". Receivables are also analyzed as per the ageing and accordingly provision is maintained on a systematic basis.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Reinsurance

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 3.15 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position - insurance operations' representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred.

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

3.8 Foreign currencies

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

3.9 Provisions, accrued expenses and other liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Investments

3.10.1 Available-for-sale investments (AFS)

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the statement of income under "Realized gain / (loss) on investments."

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Investments (Continued)

3.10.2 Held as Fair Value thorough Statement of Income (FVSI)

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

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

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as income from FVSI financial instruments in the statement of income.

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

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

- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

3.10.3 Held to Maturity (HTM)

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Investments (Continued)

3.10.3 Held to Maturity (Continued)

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

3.11 Property and Equipment

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

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

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

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

3.11.1 Intangible assets

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

3.11.1.1 Capital work-in-progress

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Impairment of non-financial assets

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

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

3.13 Retirement benefit obligation

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

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

Past service cost are recognised in statement of income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date the Company recognizes related restructuring costs

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income under general and administrative expenses:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non routine
- Net special commission expense or income

3.14 Insurance contracts

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk is significantly reduced subsequently unless all rights and liabilities are extinguished or expired.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Liability adequacy test

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

3.16 Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a monthly basis.

Change in the accounting for zakat and income tax

As mentioned above, the basis of preparation has been changed for the year ended 31 December 2019 as a result of the issuance of latest instructions from SAMA dated 1 May 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 1 May 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 16 to the financial statements. The change has resulted in reduction of reported income of the Company for the year ended 31 December 2019 by SAR 4.2 million. The change has had no impact on the statement of cash flows for the year ended 31 December 2019.

Zakat

Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Deferred tax

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

Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2019 since the Company does not anticipate availability of future taxable profit to utilize any tax credits. The deferred tax liability has not been recorded since there are no temporary taxable differences.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Revenue recognition

Recognition of premium and commission revenue

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

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

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

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

3.18 Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of

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

3.19 Salvage and subrogation reimbursement

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

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the third party.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Deferred policy acquisition costs

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

3.21 Offsetting

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

3.22 Trade date accounting

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

3.23 De-recognition of financial instruments

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

3.24 Surrenders and maturities

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Operating segments

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

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

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

3.25 Fair values

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

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

3.25 Subsequent event

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses, economic activity and increase in insurance claims mainly relating to the medical line of business in those jurisdictions. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the reserving of IBNR will be considered into the Company's estimates of future ultimate claim liability in 2020.

4 CASH AND CASH EQUIVALENTS

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Cash in hand	45	-	45	40	-	40
Cash at banks – current accounts	133,736	11,244	144,980	51,330	1,340	52,670
Short term murabah deposits	50,000	24,157	74,157	-	-	-
Total	183,781	35,401	219,182	51,370	1,340	52,710

Cash at bank includes an amount of SAR 76.18 million (2018: SAR 45.32 million) held with Alinma Bank, a related party.

5 INVESTMENTS

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

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Available for sale investments	-	1,923	1,923	-	1,923	1,923
Investments at fair value through statement of income (FVSI)	240	32,660	32,900	411	36,490	36,901
Investments at held to maturity	-	5,000	5,000	-	12,974	12,974
Total	240	39,583	39,823	411	51,387	51,798

The movement during the year is as follows:

5.1 Available for sale investments

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning and end	-	1,923	1,923	-	1,923	1,923

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

5 INVESTMENTS (continued)

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

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	411	36,490	36,901	46,436	121,427	167,863
Purchases	139,600	2,210	141,810	119,500	41,000	160,500
Disposals	(140,245)	(7,053)	(147,298)	(166,218)	(128,072)	(294,290)
Realised gain	470	331	801	692	1,347	2,039
Unrealised gain	4	682	686	1	788	789
Balance at the end	240	32,660	32,900	411	36,490	36,901

5.3 Investments at held to maturity

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	12,974	12,974	-	13,711	13,711
Redemptions	-	(7,974)	(7,974)	-	(737)	(737)
Balance at the end	-	5,000	5,000	-	12,974	12,974

Investments held to maturity have a tenure of ten years with quarterly partial redemptions, yielding an average profit rate of SIBOR (3M) + 2.125% per annum. (2018: SIBOR(3M) +2.125% per annum)

6 MURABAHA DEPOSITS

Investment in Murabaha Deposits

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	165,998	165,998	-	91,705	91,705
Purchased during the year	-	274,419	274,419	-	399,803	399,803
Matured during the year	-	(343,689)	(343,689)	-	(325,510)	(325,510)
Balance at the end	-	96,728	96,728	-	165,998	165,998

Murabaha deposits represents deposits with local and foreign banks that have investment grade credit ratings and have an original maturity of more than three months to 2 years from the date of acquisition, yielding an average profit rate of 3.73% per annum (2018: 3.65% per annum).

7 PREMIUMS AND REINSURANCE RECEIVABLES - NET

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Policyholders	63,963	-	63,963	92,948	-	92,948
Related party (note 14)	7,463	-	7,463	5,010	-	5,010
Reinsurance receivables	32,041	-	32,041	25,258	-	25,258
	103,467	-	103,467	123,216	-	123,216
Provision for doubtful receivables	(30,356)	-	(30,356)	(26,891)	-	(26,891)
	73,111	-	73,111	96,325	-	96,325

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

The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest customers accounts for 31% (December 31, 2018: 66%) of the premiums receivable as at 31 December 2019.

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

Movement in the provision for doubtful receivables is as follows:

	31 December 2019	31 December 2018
	SR'000	SR'000
Balance at the beginning	26,891	17,263
Provided during the year	3,465	9,628
Balance at the end	30,356	26,891

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

Policyholders' and reinsurance receivable

	Neither past due nor impaired	Past due but not impaired				Past due and impaired	Total
		Up to 3 months	3 to 6 months	6 to 12 months	Above 12 months		
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
2019	930	35,307	11,362	24,004	24,401	(28,971)	67,033
2018	10,785	43,913	26,211	19,233	18,065	(26,634)	91,573

Related party

	Neither past due nor impaired	Past due but not impaired				Past due and impaired	Total
		Up to 3 months	3 to 6 months	6 to 12 months	Above 12 months		
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
2019	-	5,993	95	6	1,369	(1,385)	6,078
2018	2,272	1,383	1,187	91	76	(257)	4,752

8 TECHNICAL RESERVES

8.1 MOVEMENT IN UNEARNED PREMIUMS

	As at 31 December 2019			As at 31 December 2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
		SAR'000			SAR'000	
Balance at the beginning	**80,827**	**(39,641)**	**41,186**	76,138	(30,297)	45,841
Premiums written	**331,141**	**(161,890)**	**169,251**	353,591	(156,918)	196,673
Policy fee	**30**	-	**30**	75	-	75
Premiums earned	**(304,233)**	**142,687**	**(161,546)**	(348,977)	147,574	(201,403)
Balance at the end	**107,765**	**(58,844)**	**48,921**	80,827	(39,641)	41,186

8.2 NET OUTSTANDING CLAIMS AND RESERVES

	As at 31 December 2019	As at 31 December 2018
	SAR'000	SAR'000
Outstanding claims	**182,078**	107,239
Less: Realizable value of salvage and subrogation	**(9,311)**	(9,536)
	172,767	97,703
Claims incurred but not reported	**31,895**	28,706
Other reserves	**1,838**	874
Premium deficiency reserves	**4,487**	2,075
	210,987	129,358
Less:		
Reinsurers' share of outstanding claims	**(137,583)**	(62,992)
Reinsurers' share of claims Incurred but not reported	**(15,204)**	(16,700)
	(152,787)	(79,692)
Net outstanding claims and reserves	**58,200**	49,666

8 TECHNICAL RESERVES (Continued)

8.3 PREMIUM DEFICIENCY RESERVES

The Company has created a provision in respect of premium deficiency reserves ('PDR') for its medical and motor line of businesses amounting to SAR 4.3 million (2018: SAR 0.8million) and SAR 0.1 million (2018: SAR 1.3million) respectively. The PDR has been created with respect to additional reserve required to cover expected claims not initially built in the premium. The Company expected this provision based on the assumption that the unearned premiums will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of policies in force at the date of statement of financial position.

8.4 UNIT LINKED INVESTMENTS AND LIABILITIES

Unit Linked Assets Movement

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	18,768	-	18,768	8,400	-	8,400
Purchased during the year	17,938	-	17,938	12,662	-	12,662
Sold during the year	(915)	-	(915)	(2,806)	-	(2,806)
	35,791	-	35,791	18,256	-	18,256
Net changes in fair values of investments	150		150	512		512
Balance at the end	35,941	-	35,941	18,768	-	18,768

Unit Linked Liabilities Movement

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	18,768	-	18,768	8,400	-	8,400
Additions during the year	17,023	-	17,023	9,856	-	9,856
	35,791	-	35,791	18,256	-	18,256
Net changes in fair values of investments	150		150	512		512
Balance at the end	35,941	-	35,941	18,768	-	18,768

8 TECHNICAL RESERVES (Continued)

8.5 MATHEMATICAL RESERVE

During the year ended 31 December 2019 the Company has recorded a mathematical reserve of SAR 0.69 million (2018: Nil), pertaining to individual life segment. The reserve is calculated based on the present value of future asumed expenses less the present value of future income arising from charges on all individual life policies.

9 MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS

	As at 31 December 2019 SAR'000	As at 31 December 2018 SAR'000
Balance at the beginning	8,613	7,529
Incurred during the year	30,054	31,383
Amortized during the year	(30,496)	(30,299)
Balance at end	8,171	8,613

10 PREPAYMENTS AND OTHER ASSETS

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Prepayments	4,457	133	4,590	1,461	154	1,615
Bank guarantees	2,384	-	2,384	2,284	-	2,284
Other receivables	3,745	-	3,745	1,767	-	1,767
Accrued income	5	2,856	2,861	-	1,360	1,360
	10,591	2,989	13,580	5,512	1,514	7,026

11 STATUTORY DEPOSIT

	31 December 2019 SAR' 000	31 December 2018 SAR' 000
Statutory deposit	45,000	45,000

In accordance with the Saudi Arabian Implementing Regulations issued by SAMA, the Company has deposited an amount equivalent to 15% (2018: 15%) of its paid up share capital in a bank account designated by SAMA. This is a restricted deposit and cannot be utilized in the operations of the Company.

12 PROPERTY AND EQUIPMENT

	As at 31 December 2019				
	Leasehold improvements	Computer Equipment	Furniture, fittings and office equipment	Total 2019	Total 2018
	SAR'000				
Cost:					
Balance at the beginning	5,527	6,587	2,948	15,062	10,066
Additions	1,041	239	33	1,313	8,701
Disposals / transfer	-	-	-	-	(3,705)
Balance at the end	6,568	6,826	2,981	16,375	15,062
Accumulated depreciation:					
Balance at the beginning	2,125	2,951	1,437	6,513	4,837
Charge for the year	1,161	1,102	523	2,786	2,060
Depreciation on disposals	-	-	-	-	(384)
Balance at the end	3,286	4,053	1,960	9,299	6,513
Net book value:					
31 December 2019	**3,282**	**2,773**	**1,021**	**7,076**	-
31 December 2018	3,402	3,636	1,511	8,549	8,549

13 INTANGIBLE ASSETS

	As at 31 December 2019			
	Intangible assets	Capital work in progress	Total 2019	Total 2018
	SAR'000			
Cost:				
Balance at the beginning	10,521	1,409	11,930	9,302
Additions	2,507	636	3,143	4,345
Transfers	-	-	-	(1,717)
Balance at the end	13,028	2,045	15,073	11,930
Accumulated amortization:				
Balance at the beginning	8,234	-	8,234	7,420
Charge for the year	1,400	-	1,400	814
Balance at the end	9,634	-	9,634	8,234
Net book value:				
31 December 2019	**3,394**	**2,045**	**5,439**	-
31 December 2018	2,287	1,409	3,696	3,696

14 TRANSACTIONS WITH RELATED PARTIES

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

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. In addition to the notes 4 and 7, following are the details of major related parties transactions during and the related balances at the end of the year:

Nature of transactions	**For the year ended 31 December 2019**			For the year ended 31 December 2018		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Shareholders:						
Gross written premiums	**29,932**	-	**29,932**	29,477	-	29,477
Reinsurance premiums ceded	**8,554**	-	**8,554**	3,579	-	3,579
Claims paid - net of recoveries	**13,477**	-	**13,477**	24,876	-	24,876
Reinsurance commission	**2,424**	-	**2,424**	703	-	703
Reinsurance share of claims	**8,384**	-	**8,384**	147	-	147
General and administrative expenses	**939**	**75**	**1,014**	1,877	150	2,027
Other related parties:						
Investments	**18,108**	**6,892**	**25,000**	14,471	19,614	34,085
Agency commission	**2,902**	-	**2,902**	1,807	-	1,807
General and administrative expenses	**78**	**69**	**147**	62	-	62

Closing Balances

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Shareholders:						
Premium Receivable	**7,463**	-	**7,463**	5,010	-	5,010
Reinsurance premiums payable	**7,045**	-	**7,045**	5,230	-	5,230
Claims payable	**89**	-	**89**	64	-	64
Bank Balance	**64,937**	**11,243**	**76,180**	43,981	1,340	45,321
General and administrative expenses	**(66)**	-	**(66)**	(130)	(75)	(205)
Other related parties:						
Investments	**35,941**	**30,225**	**66,166**	18,768	36,490	55,258
Dividend receivable	-	**206**	**206**	-	-	-
Agency commission	**224**	-	**224**	257	-	257
General and administrative expenses	-	-	-	-	846	846

14 TRANSACTIONS WITH RELATED PARTIES (Continued)

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

Information relating to key management personnel:

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Short term benefits	4,426	-	4,426	4,282	-	4,282
Long term benefits	353	-	353	308	-	308

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

Board and sub committees related

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Directors' remuneration	-	1,400	1,400	-	1,569	1,569
Attendance fees	-	487	487	-	383	383

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

15 ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Accrued expenses	9,897	2,402	12,299	13,111	3,856	16,967
Brokers commission	15,719	-	15,719	10,878	-	10,878
Payable to policyholders	99,253	-	99,253	5,277	-	5,277
Payable to local and regulatory authorities	7,907	-	7,907	4,548	-	4,548
Other payables	1,409	1,391	2,800	3,675	-	3,675
	134,185	3,793	137,978	37,489	3,856	41,345

16 ZAKAT AND INCOME TAX PAYABLE

Zakat

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

	For the year ended 31 December 2019 SAR'000	For the year ended 31 December 2018 SAR'000
Share capital	300,000	300,000
Reserves, opening provisions and other adjustments	36,206	21,562
Brought forward losses	(54,373)	(17,227)
Book value of long term assets	(72,523)	(71,533)
Zakat base before adjusted loss	209,310	232,802
Saudi Shareholder's share of Zakat base @71.25%		
Zakat on Zakat base prior to net adjusted loss @ 2.5777%	3,844	-
Net Adjusted loss for the year	(28,785)	(20,494)
Zakat on Net adjusted loss for the year @ 2.5%	(513)	3,782
Zakat due at 2.5%	3,331	3,782

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Zakat payable	-	6,013	6,013	-	3,808	3,808
Income tax payable	-	(34)	(34)	-	-	-
Zakat and Income tax payable	-	5,979	5,979	-	3,808	3,808

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

The movement in Zakat provision is as follows:

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	-	5,586	5,586	-	4,398	4,398
Zakat charge	-	3,331	3,331	-	3,782	3,782
Additional charge for prior years		869	869		1,778	1,778
Zakat payment made	-	(3,763)	(3,763)	-	(4,372)	(4,372)
Advance zakat paid	-	(10)	(10)	-	-	-
Balance at the end	-	6,013	6,013	-	5,586	5,586

16 ZAKAT AND INCOME TAX PAYABLE (Continued)

Income tax:

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholder of the Company. Foreign shareholder subject to income tax is 28.75%.
The movement in income tax provision is as follows:

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	-	-	-	626	626
(Reversal) of prior year charge	-	-	-		(160)	(160)
Advance income tax paid	-	(34)	(34)	-	(466)	(466)
Balance at the end	-	(34)	(34)	-	-	-

Status of Assessments

During 2017, the General Authority for Zakat and Tax (GAZT) has issued assessments for the years from 2012 to 2015, requiring an additional zakat and witholding tax liability amounting to SR 5.5 million and SR 2.9 million respectively. The Company has filed an appeal against the assessment of GAZT for the additional liability arising out of various disallowances for years from 2012 to 2015 with Preliminary Appeal Committee (PAC). Further, the Company has booked an additional zakat liability of SAR 0.87 million in 2019 (2018: SAR 1.8 million). The Company has obtained limited certificates for the year from 2012 to 2018.

The change in the accounting treatment for zakat and income tax (as explained in note 3.5) has the following impact on the line items of the statements of income and changes in shareholders' equity:

		As at 31 December 2019		
Financial statement impacted	**Financial Statement head**	**Before the restatement**	**Effect of restatement**	**After taking effect of restatement**
		SAR'000		
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	4,200	(4,200)	-
Statement of income	Zakat and income tax charge	-	4,200	4,200
Statement of income	Loss per share SR	(1.12)	(0.14)	(1.26)

17 RETIREMENT BENEFIT OBLIGATION

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

17 RETIREMENT BENEFIT OBLIGATION (Continued)

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

Principal actuarial assumption at:	31 December 2019	31 December 2018
Discount rate	4.00%	4.00%
Expected rate of salary increase	3.00%	3.00%

17.1 Amount recognised in the statement of financial position

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Present value of retirement benefits obligation	5,698	-	5,698	5,507	-	5,507
Fair value of retirement benefit obligation	5,698	-	5,698	5,507	-	5,507
Net liability at the end	5,698	-	5,698	5,507	-	5,507

17.2 Amount recognized in the statement of income

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Current service cost	1,313	-	1,313	1,265		1,265
Commission rate cost	224	-	224	193		193
Benefit expense	1,064	-	1,064	528		528

17.3 Reconciliation of present value of defined benefit obligation

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Present value of retirement benefit obligation at the beginning	5,507	-	5,507	4,273	-	4,273
Current service cost	1,313	-	1,313	1,265	-	1,265
Commission rate cost	224	-	224	193	-	193
Actuarial loss on retirement benefit obligation	(283)	-	(283)	304	-	304
Benefits paid	(1,063)	-	(1,063)	(528)	-	(528)
Present value of retirement obligation at the end	5,698	-	5,698	5,507	-	5,507

17 RETIREMENT BENEFIT OBLIGATION (Continued)

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

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Net liability at the beginning	5,507	-	5,507	4,273	-	4,273
Charge recognised in statement of income	1,537	-	1,537	1,458	-	1,458
Actuarial loss recognised in other comprehensive income	(283)	-	(283)	304	-	304
Retirement benefit obligation paid	(1,063)	-	(1,063)	(528)	-	(528)
Net liability at the end	5,698	-	5,698	5,507	-	5,507

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

	31 December 2019	31 December 2018
Valuation discount rate		
- Increase by 1%	-9.25%	-9.44%
- Decrease by 1%	10.91%	11.21%
Expected rate of increase in salary level across different age bands		
- Increase by 1%	11.41%	11.71%
- Decrease by 1%	-9.82%	-10.01%
Mortality rate		
- Increase by 10%	0%	0%
- Decrease by 10%	0%	0%
Employee turnover		
- Increase by 10%	-1.05%	-1.30%
- Decrease by 10%	1.10%	1.37%

18 ISSUED, AUTHORISED AND PAID UP SHARE CAPITAL

The issued, authorised and paid up share capital of the Company was SAR 300 million as at 31 December 2019 (31 December 2018: SAR 300 million) consisting of 30 million shares (31 December 2018: 30 million) of SAR 10 each.

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

	As at 31 December 2019			As at 31 December 2018		
	No. of shares	Value per share	Share Capital SAR	No. of shares	Value per share	Share Capital SAR
Alinma Bank	8,625,000	10	86,250,000	8,625,000	10	86,250,000
Tokio Marine & Nichido Fire Insurance	8,625,000	10	86,250,000	8,625,000	10	86,250,000
Others	12,750,000	10	127,500,000	12,750,000	10	127,500,000
	30,000,000	10	300,000,000	30,000,000	10	#########

19 CAPITAL MANAGEMENT

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

The Company manages its capital to ensure that it is able to continue as a going concern and comply with the regulator's capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid up share capital, reserves and accumulated losses.

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

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

The Company is in compliance with all the externally imposed Capital requirements with sound solvency margin. The Capital structure of the Company as at 31 December 2019 consists of paid up share Capital of SAR 300 million (31 December 2018: SAR 300 million) and accumulated loses of SAR 92.6 million (31 December 2018: SAR 54.4 million) in the statement of financial position.

In the opinion of the Board Of Directors the Company has fully complied with the externally imposed capital requirements during the reported financial period.

20 NET EARNED PREMIUMS

	For the year ended 31 December 2019	For the year ended 31 December 2018
	SR'000	SR'000
Gross written premiums	**331,141**	353,591
Gross unearned premiums at the beginning	**80,827**	76,138
Gross unearned premiums at the end	**(107,765)**	(80,827)
Gross earned premiums	**304,203**	348,902
Fee income from insurance contracts	**30**	75
Reinsurance premiums ceded	**(155,632)**	(149,041)
Excess of loss expenses	**(6,258)**	(7,877)
	(161,890)	(156,918)
Reinsurers' share of unearned premiums at the beginning	**(39,641)**	(30,297)
Reinsurers' share of unearned premiums at the end	**58,844**	39,641
Reinsurance premiums earned	**(142,687)**	(147,574)
Net earned premiums	**161,546**	201,403

21 GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Insurance operations	Shareholders'	Total	Insurance operations	Shareholders'	Total
	SAR'000			SAR'000		
Employees cost	37,656	-	37,656	43,567	-	43,567
Maintenance	5,260	-	5,260	6,399	-	6,399
Depreciation and amortisation	4,186	-	4,186	2,874	-	2,874
Depreciation on right to use assets	1,208		1,208	-	-	-
Rental	66	-	66	1,430	-	1,430
Bad debts written off	320	-	320	-	-	-
Legal and professional fees	1,359	1,317	2,676	689	1,740	2,429
Others	5,878	375	6,253	3,672	46	3,718
Directors' remuneration (note 14)	-	1,400	1,400	-	1,569	1,569
Board and sub-committees attendance fee (note 14)	-	487	487	-	383	383
	55,933	3,579	59,512	58,631	3,738	62,369

22 INVESTMENT AND OTHER INCOME

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Insurance operations	Shareholders'	Total	Insurance operations	Shareholders'	Total
	SAR'000			SAR'000		
Investments at fair value through statement of income (FVSI)						
- Realized gain during the year	470	331	801	692	1,347	2,039
- Unrealized gain during the year	4	682	686	1	788	789
	474	1,013	1,487	693	2,135	2,828
Investments held to maturity						
- Income on redemption of Sukuk	-	542	542	-	528	528
- Accrued income on Sukuk	-	58	58	-	66	66
	-	600	600	-	594	594
Income from Murabaha deposits						
- Income on Murabaha Deposit maturity	-	5,640	5,640	-	2,735	2,735
- Accrued income on Murabaha Deposit	5	558	563	-	1,294	1,294
	5	6,198	6,203	-	4,029	4,029
- Dividend income from real estate fund	-	409	409	-	-	-

23 BASIC AND DILUTED LOSS PER SHARE

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

	For the year ended 31 December 2019	For the year ended 31 December 2018 (Restated)
Net loss (SAR "000")	(38,231)	(37,146)
Weighted average number of ordinary shares ("000")	30,000	30,000
Loss per share SAR	(1.27)	(1.24)

24 CONTINGENCIES AND COMMITMENT

As at 31 December 2019, the Company's banker has issued letters of guarantee of SAR 2.38 million (2018: SAR 2.08 million) to various customers, motor agencies, workshops and health service providers as per the terms of their respective agreements which have been classified under prepayments and other assets in the statement of financial position. The Company has no capital commitments as at 31 December 2019 and 31 December 2018.

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

	2019	2018
	SR'000	SR'000
Motor claims related compensation	330	666
Fire and Property claim related compensation	-	30,500

25 SEGMENT REPORTING

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

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

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

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

Segment assets do not include cash and bank balances, investments, premiums and reinsurance receivables, due from shareholders' operations, prepayments, other assets, due from related parties, murabaha deposits, property and equipment, intangible assets and right of use assets.

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities lease liabilities, due to realted parties and retirement benefit obligations.

Segment results do not include general and administrative expenses.

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

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

One key customer comprises of 22.2% of the net written premium for the year ended 31 December 2019.

25 SEGMENT REPORTING (Continued)

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

25 SEGMENT REPORTING (Continued)

	For the year ended 31 December 2018						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
				SAR'000			
REVENUES							
Gross premiums written	149,996	145,248	48,101	10,246	353,591	-	353,591
- Corporate	98,869	100,376	34,484	-	233,729	-	233,729
- Medium business	42,892	32,719	102	-	75,713	-	75,713
- Small business	7,893	9,539	102	10,246	27,780	-	27,780
- Very small business	342	887	-	-	1,229	-	1,229
- Retail	-	1,727	13,413	-	15,140	-	15,140
Fee income from Insurance contracts	31	44	-	-	75	-	75
Reinsurance premiums ceded - Local	(9,319)	-	-	-	(9,319)	-	(9,319)
Reinsurance premiums ceded - Foreign	(126,930)	-	(12,792)	-	(139,722)	-	(139,722)
Excess of loss expenses	(4,261)	(3,616)	-	-	(7,877)	-	(7,877)
Net premiums written	9,517	141,676	35,309	10,246	196,748	-	196,748
Net change in unearned premiums	602	617	459	2,977	4,655	-	4,655
Net premiums earned	10,119	142,293	35,768	13,223	201,403	-	201,403
Reinsurance commission earned	22,861	6	37	-	22,904	-	22,904
Other underwriting income	-	2,188	-	-	2,188	-	2,188
Total insurance revenues	32,980	144,487	35,805	13,223	226,495	-	226,495
UNDERWRITING COSTS AND EXPENSES							
Net claims and other benefits incurred	(3,706)	(119,264)	(12,800)	(15,978)	(151,748)	-	(151,748)
Changes in unit linked reserves	-	-	(10,368)	-	(10,368)	-	(10,368)
Policy acquisition costs	(13,263)	(13,061)	(2,697)	(1,278)	(30,299)	-	(30,299)
Other underwriting expenses	(704)	(725)	(241)	(154)	(1,824)	-	(1,824)
Total underwriting costs and expenses	(17,673)	(133,050)	(26,106)	(17,410)	(194,239)	-	(194,239)
NET UNDERWRITING INCOME / (LOSS)	15,307	11,437	9,699	(4,187)	32,256	-	32,256
OPERATING AND OTHER (EXPENSES) / INCOME							
General and administrative expenses					(58,631)	(3,669)	(62,300)
Provision for doubtful receivables					(9,628)	-	(9,628)
Loss on disposal of property and equipment					(37)		(37)
Unrealized gain on unit linked investments					512	-	512
Unrealized gain on investments					1	2,148	2,149
Realized gain on investments					692	4,610	5,302
Total operating expenses, net					(67,091)	3,089	(64,002)
Net loss for the year before zakat					(34,835)	3,089	(31,746)
Zakat for the year					-	(5,400)	(5,400)
Net loss for the year							(37,146)

25 SEGMENT REPORTING (Continued)

	As at 31 December 2019						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders ' operations	Total
	SAR'000						
ASSETS							
Cash and cash equivalents	-	-	-	-	183,781	35,401	219,182
Investments	-	-	-	-	240	39,583	39,823
Reinsurers' share of unearned premiums	58,802	-	42	-	58,844	-	58,844
Reinsurers' share of outstanding claims	130,358	-	7,225	-	137,583	-	137,583
Reinsurers' share of incurred but not reported claims	12,139	-	3,065	-	15,204	-	15,204
Deferred policy acquisition costs	4,684	3,453	4	30	8,171	-	8,171
Unit linked investments	-	-	35,941	-	35,941	-	35,941
Unallocated assets					105,096	144,923	250,019
Total assets					544,860	219,907	764,767

	As at 31 December 2019						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders ' operations	Total
	SAR'000						
LIABILITIES							
Outstanding claims	133,056	27,657	11,376	678	172,767	-	172,767
Incurred but not reported claims	14,819	11,144	5,263	669	31,895	-	31,895
Other reserves	322	1,354	162	-	1,838	-	1,838
Premium deficiency reserves	-	4,360	-	127	4,487	-	4,487
Unearned premiums	66,146	41,043	90	487	107,766	-	107,766
Unearned reinsurance commission	7,878	-	-	-	7,878	-	7,878
Unit linked liabilities	-	-	35,941	-	35,941	-	35,941
Mathematical reserve	-	-	688	-	688	-	688
Unallocated liabilities and equity					181,600	219,907	401,507
Total liabilities and equity					544,860	219,907	764,767

25 SEGMENT REPORTING (Continued)

As at 31 December 2018

	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
ASSETS							
Cash and cash equivalents	-	-	-	-	51,370	1,340	52,710
Investments	-	-	-	-	411	51,387	51,798
Reinsurers' share of unearned premiums	39,328	-	313	-	39,641	-	39,641
Reinsurers' share of outstanding claims	57,814	-	5,178	-	62,992	-	62,992
Reinsurers' share of incurred but not reported claims	15,185	-	1,515	-	16,700	-	16,700
Deferred policy acquisition costs	4,750	3,459	243	161	8,613	-	8,613
Unit linked investments	-	-	18,768	-	18,768		18,768
Unallocated assets					125,023	213,358	338,381
Total assets					323,518	266,085	589,603

As at 31 December 2018

	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
LIABILITIES							
Outstanding claims	61,742	25,425	8,695	1,841	97,703	-	97,703
Incurred but not reported claims	17,178	6,711	3,411	1,406	28,706	-	28,706
Other reserves	323	551	-	-	874	-	874
Premium deficiency reserves	-	1,265	-	810	2,075		2,075
Unearned premiums	43,403	32,588	2,352	2,484	80,827	-	80,827
Unearned reinsurance commission	7,070	-	-	-	7,070	-	7,070
Unit linked liabilities	-	-	18,768	-	18,768	-	18,768
Unallocated liabilities and equity					87,495	266,085	353,580
Total liabilities and equity					323,518	266,085	589,603

26 RISK MANAGEMENT

Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 51% of total reinsurance assets at the reporting date.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 40.21 % of equity on a gross basis and 0.41% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 16.08 % of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

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

26 RISK MANAGEMENT (Continued)

Frequency and severity of claims (Continued)

2018	Gross unearned premiums	Net unearned premiums	Gross outstanding claims	Net outstanding claims
Property and casualty	81.00%	82.00%	82.00%	80.00%
Motor	13.00%	7.00%	7.00%	5.00%
Protection and savings	3.00%	5.00%	9.00%	10.00%
Medical	3.00%	6.00%	2.00%	5.00%
Total	100%	100%	100%	100%

Concentration of insurance risk

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

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

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

Sources of uncertainty in estimation of future claim payments:

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

26 RISK MANAGEMENT (Continued)

Concentration of insurance risk (Continued)

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

Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details please refer note 3.

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

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

Sensitivity analysis

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

26 RISK MANAGEMENT (Continued)

Sensitivity analysis (Continued)

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

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

	2019	2018
	SAR'000	SAR'000
Motor	**10,409**	14,229
Medical	**847**	1,322
Protection and savings	**3,901**	3,577
Property and Casualty	**997**	1,012

Impact on average claim cost + / - 10%

	2019	2018
	SAR'000	SAR'000
Motor	**8,365**	2,543
Medical	**984**	184
Protection and savings	**974**	352
Property and Casualty	**1,177**	393

Reinsurance risk

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

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to preset requirements of the Company's Board of Directors and Technical Committee before approving them for exchange of reinsurance business. As at December 31, 2019 and 2018, there is no significant concentration of reinsurance balances.

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

26 RISK MANAGEMENT (Continued)

Market Risk

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

- The Company's risk management policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

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

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

Currency Risk

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

Commission Rate Risk

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

An increase or decrease of 100 basis points in interest yields would result in a change in the loss or gain for the year by SAR 0.78 million (2018: SAR 1.17 million).

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

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
Insurance operations	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**
2019	50,000	-	-	36,181	86,181
2018	-	-	-	19,179	19,179

26 RISK MANAGEMENT (Continued)

Commission rate risk (Continued)

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
Shareholders' operations	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**
2019	**24,157**	**96,726**	**-**	**39,583**	**160,466**
2018	125,098	40,900	-	51,387	217,385

Other Price Risk

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

The Company's investments amounting to SAR 68.8 million (2018: SAR 55.6 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

	Fair value change	Effect on Company's profit
		SAR'000
2019	**+ / - 10 %**	**+/- 6,884**
2018	+ / - 10%	+/- 3,567

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

Credit risk

Credit risk is the risk that arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is mainly concentrated in Saudi Arabia.

26 RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

	As at 31 December 2019			As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders'	Total
	SAR'000			SAR'000		
Cash and cash equivalents	**183,781**	**35,401**	**219,182**	51,370	1,340	52,710
Premiums and reinsurance receivables, ne	**73,111**	-	**73,111**	96,325	-	96,325
Reinsurers' share of outstanding claims	**137,583**	-	**137,583**	62,992	-	62,992
Investments net of equity investments	**240**	**37,149**	**37,389**	19,179	51,387	70,566
Due from related parties	-	**206**	**206**	-	846	846
Murabaha Deposits	-	**96,728**	**96,728**	-	165,998	165,998
Statutory deposit	-	**45,000**	**45,000**	-	45,000	45,000
	394,715	**214,484**	**609,199**	229,866	264,571	494,437

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

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

		Non investment grade 2018		
	Investment grade	Satisfactory	Past due but not impaired	Total
	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	51,370	-	-	51,370
Investments	-	411	-	411
Premiums and reinsurance receivable, net	-	13,057	83,268	96,325
Reinsurers' share of outstanding claims	-	62,992	-	62,992
31 December 2018	51,370	76,460	83,268	211,098

26 RISK MANAGEMENT (Continued)

Credit risk (Continued)

Shareholders' operations' financial assets	Investment grade	Non investment grade 2019 Satisfactory	Past due but not impaired	Total
	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	35,401	-	-	35,401
Investments	-	39,583	-	39,583
Due from related parties	-	206	-	206
Murabaha Deposits	-	96,728	-	96,728
Statutory deposit	-	45,000	-	45,000
31 December 2019	**35,401**	**181,517**	-	**216,918**

	Investment grade	Non investment grade 2018 Satisfactory	Past due but not impaired	Total
	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	1,340	-	-	1,340
Investments	-	51,387	-	51,387
Due from related parties	-	846	-	846
Murabah deposits		165,998		165,998
Statutory deposit	-	45,000	-	45,000
31 December 2018	1,340	263,231	-	264,571

Concentration of credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

26 RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

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

	As at 31 December 2019			As at 31 December 2018		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
		SAR'000			SAR'000	
Insurance operations' assets						
Cash and cash equivalents	183,781	-	183,781	51,370	-	51,370
Investments	240	-	240	411	-	411
Premiums and reinsurance receivables, ne	73,111	-	73,111	96,325	-	96,325
Reinsurers' share of unearned premiums	58,844	-	58,844	39,641	-	39,641
Reinsurers' share of outstanding claims	137,583	-	137,583	62,992	-	62,992
Reinsurers' share of incurred but not reported claims	15,204	-	15,204	16,700	-	16,700
Deferred policy acquisition costs	8,171	-	8,171	8,613	-	8,613
Prepayments and other assets	10,591	-	10,591	5,512	-	5,512
Due from shareholders' operations	2,739	-	2,739	10,941	-	10,941
Property and equipment	-	7,076	7,076	-	8,549	8,549
Intangible assets	-	5,439	5,439	-	3,696	3,696
Right to use assets	-	6,140	6,140			
Unit linked investments	-	35,941	35,941	-	18,768	18,768
	490,264	54,596	544,860	292,505	31,013	323,518

	As at 31 December 2019			As at 31 December 2018		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
		SAR'000			SAR'000	
Shareholders' assets						
Cash and cash equivalents	35,401	-	35,401	1,340	-	1,340
Investments	39,583	-	39,583	51,387	-	51,387
Prepayments and other assets	2,989	-	2,989	1,514	-	1,514
Due from a related party	206	-	206	846	-	846
Murabaha Deposit	96,728	-	96,728	125,098	40,900	165,998
Statutory Deposit	-	45,000	45,000	-	45,000	45,000
	174,907	45,000	219,907	180,185	85,900	266,085

26 RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

	As at 31 December 2019			As at 31 December 2018		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Insurance operations' liabilities		SAR'000			SAR'000	
Outstanding claims	172,767	-	172,767	97,703	-	97,703
Incurred but not reported claims	31,895		31,895	28,706	-	28,706
Other reserves	1,838		1,838	874	-	874
Premium deficiency reserves	4,487		4,487	2,075	-	2,075
Unearned reinsurance commission	7,878		7,878	7,070	-	7,070
Unearned premiums	107,765		107,765	80,827	-	80,827
Reinsurance balances payable	36,559	-	36,559	44,998	-	44,998
Accrued expenses and other liabilities	134,185	-	134,185	37,489	-	37,489
Lease liabilities	-	5,439	5,439			
Due to related party	66	-	66	130	-	130
Retirement benefit obligation	5,698		5,698	5,507	-	5,507
Unit linked liabilities	-	35,941	35,941	-	18,768	18,768
Mathematical reserves	688	-	688			
	503,826	41,380	545,206	305,379	18,768	324,147

	As at 31 December 2019			As at 31 December 2018		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Shareholders' liabilities		SAR'000			SAR'000	
Accrued expenses and other liabilities	3,793	-	3,793	3,856	-	3,856
Due to related party	-		-	75		75
Zakat and income tax payable	5,979	-	5,979	5,586	-	5,586
Due to insurance operations	2,739	-	2,739	10,941	-	10,941
	12,511	-	12,511	20,458	-	20,458
Total Liquidity Gap	491,315	41,380	532,695	284,921	18,768	303,689

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

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

- Murabaha deposits are expected to be matured/ settled within 11 months to 2 years from the statement of financial position date.
- Accrued investment income classified under prepayments and other asset is expected to be realized within 2 to 11 months from statement of financial position's date.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims majorly pertain to fire and property, marine, general accident, engineering, and protection and savings businesses and are generally realized within 3 to 6 months based on settlement of balances with reinsurers.

26 RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

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

- Reinsurers' balances payable are settled on a net basis as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to settle within 3 months in accordance with statutory timelines for payment. All other policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss

The claims payable, accrued expenses and other liabilities are expected to settle within 12 months from the year end date.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

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

Regulatory framework risk

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

27 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

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

Shareholders' operations

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in discretionary portfolios	15,661	-	-	15,661
- Investments in real estate fund	-	9,434	5,131	14,565
- Investments in quoted equity	2,434	-	-	2,434
Investments at held to maturity				
- Sukuks	-	5,000	-	5,000
Total	18,095	14,434	7,054	39,583

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in discretionary portfolios	21,255			21,255
- Investments in real estate funds		10,104	5,131	15,235
Investments at held to maturity				
- Sukuks	-	12,974	-	12,974
Total	21,255	23,078	7,054	51,387

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

Transfer between levels

There were no trnasfers between levels during the year ended 31 December 2019

Shareholders' operations	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Transfer between level 1 and level 2				
Units in real estate fund	-	10,780	-	10,780
Transfer between level 1 and level 3				
Units in real estate fund	(5,140)	-	5,140	-

The units in the real estate funds were transferred to level 2 and level 3 due to unavailability of quoted prices.

Insurance operations	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Investments at fair value through statement of income				
- Investments in mutual funds	240	-	-	240
Total	240	-	-	240

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Investments at fair value through statement of income				
- Investments in mutual funds	411	-	-	411
Total	411	-	-	411

28 CLAIMS DEVELOPMENT TABLE

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

28 CLAIMS DEVELOPMENT TABLE (Continued)

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

2019

Accident year	2015	2016	2017	2018	2019	Total
			SAR'000			
Estimate of ultimate claims cost						
At the end of accident year	79,365	136,222	130,984	133,145	331,916	811,632
One year later	48,139	96,613	67,371	47,763	-	259,886
Two years later	1,767	5,164	5,551	-	-	12,482
Three years later	1,272	2,810	-	-	-	4,082
Four years later	1,340	-	-	-	-	1,340
Current estimate of cumulative net claims	131,883	240,809	203,906	180,908	331,916	1,089,422
Cumulative payments to date	(136,535)	(236,964)	(164,929)	(158,949)	(187,384)	(884,761)
Gross liability recognised in the statement of financial position	(4,652)	3,845	38,977	21,959	144,532	204,661

2018

Accident year	2014	2015	2016	2017	2018	Total
			SAR'000			
Estimate of ultimate claims cost						
At the end of accident year	37,511	84,123	133,183	95,272	194,156	544,245
One year later	11,781	48,032	95,797	115,052	-	270,662
Two years later	5,653	1,768	11,172	-	-	18,593
Three years later	682	1,863	-	-	-	2,545
Four years later	688	-	-	-	-	688
Current estimate of cumulative net claims	56,315	135,786	240,152	210,324	194,156	836,733
Cumulative payments to date	(55,755)	(135,417)	(234,198)	(167,109)	(117,845)	(710,324)
Gross liability recognised in the statement of financial position	560	369	5,954	43,215	76,311	126,409

28 CLAIMS DEVELOPMENT TABLE (Continued)

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

2019

Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
			SAR'000			
Estimate of ultimate claims cost						
At the end of accident year	21,609	55,349	67,838	104,857	117,088	366,741
One year later	10,858	19,021	21,625	33,702	-	85,206
Two years later	648	3,286	2,599	-	-	6,533
Three years later	1,039	(337)	-	-	-	702
Four years later	1,316	-	-	-	-	1,316
Current estimate of cumulative net claims	35,470	77,319	92,062	138,559	117,088	460,498
Cumulative payments to date	(35,700)	(75,294)	(89,430)	(127,603)	(80,596)	(408,623)
Net liability recognised in the statement of financial position	(230)	2,025	2,632	10,956	36,492	51,875

2018

Accident year	2014	2015	2016	2017	2018	Total
			SAR'000			
Estimate of ultimate claims cost						
At the end of accident year	19,572	22,352	53,361	64,814	145,904	306,003
One year later	6,017	10,842	18,875	29,758	-	65,492
Two years later	3,851	637	3,795	-	-	8,283
Three years later	354	1,227	-	-	-	1,581
Four years later	133	-	-	-	-	133
Current estimate of cumulative net claims	29,927	35,058	76,031	94,572	145,904	381,492
Cumulative payments to date	(29,885)	(35,108)	(75,635)	(94,479)	(99,668)	(334,775)
Net liability recognised in the statement of financial position	42	(50)	396	93	46,236	46,717

29 LEASES

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

Definition of lease

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

As a lessee

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

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using 1 year SIBOR plus Risk

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised.

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

Transition

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

29 LEASES (Continued)

Impact on Financial Statements

	SAR 000
Total operating lease commitments as at 31 December 2018	7,882
Discounted using the lessee's incremental borrowing rate at date of initial application	(1,256)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**6,626**

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

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

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

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

Amounts recognized in the statement of Financial Position

	As at 31 December 2019
Right-of-use assets- Rental property	**SAR 000**
Balance as at 1 January 2019	-
Adoption of IFRS 16	7,348
Depreciation charge for the period	(1,208)
Net Book Value as at 31 December 2019	**6,140**

29 LEASES (Continued)

	As at 31 December 2019
Lease Liabilities	SAR 000
Balance as at 1 January 2019	-
Adoption of IFRS 16	6,626
Revised balance as at 1 January 2019	6,626
Financing cost (non-cash)	261
Lease payments (cash outflows)	(1,448)
Balance as at 31 December 2019	5,439

Maturity profile of lease liabilities:

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

Lease payments not recognised as a liability

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

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

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

Total cash outflow for leases for the year ended 31 December 2019 was SAR 1,448 thousands.

	As at 31 December 2019
	SAR 000
Current portion	
Lease liabilities	1,159
Non-current portion	
Lease liabilities	4,280

Amounts recognized in the statement of comprehensive income

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

30 SUPPLEMENTARY INFORMATION

30.1 Statement of financial position

	Note	As at 31 December 2019			As at 31 December 2018		
		Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
			SAR'000			SAR'000	
ASSETS							
Cash and cash equivalents	4	183,781	35,401	219,182	51,370	1,340	52,710
Investments	5	240	39,583	39,823	411	51,387	51,798
Premiums and reinsurance receivables, net	7	73,111	-	73,111	96,325	-	96,325
Reinsurers' share of unearned premiums	8.2	58,844	-	58,844	39,641	-	39,641
Reinsurers' share of outstanding claims	8.1	137,583	-	137,583	62,992	-	62,992
Reinsurers' share of incurred but not reported claims	8.1	15,204	-	15,204	16,700	-	16,700
Deferred policy acquisition costs		8,171	-	8,171	8,613	-	8,613
Prepayments and other assets		10,591	2,989	13,580	5,512	1,514	7,026
Due from shareholders' operations		2,739	-	2,739	10,941	-	10,941
Due from related parties	14	-	206	206	-	846	846
Murabaha deposits	6	-	96,728	96,728	-	165,998	165,998
Statutory deposit	11	-	45,000	45,000	-	45,000	45,000
Property and equipment		7,076	-	7,076	8,549	-	8,549
Intangible assets		5,439	-	5,439	3,696		3,696
Right to use assets		6,140	-	6,140	-		-
Unit linked investments	8.4	35,941	-	35,941	18,768	-	18,768
TOTAL ASSETS		544,860	219,907	764,767	323,518	266,085	589,603
LIABILITIES							
Outstanding claims	8.1	172,767	-	172,767	97,703	-	97,703
Incurred but not reported claims	8.1	31,895	-	31,895	28,706	-	28,706
Other reserves	8.1	1,838	-	1,838	874	-	874
Premium deficiency reserves		4,487	-	4,487	2,075	-	2,075
Unearned premiums	8.2	107,765	-	107,765	80,827	-	80,827
Reinsurance balances payable		36,559	-	36,559	44,998	-	44,998
Unearned reinsurance commission		7,878	-	7,878	7,070	-	7,070
Accrued expenses and other liabilities		134,185	3,793	137,978	37,489	3,856	41,345
Lease liabilities		5,439	-	5,439	-	-	-
Due to related party	14	66	-	66	130	75	205
Zakat and income tax payable	16	-	5,979	5,979	-	5,586	5,586
Unit linked liabilities	8.4	35,941	-	35,941	18,768	-	18,768
Mathematical reserve		688		688			
Retirement benefit obligations	17	5,698	-	5,698	5,507	-	5,507
Due to insurance operations		-	2,739	2,739	-	10,941	10,941
TOTAL LIABILITIES		545,206	12,511	557,717	324,147	20,458	344,605
EQUITY							
Share capital	18	-	300,000	300,000	-	300,000	300,000
Accumulated losses		-	(92,604)	(92,604)	-	(54,373)	(54,373)
Remeasurement of retirement benefit obligation	17	(346)	-	(346)	(629)	-	(629)
TOTAL EQUITY		(346)	207,396	207,050	(629)	245,627	244,998
TOTAL LIABILITIES AND EQUITY		544,860	219,907	764,767	323,518	266,085	589,603

30 SUPPLEMENTARY INFORMATION (continued)

30.2 Statement of income

	Note	2019 Insurance operations	2019 Shareholders' operations	2019 Total	2018 Insurance operations	2018 Shareholders' operations	2018 Total
			SAR'000			SAR'000	
REVENUES							
Gross premiums written	*8.1*	331,141	-	331,141	353,591	-	353,591
- Corporate		178,173	-	178,173	233,729	-	233,729
- Medium business		73,649	-	73,649	75,713	-	75,713
- Small business		33,147	-	33,147	27,780	-	27,780
- Very small business		9,434	-	9,434	1,229	-	1,229
- Retail		36,738	-	36,738	15,140	-	15,140
Fee income from insurance contracts	*8.1*	30	-	30	75	-	75
Reinsurance premiums ceded							
- Local		(4,202)	-	(4,202)	(9,319)	-	(9,319)
- Foreign		(151,430)	-	(151,430)	(139,722)	-	(139,722)
Excess of loss expenses		(6,258)	-	(6,258)	(7,877)	-	(7,877)
Net premiums written		169,281	-	169,281	196,748	-	196,748
Changes in unearned premiums	*20*	(26,938)		(26,938)	(4,689)		(4,689)
Changes in reinsurers' share of unearned premiums	*20*	19,203	-	19,203	9,344	-	9,344
Net premiums earned		161,546	-	161,546	201,403	-	201,403
Reinsurance commission earned		24,123	-	24,123	22,904	-	22,904
Other underwriting income		2,284	-	2,284	2,188	-	2,188
Total Revenues		187,953	-	187,953	226,495	-	226,495
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid		(243,553)	-	(243,553)	(199,214)	-	(199,214)
Surrenders		(1,918)	-	(1,918)	(993)	-	(993)
Reinsurers' share of claims paid		136,220	-	136,220	62,607	-	62,607
Net claims paid		(109,251)	-	(109,251)	(137,600)	-	(137,600)
Changes in outstanding claims	*8.2*	(75,064)	-	(75,064)	44,752	-	44,752
Changes in reinsurers' share of outstanding claims	*8.2*	74,591	-	74,591	(65,962)	-	(65,962)
Changes in incurred but not reported claims	*8.2*	(3,189)	-	(3,189)	10,515	-	10,515
Changes in reinsurers' share of incurred but not reported claims	*8.2*	(1,496)	-	(1,496)	(1,456)	-	(1,456)
Changes in other reserves	*8.2*	(964)	-	(964)	983	-	983
Changes in reinsurers' share of other reserves	*8.2*	-	-	-	(905)	-	(905)
Changes in premium deficiency reserves	*8.2*	(2,412)	-	(2,412)	(2,075)	-	(2,075)
Net claims and other benefits incurred		(117,785)	-	(117,785)	(151,748)	-	(151,748)
Changes in unit linked reserves		(17,173)	-	(17,173)	(10,368)	-	(10,368)
Changes in mathematical reserves		(688)	-	(688)	-	-	-
Policy acquisition costs		(30,496)	-	(30,496)	(30,299)	-	(30,299)
Other underwriting expenses		(1,715)	-	(1,715)	(1,824)	-	(1,824)
Total underwriting costs and expenses		(167,857)	-	(167,857)	(194,239)	-	(194,239)
NET UNDERWRITING INCOME		20,096	-	20,096	32,256	-	32,256
OPERATING AND OTHER (EXPENSES) / INCOME							
General and administrative expenses	*21*	(55,933)	(3,579)	(59,512)	(58,631)	(3,669)	(62,300)
Provision for doubtful receivables	*21*	(3,465)	-	(3,465)	(9,628)	-	(9,628)
Loss on disposal of property and equipment		-	-	-	(37)	-	(37)
Unrealized gain on unit linked investments		151	-	151	512	-	512
Unrealized gain on investments	*22*	9	1,298	1,307	1	2,148	2,149
Realized gain on investments	*22*	470	6,922	7,392	692	4,610	5,302
Total operating expenses, net		(58,768)	4,641	(54,127)	(67,091)	3,089	(64,002)
Total loss for the year before zakat		(38,672)	4,641	(34,031)	(34,835)	3,089	(31,746)
Zakat for the year		-	(4,200)	(4,200)	-	(5,400)	(5,400)
Net loss for the year		(38,672)	441	(38,231)	(34,835)	(2,311)	(37,146)
Loss per share (SR) - restated				(1.27)			(1.24)

30 SUPPLEMENTARY INFORMATION (continued)

30.3 Statement of comprehensive income

	Note	2019 Insurance operations	2019 Shareholders' operations	2019 Total	2018 Insurance operations	2018 Shareholders' operations	2018 Total
			SAR'000			SAR'000	
Net (loss) / Profit for the year		**(38,672)**	**441**	**(38,231)**	(34,835)	(2,311)	(37,146)
Other comprehensive loss:							
Items that will not be reclassified to statement of income in subsequent periods:							
- Actuarial gain / (loss) on remeasurement of retirement benefit obligations	*17*	**283**	**-**	**283**	(304)	-	(304)
Total comprehensive loss for the year		**(38,389)**	**441**	**(37,948)**	(35,139)	(2,311)	(37,450)

30 SUPPLEMENTARY INFORMATION (continued)

30.4 Statement of cash flows

	Note	2019 Insurance operations	2019 Shareholders' operations	2019 Total	2018 Insurance operations	2018 Shareholders' operations	2018 Total
		SAR'000			SAR'000		
CASH FLOWS FROM OPERATING ACTIVITIES							
Net loss for the year		-	(38,231)	(38,231)	-	(37,146)	(37,146)
Adjustments for non cash items:							
Depreciation of property and equipment	12, 13	4,186	-	4,186	2,874	-	2,874
Depreciation of right to use assets		1,208	-	1,208	-	-	-
Financing cost on lease liabilities		261	-	261	-	-	-
Provision for doubtful receivables		3,465	-	3,465	9,628	-	9,628
Loss on disposal of property and equipment		-	-	-	37	-	37
Realized gain on FVTIS	22	(470)	(331)	(801)	(692)	(1,347)	(2,039)
Unrealized gain on FVTIS	22	(4)	(682)	(686)	(1)	(788)	(789)
Provision for retirement benefit obligation		1,537	-	1,537	1,458	-	1,458
Provision for zakat		-	4,200	4,200	-	5,400	5,400
		10,183	(35,044)	(24,861)	13,304	(33,881)	(20,577)
Changes in operating assets and liabilities:							
Premiums and reinsurance receivables		19,749	-	19,749	20,437	-	20,437
Reinsurers' share of unearned premiums		(19,203)	-	(19,203)	(9,344)	-	(9,344)
Reinsurers' share of outstanding claims		(74,591)	-	(74,591)	65,962	-	65,962
Reinsurers' share of claims incurred but not reported		1,496	-	1,496	1,456	-	1,456
Reinsurers' share of other reserves		-	-	-	905	-	905
Deferred policy acquisition costs		442	-	442	(1,084)	-	(1,084)
Prepayments and other assets		(5,079)	(1,475)	(6,554)	7,541	179	7,720
Due from related parties		-	640	640	-	(838)	(838)
Due to / (from) insurance operations		-	(8,202)	(8,202)	-	25,438	25,438
Unit linked investments		(17,173)	-	(17,173)	(10,368)	-	(10,368)
Outstanding claims		75,064	-	75,064	(44,752)	-	(44,752)
Claims incurred but not reported		3,189		3,189	(10,515)	-	(10,515)
Other reserves		964	-	964	(983)	-	(983)
Premium deficiency reserves		2,412	-	2,412	2,075		2,075
Mathematical reserves		688	-	688	-	-	-
Unearned premiums		26,938	-	26,938	4,689	-	4,689
Reinsurance balances payable		(8,439)	-	(8,439)	(16,392)	-	(16,392)
Unearned reinsurance commission		808	-	808	409	-	409
Accrued expenses and other liabilities		96,696	(63)	96,633	(9,859)	290	(9,569)
Lease liabilities		6,626	-	6,626	-	-	-
Due to related party		(64)	(75)	(139)	130	-	130
Unit linked liabilities		17,173	-	17,173	10,368	-	10,368
Due to / (from) shareholders' operations		8,202	-	8,202	(25,438)	-	(25,438)
Cash generated from / (used in) operations		146,081	(44,219)	101,862	(1,459)	(8,812)	(10,271)
Retirement benefit obligation paid		(1,063)	-	(1,063)	(528)	-	(528)
Zakat and income tax paid		-	(3,807)	(3,807)	-	(4,838)	(4,838)
Net cash generated from / (used in) operating activities		145,018	(48,026)	96,992	(1,987)	(13,650)	(15,637)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from maturity of murabaha deposits	5	-	69,270	69,270	-	(165,998)	(165,998)
Purchase of investments	5	(139,600)	(2,210)	(141,810)	(119,500)	(41,000)	(160,500)
Proceeds from disposal of investments		140,245	7,053	147,298	166,218	128,072	294,290
Proceeds from redemption of sukuk		-	7,974	7,974	-	737	737
Purchase of property and equipment		(1,313)	-	(1,313)	(5,419)	-	(5,419)
Right of use assets		(7,348)	-	(7,348)	-	-	-
Purchase of intangible assets		(3,143)	-	(3,143)	(2,628)	-	(2,628)
Proceeds from disposal of property and equipment		-	-	-	2	-	2
Net cash (used in) / generated from investing activities		(11,159)	82,087	70,928	38,673	(78,189)	(39,516)
CASH FLOWS FROM FINANCING ACTIVITIES							
Lease payments during the year		(1,448)	-	(1,448)	-	-	-
Net change in cash and cash equivalents		132,411	34,061	166,472	36,686	(91,839)	(55,153)
Cash and cash equivalents at the beginning of the year		51,370	1,340	52,710	14,684	93,179	107,863
Cash and cash equivalents at the end of the year		183,781	35,401	219,182	51,370	1,340	52,710

31 COMPARATIVE FIGURES

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

32 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company on Jumada II 23, 1444H corresponding to 17 February 2020G.