

ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
A SAUDI JOINT STOCK COMPANY

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



2.14

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

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

COMPANY DETAILS**Chairman**

HH Prince Sultan Bin Mohammed Bin Saud Al Kabeer (to 10 September 2019)
HH Prince Naif Bin Sultan Bin Saud Al Kabeer (from 11 September 2019)

Vice Chairman

Mr. Sameer Al Wazzan

Board of Directors

HH Prince Sultan Bin Mohammed Bin Saud Al Kabeer (to 10 September 2019)
HH Prince Naif Bin Sultan Bin Saud Al Kabeer (from 11 September 2019)
Mr. Sameer Al Wazzan
Mr. Abdallah Al Obeikan
Mr. Ahmed Al Abdulkarim (to 10 September 2019)
Mr. Turki Al Mutawa
Mr. Mohammed Bin Ali
Mr. Raed Al Saif (from 11 September 2019)

Chief Executive Officer

Mr. Basem Odeh

Board Secretary

Mr. Basem Odeh (to 10 September 2019)
Mr. Abdulaziz Bin Saeed (from 11 September 2019)

Head Office

5th Floor, Cercon Building No. 15
Olaya Street
PO Box 61352
Riyadh 11565
Saudi Arabia

| | |
|-----------|-----------------------|
| Telephone | + 966 11 250 5400 |
| Fax | + 966 11 463 1294 |
| Website | www.arabianshield.com |

Commercial Registration

CR No. 1010234323

Principal Bankers

The Saudi British Bank (SABB)
Riyadh, Saudi Arabia

Auditors

Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants
Member Crowe Global
Riyadh, Saudi Arabia

Associated Accountants
Independent Member of Geneva Group International
Riyadh, Saudi Arabia





Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global



ASSOCIATED ACCOUNTANTS

Muhammad Al Robien and Co. - Certified Accountants and Consultants

Independent auditors' report

To the shareholders of

Arabian Shield Cooperative Insurance Company (A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Arabian Shield Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at December 31, 2019, the statements of income, comprehensive income, statements of changes in shareholders' equity and cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes from 1 to 38.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:



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Member Crowe Global



ASSOCIATED ACCOUNTANTS

Hussein Al Robian and Co. - Certified Accountants and Consultants

Independent auditors' report (Continued)
To the shareholders of
Arabian Shield Cooperative Insurance Company (A Saudi Joint Stock Company)

Key Audit Matters (continued)

| <i>Valuation of ultimate claim liabilities arising from insurance contracts</i> | |
|--|--|
| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
| <p>As at 31 December 2019, outstanding claims including claims incurred but not reported (IBNR) and other reserves related to insurance operations amounted to Saudi Riyals 382.67 million as reported in Note 23 to the financial statements.</p> <p>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.</p> <p>In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods e.g. Chain ladder method, Bornhuetter Ferguson method, expected loss ratio method etc. are used by the actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter since use of management assumptions and judgements could result in material over / understatement of the Company's profitability.</p> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> - Understanding and evaluating key controls around the claims handling and provision setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. - Evaluating the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their independence. <p>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 supporting documents.</p> <p>To challenge management's methodologies and assumptions, we were assisted by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following:</p> <ul style="list-style-type: none"> - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.. |
| <p><i>Refer to the significant accounting policies note 5 to the financial statements, note 5(b) which explain the valuation methodology used by the Company and critical judgments and estimates</i></p> | |



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ASSOCIATED ACCOUNTANTS

Haitham Al Robian and Co. - Certified Accountants and Consultants

Independent auditors' report (Continued)

To the shareholders of

Arabian Shield Cooperative Insurance Company (A Saudi Joint Stock Company)

Other information

The Board of Directors of the Company (the Directors) are responsible for the other information in the Company's 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. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of management and Those Charged with Governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA"), the applicable requirements of the Regulations for Companies and the Company's Articles of Association / by-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.



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ASSOCIATED ACCOUNTANTS

Muhammad Al Robian and Co. - Certified Accountants and Consultants

Independent auditors' report (Continued)

To the shareholders of

Arabian Shield Cooperative Insurance Company (A Saudi Joint Stock Company)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs as 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 Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain jointly responsible for our audit opinion.

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

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



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CPA's & Consultants
Member Crowe Global



ASSOCIATED ACCOUNTANTS

Hamoud Ali Rubian and Co. - Certified Accountants and Consultants

Independent auditors' report (Continued)

To the shareholders of

Arabian Shield Cooperative Insurance Company (A Saudi Joint Stock Company)

Auditor's 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 period 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.

Al Azem, Al Sudairy, Al Shaikh & Partners
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Hamoud Ali AlRubian
Certified Public Accountant
License No. 222



24 February 2020
30 Jumada Al-Thani 1441H



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

ALL AMOUNTS IN SAR '000

STATEMENT OF FINANCIAL POSITION

| | Notes | 2019 | 2018 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents | 6 | 403,376 | 430,566 |
| Short term fixed income deposits | 6 | 40,000 | 81,234 |
| Premiums and reinsurers' receivable – net | 9 | 97,255 | 78,587 |
| Reinsurers' share of unearned gross premiums | 19 | 36,440 | 33,389 |
| Reinsurers' share of outstanding gross claims | 23 | 89,304 | 71,391 |
| Reinsurers' share of gross claims incurred but not reported | 23 | 73,250 | 81,748 |
| Deferred excess of loss expenses | 10 | 0 | 0 |
| Deferred policy acquisition costs | 10 | 7,901 | 7,307 |
| Deferred third party administrator expenses | 10 | 2,494 | 2,476 |
| Deferred withholding tax | 10 | 1,766 | 1,584 |
| Deferred regulators' levies | 10 | 1,991 | 2,829 |
| Investments | 11 | 234,134 | 198,901 |
| Due from related parties – net | 9 | 7,470 | 63,674 |
| Prepaid expenses and other assets | | 21,773 | 34,857 |
| Property and equipment – net | 13 | 3,507 | 4,595 |
| Intangible assets – net | 14 | 8,451 | 7,557 |
| Goodwill | 15 | 46,794 | 46,794 |
| Statutory deposit | 8 | 30,000 | 30,000 |
| Accrued income on statutory deposit | 8 | 2,727 | 2,003 |
| TOTAL ASSETS | | 1,108,633 | 1,179,492 |



The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

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

ALL AMOUNTS IN SAR '000

STATEMENT OF FINANCIAL POSITION (Continued)

| | Notes | 2019 | 2018 |
|---|-------|------------------|------------------|
| LIABILITIES | | | |
| Accrued and other liabilities | | 49,452 | 48,807 |
| Reinsurers' balances payable | 17 | 15,108 | 10,760 |
| Unearned gross premiums | 19 | 167,379 | 221,042 |
| Unearned reinsurance commission | 21 | 7,353 | 6,847 |
| Outstanding gross claims | 23 | 141,054 | 173,569 |
| Gross claims incurred but not reported | 23 | 178,325 | 194,280 |
| Premium deficiency reserve | 23 | 2,000 | 4,900 |
| Other technical reserves | 23 | 9,000 | 9,925 |
| Due to related parties | 31 | 19,309 | 17,098 |
| Accounts payable | 16 | 25,506 | 8,701 |
| Withholding tax provision | 10 | 8,857 | 12,227 |
| Regulators' levies provision | 10 | 1,761 | 1,470 |
| End-of-service indemnities | | 8,435 | 9,001 |
| Policyholders' surplus distribution payable | 29 | 2,697 | 2,697 |
| Zakat | 25 | 31,059 | 26,511 |
| Income tax | 25 | 952 | 1,969 |
| Accrued commission income payable to SAMA | 8 | 2,727 | 2,003 |
| TOTAL LIABILITIES | | 670,974 | 751,807 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 26 | 300,000 | 300,000 |
| Statutory reserve | 27 | 34,535 | 33,082 |
| Retained earnings / (accumulated losses) | | 98,138 | 92,327 |
| Fair value reserve gain / (loss) on investments | 11 | 4,986 | 2,276 |
| TOTAL EQUITY | | 437,659 | 427,685 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 1,108,633 | 1,179,492 |

COMMITMENTS AND CONTINGENCIES

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The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

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

ALL AMOUNTS IN SAR '000

STATEMENT OF INCOME

| | Notes | 2019 | 2018 Restated |
|--|-------|------------------|------------------|
| REVENUES | | | |
| Gross premiums written | 18 | 543,717 | 625,101 |
| Reinsurance premiums ceded – local | | (16,051) | (17,491) |
| Reinsurance premiums ceded – foreign | | (167,701) | (152,814) |
| Excess of loss expenses | 18 | (1,991) | (2,230) |
| Net premiums written | 18 | 357,974 | 452,566 |
| Change in unearned gross premiums | 19 | 53,663 | (65,478) |
| Change in reinsurers' share of unearned gross premiums | 19 | 3,051 | (7,237) |
| Net premiums earned | 18 | 414,688 | 379,851 |
| Reinsurance commissions | 20 | 38,034 | 36,838 |
| Other underwriting income | | 10,905 | 6,326 |
| TOTAL REVENUES | | 463,627 | 423,015 |
| UNDERWRITING COSTS AND EXPENSES | | | |
| Gross claims paid | 23 | (502,172) | (304,597) |
| Expenses incurred related to claims | | 0 | 0 |
| Reinsurers' share of claims paid | 23 | 60,698 | 83,212 |
| Net claims paid | 23 | (441,474) | (221,385) |
| Changes in outstanding gross claims | 23 | 32,515 | (68,838) |
| Changes in reinsurers' share of outstanding gross claims | 23 | 17,913 | 12,433 |
| Changes in gross IBNR | 23 | 15,955 | (14,397) |
| Changes in reinsurers' share of gross IBNR | 23 | (8,498) | 7,952 |
| Net claims incurred | | (383,589) | (284,235) |
| Premium deficiency reserve | 23 | 2,900 | (4,900) |
| Other technical reserves | 23 | 925 | (1,800) |
| Policy acquisition costs | 10 | (20,837) | (22,501) |
| Third party administrator expenses | 10 | (7,768) | (1,292) |
| Withholding tax | 10 | (6,334) | (7,866) |
| Regulators' levies | 10 | (6,588) | (5,890) |
| Other underwriting expenses | | (6,247) | (5,280) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | | (427,538) | (333,764) |
| NET UNDERWRITING INCOME / (LOSS) | | 36,089 | 89,251 |



The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

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[Signature]

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

ALL AMOUNTS IN SAR '000

STATEMENT OF INCOME (Continued)

| | Notes | 2019 | 2018 Restated |
|--|-------|-----------------|------------------|
| OTHER OPERATING INCOME / (EXPENSES) | | | |
| (Allowance for) / Reversal of doubtful debts | 9 | 10,980 | (6,600) |
| General and administrative expenses | | (55,655) | (61,466) |
| Depreciation and amortisation | | (2,001) | (3,426) |
| Commission income on deposits | | 11,975 | 11,352 |
| Commission income on sukuk | | 4,774 | 2,916 |
| Dividend income | | 2,857 | 3,483 |
| Realised gains / (losses) on investments | 11 | 7,922 | 1,479 |
| TOTAL OTHER OPERATING INCOME / (EXPENSES) | | (19,148) | (52,262) |
| OPERATING INCOME / (LOSS) FOR THE YEAR | | 16,941 | 36,989 |
| Zakat charge | 25 | (9,513) | (10,960) |
| Income tax charge | 25 | (164) | (789) |
| INCOME / (LOSS) FOR THE YEAR | | 7,264 | 25,240 |
| Attributable to Insurance Operations | 1 | 0 | (2,697) |
| INCOME / (LOSS) FOR THE YEAR – SHAREHOLDERS' OPERATIONS | | 7,264 | 22,543 |
| Basic and diluted SAR earnings per share | 28 | 0.24 | 0.75 |

STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 2019 | 2018 Restated |
|---|-------|--------------|------------------|
| Income / (loss) for the year | | 7,264 | 25,240 |
| Other comprehensive income / (loss) - Insurance Operations | | 0 | 0 |
| Other comprehensive income / (loss) – Shareholders' Operations | | | |
| <i>Items that are or may be reclassified to statements of income in subsequent years:</i> | | | |
| Available for sale investments: | | | |
| Net change in fair value of investments | | 10,632 | 1,834 |
| Realised gains / (losses) transferred to statement of income | 11 | (7,922) | (1,479) |
| Net change in unrealised fair value of investments | | 2,710 | 355 |
| COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR | | 9,974 | 25,595 |
| Attributable to Insurance Operations | 1 | 0 | (2,697) |
| COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR – SHAREHOLDERS' OPERATIONS | | 9,974 | 22,898 |



The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

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

ALL AMOUNTS IN SAR '000

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| 2019 | Notes | Share Capital | Statutory Reserve | Retained Earnings / (Accumulated Losses) | Fair Value Reserve gain/(loss) on investments | Total Equity |
|--|-------|---------------|-------------------|--|---|--------------|
| Balance at start of year | | 300,000 | 33,082 | 92,327 | 2,276 | 427,685 |
| Income / (loss) for the year – Shareholders' Operations | | | | 7,264 | | 7,264 |
| Net change in fair value of investments | 11 | | | | 10,632 | 10,632 |
| Realised gains / (losses) transferred to statement of income | 11 | | | | (7,922) | (7,922) |
| Net change in unrealised fair value of investments | | | | | 2,710 | 2,710 |
| Comprehensive income / (loss) for the year | | | | 7,264 | 2,710 | 9,974 |
| Bonus share | | | | | | 0 |
| Dividend | | | | | | 0 |
| Transfer to statutory reserve | 27 | | 1,453 | (1,453) | | 0 |
| Balance at end of year | | 300,000 | 34,535 | 98,138 | 4,986 | 437,659 |

| 2018 Restated | Notes | Share Capital | Statutory Reserve | Retained Earnings / (Accumulated Losses) | Fair Value Reserve gain/(loss) on investments | Total Equity |
|--|-------|---------------|-------------------|--|---|--------------|
| Balance at start of year | | 200,000 | 48,573 | 154,293 | 1,921 | 404,787 |
| Income / (loss) for the year – Shareholders' Operations | | | | 22,543 | | 22,543 |
| Net change in fair value of investments | 11 | | | | 1,834 | 1,834 |
| Realised gains / (losses) transferred to statement of income | 11 | | | | (1,479) | (1,479) |
| Net change in unrealised fair value of investments | | | | | 355 | 355 |
| Comprehensive income / (loss) for the year | | | | 22,543 | 355 | 22,898 |
| Bonus share | 26 | 100,000 | (20,000) | (80,000) | | 0 |
| Dividend | | | | 0 | | 0 |
| Transfer to statutory reserve | 27 | | 4,509 | (4,509) | | 0 |
| Balance at end of year | | 300,000 | 33,082 | 92,327 | 2,276 | 427,685 |

The accompanying Notes 1 to 38 form an integral part of these Financial Statements.



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

ALL AMOUNTS IN SAR '000

STATEMENT OF CASH FLOWS

| | Notes | 2019 | 2018 Restated |
|---|-------|-----------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income / (loss) for the year | | 7,264 | 22,543 |
| Adjustments for non-cash items: | | | |
| Depreciation of property and equipment | 13 | 1,244 | 2,015 |
| Amortisation of intangible assets | 14 | 757 | 1,411 |
| (Gain) / loss on disposal of property and equipment | | (10) | (36) |
| Allowance for / (Reversal of) doubtful debts | 9 | (10,980) | 6,600 |
| Provision for withholding tax | 10 | 6,516 | 7,512 |
| Provision for regulators' levies | 10 | 5,750 | 7,114 |
| Provision for end-of-service indemnities | | 1,944 | 2,891 |
| Zakat charge | 25 | 9,513 | 10,960 |
| Income tax charge | 25 | 164 | 789 |
| Changes in operating assets and liabilities: | | | |
| Premiums and reinsurers' receivable | | (17,588) | (36,735) |
| Reinsurers' share of unearned gross premiums | 19 | (3,051) | 7,237 |
| Reinsurers' share of outstanding gross claims | 23 | (17,913) | (12,433) |
| Reinsurers' share of gross claims incurred but not reported | 23 | 8,498 | (7,952) |
| Deferred excess of loss expenses | | 0 | 0 |
| Deferred policy acquisition costs | | (594) | 737 |
| Deferred third party administrator expenses | | (18) | (2,476) |
| Deferred withholding tax | | (182) | 354 |
| Deferred regulators' levies | | 838 | (1,224) |
| Due from related parties | | 66,104 | (69,792) |
| Prepaid expenses and other assets | | 13,084 | (25,691) |
| Accounts payable | | 16,326 | (6,494) |
| Policy acquisition cost payable | | 83 | 3,098 |
| Third party administrator payable | | 396 | 148 |
| Policyholders' surplus | 29 | 0 | 2,697 |
| Accrued and other liabilities | | 645 | (3,242) |
| Reinsurers' balances payable | | 4,348 | 4,734 |
| Unearned gross premiums | 19 | (53,663) | 65,478 |
| Unearned reinsurance commission | 21 | 506 | (1,140) |
| Outstanding gross claims | 23 | (32,515) | 68,838 |
| Gross claims incurred but not reported | 23 | (15,955) | 14,397 |
| Premium deficiency reserve | 23 | (2,900) | 4,900 |
| Other technical reserves | 23 | (925) | 1,800 |
| Due to related parties | | 2,211 | 5,930 |
| Payments: | | | |
| End-of-service indemnities paid | | (2,510) | (2,331) |
| Withholding tax paid | 10 | (9,886) | (7,788) |
| Regulators' levies paid | 10 | (5,459) | (6,692) |
| Surplus paid to policyholders | 29 | 0 | (11,995) |
| Zakat paid | 25 | (4,965) | (5,509) |
| Income tax paid | 25 | (1,181) | (2,025) |
| Net cash generated from / (used in) operating activities | | (34,104) | 38,628 |



The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

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

ALL AMOUNTS IN SAR '000

STATEMENT OF CASH FLOWS (Continued)

| | Notes | 2019 | 2018 Restated |
|---|-------|-----------------|------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions of investments | 11 | (111,354) | (190,005) |
| Proceeds from disposal of investments | 11 | 86,753 | 133,666 |
| Realised gain on disposal of investments | 11 | (7,922) | (1,479) |
| Additions of short term fixed income deposits | | 41,234 | (81,234) |
| Additions of property and equipment | 13 | (79) | (2,551) |
| Proceeds from disposal of property and equipment | | 10 | 52 |
| Additions of intangible assets | 14 | (1,728) | (6,467) |
| Proceeds from disposal of intangible assets | | 0 | 0 |
| Increase in statutory deposit | | 0 | (10,000) |
| Net cash generated from / (used in) investing activities | | 6,914 | (158,018) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | 0 | 0 |
| Net cash generated from / (used in) financing activities | | 0 | 0 |
| Net change in cash and cash equivalents | | (27,190) | (119,390) |
| Cash and cash equivalents at start of year | | 430,566 | 549,956 |
| Cash and cash equivalents at end of year | | 403,376 | 430,566 |
| NON-CASH INFORMATION | | | |
| Net change in unrealised fair value of investments | | 2,710 | 355 |
| Bonus shares issued | | 0 | 100,000 |



The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

1. GENERAL

The insurance industry in Saudi Arabia is regulated by the Law on Supervision of Cooperative Insurance Companies ("Cooperative Insurance Law") together with the Implementing Regulations ("Implementing Regulations") promulgated by Royal Decree No. M32 dated 22 Jumad Thani 1424 corresponding to 21 August 2003. Supervision is under the auspices of the Saudi Arabian Monetary Authority ("SAMA" or "Regulator").

Arabian Shield Cooperative Insurance Company ("Company") is a Saudi Joint Stock Company incorporated in Riyadh, Saudi Arabia through Ministerial Resolution issued on 19 May 2007 with Commercial Registration No. 1010234323 issued on 13 June 2007 following on from Royal Decree No. M60 dated 18 Ramadan 1427 corresponding to 11 October 2006. The Commercial Registration Certificate was amended with effect from 24 July 2018 to reflect the increase in share capital following the bonus share issue. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 June 2007. The registered address of the head office is as follows: 5th Floor, Cercon Building No. 15, Olaya Street, PO Box 61352, Riyadh 11565, Saudi Arabia.

The principal activities for which the Company was licensed were the conducting of insurance and reinsurance business in general and medical classes in Saudi Arabia in accordance with License No. TMN/6/20079 issued on 11 September 2007 by SAMA and the License was renewed for three year periods on 10 August 2010, 07 July 2013, 03 June 2016 and 28 January 2020. SAMA gave approval to the Company to conduct business in the protection and savings class on 26 April 2018. At the Company's request, SAMA approved an amendment to the License to exclude reinsurance business with effect from 30 September 2013.

As per the Articles of Association ("Articles"), the Company may undertake all activities required to transact cooperative insurance operations and related activities and to invest its funds. Its principal lines of business include motor, medical, marine, property, engineering, casualty and protection and savings.

In accordance with the Implementing Regulations, within six months from the date of publication of the Annual Financial Statements each year, the Board of Directors approve the distribution of the surplus from insurance operations as follows:

- The shareholders of the Company receive 90% of the surplus from insurance operations including any surplus from investment activities of the policyholders' invested funds and the policyholders retain the remaining 10%.
- Any deficit arising on insurance operations is transferred to shareholders' operations in full.

The Company and its Shareholders own and retain custody of all net assets related to both Insurance Operations and Shareholders' Operations and funds are allocated to Insurance Operations as required.

The fiscal year of the Company runs from 1 January to 31 December.

Cooperative insurance operations commenced with effect from 1 January 2009 following acquisition of the insurance portfolio and related business, assets and liabilities from Arabian Shield Insurance Company EC.

The Ministry of Commerce and Investment implemented the new companies' regulations with effect from 25 Rajab 1437H corresponding to 02 May 2016 ("Effective Date") promulgated by Royal Decree No. M3 dated 28 Muharram 1437H corresponding to 10 November 2015 ("Companies' Regulations"). The Companies' Regulations replace the companies' regulations promulgated by Royal Decree No. M6 dated 22 Rabi Al Awwal 1385H corresponding to 20 July 1965 and supersede all provisions that are inconsistent therewith.

Companies existing as at the Effective Date shall make all necessary amendments to their Articles to ensure compliance with the Companies' Regulations within a period of one year from the Effective Date. As of the date of approval of these Financial Statements the Company has completed all necessary amendments and is in full compliance with the Companies' Regulations.

2. STATEMENT OF COMPLIANCE

During the year ended 31 December 2019, Saudi Organization for Certified Public Accountants (SOCPA) issued a Circular No. 2019 / 23099 dated 26 Sha'aban 1440 (corresponding to 01 May 2019) and SAMA made subsequent communication referring to Royal Decree No. 36763 dated 03 Rajab 1440 (corresponding to 10 March 2019) relating to the accounting for zakat and income tax.

The impact of the above are as follows:

- SAMA Circular No. 381000074519 dated 11 April 2017 relating to the accounting for zakat and income tax is no longer applicable with effect from 01 April 2019; and
- Zakat and income tax are to be accrued at each reporting date and recognized in the statement of income with a corresponding liability recognized in the statement of financial position in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by SOCPA.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by SOCPA (collectively referred to as "IFRS as endorsed in KSA") and comparatives have been restated accordingly (refer Note 4).



3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**IFRS 17: Insurance Contracts****Overview**

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

The new standard applies to insurance contracts issued and to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts.

It requires separating the following components from insurance contracts:

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

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

Measurement

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

The General Measurement Model (GMM) is based on the following “building blocks”:

- a) The Fulfillment Cash Flows (FCF) which comprise:
 - A probability-weighted estimate of future cash flows; and
 - An adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows; and
 - A risk adjustment for non-financial risk.
- b) The Contractual Service Margin (CSM) 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 fulfillment 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 re-measured to be the sum of:

- The liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
- 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. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

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

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently.

For these contracts, in addition to the adjustment under GMM, the CSM is also adjusted for:

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

The Premium Allocation Approach (PAA), a simplified approach, is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less.

With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows.

The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid / received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft in June 2019 – Amendments to IFRS 17 proposing certain amendments to IFRS 17 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.



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The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently 01 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 01 January 2022. This is a deferral of 1 year compared to the previous date of 01 January 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 intends to apply the Standard on its effective date 01 January 2022.

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 the new standard will result in a change to the accounting policies for insurance contracts and reinsurance contracts [and to any investment contracts with discretionary participating features] 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 gaps and their impact are as follows:

| Impact Area | Summary of Impact |
|--|--|
| Financial Impact (valuation of liabilities, income statement, balance sheet, solvency capital) | The Company is in the process of performing the Financial Impact Assessment in order to assess the financial impact of implementing IFRS 17 and this work is scheduled for completion by 31 March 2020. |
| Data Impact | <p>The initial assessment of products offered by the Company concluded that all products qualify to be measured using the simplified approach (Premium Allocation Approach). However, the final sign-off from the Company's auditors on this assessment needs to be completed.</p> <p>Based on the measurement model adopted the Company believes that the impact of data is not significant and the Company will be able to manage the data requirements accordingly.</p> <p>Further, the Company is currently going through the process of migrating to a new core insurance platform and believes that a more extensive set of data elements will be available in the new platform.</p> |
| IT Systems Impact | <p>The Company is currently in the process of migrating its core insurance IT system to a new platform that is expected to be completed during the current year. A plan has been agreed with the new IT vendor on incorporating the changes required under IFRS 17 into the new platform.</p> <p>In addition, currently, the Company is exploring various options available relating to the procurement of an IT solution to manage actuarial processes in consultation with the advisor appointed for assisting in IFRS 17 implementation along with the appointed actuary of the Company.</p> |
| Process Impact | <p>The process impact has been assessed and documented during the gap assessment process covering actuarial valuation, accounting processes, disclosures and other relevant matters.</p> <p>An implementation plan has been agreed between the Company and the advisor in order to remediate all the process impacts identified during the gap assessment phase between the Company and the advisor appointed for assisting the Company in IFRS 17 implementation.</p> |
| Impact on RI Arrangements | As per the initial assessment performed of reinsurance agreements held by the Company, all reinsurance contracts qualify to be measured using the simplified approach (Premium Allocation Approach). The final sign-off from the Company's auditors on this assessment needs to be completed. |
| Impact on Policies & Control Frameworks | The Company has appointed an advisor to assist in updating and incorporating the changes required in the policies, procedures and internal control frameworks based on IFRS 17. |
| Other areas impacted | None |

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IFRS 9: Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

This standard was published on 24 July 2014 and has replaced IAS 39.

The new standard addresses the following items related to financial instruments:

Classification and measurement:

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

A financial asset is measured at amortized cost if both of the following 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
- ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

A financial asset is measured at fair value through other comprehensive income and realized gains or losses are recycled through profit or loss upon sale, if both the following 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 subsequent changes in the fair value of the instruments (including realized gains and losses) in other comprehensive income with dividends recognized in profit or loss.

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

Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39.

Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model.

The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 01 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard IFRS 17 – Insurance Contracts becomes effective.

The amendments introduce two alternative options as follows:

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after 01 January 2021 (The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 01 January 2022).

Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously.

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

To date the Company has performed a preliminary assessment which reviewed two factors as follows:

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 this preliminary assessment 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 set out in the impact assessment below.

Impact assessment

At 31 December 2019, the Company's total financial assets and total insurance related assets amount to 999,289 and 206,895 respectively. Financial assets and insurance related assets are not necessarily mutually exclusive in terms of classification. The total financial assets are composed of financial assets held at amortized cost and other financial assets.

Financial assets held at amortized cost amount to 765,155 and consist of cash and cash equivalents, short-term fixed deposits, premium and reinsurance receivables and other receivables.

Other financial assets amount to 234,134 and consist of available for sale investments. The Company may use the FVOCI classification for these other financial assets based on the business model of the Company for debt securities and the strategic nature of equity investments. The Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Notes 33 and 34 relate to credit risk exposure, concentration of credit risk and credit quality of financial assets. The Company's financial assets have low credit risk as at 31 December 2019.

The foregoing is based on a preliminary high-level impact assessment of IFRS 9 based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being available in the future.

The Company expects some impacts from implementing IFRS 9, however it is not possible to provide a reasonable estimate of these impacts until the Company has performed a detailed review.



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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and risk management policy used in the preparation of the Financial Statements for the year ended 31 December 2019 are consistent with those followed in the preparation of the Financial Statements for the year ended 31 December 2018, except as explained below:

New standards effective since 01 January 2019**IFRS 16 Leases:**

Effective 01 January 2019 the Company has adopted IFRS 16 Leases, the impact of which is explained below:

IFRS 16 which was issued in January 2016 and is effective for annual periods commencing on or after 01 January 2019, replaces the existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized unless the term is 12 months or less or the lease is for low value assets and therefore the classification into operating and finance leases required under IAS 17 Leases is eliminated for Lessees.

For each lease, the lessee recognizes a liability for the lease obligations to be incurred in the future and the right to use the leased asset is capitalized at a valuation which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life of the underlying assets.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard.

During first time application of IFRS 16 to operating leases, the right to use leased assets is generally measured at the amount of lease liability, using the interest rate applicable at first time application.

The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and therefore did not apply the standard to contracts that were not previously identified as leases applying IAS 17 and IFRIC 4.

The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months from the date of initial application and lease contracts for which the underlying asset is of low value.

During the year ended 31 December 2019 the Company performed an assessment of IFRS 16 and resolved that the net impact compared to leases accounted for applying IAS 17 & IFRIC 4 is not material.

Change in accounting policy in relation to accounting for zakat and income tax:

The basis of presentation has changed for the year ended 31 December 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. Following the latest instructions from SAMA, zakat and income tax are recognized in the statement of income. The Company has accounted for this change retrospectively.

The change has resulted in reduction of reported income of the Company for the year ended 31 December 2018 by SR 11,749. The change has no impact on the statements of cash flows for the year ended 31 December 2018.

Accounting Policy - Income tax:

The tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from final income tax assessments are recorded in the year in which such assessments are made. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses.



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IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

The Company applies significant judgement in identifying uncertainties over tax treatments.

Accounting Policy - Deferred tax:

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

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

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

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

Accounting Policy - Zakat:

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the statement of income. Deferred tax is not calculated for zakat.

Restatement:

As at and for the year ended 31 December 2018

| Financial Statement | Account | Before restatement for the year ended 31 December 2018 | Effect of restatement | After restatement for the year ended 31 December 2018 |
|--------------------------------|--------------------------------|--|--------------------------|---|
| Statement of changes in equity | Zakat charge for the year | (10,960) | 10,960 | 0 |
| Statement of changes in equity | Income tax charge for the year | (789) | 789 | 0 |
| Statement of income | Zakat charge for the year | 0 | (10,960) | (10,960) |
| Statement of income | Income tax charge for the year | 0 | (789) | (789) |
| Statement of income | Earnings per share (SAR) | 1.14 | (0.39) | 0.75 |



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5. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The accounting policies, estimates and assumptions used in the preparation of the Financial Statements are consistent with those used for the year ended 31 December 2018 and with the exception of IFRS 16: Leases, no new or amended accounting policies or accounting standards were adopted by the Company during 2019.

Financial Statements are prepared under the going concern convention using the accrual basis of accounting. The historical cost convention is followed except for the measurement at fair value of available for sale investments - see Note 5(r).

Financial assets and financial liabilities are offset and the net amount reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset unless required or permitted by an accounting standard or interpretation as specifically disclosed in the accounting policies.

Presentation is in Saudi Riyals, the functional currency of the Company. All amounts are derived from Arabic and English computerised accounting records and except where otherwise indicated are rounded to thousands using the standard rounding convention.

The statement of financial position is presented in order of liquidity but is not presented using a current / non-current classification. The table below identifies current and non-current assets and liabilities.

Assets:

Current

- Cash and cash equivalents
- Short term fixed income deposits
- Premiums and reinsurers' receivable – net
- Reinsurers' share of unearned gross premiums
- Reinsurers' share of outstanding gross claims
- Reinsurers' share of gross claims incurred but not reported
- Deferred excess of loss expenses
- Deferred policy acquisition costs
- Deferred third party administrator expenses
- Deferred withholding tax
- Deferred regulators' levies
- Investments
- Due from related parties – net
- Prepaid expenses and other assets

Non-current

- Property and equipment – net
- Intangible assets – net
- Goodwill
- Statutory deposit
- Accrued income on statutory deposit

Liabilities:

- Accrued and other liabilities
- Reinsurers' balances payable
- Unearned gross premiums
- Unearned reinsurance commission
- Outstanding gross claims
- Gross claims incurred but not reported
- Premium deficiency reserve
- Other technical reserves
- Due to related parties
- Accounts payable
- Withholding tax provision
- Regulators' levies provision
- Policyholders' surplus distribution payable
- Zakat
- Income tax
- End-of-service indemnities
- Accrued commission income payable to SAMA



As required by the Implementing Regulations, the Company maintains separate books of account for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and approved by the Board of Directors.

The statements of financial position, statements of income and statements of comprehensive income and cash flows of the Insurance Operations and Shareholders' Operations which are presented in Note 38 of the Financial Statements are not required by IFRS but have been provided as supplementary financial information to comply with the Implementing Regulations which require the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders' Operations. The supplementary financial information referred to above reflects 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 Insurance Operations are amalgamated and combined with those of Shareholders' Operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for Insurance Operations and Shareholders' Operations are uniform for like transactions and events in similar circumstances.

b) Critical accounting judgments, estimates and assumptions

The preparation of Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets and liabilities, contingent assets and liabilities, resultant provisions, changes in fair value and the reported amounts of income and expense.

These judgements and estimates are based on the Company's best knowledge of current events and actions and are continually evaluated and updated, however future events could result in outcomes requiring material adjustments to the reported amounts.

In preparing the Financial Statements significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied for the year ended 31 December 2018.

The following judgments and estimates have the most significant effect on the amounts recognised.

Impairment losses on receivables

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

Insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies IBNR claims form a significant part of the liability. The primary technique adopted by the Company in estimating the cost of reported and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends.

Historical claims development is analyzed by underwriting year, accident year and further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected to reflect their future expected 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 historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or other 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 conditions 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 into account all the uncertainties involved.

In addition a range of technical methods are used by the Company's actuaries to independently assess and critically review the estimates made by the Company.

Prior claims estimates are continually reviewed and adjusted as claims develop.

Insurance contract liabilities are not discounted for the time value of money as substantially all claims are expected to be paid within one year of the reporting date. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Impairment of financial instruments

Financial instruments are considered impaired when it is determined there has been a significant or prolonged decline in fair value relative to cost. This determination requires judgement. In making this judgement factors are considered such as normal share price volatility, financial status of the investee including cash flow and sector and technology status and development.



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Fair value of financial instruments

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined is calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

c) Seasonality of operations

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

d) Currencies

Exchange rates prevailing at the date of transactions are used to translate transactions denominated in foreign currencies to Saudi Riyals.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Resulting gains or losses, both realised and unrealised, are recognised as income or expense.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of the initial transaction and are not subsequently restated.

e) Trade date accounting

All purchases and sales of financial instruments are accounted for at trade date being the date the Company commits to purchase or sell the instruments.

f) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provided amount to be recovered, the recovery is recognised only when it is believed to be certain.

g) Fair value of financial instruments

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined is calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

h) Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial instrument or a group of financial instruments is impaired.

An impairment exists if one or more events that has occurred since the initial recognition of the instrument has an impact on the estimated future cash flows of the instrument or the group of instruments 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 instrument 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 instruments since the initial recognition of those instruments, although the decrease cannot yet be identified with the individual financial instruments in the Company. This could include 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.

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

- For instruments carried at fair value impairment arises to the extent significant or prolonged decline in fair value has occurred.
- For instruments carried at amortized cost impairment arises to the extent discounted estimated future cash flows are significantly less than amortized cost.



**NOTES TO THE FINANCIAL STATEMENTS
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For debt instruments classified as available for sale 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. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit events occurring after the impairment loss was recognised the impairment loss is reversed.

The determination of what is significant or prolonged requires judgement. In making this judgement a period of 12 months or longer is considered to be prolonged and decline of 30% from original cost is considered to be significant.

The Company considers factors such as market's assessment of creditworthiness as reflected in bond yields, rating agencies' assessment, country's ability to access capital markets 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.

For equity investments held as available for sale, a significant or prolonged decline in fair value below its carrying costs represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the investment 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 realised gain / (loss) on available for sale investments.

i) 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 annually or earlier if events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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-generating units and cash flows.

j) Derecognition 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.

k) Recognition of premium and commission income

Gross Premiums and Gross Commission Income are recognised as revenue when the insurance policy is issued.

Ceded Premiums are deducted from Gross Premiums to arrive at Net Premiums.

Gross and Ceded Premiums and Gross Commission Income which relate to cover periods beyond the end of a financial period are calculated by the Company and reported as Unearned using the following methods:

Marine cargo risks:

Last three months actual period of cover preceding the reporting date.

Engineering construction risks with period of cover greater than one year:

Linearly increasing sums at risk applied to actual period of cover.

All other risks:

Pro-rata to actual period of cover.



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l) Deferred Costs

Certain costs are deferred on initial recognition and subsequently expensed in direct proportion to income recognition of the underlying premiums to which they relate.

The costs subject to this policy are:

- Policy acquisition costs payable to insurance companies, brokers, agents and employees arising from the writing or renewing of insurance contracts.
- Withholding taxes levied on foreign payments.
- Regulators' levies.
- Excess of loss expenses.
- Third party administrator expenses arising from processing of medical claims

Impairment reviews are conducted regularly and any impairment loss is reflected in the statement of income.

m) Insurance and reinsurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Once a contract has been classified as an insurance contract it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly in this period.

Reinsurance contracts, by which the Company cedes insurance risks to reinsurers, are entered into by the Company in the normal course of business.

Under such contracts the Company agrees to cede part of the underlying premium to the reinsurer and the reinsurer agrees to pay commission on the ceded premium to the Company and to compensate the Company for losses arising on the underlying insurance contract.

Amounts recoverable from or due to reinsurers are recognised in the statement of financial position and the statement of income consistently with the treatment of amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Reinsurance assets and liabilities are derecognised when the contractual rights expire or when the contract is transferred to another party.

Reinsurance contracts do not relieve the Company from its obligations to policyholders.

n) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

o) Events after the reporting date

Adjustments are made to reflect the impact of events occurring between the reporting and publishing dates provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed but no adjustment is made for their impact.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank current accounts and deposits (including short term highly liquid investments) with original maturities of three months or less.

q) Fixed income deposits

Short term fixed income deposits are deposits maturing after 3 and before 12 months from the deposit placement date.

Long term fixed income deposits are deposits maturing more than 12 months from the deposit placement date.



r) Investments

The Company does not invest in derivatives.

At initial recognition the Company classifies its non derivative investments into three categories depending on the purpose for which the investments were acquired or originated - held to maturity, fair value through income statement and available for sale.

At the current reporting date all investments are classified by the Company as available for sale.

Distributions of income for all three classifications are recognised when the right to receive the income is established. The income is reported in the statements of income.

Investments are derecognised when the right to receive cash flows and/or substantially all risks and rewards of ownership have expired or been transferred.

Held to maturity

Investments classified as held to maturity are those with fixed or determinable income and fixed maturities which the Company has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at amortised cost using the effective interest rate method.

Valuation impairments are reported in the statements of income.

Valuation gains are reported in the statements of income only to the extent of cumulative impairments previously recognised.

Realised gains and losses arising on derecognition are reported in the statements of income.

Fair value through income statement

Investments classified as fair value through income statement are those acquired with the intention of trading in the near term.

These investments are initially recognised at fair value with any related transaction costs directly attributable to the acquisition charged to the statements of income on acquisition.

At each reporting date they are remeasured at fair value with the resulting unrealised gains or losses and any impairment charges reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Available for sale

Investments classified as available for sale are those which are not classified as held to maturity or as fair value through income statement and are acquired with the primary intention of holding for an indefinite period of time but which may require to be traded sooner in response to a need for liquidity or as a result of market changes.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at fair value unless they do not have a quoted market price or there is no other appropriate method from which to derive reliable fair value in which case they remain stated at cost less any impairment.

Unrealised gains and losses arising from a remeasurement at fair value are reported in other comprehensive income and cumulatively held in a separate equity reserve unless the investment is impaired.

On derecognition of unimpaired investments the cumulative unrealised gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income. Realised gains and losses arising on derecognition are reported in the statements of income.

On impairment of investments the impairment charges are reported in the statements of income and the cumulative unrealised gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Reclassification of available for sale investments

The Company evaluates whether the ability and intention to sell available for sale investments in the near future is still appropriate. If due to inactive markets the Company is unable to trade such investments it may elect to reclassify if it has the ability and intention to hold the investments for the foreseeable future or until maturity.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

ALL AMOUNTS IN SAR '000

Reclassification to loans and receivables is permitted when the investments meet the definition of loans and receivables and the Company has the intention and ability to hold the investments for the foreseeable future or until maturity. Reclassification to held to maturity is permitted only when the Company has the ability and intention to hold the investment until maturity.

For an investment reclassified out of 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 investment that has been recognised in equity is amortised to the statement of income over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the investment using the effective interest rate method.

If the investment is subsequently determined to be impaired the amount recorded in equity is reclassified to the statement of income.

s) Premiums and reinsurers' receivables

Premiums receivables are stated at gross written premiums receivable from insurance contracts less an allowance for any uncollectible amounts. Premiums and reinsurer receivables are initially recognised at inception of the related insurance contract measured at the fair value of the consideration receivable. The carrying value of receivables is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable the impairment loss is recognised 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 cash flows attributable to the balance are passed through an independent third party. Receivables disclosed in Note 9 fall under the scope of IFRS 4 - Insurance Contracts.

The Implementing Regulations define the basis for the provision for doubtful receivables based on ageing of receivables from date of inception of insurance contracts regardless of any credit terms granted to the insured or reinsurer.

t) Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Replacement or major refurbishment costs are capitalised when incurred if it is probable that future economic benefits resulting from incurring the cost will arise and the cost can be measured reliably. All other repair and maintenance costs are charged to the statement of income as they are incurred.

Depreciation is provided on a straight line basis over the useful lives of the assets at the following rates:

| Fixed assets | Useful life in years |
|--------------------------|-----------------------------|
| Leasehold fixtures | 10 |
| Office furniture | 10 |
| Office equipment | 10 |
| Motor vehicles | 4 |
| IT equipment | 4 |
| Intangible Assets | Useful life in years |
| IT systems | 4 |

The assets' residual values and remaining useful lives are continually reviewed and adjusted if appropriate.

Impairment losses are recognised as an expense.

An item of property, equipment or an intangible asset is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised as income or expense.

Capital work-in-progress includes tangible and intangible assets being developed for future use and are not depreciated. When the assets are commissioned the work-in-progress amount is transferred to the respective asset categories and thereafter depreciated as set out above with effect from the commissioning date.

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

u) Leases

The Company recognises right-of-use assets representing the right to use the underlying leased asset and a lease liability representing the obligation to make lease payments.

Assets and liabilities arising from a lease are initially measured on a present value basis using the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.



There are optional exemptions for short-term leases and leases of low-value items. Short-term leases are leases with a lease term of 12 months or less.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income.

v) Goodwill

Goodwill is initially recognised at cost and is not amortised but subsequent to initial recognition is tested for impairment annually and carried at cost less accumulated impairment losses.

Impairment is determined by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount is less than their carrying amount, an impairment loss is recognised.

Impairment losses are not reversed in subsequent periods.

w) Claims

Claims comprise amounts payable to contract holders, third parties and related loss adjustment expenses, net of salvage and other recoveries.

In addition to amounts already paid, claims include estimated provisions determined from loss reports for claims reported but not settled together with provisions based on the Company's judgement and prior experience for claims incurred but not reported (IBNR).

Any differences crystalizing between the provisions at the reporting date and subsequent settlements or adjustments to those provisions are recognised in the statement of income as income or expense as appropriate.

The Company does not discount its liability for unpaid claims as substantially all reported claims are expected to be paid within one year from occurrence.

While the Company believes that the estimated provisions are adequate, nevertheless, the ultimate liability of the outstanding claims may be in excess of or less than the provided amounts.

Some insurance contracts permit the Company to subsequently sell assets acquired in settling a claim usually damaged or salvaged goods and the Company may also have rights to pursue third parties for payment of some or all claim costs. Estimates of salvage and subrogation recoveries are included in the measurement of outstanding claims.

x) Liability adequacy test

At each reporting date the Company assesses whether there is any overall excess of expected claims over unearned premiums net of deferred acquisition costs. This calculation uses current estimates of future contractual cash flows after taking account of the return expected to arise on assets relating to the relevant insurance technical provisions. If that assessment shows that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the entire deficiency is immediately recognized and a provision created.

y) Provision for end of service benefits

Benefits payable to the employees of the Company at the end of their service are provided for in accordance with the labour laws of Saudi Arabia.

The cost of this benefit for each employee is charged over their period of employment and provisions are continually re-assessed and adjusted on the basis of current salary, related benefits and completed service.

On cessation of employment, the entitlement will be paid based upon the employees' final salary, related benefits and length of service.

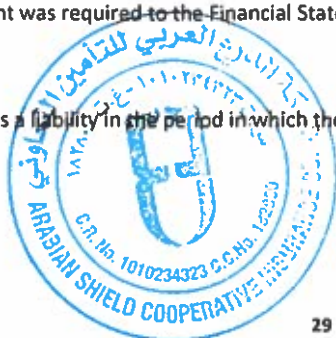
Interim payments may be approved at the Company's discretion for employees with service in excess of 10 years.

The Company has calculated end of service liability in accordance with IAS 19.

No material difference arises between this amount and the liability calculated in accordance with the Labour Laws of the Kingdom of Saudi Arabia and accordingly no adjustment was required to the Financial Statements.

z) Dividend distribution

Dividend distribution is recognized as a liability in the period in which the dividend is approved by the shareholders.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

| | 2019 | 2018 |
|---|----------------|----------------|
| Insurance operations | | |
| Bank balances and cash | 56,164 | 26,523 |
| Deposits maturing within 3 months from the acquisition date | 160,445 | 226,862 |
| Total | 216,609 | 253,385 |
| Shareholders' operations | | |
| Bank balances and cash | 5,199 | 1,492 |
| Deposits maturing within 3 months from the acquisition date | 181,568 | 175,689 |
| Total | 186,767 | 177,181 |
| Combined balances | | |
| Bank balances and cash | 61,363 | 28,015 |
| Deposits maturing within 3 months from the acquisition date | 342,013 | 402,551 |
| Total | 403,376 | 430,566 |

All bank balances and deposits are placed with SAMA regulated local banks.

7. SHORT TERM FIXED INCOME DEPOSITS

Short term fixed income deposits maturing after 3 and before 12 months from the deposit placement date are as follows:

| | 2019 | 2018 |
|--------------------------|---------------|---------------|
| Insurance operations | 40,000 | 81,234 |
| Shareholders' operations | 0 | 0 |
| Total | 40,000 | 81,234 |

All bank balances and deposits are placed with SAMA regulated local banks.

8. STATUTORY DEPOSIT

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The Company maintains a deposit of SAR 30,000,000 (31 December 2018: SAR 30,000,000) in a deposit account at The Saudi British Bank. This deposit cannot be withdrawn without SAMA's consent and the Company does not earn commission from the deposit.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

9. PREMIUMS AND REINSURERS' RECEIVABLE – NET

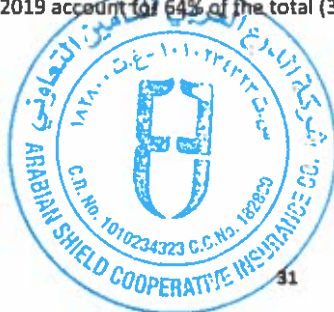
Receivable comprise amounts due from the following:

| | 2019 | 2018 |
|--|---------------|---------------|
| Non related parties | | |
| Policyholders | 40,752 | 25,680 |
| Brokers and agents | 50,028 | 46,828 |
| Receivables from reinsurers | 12,095 | 12,779 |
| Premiums and reinsurers' receivable – gross | 102,875 | 85,287 |
| Provision for doubtful receivables | (5,620) | (6,700) |
| Premiums and reinsurers' receivable – net | 97,255 | 78,587 |
| Related parties | | |
| Policyholders | 8,970 | 75,074 |
| Provision for doubtful receivables | (1,500) | (11,400) |
| Due from related parties – net | 7,470 | 63,674 |
| Movement in the combined provision | | |
| Balance at start of year | 18,100 | 11,500 |
| Provided / (Reversal) | (10,980) | 6,600 |
| Written off | 0 | 0 |
| Balance at end of year | 7,120 | 18,100 |

Ageing of receivables:

| 2019 | Not Due or Impaired | Due but not impaired | | | Due and age impaired | | Total |
|----------------------------|---------------------|----------------------|---------------|---------------|----------------------|--------------|----------------|
| | | 0 - 30 Days | 31 - 90 Days | 91 - 180 Days | 181 - 365 Days | > 365 Days | |
| Non related parties | | | | | | | |
| Policyholders | 20,966 | 7,845 | 5,532 | 1,773 | 2,972 | 1,664 | 40,752 |
| Brokers and agents | 38,885 | 5,813 | 4,639 | 682 | 179 | (170) | 50,028 |
| Reinsurers | 0 | 7,952 | 348 | 3,978 | (388) | 205 | 12,095 |
| Total | 59,851 | 21,610 | 10,519 | 6,433 | 2,763 | 1,699 | 102,875 |
| Related parties | 5,697 | 382 | 1,660 | 1,239 | (10) | 2 | 8,970 |
| 2018 | | | | | | | |
| Non related parties | | | | | | | |
| Policyholders | 10,828 | 2,623 | 6,071 | 1,596 | 2,755 | 1,807 | 25,680 |
| Brokers and agents | 36,775 | 2,784 | 4,085 | 1,684 | 1,103 | 397 | 46,828 |
| Reinsurers | 0 | 7,137 | 1,757 | 595 | 1,111 | 2,179 | 12,779 |
| Total | 47,603 | 12,544 | 11,913 | 3,875 | 4,969 | 4,383 | 85,287 |
| Related Parties | 57,953 | 1,922 | 3,784 | 9,996 | 1,372 | 47 | 75,074 |

The Company only enters into insurance and reinsurance contracts with recognised credit worthy parties. All customers wishing to trade on credit terms are subject to credit verification procedures. All receivables are continuously monitored to minimise exposure to bad debts. The five largest receivables at 31 December 2019 account for 64% of the total (31 December 2018: 75%).



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

10. DEFERRED COSTS

| | Excess of Loss | Policy Acquisition | Third Party Administrator | Withholding Tax | Regulators' Levies |
|----------------------------------|-------------------|-----------------------|------------------------------|--------------------|-----------------------|
| Payable | | | | | |
| Balance 31 December 2017 | 0 | 862 | 0 | 12,503 | 1,048 |
| Provided | 2,230 | 21,764 | 3,768 | 7,512 | 7,114 |
| Paid | (2,230) | (18,666) | (3,620) | (7,788) | (6,692) |
| Balance 31 December 2018 | 0 | 3,960 | 148 | 12,227 | 1,470 |
| Balance 31 December 2018 | 0 | 3,960 | 148 | 12,227 | 1,470 |
| Provided | 1,991 | 21,431 | 7,786 | 6,516 | 5,750 |
| Paid | (1,991) | (21,348) | (7,390) | (9,886) | (5,459) |
| Balance 31 December 2019 | 0 | 4,043 | 544 | 8,857 | 1,761 |
| Deferral | | | | | |
| Balance 31 December 2017 | 0 | 8,044 | 0 | 1,938 | 1,605 |
| Provided | 2,230 | 21,764 | 3,768 | 7,512 | 7,114 |
| Incurred | (2,230) | (22,501) | (1,292) | (7,866) | (5,890) |
| Balance 31 December 2018 | 0 | 7,307 | 2,476 | 1,584 | 2,829 |
| Balance 31 December 2018 | 0 | 7,307 | 2,476 | 1,584 | 2,829 |
| Provided | 1,991 | 21,431 | 7,786 | 6,516 | 5,750 |
| Incurred | (1,991) | (20,837) | (7,768) | (6,334) | (6,588) |
| Balance 31 December 2019 | 0 | 7,901 | 2,494 | 1,766 | 1,991 |
| Net charge incurred | | | | 2019 | 2018 |
| Excess of Loss | | | | | |
| Provided | | | | 1,991 | 2,230 |
| Opening deferral reversal | | | | 0 | 0 |
| Closing deferral | | | | 0 | (0) |
| Incurred | | | | 1,991 | 2,230 |
| Policy Acquisition | | | | | |
| Provided | | | | 21,431 | 21,764 |
| Opening deferral reversal | | | | 7,307 | 8,044 |
| Closing deferral | | | | (7,901) | (7,307) |
| Incurred | | | | 20,837 | 22,501 |
| Third Party Administrator | | | | | |
| Provided | | | | 7,786 | 3,768 |
| Opening deferral reversal | | | | 2,476 | 0 |
| Closing deferral | | | | (2,494) | (2,476) |
| Incurred | | | | 7,768 | 1,292 |
| Withholding Tax | | | | | |
| Provided | | | | 6,516 | 7,512 |
| Opening deferral reversal | | | | 1,584 | 1,938 |
| Closing deferral | | | | (1,766) | (1,584) |
| Incurred | | | | 6,334 | 7,866 |
| Regulators' Levies | | | | | |
| Provided | | | | 5,750 | 7,114 |
| Opening deferral reversal | | | | 2,829 | 1,605 |
| Closing deferral | | | | (1,991) | (2,829) |
| Incurred | | | | 6,588 | 5,890 |



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

11. INVESTMENTS

There are no investments for Insurance Operations at 31 December 2019 (31 December 2018: None).

All investments shown below are for Shareholders' Operations.

| Classification of investment balances | 2019 | 2018 |
|--|----------------|----------------|
| Held as fair value through income statements | 0 | 0 |
| Available for sale | 234,134 | 198,901 |
| Other investments held at amortised costs | 0 | 0 |
| Held to maturity | 0 | 0 |
| Total investments | 234,134 | 198,901 |

| Movement in investments | 2019 | 2018 |
|--|----------------|----------------|
| Investments at cost | 196,625 | 138,807 |
| Cumulative unrealised gains / (losses) | 2,276 | 1,921 |
| Total balance at start | 198,901 | 140,728 |

| | | |
|-----------------------------|---------------|---------------|
| Purchases at cost | 111,354 | 190,005 |
| Disposals at cost | (78,831) | (132,187) |
| Net movement at cost | 32,523 | 57,818 |

| | | |
|---|--------------|------------|
| Net change in fair value of investments | 10,632 | 1,834 |
| Net realised amounts transferred to statement of income | (7,922) | (1,479) |
| Net change in unrealised fair value of investments | 2,710 | 355 |

| | | |
|----------------------------------|----------|----------|
| Impairment of investments | 0 | 0 |
|----------------------------------|----------|----------|

| | | |
|--|----------------|----------------|
| Investments at cost | 229,148 | 196,625 |
| Cumulative unrealised gains / (losses) | 4,986 | 2,276 |
| Total balance at end | 234,134 | 198,901 |

| Realised gains / (losses) to Statement of Income | 2019 | 2018 |
|--|--------------|--------------|
| Proceeds from disposal of investments | 86,753 | 133,666 |
| Costs of investments sold | (78,831) | (132,187) |
| Realised gains / (losses) | 7,922 | 1,479 |

All numbers in this paragraph are stated in Saudi Riyals whole numbers and are not rounded to thousands.

Investments at 31 December 2018 included an investment of SAR 3,000,000 in a Sukuk issued by an entity controlled or significantly influenced by a related party. The Sukuk was redeemed in full on 07 March 2019 leaving a Nil balance at 31 December 2019. This investment generated an income in 2019 of 25,179 (2018: 125,929).



12. FAIR VALUES OF FINANCIAL INSTRUMENTS**Determination of fair value**

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

Underlying the definition of fair value is a presumption that the enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms and that the transaction takes place either:

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

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined, they are calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

Fair value hierarchy

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

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

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

Carrying amounts and fair values

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

No financial instruments measured at fair value exist for Insurance Operations at 31 December 2019 (31 December 2018: None).

Available for sale investments are the only financial instruments measured at fair value for Shareholders' Operations.

| Available for Sale Investments | Level 1 | Level 2 | Level 3 | Carrying Value |
|--------------------------------|----------------|----------------|--------------|----------------|
| Mutual funds | 115,525 | 0 | 0 | 115,525 |
| Sukuk | 0 | 104,179 | 0 | 104,179 |
| Equities | 12,507 | 0 | 1,923 | 14,430 |
| Total 31 December 2019 | 128,032 | 104,179 | 1,923 | 234,134 |
| Mutual funds | 85,465 | 0 | 0 | 85,465 |
| Sukuk | 0 | 111,513 | 0 | 111,513 |
| Equities | 0 | 0 | 1,923 | 1,923 |
| Total 31 December 2018 | 85,465 | 111,513 | 1,923 | 198,901 |

There were no transfers or reclassifications between or within levels during the year ended 2019 (year ended 31 December 2018: None).

Measurement of fair values for above level categories

- The Level 1 mutual funds are valued based on quoted market price.
- Fair values for the Level 2 sukuk holdings are determined based on broker quotes.
- The Level 3 unquoted equity investment represents the Company's holding in Najm for Insurance Services ("Najm"), a service provider to the motor insurance industry in Saudi Arabia. Najm is jointly owned by the insurance companies participating in motor class. Carrying value is currently reflected at historical cost. The annual financial statements of Najm are examined and analysed to assess any need for impairment.

The analysis of available for sale investments held at fair value is shown in Note 12.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

13. PROPERTY AND EQUIPMENT – NET

| Property and Equipment – Net | | | | | | | |
|------------------------------|-----------------------|---------------------|---------------------|-------------------|-----------------|-----------------------------|---------------|
| | Leasehold Fixtures | Office Furniture | Office Equipment | Motor Vehicles | IT Equipment | Capital Work in Progress | Total |
| Cost | | | | | | | |
| Balance 31 Dec 2017 | 4,988 | 1,414 | 2,948 | 449 | 6,306 | 0 | 16,105 |
| Additions | 306 | 90 | 405 | 0 | 1,308 | 442 | 2,551 |
| Disposals | (0) | (0) | (0) | (214) | (0) | 0 | (214) |
| Balance 31 Dec 2018 | 5,294 | 1,504 | 3,353 | 235 | 7,614 | 442 | 18,442 |
| Balance 31 Dec 2018 | 5,294 | 1,504 | 3,353 | 235 | 7,614 | 442 | 18,442 |
| Additions | 0 | 0 | 0 | 0 | 18 | 61 | 79 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 77 | 77 |
| Balance 31 Dec 2019 | 5,294 | 1,504 | 3,353 | 235 | 7,632 | 580 | 18,598 |
| Depreciation | | | | | | | |
| Balance 31 Dec 2017 | 3,063 | 979 | 2,671 | 355 | 4,962 | 0 | 12,030 |
| Additions | 540 | 159 | 234 | 23 | 1,059 | 0 | 2,015 |
| Disposals | (0) | (0) | (0) | (198) | (0) | 0 | (198) |
| Balance 31 Dec 2018 | 3,603 | 1,138 | 2,905 | 180 | 6,021 | 0 | 13,847 |
| Balance 31 Dec 2018 | 3,603 | 1,138 | 2,905 | 180 | 6,021 | 0 | 13,847 |
| Additions | 372 | 138 | 86 | 23 | 625 | 0 | 1,244 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance 31 Dec 2019 | 3,975 | 1,276 | 2,991 | 203 | 6,646 | 0 | 15,091 |
| Net Book Value 31 Dec 2018 | 1,691 | 366 | 448 | 55 | 1,593 | 442 | 4,595 |
| Net Book Value 31 Dec 2019 | 1,319 | 228 | 362 | 32 | 986 | 580 | 3,507 |



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

14. INTANGIBLE ASSETS – NET

| Intangible Assets – Net | | | |
|-----------------------------------|---------------|-----------------------------|---------------|
| | IT Systems | Capital Work in Progress | Total |
| Cost | | | |
| Balance 31 Dec 2017 | 12,468 | 0 | 12,468 |
| Additions | 652 | 5,815 | 6,467 |
| Disposals | (0) | 0 | (0) |
| Balance 31 Dec 2018 | 13,120 | 5,815 | 18,935 |
| Balance 31 Dec 2018 | 13,120 | 5,815 | 18,935 |
| Additions | 434 | 1,294 | 1,728 |
| Disposals | (77) | 0 | (77) |
| Balance 31 Dec 2019 | 13,477 | 7,109 | 20,586 |
| Amortisation | | | |
| Balance 31 Dec 2017 | 9,967 | 0 | 9,967 |
| Additions | 1,411 | 0 | 1,411 |
| Disposals | (0) | 0 | (0) |
| Balance 31 Dec 2018 | 11,378 | 0 | 11,378 |
| Balance 31 Dec 2018 | 11,378 | 0 | 11,378 |
| Additions | 757 | 0 | 757 |
| Disposals | 0 | 0 | 0 |
| Balance 31 Dec 2019 | 12,135 | 0 | 12,135 |
| Net Book Value 31 Dec 2018 | 1,742 | 5,815 | 7,557 |
| Net Book Value 31 Dec 2019 | 1,342 | 7,109 | 8,451 |

15. PURCHASE OF INSURANCE PORTFOLIO AND RELATED BUSINESS, ASSETS AND LIABILITIES OF ARABIAN SHIELD INSURANCE COMPANY EC

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 01 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of SAR 49,100,000.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to SAR 20,825,600 as per the audited Financial Statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to SAR 69,925,600.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by SAR 2,306,137 to SAR 46,793,863. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from SAR 69,925,600 to SAR 67,619,463 which has been fully paid with no further amounts owing.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

16. ACCOUNTS PAYABLE

| | 2019 | 2018 |
|-----------------------------------|---------------|--------------|
| Policy acquisition costs payable | 4,043 | 3,960 |
| Third party administrator payable | 544 | 148 |
| Other accounts payable | 20,919 | 4,593 |
| Total | 25,506 | 8,701 |

17. REINSURERS' BALANCES PAYABLE

| | 2019 | 2018 |
|--------------------------|---------------|---------------|
| Excess of Loss contracts | 0 | 0 |
| Other contracts | 15,108 | 10,760 |
| Total | 15,108 | 10,760 |

18. ANALYSIS OF WRITTEN AND EARNED PREMIUMS

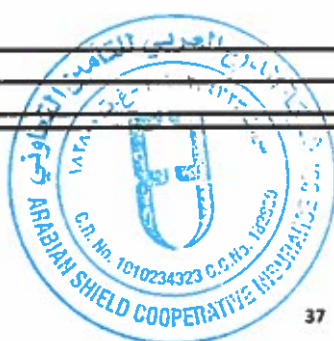
| Written premiums | 2019 | 2018 |
|----------------------------------|-----------|-----------|
| Gross premiums written | 543,717 | 625,101 |
| Ceded premiums written | (183,752) | (170,305) |
| Net | 359,965 | 454,796 |
| Excess of loss expenses incurred | (1,991) | (2,230) |
| Net premiums written | 357,974 | 452,566 |

| Earned premiums | 2019 | 2018 |
|----------------------------------|-----------|-----------|
| Gross premiums earned | 597,380 | 559,623 |
| Ceded premiums earned | (180,701) | (177,542) |
| Net | 416,679 | 382,081 |
| Excess of loss expenses incurred | (1,991) | (2,230) |
| Net premiums earned | 414,688 | 379,851 |

19. MOVEMENT IN UNEARNED PREMIUMS

| | Gross | Reinsurance | Net |
|-----------------------------|-----------|-------------|-----------|
| 2019 | | | |
| Balance at start of year | 221,042 | (33,389) | 187,653 |
| Premium written during year | 543,717 | (185,743) | 357,974 |
| Premium earned during year | (597,380) | 182,692 | (414,688) |
| Balance at end of year | 167,379 | (36,440) | 130,939 |
| Change in unearned premiums | (53,663) | (3,051) | (56,714) |

| | | | |
|-----------------------------|-----------|-----------|-----------|
| 2018 | | | |
| Balance at start of year | 155,564 | (40,626) | 114,938 |
| Premium written during year | 625,101 | (172,535) | 452,566 |
| Premium earned during year | (559,623) | 179,772 | (379,851) |
| Balance at end of year | 221,042 | (33,389) | 187,653 |
| Change in unearned premiums | 65,478 | 7,237 | 72,715 |



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

20. ANALYSIS OF WRITTEN AND EARNED REINSURANCE COMMISSION

| Written commission | 2019 | 2018 |
|-----------------------------|--------|--------|
| Standard commission written | 36,527 | 34,258 |
| Profit commission written | 2,013 | 1,440 |
| Total commission written | 38,540 | 35,698 |

| Earned commission | 2019 | 2018 |
|----------------------------|--------|--------|
| Standard commission earned | 36,021 | 35,398 |
| Profit commission earned | 2,013 | 1,440 |
| Total commission earned | 38,034 | 36,838 |

21. MOVEMENT IN UNEARNED REINSURANCE COMMISSION

| | Standard Commission | Profit Commission | Total Commission |
|--------------------------------|---------------------|-------------------|------------------|
| 2019 | | | |
| Balance at start of year | 6,847 | 0 | 6,847 |
| Commission written during year | 36,527 | 2,013 | 38,540 |
| Commission earned during year | (36,021) | (2,013) | (38,034) |
| Balance at end of year | 7,353 | 0 | 7,353 |
| Change in unearned commission | 506 | 0 | 506 |

| | | | |
|--------------------------------|----------|---------|----------|
| 2018 | | | |
| Balance at start of year | 7,987 | 0 | 7,987 |
| Commission written during year | 34,258 | 1,440 | 35,698 |
| Commission earned during year | (35,398) | (1,440) | (36,838) |
| Balance at end of year | 6,847 | 0 | 6,847 |
| Change in unearned commission | (1,140) | 0 | (1,140) |

22. NET OUTSTANDING CLAIMS AND TECHNICAL RESERVES

| | 2019 | 2018 |
|--|----------------|----------------|
| Outstanding gross claims | 141,054 | 173,569 |
| Less realisable value of salvage and subrogation | 0 | 0 |
| Sub Total | 141,054 | 173,569 |
| Gross claims incurred but not reported | 178,325 | 194,280 |
| Premium deficiency reserve | 2,000 | 4,900 |
| Other technical reserves | 9,000 | 9,925 |
| Outstanding gross claims and technical reserves | 330,379 | 382,674 |
| Less reinsurers' share of outstanding gross claims | (89,304) | (71,391) |
| Less reinsurers' share of gross claims incurred but not reported | (73,250) | (81,748) |
| Outstanding claims and technical reserves, net | 167,825 | 229,535 |



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

23. MOVEMENT IN OUTSTANDING CLAIMS AND TECHNICAL RESERVES

| 2019 | Gross | Reinsurers | Net |
|--|------------------|------------------|------------------|
| Outstanding claims | 173,569 | (71,391) | 102,178 |
| IBNR reserve | 194,280 | (81,748) | 112,532 |
| Premium deficiency reserve | 4,900 | 0 | 4,900 |
| Other technical reserves | 9,925 | 0 | 9,925 |
| Total at start of year | 382,674 | (153,139) | 229,535 |
| Provided claims | 469,657 | (78,611) | 391,046 |
| Provided IBNR reserve | (15,955) | 8,498 | (7,457) |
| Provided premium deficiency reserve | (2,900) | 0 | (2,900) |
| Provided other technical reserves | (925) | 0 | (925) |
| Total provided during the year | 449,877 | (70,113) | 379,764 |
| Paid claims during the year | (502,172) | 60,698 | (441,474) |
| Outstanding claims | 141,054 | (89,304) | 51,750 |
| Outstanding IBNR reserve | 178,325 | (73,250) | 105,075 |
| Outstanding premium deficiency reserve | 2,000 | 0 | 2,000 |
| Outstanding other technical reserves | 9,000 | 0 | 9,000 |
| Total at end of year | 330,379 | (162,554) | 167,825 |
| Change in outstanding claims | (32,515) | (17,913) | (50,428) |
| Change in IBNR reserve | (15,955) | 8,498 | (7,457) |
| Change in premium deficiency reserve | (2,900) | 0 | (2,900) |
| Change in other technical reserves | (925) | 0 | (925) |

| 2018 | Gross | Reinsurers | Net |
|--|------------------|------------------|------------------|
| Outstanding claims | 104,731 | (58,958) | 45,773 |
| IBNR reserve | 179,883 | (73,796) | 106,087 |
| Premium deficiency reserve | 0 | 0 | 0 |
| Other technical reserves | 8,125 | 0 | 8,125 |
| Total at start of year | 292,739 | (132,754) | 159,985 |
| Provided claims | 373,435 | (95,645) | 277,790 |
| Provided IBNR reserve | 14,397 | (7,952) | 6,445 |
| Provided premium deficiency reserve | 4,900 | (0) | 4,900 |
| Provided other technical reserves | 1,800 | (0) | 1,800 |
| Total provided during the year | 394,532 | (103,597) | 290,935 |
| Paid claims during the year | (304,597) | 83,212 | (221,385) |
| Outstanding claims | 173,569 | (71,391) | 102,178 |
| Outstanding IBNR reserve | 194,280 | (81,748) | 112,532 |
| Outstanding premium deficiency reserve | 4,900 | (0) | 4,900 |
| Outstanding other technical reserves | 9,925 | (0) | 9,925 |
| Total at end of year | 382,674 | (153,139) | 229,535 |
| Change in outstanding claims | 68,838 | (12,433) | 56,405 |
| Change in IBNR reserve | 14,397 | (7,952) | 6,445 |
| Change in premium deficiency reserve | 4,900 | (0) | 4,900 |
| Change in other technical reserves | 1,800 | (0) | 1,800 |



24. CLAIMS DEVELOPMENT

The Company aims to maintain adequate reserves in respect of its insurance contracts in order to protect against adverse future claims experience and developments.

The triangulation analysis and tables below reflect, by accident year, the cumulative development of reported claims up to each subsequent annual reporting date. Cumulative payments against reported claims are shown and deducted from the cumulative development of reported claims to show the reserve for outstanding reported claims. The reserve at the latest reporting date for incurred but not reported claims (IBNR) is added to complete the estimate of the ultimate value of claims cumulatively incurred to that reporting date whether reported or not. Comparative tables at 31 December 2018 are shown.

Quarterly evaluation techniques review the adequacy of IBNR reserves and the Company's capability to accurately predict the ultimate claims liability.



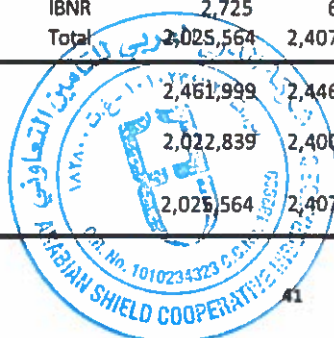
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

| Gross claims developing from 31 Dec 2014 | Accident Years | 2014 & Earlier | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|--|----------------|----------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Reported gross claims | | 2,245,419 | | | | | | 2,245,419 |
| IBNR | | 216,580 | | | | | | 216,580 |
| Total at 31 Dec 2014 | | 2,461,999 | | | | | | 2,461,999 |
| Reported gross claims | | 2,019,459 | 320,274 | | | | | 2,339,733 |
| IBNR | | 9,391 | 97,836 | | | | | 107,227 |
| Total at 31 Dec 2015 | | 2,028,850 | 418,110 | | | | | 2,446,960 |
| Reported gross claims | | 2,026,624 | 375,129 | 275,158 | | | | 2,676,911 |
| IBNR | | 10,828 | 14,491 | 137,598 | | | | 162,917 |
| Total at 31 Dec 2016 | | 2,037,452 | 389,620 | 412,756 | | | | 2,839,828 |
| Reported gross claims | | 2,022,111 | 375,300 | 316,901 | 345,326 | | | 3,059,638 |
| IBNR | | 9,255 | 9,873 | 46,888 | 113,867 | | | 179,883 |
| Total at 31 Dec 2017 | | 2,031,366 | 385,173 | 363,789 | 459,193 | | | 3,239,521 |
| Reported gross claims | | 2,025,177 | 376,079 | 321,112 | 373,654 | 337,050 | | 3,433,072 |
| IBNR | | 6,000 | 6,195 | 30,176 | 44,402 | 107,507 | | 194,280 |
| Total at 31 Dec 2018 | | 2,031,177 | 382,274 | 351,288 | 418,056 | 444,557 | | 3,627,352 |
| Reported gross claims | | 2,022,839 | 377,470 | 320,322 | 374,951 | 396,610 | 410,537 | 3,902,729 |
| IBNR | | 2,725 | 3,987 | 27,414 | 41,496 | 59,534 | 43,169 | 178,325 |
| Total at 31 Dec 2019 | | 2,025,564 | 381,457 | 347,736 | 416,447 | 456,144 | 453,706 | 4,081,054 |
| Cumulative ultimate gross claims | | 2,025,564 | 381,457 | 347,736 | 416,447 | 456,144 | 453,706 | 4,081,054 |
| Cumulative gross claims to 31 Dec 2019 | | 2,022,839 | 377,470 | 320,322 | 374,951 | 396,610 | 410,537 | 3,902,729 |
| Cumulative payments to 31 Dec 2019 | | (2,007,919) | (371,413) | (311,418) | (357,802) | (370,431) | (342,692) | (3,761,675) |
| Outstanding gross claims at 31 Dec 2019 | | 14,920 | 6,057 | 8,904 | 17,149 | 26,179 | 67,845 | 141,054 |
| Gross IBNR at 31 Dec 2019 | | 2,725 | 3,987 | 27,414 | 41,496 | 59,534 | 43,169 | 178,325 |
| Outstanding gross claims and IBNR at 31 Dec 2019 | | 17,645 | 10,044 | 36,318 | 58,645 | 85,713 | 111,014 | 319,379 |

| Gross claims and IBNR cumulatively developing from 31 Dec 2014 | Cumulative Accident Years | 2014 & Earlier | 2015 & Earlier | 2016 & Earlier | 2017 & Earlier | 2018 & Earlier | 2019 & Earlier |
|--|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2014 | Cum Incurred | 2,245,419 | | | | | |
| | IBNR | 216,580 | | | | | |
| | Total | 2,461,999 | | | | | |
| At 31 Dec 2015 | Cum Incurred | 2,019,459 | 2,339,733 | | | | |
| | IBNR | 9,391 | 107,227 | | | | |
| | Total | 2,028,850 | 2,446,960 | | | | |
| At 31 Dec 2016 | Cum Incurred | 2,026,624 | 2,401,753 | 2,676,911 | | | |
| | IBNR | 10,828 | 25,319 | 162,917 | | | |
| | Total | 2,037,452 | 2,427,072 | 2,839,828 | | | |
| At 31 Dec 2017 | Cum Incurred | 2,022,111 | 2,397,411 | 2,714,312 | 3,059,638 | | |
| | IBNR | 9,255 | 19,128 | 66,016 | 179,883 | | |
| | Total | 2,031,366 | 2,416,539 | 2,780,328 | 3,239,521 | | |
| At 31 Dec 2018 | Cum Incurred | 2,025,177 | 2,401,256 | 2,722,368 | 3,096,022 | 3,433,072 | |
| | IBNR | 6,000 | 12,195 | 42,371 | 86,773 | 194,280 | |
| | Total | 2,031,177 | 2,413,451 | 2,764,739 | 3,182,795 | 3,627,352 | |
| At 31 Dec 2019 | Cum Incurred | 2,022,839 | 2,400,309 | 2,720,631 | 3,095,582 | 3,492,192 | 3,902,729 |
| | IBNR | 2,725 | 6,712 | 34,126 | 75,622 | 135,156 | 178,325 |
| | Total | 2,025,564 | 2,407,021 | 2,754,757 | 3,171,204 | 3,627,348 | 4,081,054 |
| Initially Reserved including IBNR | | 2,461,999 | 2,446,960 | 2,839,828 | 3,239,521 | 3,627,352 | 4,081,054 |
| Cumulative development excluding IBNR to 31 Dec 2019 | | 2,022,839 | 2,400,309 | 2,720,631 | 3,095,582 | 3,492,192 | 3,902,729 |
| Cumulative development including IBNR to 31 Dec 2019 | | 2,025,564 | 2,407,021 | 2,754,757 | 3,171,204 | 3,627,348 | 4,081,054 |

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NOTES TO THE FINANCIAL STATEMENTS
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| Ceded claims developing from 31 Dec 2014 | Accident Years | 2014 & Earlier | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|--|----------------|----------------|-----------|----------|-----------|----------|----------|-------------|
| Reported ceded claims | | 1,431,712 | | | | | | 1,431,712 |
| IBNR | | 179,008 | | | | | | 179,008 |
| Total at 31 Dec 2014 | | 1,610,720 | | | | | | 1,610,720 |
| Reported ceded claims | | 1,181,261 | 132,276 | | | | | 1,313,537 |
| IBNR | | 4,902 | 38,157 | | | | | 43,059 |
| Total at 31 Dec 2015 | | 1,186,163 | 170,433 | | | | | 1,356,596 |
| Reported ceded claims | | 1,183,514 | 156,935 | 87,004 | | | | 1,427,453 |
| IBNR | | 4,232 | 7,245 | 45,504 | | | | 56,981 |
| Total at 31 Dec 2016 | | 1,187,746 | 164,180 | 132,508 | | | | 1,484,434 |
| Reported ceded claims | | 1,180,519 | 156,190 | 96,581 | 115,906 | | | 1,549,196 |
| IBNR | | 3,007 | 4,900 | 17,705 | 48,184 | | | 73,796 |
| Total at 31 Dec 2017 | | 1,183,526 | 161,090 | 114,286 | 164,090 | | | 1,622,992 |
| Reported ceded claims | | 1,180,673 | 156,210 | 98,299 | 125,788 | 83,873 | | 1,644,843 |
| IBNR | | 2,207 | 2,508 | 15,090 | 22,189 | 39,754 | | 81,748 |
| Total at 31 Dec 2018 | | 1,182,880 | 158,718 | 113,389 | 147,977 | 123,627 | | 1,726,591 |
| Reported ceded claims | | 1,180,453 | 156,872 | 96,822 | 126,010 | 87,241 | 76,056 | 1,723,454 |
| IBNR | | 1,015 | 1,383 | 13,484 | 20,834 | 27,305 | 9,229 | 73,250 |
| Total at 31 Dec 2019 | | 1,181,468 | 158,255 | 110,306 | 146,844 | 114,546 | 85,285 | 1,796,704 |
| Cumulative ultimate ceded claims | | 1,181,468 | 158,255 | 110,306 | 146,844 | 114,546 | 85,285 | 1,796,704 |
| Cumulative ceded claims to 31 Dec 2019 | | 1,180,453 | 156,872 | 96,822 | 126,010 | 87,241 | 76,056 | 1,723,454 |
| Cumulative payments to 31 Dec 2019 | | (1,169,910) | (152,292) | (91,321) | (112,618) | (65,038) | (42,971) | (1,634,150) |
| Outstanding ceded claims at 31 Dec 2019 | | 10,543 | 4,580 | 5,501 | 13,392 | 22,203 | 33,085 | 89,304 |
| Ceded IBNR at 31 Dec 2019 | | 1,015 | 1,383 | 13,484 | 20,834 | 27,305 | 9,229 | 73,250 |
| Outstanding ceded claims and IBNR at 31 Dec 2019 | | 11,558 | 5,963 | 18,985 | 34,226 | 49,508 | 42,314 | 162,554 |

| Ceded claims and IBNR cumulatively developing from 31 Dec 2014 | Cumulative Accident Years | 2014 & Earlier | 2015 & Earlier | 2016 & Earlier | 2017 & Earlier | 2018 & Earlier | 2019 & Earlier |
|--|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2014 | Cum Incurred | 1,431,712 | | | | | |
| | IBNR | 179,008 | | | | | |
| | Total | 1,610,720 | | | | | |
| At 31 Dec 2015 | Cum Incurred | 1,181,261 | 1,313,537 | | | | |
| | IBNR | 4,902 | 43,059 | | | | |
| | Total | 1,186,163 | 1,356,596 | | | | |
| At 31 Dec 2016 | Cum Incurred | 1,183,514 | 1,340,449 | 1,427,453 | | | |
| | IBNR | 4,232 | 11,477 | 56,981 | | | |
| | Total | 1,187,746 | 1,351,926 | 1,484,434 | | | |
| At 31 Dec 2017 | Cum Incurred | 1,180,519 | 1,336,709 | 1,433,290 | 1,549,196 | | |
| | IBNR | 3,007 | 7,907 | 25,612 | 73,796 | | |
| | Total | 1,183,526 | 1,344,616 | 1,458,902 | 1,622,992 | | |
| At 31 Dec 2018 | Cum Incurred | 1,180,673 | 1,336,883 | 1,435,182 | 1,560,970 | 1,644,843 | |
| | IBNR | 2,207 | 4,715 | 19,805 | 41,994 | 81,748 | |
| | Total | 1,182,880 | 1,341,598 | 1,454,987 | 1,602,964 | 1,726,591 | |
| At 31 Dec 2019 | Cum Incurred | 1,180,453 | 1,337,325 | 1,434,147 | 1,560,157 | 1,647,398 | 1,723,454 |
| | IBNR | 1,015 | 2,398 | 15,882 | 36,716 | 64,021 | 73,250 |
| | Total | 1,181,468 | 1,339,723 | 1,450,029 | 1,596,873 | 1,711,419 | 1,796,704 |
| Initially Reserved including IBNR | | 1,610,720 | 1,356,596 | 1,484,434 | 1,622,992 | 1,726,591 | 1,796,704 |
| Cumulative development excluding IBNR to 31 Dec 2019 | | 1,180,453 | 1,337,325 | 1,434,147 | 1,560,157 | 1,647,398 | 1,723,454 |
| Cumulative development including IBNR to 31 Dec 2019 | | 1,181,468 | 1,339,723 | 1,450,029 | 1,596,873 | 1,711,419 | 1,796,704 |

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| Net claims developing from 31 Dec 2014 | Accident Years | 2014 & Earlier | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|--|----------------|----------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Reported net claims | | 813,707 | | | | | | 813,707 |
| IBNR | | 37,572 | | | | | | 37,572 |
| Total at 31 Dec 2014 | | 851,279 | | | | | | 851,279 |
| Reported net claims | | 838,198 | 187,998 | | | | | 1,026,196 |
| IBNR | | 4,489 | 59,679 | | | | | 64,168 |
| Total at 31 Dec 2015 | | 842,687 | 247,677 | | | | | 1,090,364 |
| Reported net claims | | 843,110 | 218,194 | 188,154 | | | | 1,249,458 |
| IBNR | | 6,596 | 7,246 | 92,094 | | | | 105,936 |
| Total at 31 Dec 2016 | | 849,706 | 225,440 | 280,248 | | | | 1,355,394 |
| Reported net claims | | 841,592 | 219,110 | 220,320 | 229,420 | | | 1,510,442 |
| IBNR | | 6,248 | 4,973 | 29,183 | 65,683 | | | 106,087 |
| Total at 31 Dec 2017 | | 847,840 | 224,083 | 249,503 | 295,103 | | | 1,616,529 |
| Reported net claims | | 844,504 | 219,869 | 222,813 | 247,866 | 253,177 | | 1,788,229 |
| IBNR | | 3,793 | 3,687 | 15,086 | 22,213 | 67,753 | | 112,532 |
| Total at 31 Dec 2018 | | 848,297 | 223,556 | 237,899 | 270,079 | 320,930 | | 1,900,761 |
| Reported net claims | | 842,386 | 220,598 | 223,500 | 248,941 | 309,369 | 334,481 | 2,179,275 |
| IBNR | | 1,710 | 2,604 | 13,930 | 20,662 | 32,229 | 33,940 | 105,075 |
| Total at 31 Dec 2019 | | 844,096 | 223,202 | 237,430 | 269,603 | 341,598 | 368,421 | 2,284,350 |
| Cumulative ultimate net claims | | 844,096 | 223,202 | 237,430 | 269,603 | 341,598 | 368,421 | 2,284,350 |
| | | | | | | | | |
| Cumulative net claims to 31 Dec 2019 | | 842,386 | 220,598 | 223,500 | 248,941 | 309,369 | 334,481 | 2,179,275 |
| Cumulative payments to 31 Dec 2019 | | (838,009) | (219,121) | (220,097) | (245,184) | (305,393) | (299,721) | (2,127,525) |
| Outstanding net claims at 31 Dec 2018 | | 4,377 | 1,477 | 3,403 | 3,757 | 3,976 | 34,760 | 51,750 |
| Net IBNR at 31 Dec 2019 | | 1,710 | 2,604 | 13,930 | 20,662 | 32,229 | 33,940 | 105,075 |
| Outstanding net claims and IBNR at 31 Dec 2019 | | 6,087 | 4,081 | 17,333 | 24,419 | 36,205 | 68,700 | 156,825 |

| Net claims and IBNR cumulatively developing from 31 Dec 2014 | Cumulative Accident Years | 2014 & Earlier | 2015 & Earlier | 2016 & Earlier | 2017 & Earlier | 2018 & Earlier | 2019 & Earlier |
|--|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2014 | Cum Incurred | 813,707 | | | | | |
| | IBNR | 37,572 | | | | | |
| | Total | 851,279 | | | | | |
| At 31 Dec 2015 | Cum Incurred | 838,198 | 1,026,196 | | | | |
| | IBNR | 4,489 | 64,168 | | | | |
| | Total | 842,687 | 1,090,364 | | | | |
| At 31 Dec 2016 | Cum Incurred | 843,110 | 1,061,304 | 1,249,458 | | | |
| | IBNR | 6,596 | 13,842 | 105,936 | | | |
| | Total | 849,706 | 1,075,146 | 1,355,394 | | | |
| At 31 Dec 2017 | Cum Incurred | 841,592 | 1,060,702 | 1,281,022 | 1,510,442 | | |
| | IBNR | 6,248 | 11,221 | 40,404 | 106,087 | | |
| | Total | 847,840 | 1,071,923 | 1,321,426 | 1,616,529 | | |
| At 31 Dec 2018 | Cum Incurred | 844,504 | 1,064,373 | 1,287,186 | 1,535,052 | 1,788,229 | |
| | IBNR | 3,793 | 7,480 | 22,566 | 44,779 | 112,532 | |
| | Total | 848,297 | 1,071,853 | 1,309,752 | 1,579,831 | 1,900,761 | |
| At 31 Dec 2019 | Cum Incurred | 842,386 | 1,062,984 | 1,286,484 | 1,535,425 | 1,844,794 | 2,179,275 |
| | IBNR | 1,710 | 4,314 | 18,244 | 38,906 | 71,135 | 105,075 |
| | Total | 844,096 | 1,067,298 | 1,304,728 | 1,574,331 | 1,915,929 | 2,284,350 |
| Initially Reserved including IBNR | | 851,279 | 1,090,364 | 1,355,394 | 1,616,529 | 1,900,761 | 2,284,350 |
| Cumulative development excluding IBNR to 31 Dec 2019 | | 842,386 | 1,062,984 | 1,286,484 | 1,535,425 | 1,844,794 | 2,179,275 |
| Cumulative development including IBNR to 31 Dec 2019 | | 844,096 | 1,067,298 | 1,304,728 | 1,574,331 | 1,915,929 | 2,284,350 |

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| Gross claims developing from 31 Dec 2013 | Accident Years | 2013 & Earlier | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|--|----------------|----------------|-------------|-----------|-----------|-----------|-----------|-------------|
| Reported gross claims | | 940,666 | | | | | | 940,666 |
| IBNR | | 41,283 | | | | | | 41,283 |
| Total at 31 Dec 2013 | | 981,949 | | | | | | 981,949 |
| Reported gross claims | | 944,614 | 1,300,805 | | | | | 2,245,419 |
| IBNR | | 5,083 | 211,497 | | | | | 216,580 |
| Total at 31 Dec 2014 | | 949,697 | 1,512,302 | | | | | 2,461,999 |
| Reported gross claims | | 945,530 | 1,073,929 | 320,274 | | | | 2,339,733 |
| IBNR | | 2,083 | 7,308 | 97,836 | | | | 107,227 |
| Total at 31 Dec 2015 | | 947,613 | 1,081,237 | 418,110 | | | | 2,446,960 |
| Reported gross claims | | 948,346 | 1,078,278 | 375,129 | 275,158 | | | 2,676,911 |
| IBNR | | 4,897 | 5,931 | 14,491 | 137,598 | | | 162,917 |
| Total at 31 Dec 2016 | | 953,243 | 1,084,209 | 389,620 | 412,756 | | | 2,839,828 |
| Reported gross claims | | 941,751 | 1,080,360 | 375,300 | 316,901 | 345,326 | | 3,059,638 |
| IBNR | | 4,250 | 5,005 | 9,873 | 46,888 | 113,867 | | 179,883 |
| Total at 31 Dec 2017 | | 946,001 | 1,085,365 | 385,173 | 363,789 | 459,193 | | 3,239,521 |
| Reported gross claims | | 942,807 | 1,082,370 | 376,079 | 321,112 | 373,654 | 337,050 | 3,433,072 |
| IBNR | | 2,250 | 3,750 | 6,195 | 30,176 | 44,402 | 107,507 | 194,280 |
| Total at 31 Dec 2018 | | 945,057 | 1,086,120 | 382,274 | 351,288 | 418,056 | 444,557 | 3,627,352 |
| Cumulative ultimate gross claims | | 945,057 | 1,086,120 | 382,274 | 351,288 | 418,056 | 444,557 | 3,627,352 |
| | | | | | | | | |
| Cumulative gross claims to 31 Dec 2018 | | 942,807 | 1,082,370 | 376,079 | 321,112 | 373,654 | 337,050 | 3,433,072 |
| Cumulative payments to 31 Dec 2018 | | (929,526) | (1,075,118) | (369,205) | (308,656) | (354,896) | (222,102) | (3,259,503) |
| Outstanding gross claims at 31 Dec 2018 | | 13,281 | 7,252 | 6,874 | 12,456 | 18,758 | 114,948 | 173,569 |
| Gross IBNR at 31 Dec 2018 | | 2,250 | 3,750 | 6,195 | 30,176 | 44,402 | 107,507 | 194,280 |
| Outstanding gross claims and IBNR at 31 Dec 2018 | | 15,531 | 11,002 | 13,069 | 42,632 | 63,160 | 222,455 | 367,849 |

| Gross claims and IBNR cumulatively developing from 31 Dec 2013 | Cumulative Accident Years | 2013 & Earlier | 2014 & Earlier | 2015 & Earlier | 2016 & Earlier | 2017 & Earlier | 2018 & Earlier |
|--|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2013 | Cum Incurred | 940,666 | | | | | |
| | IBNR | 41,283 | | | | | |
| | Total | 981,949 | | | | | |
| At 31 Dec 2014 | Cum Incurred | 944,614 | 2,245,419 | | | | |
| | IBNR | 5,083 | 216,580 | | | | |
| | Total | 949,697 | 2,461,999 | | | | |
| At 31 Dec 2015 | Cum Incurred | 945,530 | 2,019,459 | 2,339,733 | | | |
| | IBNR | 2,083 | 9,391 | 107,227 | | | |
| | Total | 947,613 | 2,028,850 | 2,446,960 | | | |
| At 31 Dec 2016 | Cum Incurred | 948,346 | 2,026,624 | 2,401,753 | 2,676,911 | | |
| | IBNR | 4,897 | 10,828 | 25,319 | 162,917 | | |
| | Total | 953,243 | 2,037,452 | 2,427,072 | 2,839,828 | | |
| At 31 Dec 2017 | Cum Incurred | 941,751 | 2,022,111 | 2,397,411 | 2,714,312 | 3,059,638 | |
| | IBNR | 4,250 | 9,255 | 19,128 | 66,016 | 179,883 | |
| | Total | 946,001 | 2,031,366 | 2,416,539 | 2,780,328 | 3,239,521 | |
| At 31 Dec 2018 | Cum Incurred | 942,807 | 2,025,177 | 2,401,256 | 2,722,368 | 3,096,022 | 3,433,072 |
| | IBNR | 2,250 | 6,000 | 12,195 | 42,371 | 86,773 | 194,280 |
| | Total | 945,057 | 2,031,177 | 2,413,451 | 2,764,739 | 3,182,795 | 3,627,352 |
| Initially Reserved including IBNR | | 981,949 | 2,461,999 | 2,446,960 | 2,839,828 | 3,239,521 | 3,627,352 |
| Cumulative development excluding IBNR to 31 Dec 2018 | | 942,807 | 2,025,177 | 2,401,256 | 2,722,368 | 3,096,022 | 3,433,072 |
| Cumulative development including IBNR to 31 Dec 2018 | | 945,057 | 2,031,177 | 2,413,451 | 2,764,739 | 3,182,795 | 3,627,352 |

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| Ceded claims developing from 31 Dec 2013 | Accident Years | 2013 & Earlier | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|--|----------------|----------------|-----------|-----------|----------|-----------|----------|-------------|
| Reported ceded claims | | 322,115 | | | | | | 322,115 |
| IBNR | | 15,885 | | | | | | 15,885 |
| Total at 31 Dec 2013 | | 338,000 | | | | | | 338,000 |
| Reported ceded claims | | 303,938 | 1,127,774 | | | | | 1,431,712 |
| IBNR | | 1,264 | 177,744 | | | | | 179,008 |
| Total at 31 Dec 2014 | | 305,202 | 1,305,518 | | | | | 1,610,720 |
| Reported ceded claims | | 302,963 | 878,298 | 132,276 | | | | 1,313,537 |
| IBNR | | 1,248 | 3,654 | 38,157 | | | | 43,059 |
| Total at 31 Dec 2015 | | 304,211 | 881,952 | 170,433 | | | | 1,356,596 |
| Reported ceded claims | | 302,933 | 880,581 | 156,935 | 87,004 | | | 1,427,453 |
| IBNR | | 1,266 | 2,966 | 7,245 | 45,504 | | | 56,981 |
| Total at 31 Dec 2016 | | 304,199 | 883,547 | 164,180 | 132,508 | | | 1,484,434 |
| Reported ceded claims | | 299,728 | 880,791 | 156,190 | 96,581 | 115,906 | | 1,549,196 |
| IBNR | | 866 | 2,141 | 4,900 | 17,705 | 48,184 | | 73,796 |
| Total at 31 Dec 2017 | | 300,594 | 882,932 | 161,090 | 114,286 | 164,090 | | 1,622,992 |
| Reported ceded claims | | 298,887 | 881,786 | 156,210 | 98,299 | 125,788 | 83,873 | 1,644,843 |
| IBNR | | 566 | 1,641 | 2,508 | 15,090 | 22,189 | 39,754 | 81,748 |
| Total at 31 Dec 2018 | | 299,453 | 883,427 | 158,718 | 113,389 | 147,977 | 123,627 | 1,726,591 |
| Cumulative ultimate ceded claims | | 299,453 | 883,427 | 158,718 | 113,389 | 147,977 | 123,627 | 1,726,591 |
| | | | | | | | | |
| Cumulative ceded claims to 31 Dec 2018 | | 298,887 | 881,786 | 156,210 | 98,299 | 125,788 | 83,873 | 1,644,843 |
| Cumulative payments to 31 Dec 2018 | | (292,291) | (876,427) | (151,167) | (89,715) | (111,263) | (52,589) | (1,573,452) |
| Outstanding ceded claims at 31 Dec 2018 | | 6,596 | 5,359 | 5,043 | 8,584 | 14,525 | 31,284 | 71,391 |
| Ceded IBNR at 31 Dec 2018 | | 566 | 1,641 | 2,508 | 15,090 | 22,189 | 39,754 | 81,748 |
| Outstanding ceded claims and IBNR at 31 Dec 2018 | | 7,162 | 7,000 | 7,551 | 23,674 | 36,714 | 71,038 | 153,139 |

| Ceded claims and IBNR cumulatively developing from 31 Dec 2013 | Cumulative Accident Years | 2013 & Earlier | 2014 & Earlier | 2015 & Earlier | 2016 & Earlier | 2017 & Earlier | 2018 & Earlier |
|--|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2013 | Cum Incurred | 322,115 | | | | | |
| | IBNR | 15,885 | | | | | |
| | Total | 338,000 | | | | | |
| At 31 Dec 2014 | Cum Incurred | 303,938 | 1,431,712 | | | | |
| | IBNR | 1,264 | 179,008 | | | | |
| | Total | 305,202 | 1,610,720 | | | | |
| At 31 Dec 2015 | Cum Incurred | 302,963 | 1,181,261 | 1,313,537 | | | |
| | IBNR | 1,248 | 4,902 | 43,059 | | | |
| | Total | 304,211 | 1,186,163 | 1,356,596 | | | |
| At 31 Dec 2016 | Cum Incurred | 302,933 | 1,183,514 | 1,340,449 | 1,427,453 | | |
| | IBNR | 1,266 | 4,232 | 11,477 | 56,981 | | |
| | Total | 304,199 | 1,187,746 | 1,351,926 | 1,484,434 | | |
| At 31 Dec 2017 | Cum Incurred | 299,728 | 1,180,519 | 1,336,709 | 1,433,290 | 1,549,196 | |
| | IBNR | 866 | 3,007 | 7,907 | 25,612 | 73,796 | |
| | Total | 300,594 | 1,183,526 | 1,344,616 | 1,458,902 | 1,622,992 | |
| At 31 Dec 2018 | Cum Incurred | 298,887 | 1,180,673 | 1,336,883 | 1,435,182 | 1,560,970 | 1,644,843 |
| | IBNR | 566 | 2,207 | 4,715 | 19,805 | 41,994 | 81,748 |
| | Total | 299,453 | 1,182,880 | 1,341,598 | 1,454,987 | 1,602,964 | 1,726,591 |
| Initially Reserved including IBNR | | 338,000 | 1,610,720 | 1,356,596 | 1,484,434 | 1,622,992 | 1,726,591 |
| Cumulative development excluding IBNR to 31 Dec 2018 | | 298,887 | 1,180,673 | 1,336,883 | 1,435,182 | 1,560,970 | 1,644,843 |
| Cumulative development including IBNR to 31 Dec 2018 | | 299,453 | 1,182,880 | 1,341,598 | 1,454,987 | 1,602,964 | 1,726,591 |

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| Net claims developing from 31 Dec 2013 | Accident Years | 2014 & Earlier | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|--|----------------|----------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Reported net claims | | 618,551 | | | | | | 618,551 |
| IBNR | | 25,398 | | | | | | 25,398 |
| Total at 31 Dec 2013 | | 643,949 | | | | | | 643,949 |
| Reported net claims | | 640,676 | 173,031 | | | | | 813,707 |
| IBNR | | 3,819 | 33,753 | | | | | 37,572 |
| Total at 31 Dec 2014 | | 644,495 | 206,784 | | | | | 851,279 |
| Reported net claims | | 642,567 | 195,631 | 187,998 | | | | 1,026,196 |
| IBNR | | 835 | 3,654 | 59,679 | | | | 64,168 |
| Total at 31 Dec 2015 | | 643,402 | 199,285 | 247,677 | | | | 1,090,364 |
| Reported net claims | | 645,413 | 197,697 | 218,194 | 188,154 | | | 1,249,458 |
| IBNR | | 3,631 | 2,965 | 7,246 | 92,094 | | | 105,936 |
| Total at 31 Dec 2016 | | 649,044 | 200,662 | 225,440 | 280,248 | | | 1,355,394 |
| Reported net claims | | 642,023 | 199,569 | 219,110 | 220,320 | 229,420 | | 1,510,442 |
| IBNR | | 3,384 | 2,864 | 4,973 | 29,183 | 65,683 | | 106,087 |
| Total at 31 Dec 2017 | | 645,407 | 202,433 | 224,083 | 249,503 | 295,103 | | 1,616,529 |
| Reported net claims | | 643,920 | 200,584 | 219,869 | 222,813 | 247,866 | 253,177 | 1,788,229 |
| IBNR | | 1,684 | 2,109 | 3,687 | 15,086 | 22,213 | 67,753 | 112,532 |
| Total at 31 Dec 2018 | | 645,604 | 202,693 | 223,556 | 237,899 | 270,079 | 320,930 | 1,900,761 |
| Cumulative ultimate net claims | | 645,604 | 202,693 | 223,556 | 237,899 | 270,079 | 320,930 | 1,900,761 |
| | | | | | | | | |
| Cumulative net claims to 31 Dec 2018 | | 643,920 | 200,584 | 219,869 | 222,813 | 247,866 | 253,177 | 1,788,229 |
| Cumulative payments to 31 Dec 2018 | | (637,235) | (198,691) | (218,038) | (218,941) | (243,633) | (169,513) | (1,686,051) |
| Outstanding net claims at 31 Dec 2018 | | 6,685 | 1,893 | 1,831 | 3,872 | 4,233 | 83,664 | 102,178 |
| Net IBNR at 31 Dec 2018 | | 1,684 | 2,109 | 3,687 | 15,086 | 22,213 | 67,753 | 112,532 |
| Outstanding net claims and IBNR at 31 Dec 2018 | | 8,369 | 4,002 | 5,518 | 18,958 | 26,446 | 151,417 | 214,710 |

| Net claims and IBNR cumulatively developing from 31 Dec 2013 | Cumulative Accident Years | 2013 & Earlier | 2014 & Earlier | 2015 & Earlier | 2016 & Earlier | 2017 & Earlier | 2018 & Earlier |
|--|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2013 | Cum Incurred | 618,551 | | | | | |
| | IBNR | 25,398 | | | | | |
| | Total | 643,949 | | | | | |
| At 31 Dec 2014 | Cum Incurred | 640,676 | 813,707 | | | | |
| | IBNR | 3,819 | 37,572 | | | | |
| | Total | 644,495 | 851,279 | | | | |
| At 31 Dec 2015 | Cum Incurred | 642,567 | 838,198 | 1,026,196 | | | |
| | IBNR | 835 | 4,489 | 64,168 | | | |
| | Total | 643,402 | 842,687 | 1,090,364 | | | |
| At 31 Dec 2016 | Cum Incurred | 645,413 | 843,110 | 1,061,304 | 1,249,458 | | |
| | IBNR | 3,631 | 6,596 | 13,842 | 105,936 | | |
| | Total | 649,044 | 849,706 | 1,075,146 | 1,355,394 | | |
| At 31 Dec 2017 | Cum Incurred | 642,023 | 841,592 | 1,060,702 | 1,281,022 | 1,510,442 | |
| | IBNR | 3,384 | 6,248 | 11,221 | 40,404 | 106,087 | |
| | Total | 645,407 | 847,840 | 1,071,923 | 1,321,426 | 1,616,529 | |
| At 31 Dec 2018 | Cum Incurred | 643,920 | 844,504 | 1,064,373 | 1,287,186 | 1,535,052 | 1,788,229 |
| | IBNR | 1,684 | 3,793 | 7,480 | 22,566 | 44,779 | 112,532 |
| | Total | 645,604 | 848,297 | 1,071,853 | 1,309,752 | 1,579,831 | 1,900,761 |
| Initially Reserved including IBNR | | 643,949 | 851,279 | 1,090,364 | 1,355,394 | 1,616,529 | 1,900,761 |
| Cumulative development excluding IBNR to 31 Dec 2018 | | 643,920 | 844,504 | 1,064,373 | 1,287,186 | 1,535,052 | 1,788,229 |
| Cumulative development including IBNR to 31 Dec 2018 | | 645,604 | 848,297 | 1,071,853 | 1,309,752 | 1,579,831 | 1,900,761 |

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25. PROVISION FOR ZAKAT AND INCOME TAX

Zakat and income tax have been provided for in accordance with regulations currently in force in Saudi Arabia.

The temporary and permanent differences between financial and adjusted taxable results are mainly due to adjustments to depreciation, provisions and other items in accordance with the income tax regulations. Deferred tax arising out of these differences is not significant and accordingly was not provided for.

Zakat is calculated on Saudi shareholders' share of adjusted equity subject to a minimum base equal to the relevant share of adjusted net profit. Foreign shareholders are subject to income tax calculated on the relevant share of adjusted net profit.

| | 2019 | 2018 |
|---|---------|---------|
| Percentages applicable to zakat and income tax | | |
| Shareholding percentage subject to zakat | 92% | 92% |
| Shareholding percentage subject to income tax | 8% | 8% |
| Movement on zakat account | | |
| Balance start of year | 26,511 | 21,060 |
| Provided | 9,513 | 10,960 |
| Paid | (4,965) | (5,509) |
| Balance end of year | 31,059 | 26,511 |
| Movement on income tax account | | |
| Balance start of year | 1,969 | 3,205 |
| Provided | 164 | 789 |
| Paid | (1,181) | (2,025) |
| Balance end of year | 952 | 1,969 |

Status of assessments

The Company has filed zakat and income tax returns for the period from incorporation to 31 December 2008 and for each of the years ended 31 December 2009 to 31 December 2018. The returns filed covering periods to 31 December 2014 have been agreed and finalised with GZAT and zakat and income tax liabilities arising thereon have been discharged in full. Final assessments are awaited for the remaining outstanding years.

26. SHARE CAPITAL

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The authorised, issued and fully paid share capital of the Company is SAR 300,000,000 (31 December 2018: SAR 300,000,000) consisting of 30,000,000 (31 December 2018: 30,000,000) shares each with a nominal value of 10 Saudi Riyals.

The Board of Directors resolved in their meeting held on 15 February 2018 to increase the share capital subject to receiving the required approvals of the relevant authorities and thereafter the approval of shareholders.

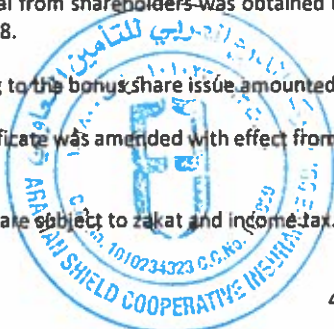
The resolution provided for a share capital increase from SAR 200,000,000 to SAR 300,000,000 by issuing one bonus share for every two shares held thereby increasing the number of shares in issue from 20,000,000 shares to 30,000,000 shares with the additional SAR 100,000,000 share capital generated by capitalising SAR 80,000,000 from retained earnings and SAR 20,000,000 from statutory reserve.

Approval was received from the Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA) on 01 March 2018 and 15 March 2018 respectively. Approval from shareholders was obtained in the General Assembly meeting held on 21 May 2018 and the bonus shares were issued on 22 May 2018.

The total transaction costs relating to the bonus share issue amounted to SAR 76,991.

The Commercial Registration Certificate was amended with effect from 24 July 2018 to reflect the increase in share capital following the bonus share issue.

The shareholders of the Company are subject to zakat and income tax.



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27. STATUTORY RESERVE

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

In compliance with the Cooperative Insurance Law, the Implementing Regulations and the Articles, 20% of shareholders' net profit (as defined below) is transferred to statutory reserve at the end of each financial year until the statutory reserve amounts to 100% of the paid capital.

At 31 December 2019 Statutory Reserve represents 20% of shareholders' net profit (as defined below) earned from incorporation to 31 December 2019 (2018: 20% of shareholders' net profit earned from incorporation to 31 December 2018).

In calculating Statutory Reserve, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

The Statutory Reserve is not available for distribution but it may be converted to share capital in funding a bonus share issue.

The Statutory Reserve calculated on the above basis was reduced by SAR 20,000,000 on 22 May 2018 as a result of the issue of bonus shares on that date.

28. EARNINGS PER SHARE

Earnings per share is calculated by dividing shareholders' net profit (as defined below) by the weighted average number of issued shares during the year.

In calculating earnings per share, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

As there are no dilutive effects, basic and diluted earnings per share are the same.

Earnings per share is calculated based on the revised number of shares in issue following the bonus share issue on 22 May 2018.

29. POLICYHOLDERS' SURPLUS DISTRIBUTION PAYABLE

| | 2019 | 2018 |
|----------------------------|-------|----------|
| Balance start of year | 2,697 | 11,995 |
| Surplus earned during year | 0 | 2,697 |
| Surplus paid during year | 0 | (11,995) |
| Balance end of year | 2,697 | 2,697 |

30. CAPITAL MANAGEMENT

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

Objectives are set by the Company to optimise the structure and sources of capital and maintain healthy capital ratios to support its business objectives and consistently maximise returns to shareholders and policyholders.

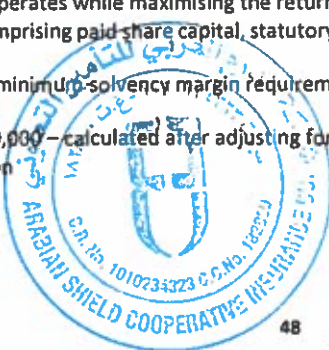
The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximising the return to stakeholders. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, statutory reserves, retained earnings and fair value reserve on investments.

The Implementing Regulations detail a minimum solvency margin requirement calculated as the highest of the following:

- Minimum net assets of SAR 100,000,000 – calculated after adjusting for admissibility factors
- Premium solvency margin calculation
- Claims solvency margin calculation



**NOTES TO THE FINANCIAL STATEMENTS
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The Company is in compliance with all externally imposed capital requirements. The capital structure of the Company as shown in the statement of financial position at 31 December 2019 totals SAR 437,659,000 consisting of paid-up share capital SAR 300,000,000, statutory reserves SAR 34,535,000, retained earnings SAR 98,138,000 and fair value reserve on investments SAR 4,986,000 (at 31 December 2018 totals SAR 427,685,000 consisting of paid-up share capital SAR 300,000,000, statutory reserves SAR 33,082,000, retained earnings SAR 92,327,000 and fair value reserve on investments SAR 2,276,000)

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

31. RELATED PARTY TRANSACTIONS AND BALANCES

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

Definitions and explanations

Related parties represent shareholders, both individual and corporate, directors, members of the audit, executive, investment, risk and nomination and remuneration committees, the board secretary, key executives and entities controlled (including jointly controlled) or significantly influenced by such parties. The immediate families of the above are related parties.

Key Executives, in the context of defining Related Parties, for the year ended 31 December 2019 means the following six people (2018: five people) – the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the four other executives (2018: three other executives) who earned the highest remuneration.

All transactions with related parties are made on an arm's length basis and no conflicts or potential conflicts of interest were identified during the year ended 31 December 2019 (2018: None). Amounts due to related parties do not include amounts provided for outstanding claims under processing or IBNR. Balances due to or from related parties are unsecured, interest free and are settled in cash and no guarantees have been made or received in relation to any related party transaction or balance.

An impairment assessment is undertaken examining the financial position of and the market in which each related party operates. For the year ended 31 December 2019, the Company has not recorded any impairment of receivables relating to amounts due from related parties (2018: Nil).

Transactions with related parties are in respect of purchase of insurance portfolio and related business, investments, remuneration and annual insurance contracts.

Purchase from a related party of insurance portfolio and related business

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 1 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of 49,100,000.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to 20,825,600 as per the audited Financial Statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to 69,925,600.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by 2,306,137 to 46,793,863. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from 69,925,600 to 67,619,463 which has been fully paid with no further amounts owing.

Investment in a related party

Investments at 31 December 2018 included an investment of SAR 3,000,000 in a Sukuk issued by an entity controlled or significantly influenced by a related party. The Sukuk was redeemed in full on 07 March 2019 leaving a Nil balance at 31 December 2019. This investment generated an income in 2019 of 25,179 (2018: 125,929).

Remuneration of Board of Directors and Committee Members for year ended 31 December 2018

A provision amounting to 1,150,000 was made in the Financial Statements for year ended 31 December 2018, in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees. Approval to pay up to this amount was granted at the General Assembly held on 19 June 2019 and 1,148,167 was subsequently paid.

Remuneration of Board Secretary for year ended 31 December 2018

A provision amounting to 50,000 was made in the Financial Statements for year ended 31 December 2018, in respect of remuneration for the board secretary. Approval to pay up to this amount was granted at the General Assembly held on 19 June 2019 and 50,000 was subsequently paid.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

Remuneration of Board of Directors and Committee Members for year ended 31 December 2019

A provision amounting to 1,140,000 was made in the Financial Statements for year ended 31 December 2019 in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees. Approval to pay up to this amount shall be sought at the General Assembly to be held in 2020.

Remuneration of Board Secretary for year ended 31 December 2019

A provision amounting to 60,000 was made in the Financial Statements for year ended 31 December 2019, in respect of remuneration for the board secretary. Approval to pay up to this amount shall be sought at the General Assembly to be held in 2020.

Salaries and Allowances of Key Executives

Salaries and Allowances encompass all elements of compensation including provision for end of service benefit.

| Salaries and Allowances | 2019 | 2018 |
|--------------------------------------|-------|-------|
| Provided and paid for key executives | 6,956 | 6,882 |

Transactions with and amounts due to and from related parties

| Transactions with related parties | 2019 | 2018 |
|--|---------|---------|
| Gross written premiums from related parties | | |
| Shareholders | 291 | 341 |
| Directors | 0 | 0 |
| Committees, board secretary and key executives | (1) | 4 |
| Entities controlled or significantly influenced | 186,065 | 278,684 |
| Ceded written premiums to related parties | | |
| Entities controlled or significantly influenced | 4,245 | 2,169 |
| Commissions from related parties | | |
| Entities controlled or significantly influenced | 448 | 231 |
| Commissions to related parties | | |
| Entities controlled or significantly influenced | 10 | 4 |
| Gross claims incurred by related parties | | |
| Shareholders | 81 | 82 |
| Directors | 0 | 0 |
| Committees, board secretary and key executives | 0 | 24 |
| Entities controlled or significantly influenced | 222,199 | 152,158 |
| Ceded claims incurred to related parties | | |
| Entities controlled or significantly influenced | 0 | (304) |

| Amounts due to and from related parties | 2019 | 2018 |
|---|---------------|---------------|
| Amounts due from related parties | | |
| Shareholders | 0 | 0 |
| Directors | 0 | 0 |
| Committees, board secretary and key executives | 0 | 9 |
| Entities controlled or significantly influenced | 8,970 | 75,065 |
| Provision | (1,500) | (11,400) |
| Total due from related parties, net | 7,470 | 63,674 |
| Amounts due to related parties | | |
| Shareholders | 169 | 0 |
| Committees, board secretary and key executives | 0 | 0 |
| Entities controlled or significantly influenced | 19,140 | 17,098 |
| Total due to related parties | 19,309 | 17,098 |



32. SEGMENT REPORTING

Segment reporting is not undertaken for shareholders' operations, assets and liabilities.

Insurance Operations - geographic segments:

The Company has since incorporation operated primarily in Saudi Arabia.

Insurance Operations - operating segments:

Operating segments are identified on the basis of internal reports concerning 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 segments and assess performance.

Transactions between 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.

There have been no changes to the basis of segmentation or the measurement basis for segment profits or losses since 31 December 2018.

Unallocated assets not subject to segmentation are cash and cash equivalents, short term fixed income deposits, premiums and reinsurers' receivable – net, investments, due from related parties – net, prepaid expenses and other assets, property and equipment – net, intangible assets – net, goodwill, statutory deposits and accrued income on statutory deposits.

Unallocated liabilities not subject to segmentation are accrued and other liabilities, due to related parties, accounts payable, withholding tax provision, regulators' levies provision, end-of-service indemnities, policyholders' surplus distribution payable, zakat, income tax and accrued commission income payable to SAMA.

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



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December 2019 and 31 December 2018, its total revenues, expenses, and net income for the years then ended, are as follows:

| Operating segments at 31 Dec 2019 | Motor | Medical | Property & Casualty | Protection & Savings | Total Insurance Operations | Total Shareholders' Operations | Total |
|---|----------------|----------------|------------------------|-------------------------|----------------------------------|--------------------------------------|------------------|
| ASSETS | | | | | | | |
| Allocated assets: | | | | | | | |
| Reinsurers' share of unearned gross premiums | 16,381 | 0 | 15,271 | 4,788 | 36,440 | 0 | 36,440 |
| Reinsurers' share of outstanding gross claims | 18,158 | 0 | 40,300 | 30,846 | 89,304 | 0 | 89,304 |
| Reinsurers' share of gross claims incurred but not reported | 52,500 | 0 | 10,680 | 10,070 | 73,250 | 0 | 73,250 |
| Deferred excess of loss expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred policy acquisition costs | 1,376 | 4,604 | 1,459 | 462 | 7,901 | 0 | 7,901 |
| Deferred third party administrator expenses | 0 | 2,494 | 0 | 0 | 2,494 | 0 | 2,494 |
| Deferred withholding tax | 818 | 0 | 710 | 238 | 1,766 | 0 | 1,766 |
| Deferred regulators' levies | 137 | 1,739 | 89 | 26 | 1,991 | 0 | 1,991 |
| Total allocated assets | 89,370 | 8,837 | 68,509 | 46,430 | 213,146 | 0 | 213,146 |
| Unallocated assets: | | | | | | | |
| Cash and cash equivalents | | | | | 216,609 | 186,767 | 403,376 |
| Short term fixed income deposits | | | | | 40,000 | 0 | 40,000 |
| Premiums and reinsurers' receivable – net | | | | | 97,255 | 0 | 97,255 |
| Investments | | | | | 0 | 234,134 | 234,134 |
| Due from related parties – net | | | | | 7,470 | 0 | 7,470 |
| Prepaid expenses and other assets | | | | | 18,740 | 3,033 | 21,773 |
| Property and equipment – net | | | | | 3,507 | 0 | 3,507 |
| Intangible assets – net | | | | | 8,451 | 0 | 8,451 |
| Goodwill | | | | | 0 | 46,794 | 46,794 |
| Statutory deposit | | | | | 0 | 30,000 | 30,000 |
| Accrued income and statutory deposit | | | | | 0 | 2,727 | 2,727 |
| Total unallocated assets | | | | | 392,032 | 503,455 | 895,487 |
| TOTAL ASSETS | | | | | 605,178 | 503,455 | 1,108,633 |
| LIABILITIES | | | | | | | |
| Allocated liabilities: | | | | | | | |
| Reinsurers' balances payable | 3,524 | 0 | 4,735 | 6,849 | 15,108 | 0 | 15,108 |
| Unearned gross premiums | 27,426 | 115,929 | 18,741 | 5,283 | 167,379 | 0 | 167,379 |
| Unearned reinsurance commission | 3,141 | 0 | 3,358 | 854 | 7,353 | 0 | 7,353 |
| Outstanding gross claims | 33,859 | 26,428 | 48,321 | 32,446 | 141,054 | 0 | 141,054 |
| Gross claims incurred but not reported | 105,000 | 48,000 | 14,725 | 10,600 | 178,325 | 0 | 178,325 |
| Premium deficiency reserve | 0 | 2,000 | 0 | 0 | 2,000 | 0 | 2,000 |
| Other technical reserves | 3,450 | 3,580 | 1,350 | 620 | 9,000 | 0 | 9,000 |
| Total allocated liabilities | 176,400 | 195,937 | 91,230 | 56,652 | 520,219 | 0 | 520,219 |
| Unallocated liabilities: | | | | | | | |
| Accrued and other liabilities | | | | | 47,187 | 2,265 | 49,452 |
| Due to related parties | | | | | 19,309 | 0 | 19,309 |
| Accounts payable | | | | | 25,506 | 0 | 25,506 |
| Withholding tax provision | | | | | 8,857 | 0 | 8,857 |
| Regulators' levies provision | | | | | 1,761 | 0 | 1,761 |
| End-of-service indemnities | | | | | 8,435 | 0 | 8,435 |
| Policyholders' surplus distribution payable | | | | | 2,697 | 0 | 2,697 |
| Zakat | | | | | 0 | 31,059 | 31,059 |
| Income tax | | | | | 0 | 952 | 952 |
| Accrued commission income payable to SAMA | | | | | 0 | 2,727 | 2,727 |
| Total unallocated liabilities | | | | | 113,752 | 37,003 | 150,755 |
| TOTAL LIABILITIES | | | | | 633,971 | 37,003 | 670,974 |



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

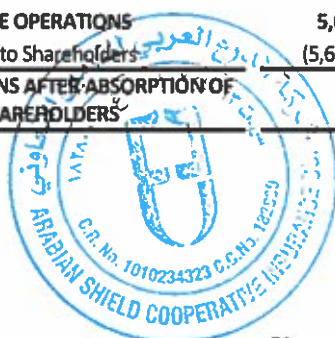
| Operating segments at 31 Dec 2018 | Motor | Medical | Property & Casualty | Protection & Savings | Total Insurance Operations | Total Shareholders' Operations | Total |
|---|----------------|----------------|------------------------|-------------------------|----------------------------------|--------------------------------------|------------------|
| ASSETS | | | | | | | |
| Allocated assets: | | | | | | | |
| Reinsurers' share of unearned gross premiums | 16,624 | 0 | 13,157 | 3,608 | 33,389 | 0 | 33,389 |
| Reinsurers' share of outstanding gross claims | 14,071 | 0 | 41,899 | 15,421 | 71,391 | 0 | 71,391 |
| Reinsurers' share of gross claims incurred but not reported | 62,500 | 0 | 11,173 | 8,075 | 81,748 | 0 | 81,748 |
| Deferred excess of loss expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred policy acquisition costs | 662 | 4,794 | 1,468 | 383 | 7,307 | 0 | 7,307 |
| Deferred third party administrator expenses | 0 | 2,476 | 0 | 0 | 2,476 | 0 | 2,476 |
| Deferred withholding tax | 831 | 0 | 580 | 173 | 1,584 | 0 | 1,584 |
| Deferred regulators' levies | 139 | 2,599 | 73 | 18 | 2,829 | 0 | 2,829 |
| Total allocated assets | 94,827 | 9,869 | 68,350 | 27,678 | 200,724 | 0 | 200,724 |
| Unallocated assets: | | | | | | | |
| Cash and cash equivalents | | | | | 253,385 | 177,181 | 430,566 |
| Short term fixed income deposits | | | | | 81,234 | 0 | 81,234 |
| Premiums and reinsurers' receivable – net | | | | | 78,587 | 0 | 78,587 |
| Investments | | | | | 0 | 198,901 | 198,901 |
| Due from related parties – net | | | | | 63,674 | 0 | 63,674 |
| Prepaid expenses and other assets | | | | | 31,736 | 3,121 | 34,857 |
| Property and equipment – net | | | | | 4,595 | 0 | 4,595 |
| Intangible assets – net | | | | | 7,557 | 0 | 7,557 |
| Goodwill | | | | | 0 | 46,794 | 46,794 |
| Statutory deposit | | | | | 0 | 30,000 | 30,000 |
| Accrued income and statutory deposit | | | | | 0 | 2,003 | 2,003 |
| Total unallocated assets | | | | | 520,768 | 458,000 | 978,768 |
| TOTAL ASSETS | | | | | 721,492 | 458,000 | 1,179,492 |
| LIABILITIES | | | | | | | |
| Allocated liabilities: | | | | | | | |
| Reinsurers' balances payable | 3,139 | 0 | 4,461 | 3,160 | 10,760 | 0 | 10,760 |
| Unearned gross premiums | 27,807 | 173,262 | 16,124 | 3,849 | 221,042 | 0 | 221,042 |
| Unearned reinsurance commission | 2,909 | 0 | 3,261 | 677 | 6,847 | 0 | 6,847 |
| Outstanding gross claims | 30,980 | 76,420 | 49,937 | 16,232 | 173,569 | 0 | 173,569 |
| Gross claims incurred but not reported | 125,000 | 45,550 | 15,230 | 8,500 | 194,280 | 0 | 194,280 |
| Premium deficiency reserve | 0 | 4,900 | 0 | 0 | 4,900 | 0 | 4,900 |
| Other technical reserves | 4,375 | 3,580 | 1,350 | 620 | 9,925 | 0 | 9,925 |
| Total allocated liabilities | 194,210 | 303,712 | 90,363 | 33,038 | 621,323 | 0 | 621,323 |
| Unallocated liabilities: | | | | | | | |
| Accrued and other liabilities | | | | | 46,321 | 2,486 | 48,807 |
| Due to related parties | | | | | 17,098 | 0 | 17,098 |
| Accounts payable | | | | | 8,701 | 0 | 8,701 |
| Withholding tax provision | | | | | 12,227 | 0 | 12,227 |
| Regulators' levies provision | | | | | 1,470 | 0 | 1,470 |
| End-of-service indemnities | | | | | 9,001 | 0 | 9,001 |
| Policyholders' surplus distribution payable | | | | | 2,697 | 0 | 2,697 |
| Zakat | | | | | 0 | 26,511 | 26,511 |
| Income tax | | | | | 0 | 1,969 | 1,969 |
| Accrued commission income payable to SAMA | | | | | 0 | 2,003 | 2,003 |
| Total unallocated liabilities | | | | | 97,515 | 32,969 | 130,484 |
| TOTAL LIABILITIES | | | | | 718,838 | 32,969 | 751,807 |



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

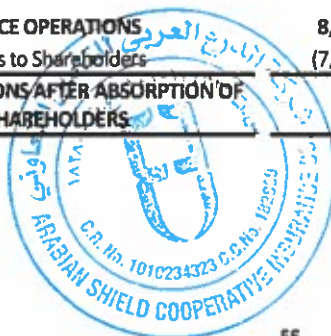
| Operating segments for the year ended 31 December 2019 | Motor | Medical | Property & Casualty | Protection & Savings | Insurance Operations |
|--|-----------------|------------------|------------------------|-------------------------|-------------------------|
| REVENUES | | | | | |
| Gross premiums written: | | | | | |
| • Individuals | 35,279 | 22,147 | 5,020 | 0 | 62,446 |
| • Very small corporate entities | 788 | 6,890 | 751 | 0 | 8,429 |
| • Small corporate entities | 6,404 | 18,317 | 10,406 | 0 | 35,127 |
| • Medium corporate entities | 5,114 | 11,320 | 5,342 | 159 | 21,935 |
| • Large corporate entities | 25,519 | 252,460 | 76,704 | 61,097 | 415,780 |
| Gross premiums written – total | 73,104 | 311,134 | 98,223 | 61,256 | 543,717 |
| Reinsurance premiums ceded – local | (7,283) | 0 | (8,461) | (307) | (16,051) |
| Reinsurance premiums ceded – foreign | (36,461) | 0 | (75,113) | (56,127) | (167,701) |
| Excess of loss expenses | (792) | 0 | (1,199) | 0 | (1,991) |
| Net premiums written | 28,568 | 311,134 | 13,450 | 4,822 | 357,974 |
| Change in unearned gross premiums | 380 | 57,333 | (2,616) | (1,434) | 53,663 |
| Change in reinsurers' share of unearned gross premiums | (242) | 0 | 2,113 | 1,180 | 3,051 |
| Net premiums earned | 28,706 | 368,467 | 12,947 | 4,568 | 414,688 |
| Reinsurance commissions | 8,143 | 0 | 17,147 | 12,744 | 38,034 |
| Other underwriting income | 4,586 | 6,319 | 0 | 0 | 10,905 |
| TOTAL REVENUES | 41,435 | 374,786 | 30,094 | 17,312 | 463,627 |
| UNDERWRITING COSTS AND EXPENSES | | | | | |
| Gross claims paid | (55,740) | (414,816) | (6,466) | (25,150) | (502,172) |
| Expenses incurred related to claims | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share of gross claims paid | 31,702 | 0 | 5,217 | 23,779 | 60,698 |
| Net claims paid | (24,038) | (414,816) | (1,249) | (1,371) | (441,474) |
| Changes in outstanding gross claims | (2,879) | 49,993 | 1,615 | (16,214) | 32,515 |
| Changes in reinsurers' share of outstanding gross claims | 4,087 | 0 | (1,599) | 15,425 | 17,913 |
| Changes in gross IBNR | 20,000 | (2,450) | 505 | (2,100) | 15,955 |
| Changes in reinsurers' share of gross IBNR | (10,000) | 0 | (493) | 1,995 | (8,498) |
| Net claims incurred | (12,830) | (367,273) | (1,221) | (2,265) | (383,589) |
| Premium deficiency reserve | 0 | 2,900 | 0 | 0 | 2,900 |
| Other technical reserves | 925 | 0 | 0 | 0 | 925 |
| Policy acquisition costs | (2,297) | (8,372) | (3,293) | (6,875) | (20,837) |
| Third party administrator expenses | (106) | (7,662) | 0 | 0 | (7,768) |
| Withholding tax | (1,520) | 0 | (2,602) | (2,212) | (6,334) |
| Regulators' levies | (331) | (5,527) | (433) | (297) | (6,588) |
| Other underwriting expenses | (3,966) | (960) | (771) | (550) | (6,247) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (20,125) | (386,894) | (8,320) | (12,199) | (427,538) |
| NET UNDERWRITING INCOME / (LOSS) | 21,310 | (12,108) | 21,774 | 5,113 | 36,089 |
| OTHER OPERATING INCOME / (EXPENSES) | | | | | |
| (Allowance for) / Reversal of doubtful debts | 1,300 | 8,000 | 1,080 | 600 | 10,980 |
| General and administrative expenses | (18,708) | (16,035) | (13,364) | (5,346) | (53,453) |
| Depreciation and amortisation | (700) | (600) | (501) | (200) | (2,001) |
| Commission income on deposits | 2,463 | 2,113 | 1,760 | 703 | 7,039 |
| Commission income on sukuk | 0 | 0 | 0 | 0 | 0 |
| Dividend income | 0 | 0 | 0 | 0 | 0 |
| Realised gain / (loss) on investments | 0 | 0 | 0 | 0 | 0 |
| TOTAL OTHER OPERATING INCOME / (EXPENSES) | (15,645) | (6,522) | (11,025) | (4,243) | (37,435) |
| NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS | 5,665 | (18,630) | 10,749 | 870 | (1,346) |
| Absorption of deficit by / transfer of surplus to Shareholders | (5,665) | 18,630 | (10,749) | (870) | 1,346 |
| NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS | 0 | 0 | 0 | 0 | 0 |



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

| Operating segments for the year ended 31 December 2018 | Motor | Medical | Property & Casualty | Protection & Savings | Insurance Operations |
|--|-----------------|------------------|------------------------|-------------------------|-------------------------|
| REVENUES | | | | | |
| Gross premiums written: | | | | | |
| • Individuals | 39,754 | 21,716 | 3,987 | 0 | 65,457 |
| • Very small corporate entities | 1,189 | 5,621 | 243 | 389 | 7,442 |
| • Small corporate entities | 6,925 | 29,503 | 4,907 | 574 | 41,909 |
| • Medium corporate entities | 5,248 | 15,619 | 3,763 | 153 | 24,783 |
| • Large corporate entities | 29,939 | 334,885 | 66,700 | 53,986 | 485,510 |
| Gross premiums written – total | 83,055 | 407,344 | 79,600 | 55,102 | 625,101 |
| Reinsurance premiums ceded – local | (8,405) | 0 | (6,878) | (2,208) | (17,491) |
| Reinsurance premiums ceded – foreign | (41,289) | 0 | (63,722) | (47,803) | (152,814) |
| Excess of loss expenses | (1,096) | 0 | (1,134) | 0 | (2,230) |
| Net premiums written | 32,265 | 407,344 | 7,866 | 5,091 | 452,566 |
| Change in unearned gross premiums | 27,126 | (89,539) | (1,356) | (1,709) | (65,478) |
| Change in reinsurers' share of unearned gross premiums | (10,036) | 0 | 1,201 | 1,598 | (7,237) |
| Net premiums earned | 49,355 | 317,805 | 7,711 | 4,980 | 379,851 |
| Reinsurance commissions | 10,043 | 0 | 15,619 | 11,176 | 36,838 |
| Other underwriting income | 4,333 | 1,993 | 0 | 0 | 6,326 |
| TOTAL REVENUES | 63,731 | 319,798 | 23,330 | 16,156 | 423,015 |
| UNDERWRITING COSTS AND EXPENSES | | | | | |
| Gross claims paid | (71,348) | (187,114) | (10,254) | (35,881) | (304,597) |
| Expenses incurred related to claims | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share of gross claims paid | 40,026 | 0 | 9,381 | 33,805 | 83,212 |
| Net claims paid | (31,322) | (187,114) | (873) | (2,076) | (221,385) |
| Changes in outstanding gross claims | 8,915 | (63,219) | (6,942) | (7,592) | (68,838) |
| Changes in reinsurers' share of outstanding gross claims | (216) | 0 | 5,219 | 7,430 | 12,433 |
| Changes in gross IBNR | 0 | (5,550) | (1,607) | (7,240) | (14,397) |
| Changes in reinsurers' share of gross IBNR | 0 | 0 | 1,077 | 6,875 | 7,952 |
| Net claims incurred | (22,623) | (255,883) | (3,126) | (2,603) | (284,235) |
| Premium deficiency reserve | 0 | (4,900) | 0 | 0 | (4,900) |
| Other technical reserves | (4,375) | 3,420 | (225) | (620) | (1,800) |
| Policy acquisition costs | (4,101) | (9,567) | (2,801) | (6,032) | (22,501) |
| Third party administrator expenses | 0 | (1,292) | 0 | 0 | (1,292) |
| Withholding tax | (2,621) | 0 | (2,927) | (2,318) | (7,866) |
| Regulators' levies | (510) | (4,767) | (356) | (257) | (5,890) |
| Other underwriting expenses | (2,195) | (1,378) | (801) | (906) | (5,280) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (36,425) | (274,367) | (10,236) | (12,736) | (333,764) |
| NET UNDERWRITING INCOME / (LOSS) | 27,306 | 45,431 | 13,094 | 3,420 | 89,251 |
| OTHER OPERATING INCOME / (EXPENSES) | | | | | |
| (Allowance for) / Reversal of doubtful debts | (2,019) | (3,360) | (968) | (253) | (6,600) |
| General and administrative expenses | (18,139) | (30,179) | (8,698) | (2,272) | (59,288) |
| Depreciation and amortisation | (1,048) | (1,744) | (503) | (131) | (3,426) |
| Commission income on deposits | 2,150 | 3,577 | 1,032 | 269 | 7,028 |
| Commission income on sukuk | 0 | 0 | 0 | 0 | 0 |
| Dividend income | 0 | 0 | 0 | 0 | 0 |
| Realised gain / (loss) on investments | 0 | 0 | 0 | 0 | 0 |
| TOTAL OTHER OPERATING INCOME / (EXPENSES) | (19,056) | (31,706) | (9,137) | (2,387) | (62,286) |
| NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS | 8,250 | 13,725 | 3,957 | 1,033 | 26,965 |
| Absorption of deficit by / transfer of surplus to Shareholders | (7,425) | (12,353) | (3,560) | (930) | (24,268) |
| NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS | 825 | 1,372 | 397 | 103 | 2,697 |



33. RISK MANAGEMENT**Risk Governance**

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic targets approved by the Board of Directors.

Risk management structure

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

Board of Directors

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

Senior management

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

Risks faced by the Company

The Company is exposed to insurance, reinsurance, credit, currency, interest rate, liquidity, regulatory framework, geographical concentration, investment market price and other operational risks. The way these risks are mitigated are summarised below.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur if the frequency, severity or absolute amounts of claims are more than expected.

Insurance risk is monitored regularly by the Company to establish if the levels are within the projected frequency bands.

The insurance risks arising from insurance contracts are concentrated in Saudi Arabia.

Insurance risk is influenced by the frequency, severity and absolute amounts of claims. Careful evaluation of risks through implementation of underwriting strategy, together with the use of reinsurance, reduce risk.

The Company underwrites mainly property, accident, motor, medical, marine and group protection and savings risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This diversification and short term nature mitigates risk.

Property and Accident

For property contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties, contents insured and profits of the underlying businesses. The cost of rebuilding properties, replacing contents and the time taken to restart operations following business interruptions are the main factors that influence the level of claims.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Medical

For medical contracts the main risks are medical expenses incurred for treatment and illness.

Marine

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

Protection and Savings

The Company writes Protection and Savings Policies and also writes Group Life including Group Credit Life and PHI policies which are categorised as Group Protection and Savings notwithstanding the absence of savings elements.

The main risks for Protections and Savings Policies are morbidity and mortality of the insured.

In group policies the main risks are mortality and morbidity of the insured compounded due to the concentration of lives. The Company engages in various levels of underwriting including declaration of health, medical questionnaire, reports from specialists and medical tests when required. Group size, the nature of activity carried out by the group, geographic mix and cultural background are all analysed.

The business is protected by extensive reinsurance cover with low retention which affords protection from adverse experience, single large losses, multiple claims and concentrations of risk.

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. 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.

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.

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

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed 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) 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 period of the contracts and expectations of future events that are believed to be reasonable.



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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

ALL AMOUNTS IN SAR '000

Sensitivity Analysis

The amount of the provision for outstanding claims, net including IBNR is sensitive to the basis for making judgements and estimates as outlined in Note 5(b). The net underwriting result set out in the statement of insurance operations will be directly impacted by the amount that the provision for outstanding claims, net including IBNR is understated or overstated as a result of this process.

The impact on net income which would result from an increase or decrease of 5% in net incurred claims with all other assumptions held constant is shown below.

| Net Claims Incurred Increase / Decrease | Impact on Net Income | | |
|--|----------------------|-----------------|-----------------|
| | % Change | 2019 | 2018 |
| Motor | +5% | (642) | (1,131) |
| Medical | +5% | (18,364) | (12,795) |
| Property and Casualty | +5% | (61) | (156) |
| Protection and Savings | +5% | (113) | (130) |
| Total | | (19,180) | (14,212) |
| Motor | -5% | 642 | 1,131 |
| Medical | -5% | 18,364 | 12,795 |
| Property and Casualty | -5% | 61 | 156 |
| Protection and Savings | -5% | 113 | 130 |
| Total | | 19,180 | 14,212 |

b) Reinsurance risk

The Company effects reinsurance with other parties in the normal course of business in order to minimise its financial exposure to potential losses arising from large insurance claims. The reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

To minimise 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 parameters such as minimum acceptable credit rating, reputation and past performance. Local companies who do not carry a formal credit rating are accepted to a limited degree provided they are registered with and approved by local Regulators.

Although the Company has reinsurance arrangements it is not relieved of its direct obligations to its policyholders in the event that a reinsurer failed to meet its obligations.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum exposure of the Company to credit risk if a default was made by the counter party is equal to the carrying amount of these financial instruments.

The Company seeks to limit credit risk with respect to customers by constant monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to agents and brokers by, on a selective basis, setting credit limits, maintenance of cash deposits with the Company and monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to bank time deposits by only dealing with reputable banks and by generally placing deposits for periods of not more than twelve months.

To minimise its exposure to significant losses from reinsurer insolvencies, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.

The amounts due from reinsurers are contractually due within a maximum sixty days from end of quarter in which the payment is made for claims under treaty reinsurance and treaty retention excess of loss reinsurance and ninety days for claims under facultative reinsurance.



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NOTES TO THE FINANCIAL STATEMENTS
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The table below shows the maximum exposure to credit risk for the relevant components of the statement of financial position:

| | 2019 | 2018 |
|---|----------------|----------------|
| Premiums and reinsurers' receivable – gross | 102,875 | 85,287 |
| Due from related parties – gross | 8,970 | 75,074 |
| Reinsurers' share of outstanding gross claims | 89,304 | 71,391 |
| Total | 201,149 | 231,752 |

d) 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 primarily transacts in Saudi Riyals and at any time balances held in other currencies are of immaterial amounts only and therefore the Company believes that there is minimal risk of significant losses due to exchange rate fluctuations.

e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

Deposits are generally placed for periods not exceeding twelve months.

An annualized increase or decrease of 1% in interest yields would have an impact on annual profits of 3,820 (2018: impact on annual profits of 4,838).

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

| | Less than 1 year | More than 1 year | Non-commission bearing | Total |
|---------------------------------|------------------|------------------|------------------------|---------|
| Insurance Operations | | | | |
| 31 December 2019 | 200,445 | 0 | 0 | 200,445 |
| 31 December 2018 | 308,096 | 0 | 0 | 308,096 |
| Shareholders' Operations | | | | |
| 31 December 2019 | 181,568 | 0 | 234,134 | 415,702 |
| 31 December 2018 | 175,689 | 0 | 198,901 | 374,590 |

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and the Company has ensured that sufficient liquid funds are available to meet any commitments as they arise.

g) Regulatory framework risk

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

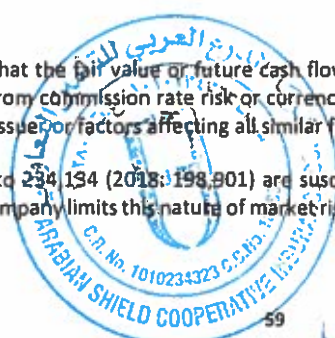
h) Geographical concentration of risks

The Company's insurance policies primarily relate to risks covered in Saudi Arabia.

i) Investment market price risks

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

The Company's investments amounting to 234,134 (2018: 198,901) 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.



NOTES TO THE FINANCIAL STATEMENTS
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The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company's annual profit would be as follows:

| | Fair value % change | Effect on Company's profit |
|------------------|---------------------|----------------------------|
| 31 December 2019 | - 10% | (23,413) |
| 31 December 2019 | +10% | 23,413 |
| 31 December 2018 | - 10% | (19,890) |
| 31 December 2018 | +10% | 19,890 |

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

j) Other Operational Risks

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 (already noted above) such as those arising from legal and regulatory requirements and generally accepted standards of behavior.

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 objective of generating returns for investors and security for policyholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors who encompass 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;
- Ethical and business standards;
- Risk mitigation policies and procedures; and
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.

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



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NOTES TO THE FINANCIAL STATEMENTS
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34. MATURITY PROFILE

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

The following assets and liabilities in the statement of financial position are excluded from the table below either because they are classified as non-financial assets or non-financial liabilities or because they are not represented by underlying contractual obligations – unearned gross premiums, reinsurers' share of unearned gross premiums, deferred costs, property, equipment and intangible assets, net, goodwill, unearned reinsurance commission, premium deficiency reserve, other technical reserves and policyholders' surplus distribution payable.

Items subject to notice are treated as if notice were given immediately.

| | Up to one year | More than one year | Total |
|---|-------------------|-----------------------|----------------|
| 31 December 2019 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 403,376 | | 403,376 |
| Short term fixed income deposits | 40,000 | | 40,000 |
| Premiums and reinsurers' receivable - net | 97,255 | | 97,255 |
| Reinsurers' share of outstanding gross claims | 89,304 | | 89,304 |
| Reinsurers' share of gross claims incurred but not reported | 73,250 | | 73,250 |
| Investments | 234,134 | | 234,134 |
| Due from related parties – net | 7,470 | | 7,470 |
| Prepaid expenses and other assets | 21,773 | | 21,773 |
| Statutory deposit | 0 | 30,000 | 30,000 |
| Accrued income on statutory deposit | 0 | 2,727 | 2,727 |
| Total | 966,562 | 32,727 | 999,289 |
| Financial Liabilities | | | |
| Accrued and other liabilities | 49,452 | | 49,452 |
| Reinsurers' balances payable | 15,108 | | 15,108 |
| Outstanding gross claims | 141,054 | | 141,054 |
| Gross claims incurred but not reported | 178,325 | | 178,325 |
| Due to related parties | 19,309 | | 19,309 |
| Accounts payable | 25,506 | | 25,506 |
| Withholding tax provision | 8,857 | | 8,857 |
| Regulators' levies provision | 1,761 | | 1,761 |
| End-of-service indemnities | | 8,435 | 8,435 |
| Zakat | 31,059 | | 31,059 |
| Income tax | 952 | | 952 |
| Accrued commission income payable to SAMA | | 2,727 | 2,727 |
| Total | 471,383 | 11,162 | 482,545 |



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

| | Up to one year | More than one year | Total |
|---|-------------------|-----------------------|------------------|
| 31 December 2018 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 430,566 | | 430,566 |
| Short term fixed income deposits | 81,234 | | 81,234 |
| Premiums and reinsurers' receivable - net | 78,587 | | 78,587 |
| Reinsurers' share of outstanding gross claims | 71,391 | | 71,391 |
| Reinsurers' share of gross claims incurred but not reported | 81,748 | | 81,748 |
| Investments | 198,901 | | 198,901 |
| Due from related parties - net | 63,674 | | 63,674 |
| Prepaid expenses and other assets | 34,857 | | 34,857 |
| Statutory deposit | 0 | 30,000 | 30,000 |
| Accrued income on statutory deposit | 0 | 2,003 | 2,003 |
| Total | 1,040,958 | 32,003 | 1,072,961 |
| Financial Liabilities | | | |
| Accrued and other liabilities | 48,807 | | 48,807 |
| Reinsurers' balances payable | 10,760 | | 10,760 |
| Outstanding gross claims | 173,569 | | 173,569 |
| Gross claims incurred but not reported | 194,280 | | 194,280 |
| Due to related parties | 17,098 | | 17,098 |
| Accounts payable | 8,701 | | 8,701 |
| Withholding tax provision | 12,227 | | 12,227 |
| Regulators' levies provision | 1,470 | | 1,470 |
| End-of-service indemnities | 0 | 9,001 | 9,001 |
| Zakat | 26,511 | | 26,511 |
| Income tax | 1,969 | | 1,969 |
| Accrued commission income payable to SAMA | 0 | 2,003 | 2,003 |
| Total | 495,392 | 11,004 | 506,396 |

35.

COMMITMENTS AND CONTINGENCIES

At 31 December 2019 Letters of Guarantee were outstanding in favour of various beneficiaries as follows:

| | 2019 | 2018 |
|---|--------------|--------------|
| Medical provider | 1,000 | 1,000 |
| Motor agents | 0 | 0 |
| Group medical insurance policy – Request for proposal | 2,666 | 1,305 |
| Capital commitments for systems software | 1,841 | 1,429 |
| Total | 5,507 | 3,734 |

The Company is subject to legal proceedings in the ordinary course of business.

At 31 December 2019 there were no other commitments, contingencies or outstanding legal proceedings or disputes of a material nature.

36. COMPARATIVE FIGURES

Certain prior period amounts or balances may have been reclassified to conform with the current presentation.

37. BOARD OF DIRECTORS' APPROVAL

The Financial Statements were approved by the Board of Directors on 23 February 2020.

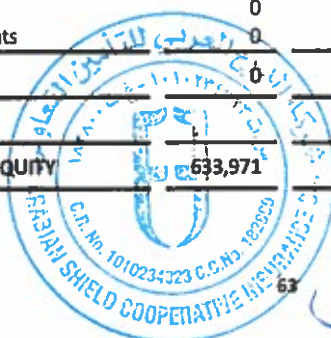


NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

38. SUPPLEMENTARY INFORMATION

| STATEMENTS OF FINANCIAL POSITION | 2019 | | | 2018 | | |
|---|----------------------|--------------------------|------------------|----------------------|--------------------------|------------------|
| | Insurance Operations | Shareholders' Operations | Total | Insurance Operations | Shareholders' Operations | Total |
| ASSETS | | | | | | |
| Cash and cash equivalents | 216,609 | 186,767 | 403,376 | 253,385 | 177,181 | 430,566 |
| Short term fixed income deposits | 40,000 | 0 | 40,000 | 81,234 | 0 | 81,234 |
| Premiums and reinsurers' receivable – net | 97,255 | 0 | 97,255 | 78,587 | 0 | 78,587 |
| Reinsurers' share of unearned gross premiums | 36,440 | 0 | 36,440 | 33,389 | 0 | 33,389 |
| Reinsurers' share of outstanding gross claims | 89,304 | 0 | 89,304 | 71,391 | 0 | 71,391 |
| Reinsurers' share of gross claims incurred but not reported | 73,250 | 0 | 73,250 | 81,748 | 0 | 81,748 |
| Deferred excess of loss expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred policy acquisition costs | 7,901 | 0 | 7,901 | 7,307 | 0 | 7,307 |
| Deferred third party administrator expenses | 2,494 | 0 | 2,494 | 2,476 | 0 | 2,476 |
| Deferred withholding tax | 1,766 | 0 | 1,766 | 1,584 | 0 | 1,584 |
| Deferred regulators' levies | 1,991 | 0 | 1,991 | 2,829 | 0 | 2,829 |
| Investments | 0 | 234,134 | 234,134 | 0 | 198,901 | 198,901 |
| Due from insurance / shareholders' operations | 28,793 | 0 | 28,793 | 0 | 2,654 | 2,654 |
| Due from related parties – net | 7,470 | 0 | 7,470 | 63,674 | 0 | 63,674 |
| Prepaid expenses and other assets | 18,740 | 3,033 | 21,773 | 31,736 | 3,121 | 34,857 |
| Property and equipment – net | 3,507 | 0 | 3,507 | 4,595 | 0 | 4,595 |
| Intangible assets – net | 8,451 | 0 | 8,451 | 7,557 | 0 | 7,557 |
| Goodwill | 0 | 46,794 | 46,794 | 0 | 46,794 | 46,794 |
| Statutory deposit | 0 | 30,000 | 30,000 | 0 | 30,000 | 30,000 |
| Accrued income on statutory deposit | 0 | 2,727 | 2,727 | 0 | 2,003 | 2,003 |
| TOTAL ASSETS | 633,971 | 503,455 | 1,137,426 | 721,492 | 460,654 | 1,182,146 |
| LIABILITIES | | | | | | |
| Accrued and other liabilities | 47,187 | 2,265 | 49,452 | 46,321 | 2,486 | 48,807 |
| Reinsurers' balances payable | 15,108 | 0 | 15,108 | 10,760 | 0 | 10,760 |
| Unearned gross premiums | 167,379 | 0 | 167,379 | 221,042 | 0 | 221,042 |
| Unearned reinsurance commission | 7,353 | 0 | 7,353 | 6,847 | 0 | 6,847 |
| Outstanding gross claims | 141,054 | 0 | 141,054 | 173,569 | 0 | 173,569 |
| Gross claims incurred but not reported | 178,325 | 0 | 178,325 | 194,280 | 0 | 194,280 |
| Premium deficiency reserve | 2,000 | 0 | 2,000 | 4,900 | 0 | 4,900 |
| Other technical reserves | 9,000 | 0 | 9,000 | 9,925 | 0 | 9,925 |
| Due to insurance / shareholders' operations | 0 | 28,793 | 28,793 | 2,654 | 0 | 2,654 |
| Due to related parties | 19,309 | 0 | 19,309 | 17,098 | 0 | 17,098 |
| Accounts payable | 25,506 | 0 | 25,506 | 8,701 | 0 | 8,701 |
| Withholding tax provision | 8,857 | 0 | 8,857 | 12,227 | 0 | 12,227 |
| Regulators' levies provision | 1,761 | 0 | 1,761 | 1,470 | 0 | 1,470 |
| End-of-service indemnities | 8,435 | 0 | 8,435 | 9,001 | 0 | 9,001 |
| Policyholders' surplus distribution payable | 2,697 | 0 | 2,697 | 2,697 | 0 | 2,697 |
| Zakat | 0 | 31,059 | 31,059 | 0 | 26,511 | 26,511 |
| Income tax | 0 | 952 | 952 | 0 | 1,969 | 1,969 |
| Accrued commission income payable to SAMA | 0 | 2,727 | 2,727 | 0 | 2,003 | 2,003 |
| TOTAL LIABILITIES | 633,971 | 65,796 | 699,767 | 721,492 | 32,969 | 754,461 |
| SHAREHOLDERS' EQUITY | | | | | | |
| Share capital | 0 | 300,000 | 300,000 | 0 | 300,000 | 300,000 |
| Statutory reserve | 0 | 34,535 | 34,535 | 0 | 33,082 | 33,082 |
| Retained earnings / (accumulated losses) | 0 | 98,138 | 98,138 | 0 | 92,327 | 92,327 |
| Fair value reserve gain / (loss) on investments | 0 | 4,986 | 4,986 | 0 | 2,276 | 2,276 |
| TOTAL EQUITY | 0 | 437,659 | 437,659 | 0 | 427,685 | 427,685 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 633,971 | 503,455 | 1,137,426 | 721,492 | 460,654 | 1,182,146 |



NOTES TO THE FINANCIAL STATEMENTS
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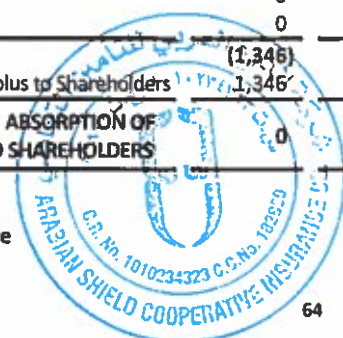
ALL AMOUNTS IN SAR '000

| STATEMENTS OF INCOME | 2019 | | | 2018 Restated | | |
|--|-------------------------|-----------------------------|------------------|-------------------------|-----------------------------|------------------|
| | Insurance Operations | Shareholders' Operations | Total | Insurance Operations | Shareholders' Operations | Total |
| REVENUES | | | | | | |
| Gross premiums written | 543,717 | 0 | 543,717 | 625,101 | 0 | 625,101 |
| Reinsurance premiums ceded – local | (16,051) | 0 | (16,051) | (17,491) | 0 | (17,491) |
| Reinsurance premiums ceded – foreign | (167,701) | 0 | (167,701) | (152,814) | 0 | (152,814) |
| Excess of loss expenses | (1,991) | 0 | (1,991) | (2,230) | 0 | (2,230) |
| Net premiums written | 357,974 | 0 | 357,974 | 452,566 | 0 | 452,566 |
| Change in unearned gross premiums | 53,663 | 0 | 53,663 | (65,478) | 0 | (65,478) |
| Change in reinsurers' share of unearned gross premiums | 3,051 | 0 | 3,051 | (7,237) | 0 | (7,237) |
| Net premiums earned | 414,688 | 0 | 414,688 | 379,851 | 0 | 379,851 |
| Reinsurance commissions | 38,034 | 0 | 38,034 | 36,838 | 0 | 36,838 |
| Other underwriting income | 10,905 | 0 | 10,905 | 6,326 | 0 | 6,326 |
| TOTAL REVENUES | 463,627 | 0 | 463,627 | 423,015 | 0 | 423,015 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (502,172) | 0 | (502,172) | (304,597) | 0 | (304,597) |
| Expenses incurred related to claims | 0 | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share of gross claims paid | 60,698 | 0 | 60,698 | 83,212 | 0 | 83,212 |
| Net claims paid | (441,474) | 0 | (441,474) | (221,385) | 0 | (221,385) |
| Changes in outstanding gross claims | 32,515 | 0 | 32,515 | (68,838) | 0 | (68,838) |
| Changes in reinsurers' share of outstanding gross claims | 17,913 | 0 | 17,913 | 12,433 | 0 | 12,433 |
| Changes in gross IBNR | 15,955 | 0 | 15,955 | (14,397) | 0 | (14,397) |
| Changes in reinsurers' share of gross IBNR | (8,498) | 0 | (8,498) | 7,952 | 0 | 7,952 |
| Net claims incurred | (383,589) | 0 | (383,589) | (284,235) | 0 | (284,235) |
| Premium deficiency reserve | 2,900 | 0 | 2,900 | (4,900) | 0 | (4,900) |
| Other technical reserves | 925 | 0 | 925 | (1,800) | 0 | (1,800) |
| Policy acquisition costs | (20,837) | 0 | (20,837) | (22,501) | 0 | (22,501) |
| Third party administrator expenses | (7,768) | 0 | (7,768) | (1,292) | 0 | (1,292) |
| Withholding tax | (6,334) | 0 | (6,334) | (7,866) | 0 | (7,866) |
| Regulators' levies | (6,588) | 0 | (6,588) | (5,890) | 0 | (5,890) |
| Other underwriting expenses | (6,247) | 0 | (6,247) | (5,280) | 0 | (5,280) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (427,538) | 0 | (427,538) | (333,764) | 0 | (333,764) |
| NET UNDERWRITING INCOME / (LOSS) | 36,089 | 0 | 36,089 | 89,251 | 0 | 89,251 |
| OTHER OPERATING INCOME / (EXPENSES) | | | | | | |
| (Allowance for) / Reversal of doubtful debts | 10,980 | 0 | 10,980 | (6,600) | 0 | (6,600) |
| General and administrative expenses | (53,453) | (2,202) | (55,655) | (59,288) | (2,178) | (61,466) |
| Depreciation and amortisation | (2,001) | 0 | (2,001) | (3,426) | 0 | (3,426) |
| Commission income on deposits | 7,039 | 4,936 | 11,975 | 7,028 | 4,324 | 11,352 |
| Commission income on sukuk | 0 | 4,774 | 4,774 | 0 | 2,916 | 2,916 |
| Dividend income | 0 | 2,857 | 2,857 | 0 | 3,483 | 3,483 |
| Realised gains / (losses) on investments | 0 | 7,922 | 7,922 | 0 | 1,479 | 1,479 |
| TOTAL OTHER OPERATING INCOME / (EXPENSES) | (37,435) | 18,287 | (19,148) | (62,286) | 10,024 | (52,262) |
| OPERATING INCOME / (LOSS) FOR THE YEAR | (1,346) | 18,287 | 16,941 | 26,965 | 10,024 | 36,989 |
| Zakat charge | 0 | (9,513) | (9,513) | (0) | (10,960) | (10,960) |
| Income tax charge | 0 | (164) | (164) | (0) | (789) | (789) |
| INCOME / (LOSS) FOR THE YEAR | (1,346) | 8,610 | 7,264 | 26,965 | (1,725) | 25,240 |
| Absorption of deficit by / transfer of surplus to Shareholders | 1,346 | (1,346) | 0 | (24,268) | 24,268 | 0 |
| INCOME / (LOSS) FOR THE YEAR AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS | 0 | 7,264 | 7,264 | 2,697 | 22,543 | 25,240 |

Basic and diluted SAR earnings per share

0.24

0.75



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

| STATEMENTS OF COMPREHENSIVE INCOME | 2019 | | | 2018 Restated | | |
|---|-------------------------|-----------------------------|--------------|-------------------------|-----------------------------|---------------|
| | Insurance Operations | Shareholders' Operations | Total | Insurance Operations | Shareholders' Operations | Total |
| Net surplus / (deficit) from insurance operations | 0 | 7,264 | 7,264 | 2,697 | 22,543 | 25,240 |
| Other comprehensive income / (loss) | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Items that are or may be reclassified to statement of income in subsequent years</i> | | | | | | |
| Available for sale investments: | | | | | | |
| Net change in fair value of investments | 0 | 10,632 | 10,632 | 0 | 1,834 | 1,834 |
| Realised gains / (losses) transferred to statement of income | 0 | (7,922) | (7,922) | 0 | (1,479) | (1,479) |
| Net change in unrealised fair value of investments | 0 | 2,710 | 2,710 | 0 | 355 | 355 |
| COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR | 0 | 9,974 | 9,974 | 2,697 | 22,898 | 25,595 |



P.H.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

| STATEMENTS OF CASH FLOWS | 2019 | | | 2018 Restated | | |
|---|-------------------------|-----------------------------|-----------------|-------------------------|-----------------------------|---------------|
| | Insurance Operations | Shareholders' Operations | Total | Insurance Operations | Shareholders' Operations | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Income / (loss) for the year | 0 | 7,264 | 7,264 | 2,697 | 22,543 | 25,240 |
| Adjustments for non-cash items: | | | | | | |
| Depreciation of property and equipment | 1,244 | 0 | 1,244 | 2,015 | 0 | 2,015 |
| Amortisation of intangible assets | 757 | 0 | 757 | 1,411 | 0 | 1,411 |
| (Gain) / loss on disposal of property and equipment | (10) | 0 | (10) | (36) | 0 | (36) |
| Allowance for / (Reversal of) doubtful debts | (10,980) | 0 | (10,980) | 6,600 | 0 | 6,600 |
| Provisions for withholding tax | 6,516 | 0 | 6,516 | 7,512 | 0 | 7,512 |
| Provisions for regulatory levies | 5,750 | 0 | 5,750 | 7,114 | 0 | 7,114 |
| Provision for end-of-service indemnities | 1,944 | 0 | 1,944 | 2,891 | 0 | 2,891 |
| Zakat charge | 0 | 9,513 | 9,513 | 0 | 10,960 | 10,960 |
| Income tax charge | 0 | 164 | 164 | 0 | 789 | 789 |
| Changes in operating assets and liabilities: | | | | | | |
| Premiums and reinsurers' receivable | (17,588) | 0 | (17,588) | (36,735) | 0 | (36,735) |
| Reinsurers' share of gross unearned premiums | (3,051) | 0 | (3,051) | 7,237 | 0 | 7,237 |
| Reinsurers' share of outstanding gross claims | (17,913) | 0 | (17,913) | (12,433) | 0 | (12,433) |
| Reinsurers' share of gross claims incurred but not reported | 8,498 | 0 | 8,498 | (7,952) | 0 | (7,952) |
| Deferred excess of loss expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred policy acquisition costs | (594) | 0 | (594) | 737 | 0 | 737 |
| Deferred third party administrator expenses | (18) | 0 | (18) | (2,476) | 0 | (2,476) |
| Deferred withholding tax | (182) | 0 | (182) | 354 | 0 | 354 |
| Deferred regulators' levies | 838 | 0 | 838 | (1,224) | 0 | (1,224) |
| Due from related parties | 66,104 | 0 | 66,104 | (69,792) | 0 | (69,792) |
| Prepaid expenses and other assets | 12,996 | 88 | 13,084 | (23,656) | (2,035) | (25,691) |
| Accounts payable | 16,326 | 0 | 16,326 | (6,494) | 0 | (6,494) |
| Policy acquisition cost payable | 83 | 0 | 83 | 3,098 | 0 | 3,098 |
| Third party administrator payable | 396 | 0 | 396 | 148 | 0 | 148 |
| Accrued and other liabilities | 866 | (221) | 645 | (2,923) | (319) | (3,242) |
| Reinsurers' balances payable | 4,348 | 0 | 4,348 | 4,734 | 0 | 4,734 |
| Unearned gross premiums | (53,663) | 0 | (53,663) | 65,478 | 0 | 65,478 |
| Unearned reinsurance commission | 506 | 0 | 506 | (1,140) | 0 | (1,140) |
| Outstanding gross claims | (32,515) | 0 | (32,515) | 68,838 | 0 | 68,838 |
| Gross claims incurred but not reported | (15,955) | 0 | (15,955) | 14,397 | 0 | 14,397 |
| Premium deficiency reserve | (2,900) | 0 | (2,900) | 4,900 | 0 | 4,900 |
| Other technical reserves | (925) | 0 | (925) | 1,800 | 0 | 1,800 |
| Due to shareholders' operations | (31,447) | 31,447 | 0 | (48,057) | 48,057 | 0 |
| Due to related parties | 2,211 | 0 | 2,211 | 5,930 | 0 | 5,930 |
| Payments: | | | | | | |
| End-of-service indemnities paid | (2,510) | 0 | (2,510) | (2,331) | 0 | (2,331) |
| Withholding tax paid | (9,886) | 0 | (9,886) | (7,788) | 0 | (7,788) |
| Regulators' levies paid | (5,459) | 0 | (5,459) | (6,692) | 0 | (6,692) |
| Surplus paid to policyholders | 0 | 0 | 0 | (11,995) | 0 | (11,995) |
| Zakat paid | 0 | (4,965) | (4,965) | 0 | (5,509) | (5,509) |
| Income tax paid | 0 | (1,181) | (1,181) | 0 | (2,025) | (2,025) |
| Net cash generated from / (used in) operating activities | (76,213) | 42,109 | (34,104) | (33,833) | 72,461 | 38,628 |



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALL AMOUNTS IN SAR '000

| STATEMENTS OF CASH FLOWS (Continued) | 2019 | | | 2018 Restated | | |
|---|-------------------------|-----------------------------|----------------|-------------------------|-----------------------------|------------------|
| | Insurance Operations | Shareholders' Operations | Total | Insurance Operations | Shareholders' Operations | Total |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Additions of investments | 0 | (111,354) | (111,354) | 0 | (190,005) | (190,005) |
| Proceeds from disposal of investments | 0 | 86,753 | 86,753 | 0 | 133,666 | 133,666 |
| Realised gain on disposal of investments | 0 | (7,922) | (7,922) | 0 | (1,479) | (1,479) |
| Additions of short term fixed income deposits | 41,234 | 0 | 41,234 | (81,234) | 0 | (81,234) |
| Additions of property and equipment | (79) | 0 | (79) | (2,551) | 0 | (2,551) |
| Proceeds from disposal of property and equipment | 10 | 0 | 10 | 52 | 0 | 52 |
| Additions of intangible assets | (1,728) | 0 | (1,728) | (6,467) | 0 | (6,467) |
| Proceeds from disposal of intangible assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase in statutory deposit | 0 | 0 | 0 | 0 | (10,000) | (10,000) |
| Net cash generated from / (used in) investing activities | 39,437 | (32,523) | 6,914 | (90,200) | (67,818) | (158,018) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Dividend paid | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash generated from / (used in) financing activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Net change in cash and cash equivalents | (36,776) | 9,586 | (27,190) | (124,033) | 4,643 | (119,390) |
| Cash and cash equivalents at start of year | 253,385 | 177,181 | 430,566 | 377,419 | 172,537 | 549,956 |
| Cash and cash equivalents at end of year | 216,609 | 186,767 | 403,376 | 253,386 | 177,180 | 430,566 |
| NON-CASH INFORMATION | | | | | | |
| Net change in unrealised fair value of investments | 0 | 2,710 | 2,710 | 0 | 355 | 355 |
| Bonus shares issued | 0 | 0 | 0 | 0 | 100,000 | 100,000 |

