SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Saudi Enaya Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the related statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	**How our audit addressed the key audit matter**
Valuation of ultimate claim liabilities arising from insurance contracts As at 31 December 2020, outstanding claims, claims incurred but not reported (IBNR), premium deficiency reserves and other technical reserves amounted to SR 39.307 million, SR 12.974 million, SR 14.545 million and SR 326 thousands respectively as reported in Note 15 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgements could result in material overstatement / understatement of the Company's profitability. *The Company's disclosures about the significant accounting policies of the above mentioned key audit matter are included in Note 3 to the financial statements.*	We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our actuarial specialist performed the following: • Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. • Assessed key actuarial assumptions including claims historical experience, ratios and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's current trends and our own industry knowledge. • Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Other information included in the Company's 2020 Annual Report

Management is responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditors' report thereon, which 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 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya 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 International Standards on Auditing ("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 Management.

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya 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 year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Al-Bassam & Co.
Certified Public Accountants
P.O. Box 15651
Jeddah 21454
Kingdom of Saudi Arabia

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

For Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

Abdullah M. AlAzem
Certified Public Accountant
License No. 335

15 March 2021
2 Sha'ban 1442H
Jeddah, Kingdom of Saudi Arabia

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 December 2020	31 December 2019
		SAR '000	
ASSETS			
Cash and cash equivalents	5	**115,226**	77,375
Short term murabaha deposits	6	**40,068**	76,036
Premiums receivable, net	7	**49,116**	44,859
Reinsurer balance receivable	8	**191**	2,995
Reinsurer share of outstanding claims	16.1	**119**	1,034
Reinsurer share of claims incurred but not reported	16.1	**-**	94
Prepaid expenses and other assets	15	**6,780**	14,975
Deferred policy acquisition costs	10	**3,230**	2,851
Investments	9	**68,376**	72,950
Property and equipment, net	12	**2,173**	2,392
Intangible assets, net	11	**1,082**	1,106
Right of use assets, net	13.1	**2,743**	-
Statutory deposit	14	**22,500**	45,000
Accrued commission income on statutory deposit		**4,377**	3,492
TOTAL ASSETS		**315,981**	345,159
LIABILITIES			
Accrued and other liabilities	18	**36,025**	36,232
Unearned premiums	16.2	**67,504**	75,920
Outstanding claims	16.1	**39,307**	21,431
Claims incurred but not reported	16.1	**12,974**	18,493
Premium deficiency reserve	16.1	**14,545**	17,335
Other technical reserves	16.1	**326**	1,460
End-of-service indemnities	19	**4,970**	5,934
Lease liabilities	13.2	**2,218**	-
Zakat and income tax	24	**12,000**	15,498
Accrued commission income payable to SAMA		**4,377**	3,492
TOTAL LIABILITIES		**194,246**	195,795
SHAREHOLDERS' EQUITY			
Share capital	25	**150,000**	300,000
Accumulated losses	4	**(29,273)**	(150,860)
TOTAL SHAREHOLDERS' EQUITY		**120,727**	149,140
Re-measurement reserve on end-of-service indemnities – related to insurance operations		**1,008**	224
TOTAL EQUITY		**121,735**	149,364
TOTAL LIABILITIES AND EQUITY		**315,981**	345,159
COMMITMENTS AND CONTINGENCIES	17	**12,545**	12,545

Chairman

Chief Executive Officer

Chief Financial Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		SAR '000	
REVENUES			
Gross premiums written	16.2	**165,874**	154,028
Excess of loss expenses		**-**	-
Net premiums written		**165,874**	154,028
Changes in unearned premiums		**8,416**	(55,582)
Net premiums earned	16.2	**174,290**	98,446
TOTAL REVENUES		**174,290**	98,446
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**139,752**	139,694
Reinsurer share of claims paid		**(996)**	(6,933)
Net claims paid		**138,756**	132,761
Changes in outstanding claims, net	20	**18,791**	(18,154)
Changes in claims incurred but not reported, net	20	**(5,425)**	4,559
Net claims incurred		**152,122**	119,166
Premium deficiency reserve	20	**(2,790)**	15,504
Other technical reserves	20	**(1,134)**	888
Policy acquisition costs	10	**5,916**	4,451
Other underwriting expenses		**3,315**	3,413
TOTAL UNDERWRITING COSTS AND EXPENSES		**157,429**	143,422
NET UNDERWRITING RESULT		**16,861**	(44,976)

Chairman

Chief Financial Officer

Chief Executive Officer

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

STATEMENT OF INCOME – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		SAR '000	
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for doubtful debts		(181)	(9,962)
General and administrative expenses	30	(55,817)	(53,882)
Commission income on deposits		4,399	6,666
Unrealized gain on investments	9	186	655
Realized gain on investments		117	-
Dividend income		108	-
Amortization of discount, net	9	159	147
Other income		2,257	-
TOTAL OTHER OPERATING EXPENSES		(48,772)	(56,376)
Net loss for the year		(31,911)	(101,352)
Net income attributed to the insurance operations		-	-
Net loss for the year attributable to the shareholders before zakat		(31,911)	(101,352)
Release of zakat provision for prior years	24	5,298	-
Zakat provision for the current year	24	(1,800)	(4,800)
Net loss for the year		(28,413)	(106,152)
Loss per share (Expressed in SAR per share)			
Weighted average number of ordinary shares outstanding (in thousands)	29	15,000	14,411
Basic and diluted loss per share for the year (SR) – restated – 2019	29	(1.89)	(7.37)

Chairman

Chief Executive Officer

Chief Financial Officer

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		SAR '000	
Net loss for the year		**(28,413)**	(106,152)
Other comprehensive income / (loss)			
Items that will not be reclassified to statements of income in subsequent years			
Actuarial gain / (loss) on defined indemnities obligation – related to Insurance operations	19	**784**	(550)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(27,629)**	(106,702)

Chairman

Chief Financial Officer

Chief Executive Officer

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Related to shareholders'				
2020	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of end-of-service indemnities – related to insurance operations	Total equity
			SAR '000		
Balance as at 31 December 2019	300,000	(150,860)	149,140	224	149,364
Total comprehensive loss for the year					
Net loss for the year	-	(28,413)	(28,413)	-	(28,413)
Other comprehensive income	-	-	-	784	784
Total comprehensive loss for the year	-	(28,413)	(28,413)	784	(27,629)
Reduction of share capital (note 25)	(150,000)	150,000	-	-	-
Balance as at 31 December 2020	150,000	(29,273)	120,727	1,008	121,735

Chairman

Chief Financial Officer

Chief Executive Officer

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

2019	Related to shareholders'				
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of end-of-service indemnities – related to insurance operations	Total equity
			SAR '000		
Balance as at 31 December 2018	100,000	(44,708)	55,292	774	56,066
Total comprehensive loss for the year					
Net loss for the year	-	(106,152)	(106,152)	-	(106,152)
Other comprehensive income	-	-	-	(550)	(550)
Total comprehensive loss for the year	-	(106,152)	(106,152)	(550)	(106,702)
Increasing of share capital (note 25)	200,000	-	200,000	-	200,000
Balance as at 31 December 2019	300,000	(150,860)	149,140	224	149,364

Chairman

Chief Financial Officer

Chief Executive Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(31,911)	(101,352)
Adjustments for non-cash items:			
Depreciation of property and equipment	12	1,030	959
Amortization of intangible assets	11	479	808
Depreciation of right of use assets	13.1	1,041	-
Finance cost on lease liabilities	13.2	49	-
Allowance for doubtful debts	7, 8	181	9,962
Unrealized gain on investments	9	(186)	(655)
Realized gain on investments		(117)	-
Amortization of discount, net	9	(159)	(147)
Provision for end-of-service indemnities	19	1,520	1,159
		(28,073)	(89,266)
Changes in operating assets and liabilities:			
Premiums receivable		(638)	(34,392)
Reinsurer balance receivable		(996)	(5,995)
Reinsurer share of outstanding claims		915	4,823
Reinsurer share of claims incurred but not reported		94	2,009
Reinsurer share of premium deficiency reserve		-	610
Deferred policy acquisition costs		(379)	(1,816)
Prepaid expenses and other assets		8,195	406
Accrued and other liabilities		(207)	(34,875)
Reinsurer balance payable		-	(939)
Unearned premiums		(8,416)	55,582
Outstanding claims		17,876	(22,977)
Claims incurred but not reported		(5,519)	2,550
Premium deficiency reserve		(2,790)	14,894
Other technical reserves		(1,134)	888
Net cash used in operating activities		(21,072)	(108,498)
End-of-service indemnities paid	19	(1,700)	(1,583)
Net cash flows used in operating activities		(22,772)	(110,081)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		-	(64,453)
Proceeds from sale of investments		5,036	5,000
Proceeds from maturity of short-term murabaha deposits		35,968	6,846
Decrease / (increase) in Statutory deposit		22,500	(15,000)
Purchase of property and equipment	12	(811)	(905)
Purchase of intangible assets	11	(455)	(753)
Net cash flows from / (used in) investing activities		62,238	(69,265)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of right shares	25	-	200,000
Payment of lease liabilities	13.2	(1,615)	-
Net cash flows (used in) / from financing activities		(1,615)	200,000
Net change in cash and cash equivalents		37,851	20,654
Cash and cash equivalents, beginning of the year		77,375	56,721
Cash and cash equivalents, end of the year		115,226	77,375

Chairman

Chief Financial Officer

Chief Executive Officer

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

1.GENERAL

Saudi Enaya Cooperative Insurance (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. 98/Q dated 16 Rabi Awwal 1433H. (Corresponding to 8 February 2012). The Company operates under Commercial Registration no. 4030223528 dated 27 Rabi Awal 1433H (corresponding to 19 February 2012). The registered address of the Company's head office is as follows:

Saudi Enaya Cooperative Insurance
Prince Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435, Saudi Arabia

Following is the branch of the Company:

Branch	***Commercial Registration Number:***
Riyadh	1010421871

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

On 27 Rajab 1432H (corresponding to 29 June 2011), the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/49). On 27 February 2012, the Saudi Central Bank (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On 29 Rabi Al-Awwal 1442H corresponding to 15 November 2020, the Company signed a non-binding Memorandum of Understanding ("MOU") with Amana Cooperative Insurance Company (“Amana”) to evaluate a potential merger between the two companies. As at 31 December 2020, both companies are engaged in conducting technical, financial, legal and actuarial due diligence on the terms and conditions of the potential merger.

2. BASIS OF PREPARATION

(a) Basis of preparation

The financial statements for year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

The financial statement were prepared under the going concern basis (note 4) and the historical cost convention, except for the measurement of investments at their fair value. The Company’s statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, investment in Murabaha deposits, premiums receivable-net, due from reinsurers-net, reinsurers’ share of unearned premiums, deferred policy acquisition costs, prepayments and other assets, due to policyholders, reinsurers and brokers, accrued expenses, lease liabilities, unearned premiums and reinsurance commission, outstanding claims and claims IBNR, provision for premium deficiency reserve, other technical reserves and Zakat and income tax. The following balances would generally be classified as non-current: end-of-service indemnities, lease liabilities related parties balances, accrued interest on statutory deposit, investments held at fair value through income statement, available-for-sale investment, statutory deposit, Right of use assets, property and equipment, and intangible assets.

2. BASIS OF PREPARATION – (continued)

(a) Basis of preparation – (continued)

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and present same supplementary information in the financial statements (note 32). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

Shareholders	90%
Policyholders	10%
	100%

In case of deficit arising from the Insurance Operations, the entire deficit is allocated and transferred to Shareholders' Operations.

The statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 66 to 72 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

2. BASIS OF PREPARATION – (continued)

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending December 31.

(d) Critical accounting judgments, estimates and assumptions

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

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

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

i) The ultimate liability arising from claims made under insurance contracts

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

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

2. BASIS OF PREPARATION – (continued)

(d) Critical accounting judgments, estimates and assumptions – (continued)

ii) Impairment of financial assets

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

iii) Impairment of receivables

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

iv) Deferred tax

Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2020 since the Company does not anticipate availability of future taxable profit to utilize any tax credits.

v) Fair value of financial instruments

Investments at fair value through Statement of income are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

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

2. BASIS OF PREPARATION – (continued)

(d) Critical accounting judgments, estimates and assumptions – (continued)

vi) Impact of Covid-19

as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

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

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

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

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavorable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cash flows of the insurance contracts in force as at 31 December 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 319 thousands (31 December 2019: Nil) as a premium deficiency reserve.

(e) Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2019 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no material impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on statement of changes in equity for the reporting period. Further, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic (refer to note 2(d,vi)). Management will continue to assess the situation, and reflect any required changes in future reporting periods.

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

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

Amendments to references Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Amendments to IFRS 3 – definition of a business

The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

Amendments to IAS 1 and IAS 8 – definition of material

The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

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

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Amendments to IFRS 16 – COVID-19-Related Rent Concessions

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

The adoption of the above amendment does not have any material impact on the Financial Statements during the year.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (see below)	Interest Rate Benchmark Reform – Phase 2	1 January 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IAS 37	Onerous Contracts Cost of Fulfilling Contract	1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	1 January 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts

Overview

IFRS 17 has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

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

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

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

Measurement

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

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

A) the fulfilment cash flows (FCF), which comprise:

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

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

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.age, which comprises the FCF related to future services and the CSM of the group at that date;

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

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

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

Effective date

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. In May 2017, the International Accounting Standards Board ("IASB") published the final version of IFRS 17 Insurance Contracts. On 17 March 2020, IASB has tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2023. The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional one year of deferral, meaning they could apply as at both standards for the first time in reporting periods beginning on or after 1 January 2023. In June 2020, the IASB amended IFRS 17 Insurance Contracts. The amendments are aimed at helping companies implement the IFRS 17 and making it easier for them to explain their financial performance. IFRS 17 incorporating the amendments is effective from annual reporting periods beginning on or after 1 January 2023. SAMA is rolling out instructions for design phase. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

Transition

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Presentation and Disclosures

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

Impact

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

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders
Operational area	The Company is in progress of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and currently working on vendor selection while finalizing various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.
Systems	We are considering acquisition of IFRS 17 calculation system to accommodate calculation of Insurance contracts and Reinsurance held contracts in line with IFRS 17.
Financial Impact	The financial impact of adoption of IFRS 17 is not yet fully complete.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Classification and measurement:

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

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

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

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

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

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.

Effective date

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

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
   a. the effective date of a new insurance contract standard; or
   b. annual reporting periods beginning on or after 1 January 2023. The IASB has extended the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2020:

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date (continued)

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

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

Impact assessment

As at December 31, 2020, the Company has total financial assets (including insurance receivables / reinsurance recoverable) and insurance related assets amounting to SR 303.203 million and SR 49.426 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 291.926 million (2019: SR 311.055 million). Other financial assets consist of available for sale investments amounting to SR Nil (2019: SR Nil). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. As at December 31, 2020 debt securities are measured at fair value of nil with changes in fair value during the year of nil. Other financial assets have a fair value of SR 8.047 million as at December 31, 2020 with a fair value change during the year of 0.186 million. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 31. The Company financial assets have low credit risk as at December 31, 2020 and 2019. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review. We are in the process of building non-performance risk quantification for certain reinsurance held arrangements based on IFRS 9 ECL simplified approach.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

i. Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

ii. Revenue Recognition

Recognition of premium

Premiums are recorded in the statement of income based on straight line method over the insurance policy coverage period. Unearned premiums are calculated on a straight line method over the insurance policy coverage.

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

Reinsurance

Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Income on these contracts is accounted for using the EIR method when accrued.

Investment income

Investment income on debt instruments classified under held to maturity investments and murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iii. Claims

Claims consist of amounts payable to providers, policyholders and third parties and related loss adjustment expenses, net of recoveries. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

iv. Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

v. Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vi. Liability adequacy test

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

vii. Receivables

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

viii. Investments

i. Available-for-sale investments

Available-for-sale financial assets if any, are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under “Net change in fair value – Available for sale investments”. Realized gains or losses on sale of these investments are reported in the related statements of income under “Realized gain / (loss) on investments available for sale investments.” Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss. Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

3. SIGNIFICANT ACCOUNTING POLICIES - (continued)

viii. Investments (continued)

i. Available-for-sale investments- (continued)

Reclassification:

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

ii. Held as FVSI

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

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

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

Reclassification:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iii. Held to maturity

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

Reclassification:

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

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

iv. De-recognition of financial instruments

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

v. Offsetting

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

vi. Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vii. Impairment of financial assets

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

Evidence of impairment may include:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vii. Impairment of financial assets (continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

viii. Property and Equipment

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

Leasehold improvements	3
Computer equipment	4
Motor vehicles	5
Furniture, fittings and office equipment	4 – 10

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

Capital work-in-progress includes property that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category within property and equipment, and depreciated in accordance with the Company's policy.

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

ix. Right of use assets

The Company applies the cost model, and measures the right of use assets at cost:

A) Less any accumulated depreciation and any accumulated impairment losses; and
B) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, right of use asset would be equal to lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transactions, etc. These need to be added to the right of use asset value.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

x. Intangible assets

Separately acquired intangible assets (mention category) are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following periods:

Software	4
Licenses	4

xi. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

xii. Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

A) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
B) Reducing the carrying amount to reflect the lease payments made; and
C) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

xiii. End-of-service indemnities

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xiv. Zakat and income tax

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

xv. Deferred Tax

The financial impact of adoption of accounting policy for Deferred tax is not material to the financial statements, therefore prior period amounts have not been restated.

xvi. Dividend distribution

Dividend distribution if any, to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

xvii. Cash and cash equivalents

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

xviii. Cash flow statement

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

xix. Foreign currencies

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

xx. Operating segments

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

- Medical - coverage for health insurance.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xxi. Statutory reserves

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

xxii. Fair values

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

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

xxiii. Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

xxiv. Provisions

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

xxv. Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually.

Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

4. GOING CONCERN

On 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company appointed a Financial Advisor to initiate the reduction process. On 22 April 2020, in an Extraordinary General Assembly Meeting, it resolved to reduce the Company's share capital from SR 300 million to SR 150 million. As at 31 December 2020, the Company's accumulated losses represent 19.52% of its share capital (31 December 2019: 50.29%). The Company Board of Directors has approved the revised business plan. The Management is confident of having positive outcome of the strategy and contented that the Company's operations shall continue for foreseeable future under normal course of business and is satisfied that the going concern basis of preparation of the financial statements is appropriate. Accordingly, the financial statements has been prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	2020	2019
	SAR'000	
Bank balances and cash	**13,641**	14,590
	13,641	14,590

	Shareholders' operations	
	2020	2019
	SAR'000	
Bank balances and cash	**79**	18
Deposits maturing within 3 months from the acquisition date	**101,506**	62,767
	101,585	62,785
TOTAL	**115,226**	77,375

The Deposits are held with commercial banks in the Kingdom of Saudi Arabia. These deposits are denominated in Saudi Arabian Riyals and have an original maturity of not exceeding three months.

6. SHORT TERM MURABAHA DEPOSITS

Murabaha deposits represents deposits with local bank that have investment grade credit ratings and have an original maturity of more than three months but less than a year, amounting to SR 40,068 thousand (2019: SR 76,036 thousand), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia. As of 31 December 2020, the deposit carrying commission rates ranges from 1.2% to 3.3% (31 December 2019: 1.9% to 3.1%).

7. PREMIUMS RECEIVABLE – NET

Premium receivables comprise amounts due from the following:

	2020	2019
	SAR'000	
Policyholders	**32,122**	44,929
Brokers and agents	**11,184**	12,472
Related parties (note 23)	**25,481**	10,748
	68,787	68,149
Provision for doubtful receivables	**(19,671)**	(23,290)
Premiums receivable – net	**49,116**	44,859

Note: Premium balances receivable from brokers and agents at 31 December 2020 amounting to SAR 11.18 million (31 December 2019: SAR 12.47 million) are ultimately due from customers that are insured through brokers and agents.

Movement in the allowance for doubtful premiums receivable during the year was as follows:

	2020	2019
	SR'000	
Balance at the beginning of the year	**23,290**	16,328
(Release) / provision during the year	**(3,619)**	6,962
Balance at the end of the year	**19,671**	23,290

The ageing of unimpaired premium receivables arising from insurance contracts is as follows:

	Up to three months	**Above three and up to six months**	**Above six and up to twelve months**	**Above twelve months**	**Total**
			SR'000		
31 December 2020	**36,644**	**9,659**	**2,813**	**-**	**49,116**
31 December 2019	21,755	15,520	7,584	-	44,859

Balances up to three months are considered neither past due nor impaired. Balances above three months are past due but not impaired. Unimpaired receivables are expected, on the basis of experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

In respect of premium receivables, ten major customers account for 38.9% of the balance as at 31 December 2020 (31 December 2019: 32.8%).

8. REINSURER BALANCE RECEIVABLE

Reinsurer receivable comprise amounts due from the following:

	2020	2019
	SAR'000	
Reinsurer receivable	**6,991**	5,995
Provision for doubtful reinsurer receivable	**(6,800)**	(3,000)
Reinsurer receivable – net	**191**	2,995

Movement in the allowance for doubtful reinsurer receivable during the year was as follows:

	2020	2019
	SAR'000	
Balance at the beginning of the year	**3,000**	-
Provision during the year	**3,800**	3,000
Balance at the end of the year	**6,800**	3,000

9. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	2020	2019
	SAR'000	
- Held as FVSI	**8,047**	12,780
- Held to maturity	**60,329**	60,170
	68,376	72,950

Movement in the Fair Value through Statement of Income (FVSI) investment balance is as follows:

	Shareholders' operations	
	2020	2019
	SAR'000	
Opening balance	**12,780**	7,695
Purchases during the year	**-**	4,430
Sold during the year	**(4,919)**	-
Unrealized gain on investments	**186**	655
Closing balance	**8,047**	12,780

	2020	2019
	SR'000	
Saudi Aramco	**-**	4,878
Al Badr Murabaha Fund	**7,275**	7,200
Saudi Fransi GCC IPO Fund	**772**	702
	8,047	12,780

9. INVESTMENTS – (continued)

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	2020	2019
	SAR'000	
Opening balance	**60,170**	5,000
Placement during the year	**-**	60,023
Matured during the year	**-**	(5,000)
Amortization of held to maturity investments, net	**159**	147
Closing balance	**60,329**	60,170

10. DEFERRED POLICY ACQUISITION COST

Insurance operations	**2020**	2019
	SAR'000	
Balance at the beginning of the year	**2,851**	1,035
Paid during the year	**6,295**	6,267
Amortised during the year	**(5,916)**	(4,451)
Balance at the end of the year	**3,230**	2,851

11. INTANGIBLES ASSETS, NET

	2020	2019
	SR'000	
Insurance Operations		
Cost:		
Balance at the beginning of the year	**22,811**	22,058
Additions during the year	**455**	753
Balance at the end of the year	**23,266**	22,811
Amortization:		
Balance at the beginning of the year	**21,705**	20,897
Charge for the year	**479**	808
Balance at the end of the year	**22,184**	21,705
Net book value as at 31 December	**1,082**	1,106

Intangible assets consist mainly of computer software used for the benefit of insurance operations.

12. PROPERTY AND EQUIPMENT, NET

Insurance Operations	*Leasehold improvements*	*Computer equipment*	*Motor vehicles*	*Furniture fittings and office equipment*	*Total*
			SR'000		
Cost:					
At 1 January 2019	4,692	9,957	449	2,632	17,730
Additions during the year	-	905	-	-	905
At 31 December 2019	4,692	10,862	449	2,632	18,635
Additions during the year	-	811	-	-	811
At 31 December 2020	**4,692**	**11,673**	**449**	**2,632**	**19,446**
Accumulated depreciation:					
At 1 January 2019	4,343	8,917	231	1,793	15,284
Charge for the year	177	503	66	213	959
At 31 December 2019	4,520	9,420	297	2,006	16,243
Charge for the year	167	575	71	217	1,030
At 31 December 2020	**4,687**	**9,995**	**368**	**2,223**	**17,273**
Net book value as at 31 December 2020	**5**	**1,678**	**81**	**409**	**2,173**
Net book value as at 31 December 2019	172	1,442	152	626	2,392

13. LEASES

13.1 RIGHT-OF-USE ASSET, NET

Building	**2020**	2019
	SAR'000	
Cost:		
At beginning of the year	**-**	-
Additions during the year	**3,784**	-
At end of the year	**3,784**	-
Accumulated depreciation:		
At beginning of the year	**-**	-
Additions during the year	**1,041**	-
At end of the year	**1,041**	-
Net book value	**2,743**	-

13. LEASES – (continued)

13.2 LEASE LIABILITIES

	2020	*2019*
	SAR'000	
At beginning of the year	**-**	-
Additions during the year	**3,784**	-
Finance cost	**49**	-
Payment made during the year	**(1,615)**	-
At end of the year	**2,218**	-

14. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. On 22 April 2020, the Company has reduced its share capital by SR 150 million and did not withdraw the surplus deposit. However, on 1 October 2020, the Company received SAMA approval to withdraw the surplus deposit and accordingly withdrawn on 23 November 2020. Statutory deposit as at 31 December 2020 amounting to SR 22.5 million (2019: SR 45 million).

15. PREPAID EXPENSES AND OTHER ASSETS

	2020	*2019*
	SR'000	
Insurance Operations		
Prepayments	**2,968**	1,619
Deferred third party administrator (TPA) fee	**899**	-
Advances to suppliers	**473**	2,921
VAT Receivable	**70**	4,023
Others	**1,546**	4,090
	5,956	12,653

Shareholders' Operations	***2020***	*2019*
	SR'000	
Accrued income	**824**	2,322
	824	2,322
Total	**6,780**	14,975

16. TECHNICAL RESERVES

16.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2020	2019
	SAR'000	
Outstanding claims	**39,307**	21,431
Claims Incurred but not reported	**12,974**	18,493
	52,281	39,924
Premium deficiency reserve	**14,545**	17,335
Other technical reserves	**326**	1,460
	67,152	58,719
Less:		
- Reinsurer share of outstanding claims	**(119)**	(1,034)
- Reinsurer share of claims incurred but not reported	**-**	(94)
	(119)	(1,128)
Net outstanding claims and reserves	**67,033**	57,591

16.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

		2020	
	Gross	**Reinsurance**	**Net**
		SAR'000	
Balance as at the beginning of the year	**75,920**	**-**	**75,920**
Premium written during the year	**165,874**	**-**	**165,874**
Premium earned during the year	**(174,290)**	**-**	**(174,290)**
Balance as at the end of the year	**67,504**	**-**	**67,504**

		2019	
	Gross	Reinsurance	Net
		SAR'000	
Balance as at the beginning of the year	20,338	-	20,338
Premium written during the year	154,028	-	154,028
Premium earned during the year	(98,446)	-	(98,446)
Balance as at the end of the year	75,920	-	75,920

17. COMMITMENTS AND CONTINGENCIES

a. The Company's commitments and contingencies are as follows:

	2020	2019
	SAR'000	
Letters of guarantee	**12,545**	12,545
Total	**12,545**	12,545

b. There were no capital commitments outstanding as at 31 December 2020 (31 December 2019: Nil).

c. As at 31 December 2020, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2019: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT) (see note 24), which is secured against the Company Murabaha deposit of SR 14 million (31 December 2019: SR 14 million) with Saudi Arabian British Bank. Subsequent to the year-end, the Company requested to release the bank guarantee and the same is under process as communicated by GAZT.

18. ACCRUED AND OTHER LIABILITIES

	2020	*2019*
	SR'000	
Payable to medical providers	**15,885**	15,947
Payable to suppliers	**1,513**	924
Inspection and supervision fees	**1,760**	653
Accrued expenses	**16,296**	11,868
Accrued third party administrator (TPA) fee	**239**	-
Other liabilities	**332**	6,840
	36,025	36,232

19. END OF SERVICE INDEMNITIES

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

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

	2020	2019
	SAR'000	
Present value of defined benefit obligation	**4,970**	5,934
	4,970	5,934

19.2 Movement of defined indemnities obligation

	2020	2019
	SAR'000	
Opening balance	**5,934**	5,808
Current service cost	**1,298**	904
Interest cost	**222**	255
Charge to statement of income	**1,520**	1,159
Charge to statement of other comprehensive income	**(784)**	550
Payment of benefits during the year	**(1,700)**	(1,583)
Closing balance	**4,970**	5,934

19.3 Reconciliation of present value of defined indemnities obligation

	2020	2019
	SAR'000	
Opening balance	**5,934**	5,808
Charge to statement of income	**1,520**	1,159
Actuarial (gain) / loss from experience adjustments	**(784)**	550
Benefits paid during the year	**(1,700)**	(1,583)
Closing balance	**4,970**	5,934

19. END OF SERVICE INDEMNITIES – (continued)

19.4 Principal actuarial assumptions

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

	2020	2019
Valuation discount rate	**3.95%**	4.6%
Expected rate of increase in salary level across different age bands	**3%**	4%

The impact of changes in sensitivities on present value of end of service indemnities obligation is as follows:

Valuation discount rate	**2020**	2019
	SAR'000	
- Increase by 1%	**(544)**	(687)
- Decrease by 1%	**647**	822
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**(647)**	819
- Decrease by 1%	**553**	(696)

The impact of changes in sensitivities on present value of end of service indemnities is as follows:

	2020	2019
Valuation Discount rate		
Increase by 1%	**(4,426)**	(5,248)
Decreased by 1%	**(5,617)**	6,756
Expected rate of increase in salary level across different age bands		
Increase by 1%	**(5,617)**	(6,752)
Decreased by 1%	**(4,417)**	(5,238)
Mortality rate		
Increase by 20%	**(4,969)**	(5,933)
Decreased by 20%	**(4,970)**	(5,935)
Withdrawal Rate		
Increase by 20%	**(4,869)**	(5,750)
Decreased by 20%	**(5,062)**	(6,110)

20. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES

	2020			2019		
	Gross	**Due from reinsurers**	**Net**	Gross	Due from reinsurers	Net
		SR '000			SR '000	
Outstanding claims	**21,431**	**(1,034)**	**20,397**	44,408	(5,857)	38,551
Claims Incurred but not reported	**18,493**	**(94)**	**18,399**	15,943	(2,103)	13,840
Premium deficiency reserve	**17,335**	**-**	**17,335**	2,441	(610)	1,831
Other technical reserves	**1,460**	**-**	**1,460**	572	-	572
Balance – 1 January	**58,719**	**(1,128)**	**57,591**	63,364	(8,570)	54,794
Claim paid	**(139,752)**	**996**	**(138,756)**	(139,694)	6,933	(132,761)
Claims incurred	**152,109**	**13**	**152,122**	119,267	(101)	119,166
Premium deficiency reserve	**(2,790)**	**-**	**(2,790)**	14,894	610	15,504
Other technical reserves	**(1,134)**	**-**	**(1,134)**	888	-	888
Balance – 31 December	**67,152**	**(119)**	**67,033**	58,719	(1,128)	57,591
Outstanding claims	**39,307**	**(119)**	**39,188**	21,431	(1,034)	20,397
Claims Incurred but not reported	**12,974**	**-**	**12,974**	18,493	(94)	18,399
Premium deficiency reserve	**14,545**	**-**	**14,545**	17,335	-	17,335
Other technical reserves	**326**	**-**	**326**	1,460	-	1,460
Total	**67,152**	**(119)**	**67,033**	58,719	(1,128)	57,591

Claims Triangulation Analysis by accident year

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

20. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES– (continued)

Claims Triangulation Analysis by accident year (continued)

2020 Accident year	2017	2018	2019	2020	Total
SR '000					
Gross estimate of ultimate claims costs:					
At the end of accident year	**131,513**	**257,415**	**93,496**	**154,726**	**154,726**
One year later	**177,450**	**282,091**	**93,993**	**-**	**93,993**
Two years later	**178,482**	**278,974**	**-**	**-**	**278,974**
Three years later	**179,465**	**-**	**-**	**-**	**179,465**
Current estimate of cumulative claims	**179,465**	**278,974**	**93,993**	**154,726**	**707,158**
Cumulative payments to date	**(179,465)**	**(276,886)**	**(91,949)**	**(106,577)**	**(654,877)**
Liability recognised in statement of financial position	**-**	**2,088**	**2,044**	**48,149**	**52,281**

2020 Accident year	2017	2018	2019	2020	Total
SR '000					
Net estimate of ultimate claims costs:					
At the end of accident year	**117,396**	**233,159**	**91,859**	**154,720**	**154,720**
One year later	**150,598**	**259,122**	**92,190**	**-**	**92,190**
Two years later	**151,563**	**256,392**	**-**	**-**	**256,392**
Three years later	**152,242**	**-**	**-**	**-**	**152,242**
Current estimate of cumulative claims	**152,242**	**256,392**	**92,190**	**154,720**	**655,544**
Cumulative payments to date	**(152,242)**	**(254,408)**	**(90,161)**	**(106,572)**	**(603,382)**
Liability recognised in statement of financial position	**-**	**1,984**	**2,029**	**48,148**	**52,162**

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the (consolidated) financial information.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

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

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

a. Carrying amounts and fair value

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

Shareholders' Operations		**Fair value**			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
			SAR'000		
31 December 2020					
Financial assets measured at fair value					
- Investments held as FVSI	8,047	772	7,275	-	8,047
	8,047	**772**	**7,275**	**-**	**8,047**
Financial assets not measured at fair value					
- Held to maturity investments	60,329	-	60,873	-	60,873
- Murabaha deposits	40,068	-	-	40,068	40,068
	100,397	**-**	**60,873**	**40,068**	**100,941**

21. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
	SAR'000				
31 December 2019					
Financial assets measured at fair value					
- Investments held as FVSI	12,780	5,580	7,200	-	12,780
	12,780	5,580	7,200	-	12,780
Financial assets not measured at fair value					
- Held to maturity investments	60,170	-	60,714	-	60,714
- Murabaha deposits	76,036	-	-	77,742	77,742
	136,206	-	60,714	77,742	138,456

All of the investment and murabaha deposits are held within Kingdom of Saudi Arabia and GCC.

22. OPERATING SEGMENTS

The Company only issues insurance contracts for providing health care services ('medical insurance') and all the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. The insurance operations are being monitored by management under one segment; hence no separate information is required.

23. TRANSACTIONS WITH RELATED PARTIES

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

	Nature of transactions	Transactions for year ended		Balance receivable / (payable) as at	
		31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
		SAR'000			
Entities controlled, jointly controlled or significantly influenced by related parties					
Related parties of Juffali Group – (affiliates)	Insurance premium written	**2,922**	2,209	**1,647**	1,231
	Claims paid	**1,554**	7,497	**-**	-
	Purchase of computer equipment, licenses, vehicles and other services	**519**	421	**-**	-
	Commission paid	**58**	132	**(90)**	-
Related parties of Dr. Soliman Fakeeh Group– (affiliates)	Insurance premium written	**21,226**	20,725	**8,038**	9,517
	Claims paid	**18,006**	4,353	**(1,479)**	(5,430)
Related parties of International Medical Center	Insurance premium written	**33,027**	-	**15,796**	-
	Claims paid	**22,173**	2,204	**(5,923)**	(1,381)

23. TRANSACTIONS WITH RELATED PARTIES (continued)

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

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the year ended 31 December 2020 and 2019:

	2020	2019
Top management executives	**SAR'000**	
Salaries and other allowances	**3,777**	3,346
End of service indemnities	**140**	125
	3,917	3,471

	2020	2019
Board and committees	**SAR'000**	
Board and committees remuneration and fees	**1,380**	1,392
	1,380	1,392

24. ZAKAT AND INCOME TAX

a. Charge for the year

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the year	**2020**	2019
	SAR'000	
Balance at the beginning of the year	**15,498**	10,698
Release of zakat provision for prior years	**(5,298)**	-
Zakat provision for the current year	**1,800**	4,800
Balance at the end of the year	**12,000**	15,498

As the Company has incurred a loss during the year ended 31 December 2020, and in previous years, no provision has been established in respect of income tax in these financial statements.

24. ZAKAT AND INCOME TAX (continued)

b. Status of zakat assessments

The Company has filed its Zakat and tax returns until years ended 31 December 2019 and obtained zakat certificates.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. During 2017, the Company filed an appeal to the Tax Violations and Disputes Appellate Committee ("TVDAC") [formerly known as Appellate Committee for Zakat and Tax Appeal ("ACZTA")] against the Tax Violations and Disputes Resolution Committee ("TVDRC") [formerly known as Preliminary Objection Committee's ("POC")] decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

During the year, TVDAC issued its decision on the above years accepting certain points and as such the zakat liability reduced to SR 2.1 million. The GAZT is in process of issuing a revised assessment based on TVDAC's decision and release the bank guarantee lodged against the liabilities under dispute.

During the year, the GAZT has also raised final assessments for the years 2015 through 2018 with additional zakat of SR 9.59 million. The Company has submitted an appeal against the GAZT's assessment and GAZT's review is awaited.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declarations filed by the Company. The Zakat is applicable on 81% of the shareholders' while Income Tax on 19% of the shareholders'."

25. SHARE CAPITAL

As at 31 December 2019, the authorized, subscribed and paid up share capital of the Company was SR 300 million, divided into 30 million shares of SR 10 each.

On 18 January 2020, the Board of Directors had recommended reducing the Company's share capital from SR 300 million to SR 150 million divided into 15 million shares by off-setting with accumulated losses. In an extra-ordinary general meeting (second meeting) held on 29 Sha'ban 1441H corresponding to 22 April 2020, the shareholders' of the Company approved the reduction and the required changes in the Company by-laws relating to this reduction. Accordingly, the share capital and accumulated losses have been reduced by SR 150 million. The capital reduction is through reduction of 1 share for every 2 shares held by the shareholder. The purpose of capital reduction is to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There was no impact of capital reduction on the Company's financial obligations.

On 12 December 2018, the shareholders in extra ordinary general meeting approved the increase of Share Capital by SR 200 million through right issue by offering 2 shares for every 1 share held by the shareholder. The right share procedures had finalized and the capital deposited on 16 January 2019. The Company incurred transaction cost of SR 5.40 million in respect to the increase in share capital, which has charged directly to the Statement of Changes in Equity as at 31 December 2018.

As at 31 December 2020, the authorized, subscribed and paid up share capital of the Company is SR 150 million, divided into 15 million shares of SR 10 each.

26. STATUTORY RESERVE

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

27. CAPITAL MANAGEMENT

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors that the Company has fully complied with the externally imposed capital requirements during the reported financial period.

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

28. SUBSEQUENT EVENT

In the opinion of the Management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Financial Statements.

29. LOSS PER SHARE

Loss per share for the period has been calculated by dividing the net (loss) for the year by the weighted average number of issued and outstanding shares for the year.

A) The weighted average number of shares have been adjusted retrospectively for prior period to reflect the bonus element of right share issue as required by IAS 33 "Earnings per share" as follows:

	2020	2019
	SAR'000	
Issued ordinary shares as at 1 January	**30,000**	10,000
Effect of right share issue	**-**	19,411
Effect of reduction in share capital	**(15,000)**	(15,000)
Balance at the end of the year	**15,000**	14,411

During 2019, the weighted average number of ordinary shares for prior period is computed using an adjustment factor of 1.57 which is a ratio of the theoretical ex-rights price of SR 13.96 per ordinary share and the closing price of SR 21.88 per ordinary share on the last day on which the shares were traded before the right issue.

B) The basic and diluted loss per share is calculated as follows:

	2020	2019 (restated)
	SAR'000	
Net loss for the year	**(28,413)**	(106,152)
Weighted average number of ordinary shares	**15,000**	14,411
Basic and diluted loss per share (SR) – Restated	**(1.89)**	(7.37)

30. GENERAL AND ADMINISTRATIVE EXPENSES

Insurance Operations	***2020***	*2019*
	SAR'000	
Employee costs	**35,213**	35,312
Depreciation (note 12)	**1,030**	959
Amortization (note 11)	**479**	808
Amortization on right of use assets (note 13.1)	**1,041**	-
Rent expenses	**2,764**	4,645
Legal and professional fees	**3,336**	2,206
Repair and maintenance costs	**2,736**	2,925
Marketing expenses	**166**	95
Other expenses	**5,430**	3,254
	52,195	50,204

Shareholders Operations	***2020***	*2019*
	SAR'000	
Legal and professional fees	**1,525**	463
Investment related expenses	**330**	328
Subscriptions	**338**	1,083
Committee fees	**1,380**	1,392
Others	**49**	412
	3,622	3,678
Total	**55,817**	53,882

31. RISK MANAGEMENT

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

The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed.

Risk management structure

Board of Directors

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

31. RISK MANAGEMENT– (continued)

Audit committee
The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company. The risks faced by the Company and the way these risks are mitigated by management are summarised below.

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

The Company manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim. The Company only issues short term contracts not exceeding one year in connection with medical risks.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company only underwrites medical risks. The Company has limited its risk by imposing maximum claim amounts on contracts. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers and a large population is covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

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

Independent actuarial review of claims and claims reserves
In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.

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

31. RISK MANAGEMENT– (continued)

Key assumptions – (continued)

Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position.

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 providers and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

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

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

Sensitivities
The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net loss for the year.

	Change in assumptions	**Impact on net loss for the year** *SR' 000*
Ultimate loss ratio – Insurance Operations		
Year ended 31 December 2020	± 5%	± 8,714
Year ended 31 December 2019	± 5%	± 4,922

31. RISK MANAGEMENT– (continued)

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from a high volume of claims or large claims, the Insurance Operations, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

Furthermore, to minimise its exposure to significant losses from reinsurers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurers. The Company had an Excess of Loss arrangement (XOL) with an international reinsurance company with Standard and Poors rating of "AA-".

This reinsurance arrangement covers all individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia.

The credit risk exposure in respect of reinsurer's share of outstanding claims, incurred but not reported claims and premium deficiency reserves is SR 119 thousand (31 December 2019: SR 1,128 thousand).

Regulatory framework risk

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

Capital management (solvency) risk

Capital requirements are set and regulated by the SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' values.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities.

The following information summarizes the minimum regulatory capital of the Company:

	2020	2019
	SR'000	SR'000
Minimum regulatory capital	**100,000**	100,000

31. RISK MANAGEMENT– (continued)

Market risk

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

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

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

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

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

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Shareholders' Operations are exposed to market risk with respect to their FVIS investments. A 5% change in the fair value of FVIS investments, with all other variables held constant, would impact the Shareholders' Operations by SR 402 thousands (2019: SR 639 thousands).

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its Murabaha deposits and held to the maturity investments.

The Company places Murabaha deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management manages commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

Held to maturity investments are managed by the discretionary portfolio manager.

Details of maturities of the major classes of commission bearing securities as at 31 December are as follows:

31. RISK MANAGEMENT– (continued)

Shareholder's Operations

	Less than 3 months	*3 months to 1 year*	*Above 1 year*	*Total*
2020		*SR '000*		
Murabaha deposits	**101,506**	**40,068**	**-**	**141,574**
Investments held to maturity	**-**	**-**	**60,329**	**60,329**
	101,506	**40,068**	**60,329**	**201,903**
2019				
Murabaha deposits	62,767	76,036	-	138,803
Investments held to maturity	-	-	60,170	60,170
	62,767	76,036	60,170	198,973

The insurance operations did not have any commission bearing assets as at 31 December 2020 and 2019. The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

The effective commission rates for the commission bearing financial instruments, at 31 December, were as follows:

	2020	*2019*
Shareholder's Operations		
Saudi Arabian Riyal denominated Murabaha deposits	**1.64%**	2.91%
Investments held to maturity	**3.84%**	3.62%

The Company had no deposits in currencies other than Saudi Arabian Riyals. Further, held to maturity investments include both local and foreign currency bonds.

The following information demonstrates the sensitivity statement of shareholders' operations to possible changes in commission rates, with all other variables held constant.

Market risk (continued)

	2020	*2019*
Shareholder's Operations	***SR'000***	
Increase in commission rates by 100 basis points	**2,019**	1,990
Decrease in commission rates by 100 basis points	**(2,019)**	(1,990)

31. RISK MANAGEMENT– (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Arabian Riyals and in United States Dollars. The Saudi Arabian Riyals is pegged to the US Dollar.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts.

For all classes of financial instruments held by the Company, the maximum credit risk exposure is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure is primarily concentrated in Saudi Arabia. The Company maintains the exposures within limits. These limits have been set on the basis of the types of exposures and the credit rating or financial standing of the counterparty. The Company seeks to manage its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with recognised, creditworthy parties (rated A or above).

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

	2020	2019
	SR'000	
Insurance Operations		
Cash at banks (note 5)	**13,641**	14,590
Premium receivable, net (note 7)	**49,116**	44,859
Reinsurers' receivable	**191**	2,995
Reinsurer's share of outstanding claims	**119**	1,034
Reinsurer's share of IBNR	**-**	94
Amount due from shareholders' operations	**99,230**	93,217
Other receivables	**185**	185
	162,482	156,974

	2020	2019
	SR'000	
Shareholders' Operations		
Cash and cash equivalents (note 5)	**101,585**	62,785
Murabaha deposits (note 6)	**40,068**	76,036
Investments held to maturity	**60,329**	60,170
Statutory deposit	**22,500**	45,000
Other receivables	**5,201**	5,814
	229,683	249,805

31. RISK MANAGEMENT– (continued)

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

Insurance operations' financial assets

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
		SR' 000		
Cash and cash equivalents	**13,641**	**-**	**-**	**13,641**
Premiums receivable, net	**-**	**36,644**	**12,472**	**49,116**
Reinsurer receivable	**-**	**191**	**-**	**191**
Reinsurance share of outstanding claims	**-**	**119**	**-**	**119**
Reinsurance share of incurred but not reported claims	**-**	**-**	**-**	**-**
Amount due from shareholders' operations	**-**	**99,230**	**-**	**99,230**
Other receivables	**-**	**185**	**-**	**185**
As at 31 December 2020	**13,641**	**136,369**	**12,472**	**162,482**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	14,590	-	-	14,590
Premiums receivable, net	-	21,755	23,104	44,859
Reinsurer receivable	-	2,995	-	2,995
Reinsurance share of outstanding claims	-	1,034	-	1,034
Reinsurance share of incurred but not reported claims	-	94	-	94
Amount due from shareholders' operations	-	93,217	-	93,217
Other receivables	-	185	-	185
As at 31 December 2019	14,590	119,280	23,104	156,974

31. RISK MANAGEMENT– (continued)

Shareholders' operations' financial assets

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
		SR' 000		
Cash and cash equivalents	**101,585**	**-**	**-**	**101,585**
Investments	**60,329**	**-**	**-**	**60,329**
Other receivables	**-**	**5,201**	**-**	**5,201**
Statutory deposit	**22,500**	**-**	**-**	**22,500**
As at 31 December 2020	**184,414**	**5,201**	**-**	**189,615**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	62,785	-	-	62,785
Investments	60,170	-	-	60,170
Other receivables	-	5,814	-	5,814
Statutory deposit	45,000	-	-	45,000
As at 31 December 2019	167,955	5,814	-	173,769

Liquidity risk

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

The Company's financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to insurance operations, amount due to related parties and certain other liabilities. All financial liabilities are non-commission bearing and are expected to be settled within 12 months from the date of statement of financial position, except end of service indemnities, which are non-current in nature.

Maturity profiles

Unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

31. RISK MANAGEMENT– (continued)

	2020			
	Up to one year	***More than one year***	***No fixed maturity***	***Total***
		SR' 000		
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims , IBNR, PDR and other technical reserves	**67,152**	**-**	**-**	**67,152**
Reinsurance balances payable	**-**	**-**	**-**	**-**
Accrued expenses and other liabilities	**34,629**	**-**	**4,970**	**39,599**
	101,781	**-**	**4,970**	**106,751**
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	**5,773**	**-**	**-**	**5,773**
TOTAL FINANCIAL LIABILITIES	**107,554**	**-**	**4,970**	**112,524**

	2019			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
		SR' 000		
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims and other technical reserves	58,719	-	-	58,719
Reinsurance balances payable	-	-	-	-
Accrued expenses and other liabilities	34,994	-	5,934	40,928
	93,713	-	5,934	99,647
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	4,730	-	-	4,730
TOTAL FINANCIAL LIABILITIES	98,443	-	5,934	104,377

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above. There are no differences between contractual and expected maturity of the financial liabilities of the Company.

31. RISK MANAGEMENT– (continued)

Operational Risk

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

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

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

32. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	31 December 2020			31 December 2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
ASSETS						
Cash and cash equivalents	13,641	101,585	**115,226**	14,590	62,785	77,375
Short term murabaha deposits	-	40,068	**40,068**	-	76,036	76,036
Premiums receivable, net	49,116	-	**49,116**	44,859	-	44,859
Reinsurer balances receivable	191	-	**191**	2,995	-	2,995
Reinsurers' share of outstanding claims	119	-	**119**	1,034	-	1,034
Reinsurers' share of claims incurred but not reported	-	-	**-**	94	-	94
Deferred policy acquisition costs	3,230	-	**3,230**	2,851	-	2,851
Investments	-	68,376	**68,376**	-	72,950	72,950
Due from shareholders' operations	99,230	-	**99,230**	93,217	-	93,217
Prepaid expenses and other assets	5,956	824	**6,780**	12,653	2,322	14,975
Property and equipment	2,173	-	**2,173**	2,392	-	2,392
Intangible assets	1,082	-	**1,082**	1,106	-	1,106
Right of use assets, net	2,743	-	**2,743**	-	-	-
Statutory deposit	-	22,500	**22,500**	-	45,000	45,000
Accrued income on statutory deposit	-	4,377	**4,377**	-	3,492	3,492
	177,481	237,730	**415,211**	175,791	262,585	438,376
Less: Inter-operations eliminations	(99,230)	-	**(99,230)**	(93,217)	-	(93,217)
TOTAL ASSETS	78,251	237,730	**315,981**	82,574	262,585	345,159

32. SUPPLEMENTARY INFORMATION (continued)

a) Statement of financial position – (continued)

	31 December 2020			31 December 2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
LIABILITIES						
Accrued and other liabilities	34,629	1,396	**36,025**	34,994	1,238	36,232
Unearned premiums	67,504	-	**67,504**	75,920	-	75,920
Outstanding claims	39,307	-	**39,307**	21,431	-	21,431
Claims incurred but not reported	12,974	-	**12,974**	18,493	-	18,493
Premium deficiency reserve	14,545	-	**14,545**	17,335	-	17,335
Other technical reserves	326	-	**326**	1,460	-	1,460
Due to insurance operations	-	99,230	**99,230**	-	93,217	93,217
End-of-service indemnities	4,970	-	**4,970**	5,934	-	5,934
Lease liabilities	2,218	-	**2,218**	-	-	-
Zakat and income tax	-	12,000	**12,000**	-	15,498	15,498
Accrued commission income payable to SAMA	-	4,377	**4,377**	-	3,492	3,492
	176,473	117,003	**293,476**	175,567	113,445	289,012
Less: Inter-operations eliminations	-	(99,230)	**(99,230)**	-	(93,217)	(93,217)
TOTAL LIABILITIES	176,473	17,773	**194,246**	175,567	20,228	195,795
SHAREHOLDERS' EQUITY						
Share capital	**-**	150,000	**150,000**	-	300,000	300,000
Accumulated losses	-	(29,273)	**(29,273)**	-	(150,860)	(150,860)
TOTAL SHAREHOLDERS' EQUITY	**-**	120,727	**120,727**	-	149,140	149,140
Re-measurement reserve of defined indemnities obligation	1,008	-	**1,008**	224	-	224
	1,008	-	**1,008**	224	-	224
TOTAL LIABILITIES ' AND EQUITY	177,481	138,500	**315,981**	175,791	169,368	345,159
COMMITMENTS AND CONTINGENCIES	-	12,545	**12,545**	-	12,545	12,545

32. SUPPLEMENTARY INFORMATION (continued)

b) Statement of income

For the year ended 31 December	2020			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written:						
- Individual	5,742	-	**5,742**	1,423	-	1,423
- Micro enterprises	13,778	-	**13,778**	2,381	-	2,381
- Small enterprises	37,834	-	**37,834**	19,082	-	19,082
- Medium enterprises	39,922	-	**39,922**	47,418	-	47,418
- Large enterprises	68,598	-	**68,598**	83,724	-	83,724
Total gross premiums written	165,874	-	**165,874**	154,028	-	154,028
Excess of loss expenses – foreign	-	-	**-**	-	-	-
Net premiums written	165,874	-	**165,874**	154,028	-	154,028
Changes in unearned premiums	8,416	-	**8,416**	(55,582)	-	(55,582)
Net premiums earned	174,290	-	**174,290**	98,446	-	98,446
TOTAL REVENUES	174,290	-	**174,290**	98,446	-	98,446
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	139,752	-	**139,752**	139,694	-	139,694
Reinsurers' share of claims paid	(996)	-	**(996)**	(6,933)	-	(6,933)
Net claims paid	138,756	-	**138,756**	132,761	-	132,761
Changes in outstanding claims, net	18,791	-	**18,791**	(18,154)	-	(18,154)
Changes in claims incurred but not reported, net	(5,425)	-	**(5,425)**	4,559	-	4,559
Net claims incurred	152,122	-	**152,122**	119,166	-	119,166
Premium deficiency reserve	(2,790)	-	**(2,790)**	15,504	-	15,504
Other technical reserves	(1,134)	-	**(1,134)**	888	-	888
Policy acquisition costs	5,916	-	**5,916**	4,451	-	4,451
Other underwriting expenses	3,315	-	**3,315**	3,413	-	3,413
TOTAL UNDERWRITING COSTS AND EXPENSES	157,429	-	**157,429**	143,422	-	143,422
NET UNDERWRITING RESULT	16,861	-	**16,861**	(44,976)	-	(44,976)

32. SUPPLEMENTARY INFORMATION (continued)

b) Statement of income **(continued)**

For the year ended 31 December	**2020**			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for doubtful debts	(181)	-	**(181)**	(9,962)	-	(9,962)
General and administrative expenses	(52,195)	(3,622)	**(55,817)**	(50,204)	(3,678)	(53,882)
Commission income on deposits	-	4,399	**4,399**	-	6,666	6,666
Unrealized gain on investments	-	186	**186**	-	655	655
Realized gain on investments	-	117	**117**	-	-	-
Dividend income	-	108	**108**	-	-	-
Amortization of discount, net	-	159	**159**	-	147	147
Other income	2,257	-	**2,257**	-	-	-
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(50,119)	1,347	**(48,772)**	(60,166)	3,790	(56,376)
NET LOSS FOR THE YEAR	(33,258)	1,347	**(31,911)**	(105,142)	3,790	(101,352)
Net Income attributed to the insurance operations	-	-	**-**	-	-	-
Net loss for the year attributed to shareholders' operations	(33,258)	1,347	**(31,911)**	(105,142)	3,790	(101,352)
Release of zakat provision for prior periods	-	5,298	**5,298**	-	-	-
Zakat provision for the year	-	(1,800)	**(1,800)**	-	(4,800)	(4,800)
Net loss for the period	(33,258)	4,845	**(28,413)**	(105,142)	(1,010)	(106,152)
Loss per share (SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)			**15,000**			14,411
Basic and diluted loss per share for the year (SR) – restated – 2019			**(1.89)**			(7.37)

32. SUPPLEMENTARY INFORMATION (continued)

c) statement of comprehensive income

For the year ended 31 December	2020			2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**-**	**(28,413)**	**(28,413)**	-	(106,152)	(106,152)
Actuarial gain / (loss) on define indemnities obligation	**784**	**-**	**784**	(550)	-	(550)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**784**	**(28,413)**	**(27,629)**	(550)	(106,152)	(106,702)

32. SUPPLEMENTARY INFORMATION (continued)

d) Statement of cash flows

	2020			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) for the year	-	(31,911)	**(31,911)**	-	(101,352)	(101,352)
Adjustments for non-cash items:						
Depreciation of property and equipment	1,030	-	**1,030**	959	-	959
Depreciation of right of use assets	1,041	-	**1,041**	-	-	-
Finance cost on lease liabilities	49	-	**49**	-	-	-
Amortization of intangible assets	479	-	**479**	808	-	808
Allowance for doubtful debts	181	-	**181**	9,962	-	9962
Unrealized gain on investments	-	(186)	**(186)**	-	(655)	(655)
Realized gain on investments	-	(117)	**(117)**	-	-	-
Amortization of discount, net	-	(159)	**(159)**	-	(147)	(147)
Provision for end-of-service indemnities	1,520	-	**1,520**	1,159	-	1,159
	4,300	(32,373)	**(28,073)**	12,888	(102,154)	(89,266)
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(638)	-	**(638)**	(34,392)	-	(34,392)
Reinsurers' balance receivable	(996)	-	**(996)**	(5,995)	-	(5,995)
Reinsurers' share of outstanding claims	915	-	**915**	4,823	-	4,823
Reinsurers' share of IBNR	94	-	**94**	2,009	-	2,009
Reinsurers' share of PDR	-	-	**-**	610	-	610
Deferred policy acquisition costs	(379)	-	**(379)**	(1,816)	-	(1,816)
Prepaid expenses and other assets	6,697	1,498	**8,195**	1,609	(1,203)	406
Accrued and other liabilities	(365)	158	**(207)**	(31,468)	(3,407)	(34,875)
Reinsurers' balances payable	-	-	**-**	(939)	-	(939)
Unearned premiums	(8,416)	-	**(8,416)**	55,582	-	55,582
Outstanding claims	17,876	-	**17,876**	(22,977)	-	(22,977)
Claims incurred but not reported	(5,519)	-	**(5,519)**	2,550	-	2,550
Premium deficiency reserve	(2,790)	-	**(2,790)**	14,894	-	14,894
Other technical reserves	(1,134)	-	**(1,134)**	888	-	888
Due to Insurance Operations	-	6,013	**6,013**	-	(3,081)	(3,081)
Due from Shareholders' Operations	(6,013)	-	**(6,013)**	3,081	-	3,081
Cash used in operating activities	3,632	(24,704)	**(21,072)**	1,347	(109,845)	(108,498)
End-of-service indemnities paid	(1,700)	-	**(1,700)**	(1,583)	-	(1,583)
Zakat paid	-	-	**-**	-	-	-
Net cash flows used in operating activities	1,932	(24,704)	**(22,772)**	(236)	(109,845)	(110,081)

32. SUPPLEMENTARY INFORMATION (continued)

d) Statement of cash flows Statement – (continued)

	2020			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	**-**	-	(64,453)	(64,453)
Proceeds from sale of investments	-	5,036	**5,036**	-	5,000	5,000
Proceeds from maturing of short term murabaha deposits	-	35,968	**35,968**	-	6,846	6,846
Decrease / (increase) in Statutory deposit	-	22,500	**22,500**	-	(15,000)	(15,000)
Purchase of property and equipment	(811)	-	**(811)**	(905)	-	(905)
Purchase of intangible assets	(455)	-	**(455)**	(753)	-	(753)
Net cash flows from / (used in) investing activities	**(1,266)**	**63,504**	**62,238**	(1,658)	(67,607)	(69,265)
CASH FLOWS FROM FINANCING ACTIVITIES						
Right shares issued	-	-	**-**	-	200,000	200,000
Payment of lease liabilities	(1,615)	-	**(1,615)**	-	-	-
Net cash flows (used in) / from financing activities	**(1,615)**	**-**	**(1,615)**	-	200,000	200,000
Net change in cash and cash equivalents	**(949)**	38,800	**37,851**	(1,894)	22,548	20,654
Cash and cash equivalents, beginning of the year	**14,590**	62,785	**77,375**	16,484	40,237	56,721
Cash and cash equivalents, end of the year	**13,641**	**101,585**	**115,226**	14,590	62,785	77,375

33. COMPARITIVE FIGURES

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

34. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

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

- As discussed in note 2 to these financial statements, previously statement of financial position, statement of income, and cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level statement of financial position, statement of income and statement of cash flows.
- The amounts "due to / from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 32 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 32 (b)).

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 21 Rajab 1442H, corresponding to 5 March 2021.