BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the year ended 31 December 2019

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Buruj Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2019 and the related statement of income, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 33, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics 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 each matter below, a description of how our audit addressed the matter provided in that context:

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BURUJ 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 2019, outstanding claims and claims incurred but not reported (IBNR) amounted to SR 159.6 million (2018: SR 159.1 million) and SR 53.1 million (2018: SR 103.8 million), respectively, as reported in note 10(a) to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgments could result in material over / understatement of the Company's profitability. The Company's policies for claims related estimates and judgments and accounting policies are disclosed in notes 2 and 5, respectively, to the financial statements respectively. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in note 10(a) and 11, respectively, to the financial statements. The Company's approach to claim related risk management has been disclosed in note 30 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 30 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 and assessing their relationship with the Company. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuaries to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the Company's actuarial report, our actuaries performed the following: - evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; - assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and - reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of available for sale investments As described in note 13, as at 31 December 2019, the Company had available for sale investments of SR 217.8 million (2018: SR 174.5 million) carried at fair value. These investments are mainly in funds, shares and quoted fixed income securities. For assessing the impairment of the above-mentioned investments, management monitors volatility of the net assets value "NAV"/ market value thereof and uses the criteria of significant or prolonged decline in their fair values below their costs as the basis for determining impairment. A significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The determination of what is significant or prolonged requires judgment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost thereof at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value thereof has been below its original cost at initial recognition. We considered this as a key audit matter since the assessment of impairment requires significant judgment by management and the potential impact of impairment could be material to the financial statements. *Refer to the Company's disclosures about above mentioned key audit matter included in note 10 and 13 of the financial statements.*	We assessed the design and implementation and tested the operating effectiveness of the sample of controls over management's processes for identifying significant or prolonged decline in the fair value of available for sale investments. We have carried out the following audit procedures on a sample basis: • assessed the appropriateness of management criteria for determining the significant or prolonged decline in the value of investments; • evaluated the basis for determining the costs and fair value of investments; • tested the costs and valuations; and • considered the NAV/ market value and fluctuation/ movement during the holding period to determine if the investment meets the significant or prolonged criteria.

INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATMENTS TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – CONTINUED

Other information

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

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

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

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

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

Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, as endorsed in the Kingdom of Saudi Arabia by SOCPA and other standards and pronouncements as endorsed by SOCPA, Regulations for Companies 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, directors 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 directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATMENTS TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – CONTINUED

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATMENTS TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – CONTINUED

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

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

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17 March 2020
22 Rajab 1441

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BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 SAR	2018 SAR
ASSETS			
Cash and cash equivalents	6	125,460,738	223,534,759
Time deposits	7	364,385,572	368,123,651
Premiums and reinsurers' receivable, net	9	49,101,466	37,828,171
Reinsurers' share of unearned premiums	10(b)	19,851,794	9,826,524
Reinsurers' share of outstanding claims	10(a)	48,964,213	58,536,727
Reinsurers' share of claims incurred but not reported	10(a)	8,185,996	23,638,303
Deferred policy acquisition costs	10(d)	5,958,543	9,251,289
Investments	13	227,769,945	184,452,148
Prepaid expenses and other assets	8	22,663,557	18,446,097
Right-of-use assets	16	6,235,610	-
Property, equipment and intangible assets, net	12	3,849,346	4,420,141
Investment in associate	14	302,011	570,292
Statutory deposit	22	30,000,000	25,000,000
Statutory deposit investment returns	22	1,206,937	837,567
TOTAL ASSETS		913,935,728	964,465,669
LIABILITIES			
Policyholders and accounts payables	17	27,474,519	26,652,095
Reinsurers' balances payable		16,101,860	3,438,376
Accrued expenses and other liabilities	18	23,277,565	24,605,744
Lease liabilities	16	5,980,823	-
Unearned premiums	10(b)	122,112,912	134,815,114
Unearned reinsurance commission	10(c)	1,803,595	1,593,290
Outstanding claims	10(a)	159,642,538	159,089,829
Claims incurred but not reported	10(a)	53,091,755	103,871,697
Premium deficiency reserve	10(a)	18,326,242	4,273,324
Other technical reserves	10(a)	5,201,569	7,444,867
End-of-service benefits	19	12,953,970	11,496,527
Zakat payable	28	32,026,709	29,839,668
Statutory deposit investment returns	22	1,206,937	837,567
TOTAL LIABILITIES		479,200,994	507,958,098
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		467,978	7,326,695
Fair value reserve on available for sale investments		(1,658,891)	(1,006,041)
Accumulated actuarial loss on end-of-service benefits	19	(2,233,757)	(3,357,799)
TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS		475,776,324	510,920,953
SHAREHOLDERS' EQUITY			
Share capital	23	300,000,000	250,000,000
Statutory reserve	24	49,573,882	48,707,396
Retained earnings		75,227,968	151,762,026
Fair value reserve on available for sale investments		13,357,554	3,075,294
TOTAL SHAREHOLDERS' EQUITY		438,159,404	453,544,716
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		913,935,728	964,465,669

Yasser Naghi
Chairman

Samer Kanj
Chief Executive Officer

Samer Saad
Finance Manager

The accompanying notes 1 to 33 form an integral part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	2019 SAR	2018 – Restated SAR
REVENUES			
Gross written premiums	10(b)	**305,540,939**	319,997,982
Reinsurance premiums ceded		**(44,127,291)**	(28,838,563)
Excess of loss premiums		**(14,080,039)**	(16,594,399)
Net premiums written		**247,333,609**	274,565,020
Changes in unearned premiums, net		**22,727,472**	67,891,514
Net premiums earned	10(b)	**270,061,081**	342,456,534
Reinsurance commissions earned	10(c)	**8,748,442**	7,445,607
Policy fees		**266,480**	5,499,743
Other underwriting income		**2,146,162**	2,369,012
TOTAL REVENUES		**281,222,165**	357,770,896
UNDERWRITING COSTS			
Gross claims paid		**(232,332,313)**	(240,048,036)
Reinsurers' share of claims paid		**14,260,674**	23,053,984
Net claims paid		**(218,071,639)**	(216,994,052)
Changes in outstanding claims, net		**(10,125,223)**	7,760,647
Changes in claims incurred but not reported, net		**35,327,635**	24,237,159
Net claims incurred		**(192,869,227)**	(184,996,246)
Changes in premium deficiency reserve		**(14,052,918)**	(4,273,324)
Changes in other technical reserves		**2,243,298**	4,887,992
Policy acquisition costs	10(d)	**(22,265,047)**	(29,999,421)
Inspection and supervision fees		**(2,504,736)**	(2,706,053)
Third party administrator fees		**(4,871,319)**	(5,986,096)
Other underwriting expenses		**(4,291,947)**	(2,472,623)
TOTAL UNDERWRITING COSTS		**(238,611,896)**	(225,545,771)
NET UNDERWRITING SURPLUS		**42,610,269**	132,225,125
OTHER OPERATING (EXPENSES)/INCOME			
Reversal of/(allowance for) doubtful debts provision	9(b)	**4,718,586**	(3,575,255)
General and administrative expenses	20	**(65,740,200)**	(70,215,725)
Investment income	13(iii)	**31,707,038**	21,694,119
Share of loss of associate	14	**(268,280)**	(650,096)
Other income		**2,626,196**	265,379
TOTAL OTHER OPERATING EXPENSES, NET		**(26,956,660)**	(52,481,578)
Total income before surplus attribution and zakat		**15,653,609**	79,743,547
Surplus attributed to the insurance operations		**(467,978)**	(7,326,695)
Income attributed to the shareholders before zakat		**15,185,631**	72,416,852
Zakat charge	28	**(10,853,203)**	(11,913,498)
Net income attributed to the shareholders after zakat		**4,332,428**	60,503,354
Earnings per share – Basic and diluted	25	**0.14**	2.02

Yasser Naghi
Chairman

Samer Kanj
Chief Executive Officer

Samer Saad
Finance Manager

The accompanying notes 1 to 33 form an integral part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 SAR	2018 – Restated SAR
Total income		**4,800,406**	67,830,049
Other comprehensive income/(loss)			
Items that will be reclassified to statements of income in subsequent years			
Available for sale investments:			
- Net amounts transferred to statement of income	13(iii)	**(5,415,044)**	(842,884)
- Net change in fair value		**15,044,454**	(2,643,964)
		9,629,410	(3,486,848)
Items that will not be reclassified to statements of income in subsequent years			
Actuarial gain/(loss) on end-of- service benefits	19	**1,124,042**	(1,455,013)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**15,553,858**	62,888,188
Total comprehensive income attributed to the insurance operations		**939,170**	6,319,988
Total comprehensive income attributable to the shareholders		**14,614,688**	56,568,200

Yasser Naghi Chairman	Samer Kanj ~~Chief Executive~~ Chief Executive Officer	Samer Saad Finance Manager

The accompanying notes 1 to 33 form an integral part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

	Share Capital SAR	Statutory Reserve SAR	Retained earnings SAR	Fair value reserve on available for sale investments SAR	Total SAR
2019					
Balance as at 1 January 2019	**250,000,000**	**48,707,396**	**151,762,026**	**3,075,294**	**453,544,716**
Net income attributable to shareholders after zakat	-	-	**4,332,428**	-	**4,332,428**
Changes in fair value of available for sale investments	-	-	-	**10,282,260**	**10,282,260**
Total comprehensive income attributable to shareholders	-	-	**4,332,428**	**10,282,260**	**14,614,688**
Bonus shares (note 23)	**50,000,000**	-	**(50,000,000)**	-	-
Dividends distributed (note 26)	-	-	**(30,000,000)**	-	**(30,000,000)**
Transfer to statutory reserve	-	**866,486**	**(866,486)**	-	-
Balance as at 31 December 2019	**300,000,000**	**49,573,882**	**75,227,968**	**13,357,554**	**438,159,404**
2018					
Balance as at 1 January 2018	250,000,000	34,224,026	105,742,042	7,010,448	396,976,516
Net income attributable to shareholders after zakat - Restated	-	-	60,503,354	-	60,503,354
Changes in fair value of available for sale investments	-	-	-	(3,935,154)	(3,935,154)
Total comprehensive income attributable to shareholders	-	-	60,503,354	(3,935,154)	56,568,200
Transfer to statutory reserve	-	14,483,370	(14,483,370)	-	-
Balance as at 31 December 2018	250,000,000	48,707,396	151,762,026	3,075,294	453,544,716

Yasser Naghi Chairman	Samer Kanj Chief Executive Officer	Samer Saad Finance Manager

The accompanying notes 1 to 33 form an integral part of these financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 SAR	2018 SAR
CASH FLOWS FROM OPERATING ACTIVITIES			
Total income before surplus attribution and zakat		15,653,609	79,743,547
Adjustments for non-cash items:			
Depreciation of property, equipment and intangible assets	12	1,494,576	1,290,392
(Reversal of)/allowance for doubtful debts provision	9(b)	(4,718,586)	3,575,255
Provision for end-of-service benefits	19	2,886,163	1,799,502
Realized gain from investments		(5,415,044)	(842,884)
Impairment of available for sale investment	13(ii)	185,216	620,545
Share of loss of associate	14	268,280	650,096
Loss/(gain) on disposal of property and equipment		36,007	(51,925)
Depreciation of Right-of-use assets	16	1,623,700	-
Interest expense on lease liabilities	16	199,838	-
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		(6,554,709)	(1,526,539)
Reinsurers' share of unearned premiums		(10,025,270)	936,985
Reinsurers' share of outstanding claims		9,572,514	18,345,533
Reinsurers' share of claims incurred but not reported		15,452,307	939,613
Deferred policy acquisition costs		3,292,746	6,655,842
Prepaid expenses and other assets		(4,217,460)	(889,782)
Right-of-use assets		(7,859,309)	-
Statutory deposit		(5,000,000)	-
Policyholders and accounts payables		822,424	(3,649,020)
Reinsurers' balances payable		12,663,484	605,287
Accrued expenses and other liabilities		(1,328,179)	(8,363,430)
Lease liabilities		5,780,985	-
Unearned premiums		(12,702,202)	(68,828,499)
Unearned reinsurance commission		210,305	(120,250)
Outstanding claims		552,709	(26,106,180)
Claims incurred but not reported		(50,779,942)	(25,176,772)
Premium deficiency reserve		14,052,918	4,273,324
Other technical reserves		(2,243,298)	(4,887,992)
		(26,096,218)	(21,007,352)
End-of-service benefits paid	19	(304,678)	(670,552)
Insurance surplus paid		(7,326,695)	(10,221,968)
Zakat paid	28	(8,666,161)	(7,914,699)
Net cash used in operating activities		(42,393,752)	(39,814,571)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals in time deposits		3,738,079	45,067,175
Additions in investments	13(ii)	(108,142,231)	(63,467,860)
Proceeds from available for sale investments	13(ii)	79,683,672	45,229,929
Additions in property, equipment and intangible assets	12	(959,789)	(2,421,794)
Proceeds from disposal of property, equipment and intangible assets		-	65,350
Net cash (used in)/ generated from investing activities		(25,680,269)	24,472,800
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	26	(30,000,000)	-
Net cash used in financing activities		(30,000,000)	-
Net change in cash and cash equivalents		(98,074,021)	(15,341,771)
Cash and cash equivalents, beginning of the year		223,534,759	238,876,530
Cash and cash equivalents, end of the year	6	125,460,738	223,534,759
Non-cash transactions:			
Change in fair value of available for sale investments		9,629,410	(3,486,848)
Bonus shares	23	50,000,000	-

Yasser Naghi	Samer Kanj	Samer Saad
Chairman	Chief Executive Officer	Finance Manager

The accompanying notes 1 to 33 form part of these financial statements.

1 GENERAL

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P.O. Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Arabian Monetary Authority ("SAMA") issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorisation from SAMA to commence insurance operations as product approval and related formalities were completed.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

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

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of certain available for sale investments and investment in associates which is accounted for under the equity method and employees' end of service benefits at present value.

The statement of financial position, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations which are presented in Note 31 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, statement of comprehensive income and statement of 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.

2 BASIS OF PREPARATION (continued)

(b) Basis of presentation and measurement (continued)

In preparing the Company-level financial statements in compliance with IFRSs, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, 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.

(c) Functional and presentational currency

The functional and presentation currency of the Company is Saudi Arabian Riyals.

(d) Fiscal year

The Company follows a fiscal year ending December 31.

(e) 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 reassessed for adequacy and changes are made to the provision.

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

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.

2 BASIS OF PREPARATION (continued)

(f) Critical accounting judgments, estimates and assumptions (continued)

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) Fair value of financial instruments

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

The fair values 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.

3 CHANGES IN ACCOUNTING POLICIES AND NEW STANDARDS AND AMENDMENTS ISSUED

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2018 as mentioned in Note 5, except for the following:

IFRS 16 - Leases
The Company has initially adopted IFRS 16 - Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items, Lessor accounting remains similar to the current standard (IAS 17 Leases) - i.e. lessors continue to classify leases as finance or operating leases. Refer to note 15 for impact on financial statements and detailed disclosures.

Change in the accounting for zakat and income tax
As mentioned in note 2(a), the basis of preparation has been changed for the year ended 31 December 2019 as a result of the issuance of latest instructions from SAMA dated 1 May 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 1 May 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively.

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

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED

IFRS 17 – Insurance Contracts

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

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

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

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

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

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

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

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

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

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

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

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

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

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

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

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

Impact Area	Summary of Impact
Financial Impact	The majority of Company products (which provide cover for annual periods or less) are expected to be measured using the simplified approach (PAA) which requires fewer changes to the existing approach under IFRS4. As a result, the financial impact of measuring contracts under IFRS17 is not expected to be significant.
Data Impact	More granular data to aid in assessing expected profitability and performance is likely to be required in order to determine groups of contracts according to the Standard's requirements. Receivables information will also need to be readily available at a portfolio level. Where the GMM is applied to measure the Liability for Remaining Coverage, additional data to inform the assumptions made will be required to generate cash-flow models. Yield curves and other financial market information will also be required to determine suitable discount rates and the credit risk of reinsurers.

IT Systems	The current models require significant development to allow for the correct calculation, presentation and disclosure of information at the relevant level of granularity. The General Ledger needs to be updated to be at a portfolio level. Cash-flow models will be required to cater for the calculation of the Liability for Remaining Coverage. In addition, model development will be required to allow for the calculation, updating and amortisation of the Contractual Service Margin (CSM). Amendments will also be required to the current chart of accounts and reporting disclosures.
Process Impact	A process will need to be established to assess the expected profitability of contracts issued, at the issuing date. Where the GMM is required, a process will need to be developed with regard to initial measurement and subsequent measurement of the CSM. This will need to integrate with the GMM valuation models. Cost allocation processes will need refinement (possibly automation as well) to ensure directly attributable costs are identified according to the requirements of IFRS17 and are then used as part of cash flow projections. The financial statement close process will also require changes to allow for more frequent interaction between the finance and actuarial teams.
Impact on RI Arrangements	IFRS17 is not expected to significantly impact the structure of the reinsurance arrangements currently in place for the Company. It is however expected that further insight into the expected (and subsequently actual) performance of reinsurance treaties will be derived under IFRS17.
Impact on Policies & Control Frameworks	Various decisions need to be made and policies drafted which cover the below (amongst other items): • Onerous contract identification and measurement • Determining an appropriate technique(s) for estimating the risk adjustment. • Determining the CSM at initial recognition, at the required level of aggregation. • Defining coverage units which will drive the calculation and amortization of the CSM. • Determining the distinction between insurance risk and other risks, as well as assessing the significance of insurance risk. • A policy for adopting measurement models for groups of contracts – this includes the approach towards applying PAA eligibility testing. • A formalized policy is also required for the systematic and rational allocation of directly attributable costs to groups of insurance contracts. • Determining the boundaries & related cash flows of reinsurance contracts

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

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (continued)

IFRS 9 – Financial Instruments

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

a) **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.

b) **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.

c) **Hedge accounting:**

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

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (continued)

Effective date

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

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 January 1, 2021.. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

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 an assessment beginning Jan 01, 2018: (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, 2019, the Company has total financial assets (including insurance receivables/ reinsurance recoverable) and insurance related assets amounting to SR 855,376,878 and SR 132,062,012, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 637,304,922 (2018: SR 747,499,178). Other financial assets consist of available for sale investments amounting to SR 217,769,945 (2018: SR 174,452,148). 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 and certain equity securities classified under available for sale investments will be at FVSI under IFRS 9. As at December 31, 2019 debt securities are measured at fair value of SR 10,000,000 with no changes in fair value during the year. Other financial assets have a fair value of SR 2,225,089 as at December 31, 2019 with no fair value change. Credit risk exposure, concentration of credit risk and credit quality of these financial assets is exposure, concentration of credit risk and credit quality of these financial assets is mentioned in note 29. The Company financial assets have low credit risk as at December 31, 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Product classification
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. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Premiums earned and commission income
Premiums are taken into income and recorded in the statement of income, over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months from the period in respect of marine cargo;
- Actual number of days for other lines of business and
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Premiums and reinsurance balances receivable
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 premiums 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 the statement of income. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of reporting period and settlements and provisions in the following year is included in the statement of income.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of income, in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting 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 ("IBNR") at the reporting date. The ultimate liability may be in excess of or less than the amount provided. The Company also relies primarily on the IBNR reserves as ultimately set out by the Company's actuary.

Any difference between the provisions at reporting date and settlements and provisions in the following year is included in the statement income for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date

Fair value measurement

The Company measures financial instruments, such as investments in available for sale or derivatives if any, and non-financial assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 14. 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 to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as set out above. The Company's management determines the policies and procedures for both recurring fair value measurement, such as available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, if any.

The investment committee compares at each reporting date, changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the investment committee present the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

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

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

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

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

Unearned commission income
Commission income on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of income.

Deferred policy acquisition costs
Commissions paid are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. For marine and engineering, such costs are deferred on the same basis as premiums are earned. Amortisation is recorded 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 amortisation 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. When the recoverable amounts are less than the carrying value an impairment loss is recognised in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance
Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

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

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment, if any is recognised in the statement of income.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Property and equipment
Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of income operations on a straight line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed to determine any impairment when events 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. Expenditure for repairs and maintenance is charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Special commission income
Special commission income is recognised on an effective yield basis.

Statutory deposit
Statutory deposit represents 10% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand and at banks and time deposits with original maturities of less than three months from the date of the acquisition.

Statutory reserve
In accordance with its by-laws, the Company allocates 20% of its net income of each year to the statutory reserve until it has built up a reserve equal to the share capital.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to the statement of income.

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

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

Impairment and uncollectibility of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of operations. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Segmental reporting
An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief executive officer who the chief is operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on products and services and has five reportable operating segments as follows:

- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Medical products which provide health care cover to policyholders.
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.
- Others which include Engineering products and General Accident and liability which provides coverage against unfortunate events with respect to activities undertaken during construction projects, accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting (continued)

Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis. Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the financial statements.

Transfer pricing for intersegment transactions between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

Investments

All investments are initially recognised at their fair value, including acquisition charges associated with the investment, excluding those held at fair value through income statement. For investments that are traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

Available for sale investments ("AFS")

Available for sale investments include equity, debt securities and investment funds. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under fair value reserve gain/ (loss) on available for sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement income. Where the Company holds more than one investment in the same security they are deemed to be disposed of on a 'first in first out' basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding AFS investments are recognised in the statement of statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognised in the statement of income.

Held to maturity investments ("HTM")

Held to maturity investments are non-derivative financial assets which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity and are initially measured at amortised cost adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognised in the statement of income. 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 special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies of an investee entity. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements of the Company include the Company's share of the profit or loss and other comprehensive income, until the date on which significant influence ceases. Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. The reporting dates of the associate are identical to the Company's reporting dates and their accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

6 CASH AND CASH EQUIVALENTS

	2019		2018	
	Insurance operations SAR	**Shareholders' operations SAR**	Insurance operations SAR	Shareholders' operations SAR
Bank balances and cash	**70,968,861**	**26,432,852**	104,211,856	18,873,381
Deposits maturing within 3 months from the acquisition date	**-**	**28,059,025**	37,357,794	63,091,728
	70,968,861	**54,491,877**	141,569,650	81,965,109

Deposits are maintained with financial institutions and have a maturity of three months or less from the date of acquisition. These earn commission income at an average rate of 2.50% per annum (2018: 2.55% per annum).

Both bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

7 TIME DEPOSITS

Time deposits are placed with local banks and financial institutions with an original maturity of more than three months from the date of acquisition and earned special commission income at an average rate of 3.71% per annum (2018: 3.80% per annum).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

8 PREPAID EXPENSES AND OTHER ASSETS

	2019		2018	
	Insurance operations SAR	**Shareholders' operations SAR**	Insurance operations SAR	Shareholders' operations SAR
Accrued commission income	**8,647,110**	**1,947,056**	4,794,112	1,794,609
Insurance syndicate receivable	**6,334,144**	**-**	5,652,736	-
Deferred third party administrator fees	**1,377,994**	**-**	1,741,723	-
Advances paid to suppliers	**1,493,707**	**-**	1,397,869	-
Prepaid rent	**779,817**	**-**	1,213,399	-
Others	**1,229,493**	**854,236**	917,614	934,035
	19,862,265	**2,801,292**	15,717,453	2,728,644

9 PREMIUMS AND REINSURERS' RECEIVABLE, NET

(a) Premiums and reinsurers' receivables comprised of the following:

	2019 SAR	2018 SAR
Premiums receivable	**53,440,694**	49,900,132
Less: Allowance for doubtful debts	**(13,597,655)**	(18,829,813)
	39,843,039	31,070,319
Reinsurers' receivable	**12,386,880**	9,372,733
Less: Allowance for doubtful debts	**(3,128,453)**	(2,614,881)
	9,258,427	6,757,852
Total premiums and reinsurers' receivable, net	**49,101,466**	37,828,171

(b) The movement in allowance for doubtful policyholders' and reinsurance balances for the year is set out below:

2019	**Policyholders SAR**	**Reinsurers' SAR**	**Total SAR**
Beginning balance	**18,829,813**	**2,614,881**	**21,444,694**
(Reversal)/ charge for the year	**(5,232,158)**	**513,572**	**(4,718,586)**
Closing balance	**13,597,655**	**3,128,453**	**16,726,108**

2018	Policyholders SAR	Reinsurers' SAR	Total SAR
Beginning balance	17,351,691	517,748	17,869,439
Charge for the year	1,478,122	2,097,133	3,575,255
Closing balance	18,829,813	2,614,881	21,444,694

(c) As at 31 December, the ageing of receivables is as follows:

			Past due but not impaired		
2019	**Total SAR**	**Neither past due nor impaired SAR**	**91 to 180 days SAR**	**181 to 365 days SAR**	**More than 365 days SAR**
Policyholders'	**39,843,039**	**20,863,034**	**4,728,758**	**14,251,247**	**-**
Reinsurers	**9,258,427**	**5,398,326**	**2,011,889**	**1,155,781**	**692,431**
2018					
Policyholders'	31,070,319	13,679,950	7,658,754	9,731,615	-
Reinsurers	6,757,852	4,019,548	1,658,986	424,859	654,459

Balances due from reinsurers are with counterparties who have investment grade credit ratings which is equivalent to AA+ to BBB under Standard and Poor's rating methodology.

10 TECHNICAL RESERVES

(a) NET OUTSTANDING CLAIMS AND RESERVES

	2019 SAR	2018 SAR
Gross outstanding claims	159,642,538	159,089,829
Less: Realizable value of salvage and subrogation	-	-
	159,642,538	159,089,829
Claims incurred but not reported	53,091,755	103,871,697
Premium deficiency reserve	18,326,242	4,273,324
Other technical reserves *	5,201,569	7,444,867
	236,262,104	274,679,717
Less:		
Reinsurers' share of outstanding claims	(48,964,213)	(58,536,727)
Reinsurers' share of claims incurred but not reported	(8,185,996)	(23,638,303)
	(57,150,209)	(82,175,030)
Net outstanding claims and other reserves	179,111,895	192,504,687

* Other technical reserves comprise of the following:

	2019 SAR	2018 SAR
Unallocated loss adjustment expense	5,201,569	2,784,912
Catastrophe reserve	-	2,468,820
Reinsurance accrual reserve	-	2,191,135
	5,201,569	7,444,867

(b) MOVEMENT IN UNEARNED PREMIUMS

	2019			2018		
	Gross SAR	Reinsurance SAR	Net SAR	Gross SAR	Reinsurance SAR	Net SAR
Beginning balance	134,815,114	(9,826,524)	124,988,590	203,643,613	(10,763,509)	192,880,104
Premiums written during the year	305,540,939	(58,207,330)	247,333,609	319,997,982	(45,432,962)	274,565,020
Premiums earned during the year	(318,243,141)	48,182,060	(270,061,081)	(388,826,481)	46,369,947	(342,456,534)
Closing balance	122,112,912	(19,851,794)	102,261,118	134,815,114	(9,826,524)	124,988,590

(c) UNEARNED REINSURANCE COMMISSION

	2019 SAR	2018 SAR
Beginning balance	1,593,290	1,713,540
Reinsurance commission received during the year	8,958,747	7,325,357
Reinsurance commission earned during the year	(8,748,442)	(7,445,607)
Closing balance	1,803,595	1,593,290

(d) MOVEMENT IN DEFERRED POLICY ACQUISTION COSTS

	2019 SAR	2018 SAR
Beginning balance	**9,251,289**	15,907,131
Paid during the year	**18,972,301**	23,343,579
Amortised during the year	**(22,265,047)**	(29,999,421)
Closing balance	**5,958,543**	9,251,289

11 CLAIMS DEVELOPMENT TABLE

Claims triangulation analysis by accident year

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

11 CLAIMS DEVELOPMENT TABLE (continued)

GROSS

	2019						
Accident year	**31 December 2014 and earlier**	**31 December 2015**	**31 December 2016**	**31 December 2017**	**31 December 2018**	**31 December 2019**	**Total**
	SAR	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**
Estimate of cumulative claims:							
At end of accident year	222,925,179	348,139,465	262,477,634	323,484,785	268,242,289	275,257,990	-
One year later	221,574,214	311,066,696	238,101,886	282,270,228	225,865,951	-	-
Two years later	216,300,364	306,455,600	217,787,080	260,400,803	-	-	-
Three years later	218,149,751	301,664,797	205,857,633	-	-	-	-
Four years later	214,511,810	283,616,765	-	-	-	-	-
Five years later	216,580,722	-	-	-	-	-	-
Current estimate of cumulative claims incurred	216,580,722	283,616,765	205,857,633	260,400,803	225,865,951	275,257,990	1,467,579,865
Cumulative payments to date	(197,807,879)	(244,411,419)	(188,229,602)	(240,707,506)	(198,895,942)	(184,793,224)	(1,254,845,572)
Total cumulative gross claim reserves recognised in statement of financial position	18,772,843	39,205,346	17,628,031	19,693,297	26,970,010	90,464,766	212,734,293

NET (after considering effect of reinsurance)

	2019						
Accident year	**31 December 2014 and earlier**	**31 December 2015**	**31 December 2016**	**31 December 2017**	**31 December 2018**	**31 December 2019**	**Total**
	SAR	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**
Estimate of cumulative claims:							
At end of accident year	190,270,352	247,768,390	230,423,840	294,398,521	249,529,105	254,264,989	-
One year later	197,179,277	226,934,157	202,841,835	256,929,714	215,187,713	-	-
Two years later	194,813,568	230,491,592	193,358,693	244,422,302	-	-	-
Three years later	198,103,650	224,933,416	187,019,653	-	-	-	-
Four years later	194,420,029	209,476,498	-	-	-	-	-
Five years later	197,495,553	-	-	-	-	-	-
Current estimate of cumulative claims incurred	197,495,553	209,476,498	187,019,653	244,422,302	215,187,713	254,264,989	1,307,866,708
Cumulative payments to date	(185,530,723)	(198,516,259)	(173,982,542)	(226,760,277)	(190,981,302)	(176,511,521)	(1,152,282,624)
Total cumulative net claim reserves recognised in statement of financial position	11,964,830	10,960,239	13,037,111	17,662,025	24,206,411	77,753,468	155,584,084

11 CLAIMS DEVELOPMENT TABLE (continued)

GROSS

	2018						
Accident year	31 December 2013 and earlier	31 December 2014	31 December 2015	31 December 2016	31 December 2017	31 December 2018	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Estimate of cumulative claims:							
At end of accident year	154,955,171	222,925,179	348,139,465	262,477,634	323,484,785	268,242,289	-
One year later	141,478,033	221,574,214	311,066,696	238,101,886	282,270,228	-	-
Two years later	148,710,230	216,300,364	306,455,600	217,787,080	-	-	-
Three years later	148,662,634	218,149,751	301,664,797	-	-	-	-
Four years later	147,927,573	214,511,810	-	-	-	-	-
Five years later	144,436,585	-	-	-	-	-	-
Current estimate of cumulative claims incurred	144,436,585	214,511,810	301,664,797	217,787,080	282,270,228	268,242,289	1,428,912,789
Cumulative payments to date	(129,799,645)	(197,807,879)	(251,706,330)	(187,770,336)	(234,140,512)	(164,726,561)	(1,165,951,263)
Total cumulative gross claim reserves recognised in statement of financial position	14,636,940	16,703,931	49,958,467	30,016,744	48,129,716	103,515,728	262,961,526

NET (after considering effect of reinsurance)

	2018						
Accident year	31 December 2013 and earlier	31 December 2014	31 December 2015	31 December 2016	31 December 2017	31 December 2018	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Estimate of cumulative claims:							
At end of accident year	120,085,398	190,270,352	247,768,390	230,423,840	294,398,521	249,529,105	-
One year later	113,722,642	197,179,277	226,934,157	202,841,835	256,929,714	-	-
Two years later	120,220,720	194,813,568	230,491,592	193,358,693	-	-	-
Three years later	121,358,724	198,103,650	224,933,416	-	-	-	-
Four years later	122,889,044	194,420,029	-	-	-	-	-
Five years later	121,598,313	-	-	-	-	-	-
Current estimate of cumulative claims incurred	121,598,313	194,420,029	224,933,416	193,358,693	256,929,714	249,529,105	1,240,769,270
Cumulative payments to date	(112,879,664)	(185,530,723)	(206,366,240)	(174,436,169)	(220,630,327)	(160,139,651)	(1,059,982,774)
Total cumulative net claim reserves recognised in statement of financial position	8,718,649	8,889,306	18,567,176	18,922,524	36,299,387	89,389,454	180,786,496

12 PROPERTY, EQUIPMENT AND INTANGILBLE ASSETS, NET

The estimated useful lives of property, equipment and intangible assets for the calculation of depreciation are as follows:

Leasehold improvements	6-7 years	Furniture, fixtures and office equipment	6-10 years
Computer equipment and intangibles	4 years	Motor vehicles	4 years

	Leasehold improvements SAR	Furniture, fixtures and office equipment SAR	Computer equipment and intangibles SAR	Motor vehicles SAR	**Total 2019 SAR**	Total 2018 SAR
Cost:						
Beginning balance	2,405,117	3,020,111	9,578,758	899,502	**15,903,488**	13,829,129
Additions	20,290	178,324	761,175	-	**959,789**	2,421,794
Disposals	-	(500,138)	(97,228)	-	**(597,366)**	(347,435)
	2,425,407	2,698,297	10,242,705	899,502	**16,265,911**	15,903,488
Accumulated depreciation:						
Beginning balance	2,030,154	1,757,525	7,240,445	455,224	**11,483,348**	10,526,966
Charge for the year	94,932	290,479	938,840	170,325	**1,494,576**	1,290,392
Disposals	-	(476,529)	(84,830)	-	**(561,359)**	(334,010)
	2,125,086	1,571,475	8,094,455	625,549	**12,416,565**	11,483,348
Net book value:						
December 31, 2019	**300,321**	**1,126,822**	**2,148,250**	**273,953**	**3,849,346**	
December 31, 2018	374,963	1,262,586	2,338,314	444,278		4,420,141

13 INVESTMENTS

(i) Investments are classified as follows:

	2019		2018	
	Insurance Operations SAR	**Shareholders' Operations SAR**	Insurance Operations SAR	Shareholders' Operations SAR
Available for sale "AFS"	**30,561,376**	**187,208,569**	31,161,180	143,290,968
Held to maturity "HTM"	**-**	**10,000,000**	-	10,000,000
Total	**30,561,376**	**197,208,569**	31,161,180	153,290,968

13 INVESTMENTS (continued)

(a) Available for sale investments ("AFS") comprises the following:

	2019		2018	
	Insurance Operations SAR	Shareholders' Operations SAR	Insurance Operations SAR	Shareholders' Operations SAR
Quoted local equity securities	22,948,576	12,507,123	22,524,280	-
Units in local investment funds - (NAV)*	7,612,800	72,090,307	8,636,900	62,710,386
Quoted fixed income securities	-	85,055,504	-	66,181,234
Units in quoted local real estate funds	-	15,632,557	-	12,476,270
Unquoted local equity investment **	-	1,923,078	-	1,923,078
Total available for sale investments	30,561,376	187,208,569	31,161,180	143,290,968

* NAV: Net Asset Value as announced by asset manager.
** This represents the share in Najm for Insurance Services Company measured at cost and the fair value was not materially different from its carrying value.

(b) Held to maturity ("HTM") comprises of domestic unquoted floating rate securities as follows:

	2019		2018	
	Insurance Operations SAR	Shareholders' Operations SAR	Insurance Operations SAR	Shareholders' Operations SAR
Sukuk "Almarai" – September 2022	-	5,000,000	-	5,000,000
Sukuk "Sipchem" – June 2021	-	5,000,000	-	5,000,000
Total held to maturity investments	-	10,000,000	-	10,000,000

The fair value of the "HTM" investments as at 31 December 2019 was not different from its carrying value. There were no movement in held to maturity investments during the year.

(ii) The movement during the year in the investments is as follows:

	2019		2018	
	Insurance Operations SAR	Shareholders' Operations SAR	Insurance Operations SAR	Shareholders' Operations SAR
Opening balance	31,161,180	153,290,968	41,401,450	128,077,276
Purchases	15,009,435	93,132,796	12,623,508	50,844,352
Disposals	(17,380,043)	(62,303,629)	(23,582,613)	(21,647,316)
Impairment	(185,216)	-	(620,545)	-
	28,605,356	184,120,135	29,821,800	157,274,312
Changes in fair value of investments	1,956,020	13,088,434	1,339,380	(3,983,344)
Closing balance	30,561,376	197,208,569	31,161,180	153,290,968

13 INVESTMENTS (continued)

(iii) Investment income comprises of the following:

	2019		2018	
	Insurance Operations SAR	**Shareholders' Operations SAR**	Insurance Operations SAR	Shareholders' Operations SAR
Special commission income	**13,355,032**	**7,555,397**	10,450,969	6,650,623
Dividend income	**1,010,533**	**4,556,248**	1,147,426	3,222,762
Realized gain/(loss) on sale of investments	**2,608,870**	**2,806,174**	891,074	(48,190)
Impairment of available for sale investments	**(185,216)**	**-**	(620,545)	-
Total investment income	**16,789,219**	**14,917,819**	11,868,924	9,825,195

(iv) The analysis of total investments (insurance and shareholders' operations) by counterparties is as follows:

	2019 SAR	2018 SAR
Government and quasi government	**37,225,761**	36,291,065
Banks and financial institutions	**45,900,733**	28,071,807
Corporates and investment funds	**144,643,451**	120,089,276
Total	**227,769,945**	184,452,148

(v) The credit quality of total investments (insurance and shareholders' operations) is as follows:

	2019 SAR	2018 SAR
Investment grade	**62,102,872**	60,847,102
Non-investment grade	**45,826,419**	12,759,456
Unrated	**119,840,654**	110,845,590
Total	**227,769,945**	184,452,148

14 INVESTMENT IN ASSOCIATE

	2019 SAR	2018 SAR
Balance, January 1	**570,292**	1,220,388
Share of loss	**(268,280)**	(650,096)
Balance, December 31	**302,011**	570,292

The Company's interest in associate, which is unquoted, is as follows along with summarized financial information:

Gulf Warranties Insurance Services (Limited liability Company)

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit/(Loss)	% Interest
				SAR		
September 30, 2019*	**Saudi Arabia**	**4,312,849**	**3,536,445**	**416,784**	**(797,992)**	**40%**
December 31, 2018	Saudi Arabia	5,496,699	3,922,303	1,200,138	(470,705)	40%

* Based on latest available management accounts.

15 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 in 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 assets or liability, or
- in the absences 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 financial statements.

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.

2019	**Level 1 SAR**	**Level 2 SAR**	**Level 3 SAR**	**Total SAR**
Available for sale				
- Equities	**35,455,699**	**-**	**1,923,078**	**37,378,777**
- Fixed income securities	**85,055,504**	**-**	**-**	**85,055,504**
- Investment and real estate funds	**15,632,557**	**79,703,107**	**-**	**95,335,664**
Held to maturity	**-**	**-**	**10,000,000**	**10,000,000**
	136,143,760	**79,703,107**	**11,923,078**	**227,769,945**
2018				
Available for sale				
- Equities	22,524,280	-	1,923,078	24,447,358
- Fixed income securities	66,181,234	-	-	66,181,234
- Investment and real estate funds	12,476,270	71,347,286	-	83,823,556
Held to maturity	-	-	10,000,000	10,000,000
	101,181,784	71,347,286	11,923,078	184,452,148

Transfers between levels

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, whereas during the year ended 31 December 2018 the units in real estate funds amounting to SAR 12,476,270 were transferred into Level 1 from Level 2 because quoted prices existed.

During the year ended 31 December 2018 and 2019, there were no transfers into or out of Level 3 fair value measurements.

16 LEASES

The Company has adopted IFRS 16 on 1 January 2019, using modified retrospective approach; therefore, the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of prepayments with no effect on opening retained earnings at 1 January 2019 and without a restatement of comparative information. The Company has applied the practical expedient to grandfather the definition of a lease on transition i.e. all contracts entered into before 1 January 2019 are identified as leases in accordance with IAS 17 and IFRIC 4.

The Company has recognised new assets and liabilities for its operating leases of office premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:
- Fixed payments (including in- substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Right-of-use assets depreciation charge and balance are as follows:

	2019 SAR
Cost	
As at 1 January 2019	-
Additions	7,859,310
Deletions	-
As at 31 December 2019	7,859,310
Accumulated Depreciation	
As at 1 January 2019	-
Charge	1,623,700
As at 31 December 2019	1,623,700
Carrying Value	6,235,610

16 LEASES (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease as follows:

	SAR
Operating lease liability as at 31 December 2018	**8,230,655**
Weighted average incremental borrowing rate as at 1 January 2019	**3.17%**
Discounted operating lease liability as at 1 January 2019	**7,565,180**
Less: Current portion of lease liability	**(1,558,543)**
Non-current portion of lease liability as at 1 January 2019	**6,006,637**

Lease liabilities as at year end are as follows:

	2019 SAR
Non-current portion of lease liability	**4,416,108**
Current portion of lease liability	**1,564,715**
	5,980,823

The total interest expense on lease liabilities recognized during the year ended 31 December 2019 is SAR 199,838.

17 POLICYHOLDERS AND ACCOUNTS PAYABLES

	2019 SAR	2018 SAR
Payable to policyholders	**20,211,379**	17,151,358
Brokers and salesmen commissions payable	**5,115,690**	7,091,966
Other insurance payables	**2,147,450**	2,408,771
	27,474,519	26,652,095

18 ACCRUED EXPENSES AND OTHER LIABILITIES

	2019		2018	
	Insurance Operations SAR	Shareholders' Operations SAR	Insurance Operations SAR	Shareholders' Operations SAR
Excess of loss premiums and reinsurance commissions adjustments accruals	**6,834,977**	-	4,306,922	
Third party claims payables	**6,746,231**	-	7,734,742	-
Employees' related accruals and payables	**3,031,728**	-	5,687,458	-
Board of directors and committee's remuneration fees and expenses	-	**1,865,260**	-	1,869,829
Others	**3,964,014**	**835,355**	4,418,274	588,519
	20,576,950	**2,700,615**	22,147,396	2,458,348

19 END OF SERVICE BENEFITS

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labour Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amount recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

Amount recognised in the statement of financial position	**2019 SAR**	2018 SAR
Present value of end of service benefits	**12,953,970**	11,496,527
Fair value of plan assets	**-**	-
Net liability at end of the year	**12,953,970**	11,496,527

Benefit expense (recognised in statement of income)	**2019 SAR**	2018 SAR
Current service costs	**2,317,371**	1,373,537
Commission rate costs	**568,792**	425,965
Benefit expense (recognised in profit or loss)	**2,886,163**	1,799,502

Reconciliation of present value of end of service benefits	**2019 SAR**	2018 SAR
End of service benefits at beginning of the year	**11,496,527**	8,912,564
Current service costs	**2,317,371**	1,373,537
Commission rate costs	**568,792**	425,965
Actuarial (gain)/loss from experience adjustments	**(1,124,042)**	1,455,013
Benefits paid during the year	**(304,678)**	(670,552)
Present value of end of service benefits at end of the year	**12,953,970**	11,496,527

Reconciliation of net liability in the statement of financial position	**2019 SAR**	2018 SAR
Opening balance	**11,496,527**	8,912,564
Charge to statement of income	**2,886,163**	1,799,502
Charge to statement of other comprehensive income	**(1,124,042)**	1,455,013
Payment of benefits during the year	**(304,678)**	(670,552)
Closing balance	**12,953,970**	11,496,527

Principal actuarial assumption	**2019**	2018
Valuation discount rate	**4.10%**	4.60%
Expected rate of increase in salary level across different age bands	**5.00%**	7.00%

19 EMPLOYEES' END OF SERVICE BENEFITS (continued)

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

	End of service benefits liability	
	2019	2018
	SAR	SAR
Central Assumptions	**12,953,970**	11,496,527
Valuation discount rate		
• Increase by 0.50%	**12,403,926**	11,079,984
• Decrease by 0.50%	**13,547,779**	11,941,368
Expected rate of increase in salary level across different age bands		
• Increase by 0.50%	**13,539,593**	11,928,734
• Decrease by 0.50%	**12,405,953**	11,087,449
Employee turnover		
• Increase by 10%	**12,783,091**	11,297,433
• Decrease by 10%	**13,133,244**	11,714,733
Mortality rate		
• Increase by 50%	**12,930,524**	11,481,226
• Decrease by 50%	**12,977,868**	11,512,029

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2019		2018	
	Insurance operations	**Shareholders' operations**	Insurance operations	Shareholders' operations
	SAR	**SAR**	SAR	SAR
Employees' salaries and all staff related costs	**46,353,338**	-	49,455,810	-
Office rent	**4,381,561**	-	4,147,318	-
Legal and professional fees	**2,233,200**	-	3,483,170	-
Utilities and telecommunications	**1,715,948**	-	1,423,701	-
Information technology expenses	**1,103,267**	-	1,317,394	-
Depreciation	**1,494,576**	-	1,290,392	-
Stationery and office supplies	**756,487**	-	826,138	-
Withholding taxes	**891,303**	-	499,767	-
Board of Directors and committees remuneration fees and expenses	-	**2,419,773**	-	1,919,102
Listing fees	-	**360,284**	-	366,800
Others	**3,134,810**	**895,653**	5,073,531	412,602
	62,064,490	**3,675,710**	67,517,221	2,698,504

21 TRANSACTIONS AND BALANCES 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:

		Transactions for the year ended		Balance as at	
Related party	*Nature of transactions*	**31 December 2019 SAR**	31 December 2018 SAR	**31 December 2019 SAR**	31 December 2018 SAR
Major Shareholders	Insurance premium written	**11,145,072**	4,521,242	**8,621,910**	**6,576,370**
	Claims paid	**712,614**	1,125,477	**-**	**-**
	Reinsurance premium ceded	**1,972,566**	3,030,451	**(654,754)**	**(315,200)**
Board of Directors and committees' members	Remuneration fees, allowances and other expense	**2,419,773**	1,919,102	**(1,865,260)**	**(1,869,829)**
	Insurance premium written	**27,527,258**	14,184,625	**7,432,800**	**5,126,350**
	Claims paid	**11,459,319**	8,784,037	**-**	**-**
	Insurance brokerage contracts	**3,377,938**	2,156,076	**(1,823,134)**	**(1,363,461)**
Associate	General and administrative expenses paid on behalf of the associate	-	-	**844,638**	**844,638**

Balances in respect of the above transactions with related parties are included in the relevant accounts in the statements of financial position and statement of income.

Compensation of key management personnel

Key management personnel of the Company include five top executives including the Chief Executive Officer and Finance Manager. The summary of compensation of key management personnel for the year is as follows:

	2019 SAR	2018 SAR
Short term benefits	**5,640,980**	5,824,390
End of service benefits	**351,456**	382,189
	5,992,436	6,206,579

22 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with local bank designated by SAMA in accordance with the Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

During the year ended 31 December 2019, the Company increased the statutory deposit by SAR 5 Million to reflect the corresponding increase in share capital. Accrued interest on the statutory deposit amounting to SR 1,206,937 (31 December 2018: SR 837,567) has been presented in the statement of financial position.

23 SHARE CAPITAL

The authorized, issued and paid up share capital of the Company was SAR 300 million at 31 December 2019 (31 December 2018: SAR 250 million) consisting of 30 million shares (31 December 2018: 25 million shares) of SAR 10 each.

The Company's Board of Directors recommended on June 4, 2018 to the Extraordinary General Assembly Meeting to increase share capital of the Company by issuing 5 million bonus shares. The Company obtained the Capital Market Authority approval on August 9, 2018. The Extraordinary General Assembly held on January 14, 2019 approved the issuance of 5 million bonus shares amounting to SAR 50 million and thus the share capital increased to SAR 300 million consisting of 30 million shares of SAR 10 each.

The shareholders of the Company are subject 100% to Zakat.

24 STATUTORY RESERVE

In accordance with the Company's By-laws and in compliance with Article 70 (2) of the Insurance Implementing Regulations of SAMA, the Company allocates 20% of net shareholders' income each year to the statutory reserve until this reserve equals to 100% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

25 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year has been calculated by dividing the net income for the year attributed to the shareholders after zakat by the number of issued and outstanding shares (30 million shares) at the year end. The Company has increased its share capital by issuing 5 million bonus shares (note 23), as a result the ordinary shares issued and outstanding as at year ended 31 December 2019 has increased to 30 million shares and the earnings per share of the prior comparative year have been restated also accordingly.

26 DIVIDENDS

On 26 September 2019, the Company's Board of Directors proposed to pay a dividend for the year ended 31 December 2018, of SR 1 per share totalling SR 30 Million to its shareholders. This dividend proposal was presented and approved by the shareholders in the General Assembly meeting, held on 27 November 2019, and accordingly the dividend payment was completed on 16 December 2019.

27 CONTINGENCIES AND COMMITMENTS

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

28 ZAKAT

The movement in provision during the year is set out below:

	2019 SAR	2018 SAR
At the beginning of the year	**29,839,668**	25,840,869
Provided during the year	**10,853,203**	11,913,498
Payments during the year	**(8,666,162)**	(7,914,699)
At the end of the year	**32,026,709**	29,839,668

The provision for the year is based on the following:

	2019 SAR	2018 SAR
Shareholders' equity	**450,469,422**	389,966,068
Dividends distributed	**(30,000,000)**	-
Net book value of long term assets, investments and non-current liabilities	**(75,780,833)**	(31,913,511)
Provisions	**53,814,302**	26,111,451
	398,502,891	384,164,008
Adjusted income for the year	**23,250,898**	80,446,834
Zakat base	**421,753,789**	464,610,842

Status of assessments
The Company has filed zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2010 to 2018.

On review of the zakat return by GAZT for the long period ended 31 December 2010, a demand of SAR 2,256,659 was raised by the GAZT. The Company paid this demand and filed an appeal with GAZT. During 2014, GAZT revised its assessment of the zakat return for the long period ended 31 December 2010 after taking into consideration the effect of portfolio transfer and raised an additional demand of SAR 64,738. The Company paid this demand. The final assessment has not yet been carried out by the GAZT.

On review of the zakat return by the GAZT for the year 2011, a demand of SAR 2,378,604 has been raised by the GAZT. The Company paid this demand and filed an appeal with GAZT. On February 2019 GAZT revised its assessment of the zakat return to SAR 2,053,604 after taken into consideration the deduction of statutory deposit based on the decision of the Appeal Committee.

On review of the zakat return by the GAZT for the year 2012, a demand of SAR 1,979,521 has been raised by the GAZT. The Company paid this demand and filed an appeal with GAZT. The final assessments have not yet been carried out by the GAZT.

On review of the zakat return by the GAZT for the years 2013 and 2014 a demand of SAR 2,885,577 and SAR 2,885,577 respectively, have been raised by the GAZT. However, the Company has filed appeals with the GAZT. These appeals are in progress. The final assessments have not yet been carried out by the GAZT.

No assessments have been received out yet from the GAZT for the years 2015 to 2018.

29 RISK MANAGEMENT

Risk governance

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

Risk management structure

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

Board of Directors

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

Senior management

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

Risk Management and Audit committees

Risk management processes throughout the Company are audited annually by the Risk and Internal Audit Departments which examines both the adequacy of the procedures and the Company's compliance with such procedures. The risk and internal audit departments discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the risk management and audit committees.

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

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property and fire, general accident, engineering, motor, medical and marine risks.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly property, engineering, motor, general accidents, medical and marine classes. These classes of insurance except for long tail engineering policies are general regarded as annual insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Motor

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

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance excess of loss cover to limit the losses for any individual claim to SAR 1,000,000 (2018: SAR 1,000,000).

Property

For property insurance contracts the main risks are fire and business interruption. The Company only underwrites policies for properties containing fire detection equipment. These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim to SAR 500,000 (2018: SAR 500,000).

29 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

General accident and liability
For general accident contracts, the various insurance covers provided by the Company can be broadly classified under Personal Accident (excluding illness), Fidelity Guarantee, and Cash in Transit, Cash in Premises, Cash in Safe. Public Liability, Workmen's Compensation, Medical Malpractice and the like. These insurances afford protection for business enterprises towards loss or damage to person, property and interest giving cover per collusion accumulation as well. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim to SAR 500,000 (2018: SAR 500,000).

Marine
For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim to SAR 500,000 (2018: SAR 500,000).

Engineering
For engineering the main risks is loss or damage to buildings and civil work under construction like erection for plant or equipment and their related testing and commissioning. Engineering policies extend beyond annual periods in respect of tenure. The Company mitigates such risks by recognition of lower earned premiums during the first year of long-term policies and reinsures significant risks by undertaking treaty, facultative as well as excess of loss reinsurance arrangements.

The underwriting policy is to ensure that construction all risks are comprehensive in terms of documentation of specific coverage and the risks are well diversified. Engineering all risks cover normally plant and machinery erection and is usually extended beyond erection to include testing and commissioning. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim to SAR 500,000 (2018: SAR 500,000).

Sensitivity analysis
The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 10% change in the net claims ratio would impact income by approximately SAR 19.3 million (2018: SAR 18.5 million) annually in aggregate.

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

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

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

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

29 RISK MANAGEMENT (continued)

b) Reinsurance risk (continued)

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

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

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The following policies and procedures are in place to mitigate the Company' exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- The Company deals with only those reinsurers who have a credit rating of not less than BBB. These credit ratings are monitored on a yearly basis.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks and financial institutions having strong financial positions and credit ratings.

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

	2019		2018	
	Insurance' operations	**Shareholders' operations**	Insurance' operations	Shareholders' operations
Assets				
Cash and cash equivalents	**70,968,861**	**54,491,877**	141,569,650	81,965,109
Time deposits	**350,322,697**	**14,062,875**	315,872,791	52,250,860
Premiums and reinsurers' receivable, net	**49,101,466**	**-**	37,828,171	-
Investments	**30,561,376**	**197,208,569**	31,161,180	153,290,968
Reinsurers' share of outstanding claims	**48,964,213**	**-**	58,536,727	-
Statutory deposit and returns	**-**	**31,206,937**	-	25,837,567
Other assets	**16,674,837**	**2,801,292**	10,446,848	2,639,247
	566,593,450	**299,771,550**	595,415,367	315,983,751

29 RISK MANAGEMENT (continued)

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitment associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and the Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

Maturity table

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

	2019					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
ASSETS						
Statutory deposit	-	-	-	-	31,206,937	31,206,937
Prepaid expenses and other assets	13,528,121	6,334,144	19,862,265	2,801,292	-	2,801,292
Reinsurers' share of outstanding claims	48,964,213	-	48,964,213	-	-	-
Premiums and reinsurance balances receivable, net	49,101,466	-	49,101,466	-	-	-
Due from insurance operations	-	-	-	174,020,104	-	174,020,104
Investments	22,948,576	7,612,800	30,561,376	148,473,460	48,735,109	197,208,569
Time deposits	350,322,697	-	350,322,697	14,062,875	-	14,062,875
Cash and cash equivalents	70,968,861	-	70,968,861	54,491,877	-	54,491,877
TOTAL ASSETS	555,833,934	13,946,944	569,780,878	393,849,608	79,942,046	473,791,654

	2019					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
LIABILITIES						
Outstanding claims	159,642,538	-	159,642,538	-	-	-
End-of-service benefits	-	12,953,970	12,953,970	-	-	-
Policyholders and accounts payables	27,474,519	-	27,474,519	-	-	-
Reinsurers' balances payable	16,101,860	-	16,101,860	-	-	-
Zakat payable	-	-	-	32,026,709	-	32,026,709
Accrued expenses and other liabilities	20,576,950	-	20,576,950	2,700,615	-	2,700,615
Due to shareholders' operations	174,020,104	-	174,020,104	-	-	-
Statutory deposit investment returns	-	-	-	-	1,206,937	1,206,937
TOTAL LIABILITIES	397,815,971	12,953,970	410,769,941	34,727,324	1,206,937	35,934,261

29 RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

	2018					
	Insurance operations			Shareholders' operations		
ASSETS	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Statutory deposit	-	-	-	-	25,837,567	25,837,567
Prepaid expenses and other assets	10,064,717	5,652,736	15,717,453	2,728,644	-	2,728,644
Reinsurers' share of outstanding claims	58,536,727	-	58,536,727	-	-	-
Premiums and reinsurance balances receivable, net	37,828,171	-	37,828,171	-	-	-
Due from insurance operations	-	-	-	170,036,859	-	170,036,859
Investments	31,161,180	-	31,161,180	141,367,890	1,923,078	143,290,968
Time deposits	315,872,791	-	315,872,791	52,250,860	-	52,250,860
Cash and cash equivalents	141,569,650	-	141,569,650	81,965,109	-	81,965,109
TOTAL ASSETS	595,033,236	5,652,736	600,685,972	448,349,362	27,760,645	476,110,007

	2018					
	Insurance operations			Shareholders' operations		
LIABILITIES	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Outstanding claims	159,089,829	-	159,089,829	-	-	-
End-of-service benefits	-	11,496,527	11,496,527	-	-	-
Policyholders and accounts payables	26,652,095	-	26,652,095	-	-	-
Reinsurers' balances payable	3,438,376	-	3,438,376	-	-	-
Zakat payable	-	-	-	29,839,668	-	29,839,668
Accrued expenses and other liabilities	22,147,396	-	22,147,396	2,458,348	-	2,458,348
Due to shareholders' operations	170,036,859	-	170,036,859	-	-	-
Statutory deposit investment returns	-	-	-	837,567	-	837,567
TOTAL LIABILITIES	381,364,555	11,496,527	392,861,082	33,135,583	-	33,135,583

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investments securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

e) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its cash and cash equivalents. The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2019. The Company had a floating rate HTM investment of SAR 10,000,000 as at 31 December 2019 (2018: SAR 10,000,000) and the impact of any commission rate changes on the net income of this investment is not expected to be significant.

29 RISK MANAGEMENT (continued)

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's transactions are principally in Saudi Arabian Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

g) Market price risk

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

The Company has investments in quoted 'sukuks', fixed rate bonds and locally quoted equities and investment funds (see note 13a), which have been classified under 'available for sale' investments. The Company limits its market price risks by closely monitoring developments in markets in which such investments are quoted. A 5% change in the market price of these quoted investments, with a ll other variables held constant, would change the 'other comprehensive income' and consequently 'shareholders' equity (for investments held under shareholders' operations) by SAR 6.83 million (2018: SAR 5.44 million) and insurance operations' surplus (for investments held under insurance operations) by SAR 1.15 million (2018: SAR 1.13 million).

h) 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.

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

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

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

29 RISK MANAGEMENT (continued)

i) 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.

30 INSURANCE OPERATING SEGMENTS

Consistent with the Company's internal reporting process, insurance operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses, allowance for doubtful debts, income on term deposits and investments, gain or loss on property, plant and equipment and investments. Accordingly, they are included in unallocated expenses or income.

Segment assets do not include insurance operations' property and equipment, investments, prepayments and other assets, premiums and reinsurance balances receivable, cash and cash equivalents and time deposits. Accordingly they are included in unallocated assets. Segment liabilities do not include insurance operations' due to shareholders operations, employees' end-of-service benefits, and reinsurance and insurance balances payable, accrued expenses and other liabilities and insurance operations' surplus. Accordingly they are included in unallocated liabilities.

For the year ended 31 December 2019	Motor	Medical	Property & Casualty	Total
REVENUES				
Gross written premiums	148,058,847	100,170,594	57,311,498	305,540,939
Reinsurance premiums ceded				
- Local	-	-	(3,265,677)	(3,265,677)
- Foreign – Direct	-	-	(20,968,846)	(20,968,846)
- Foreign – Through local reinsurance broker	-	-	(19,892,768)	(19,892,768)
Excess of loss premiums				
- Local	(529,174)	(797,299)	(343,116)	(1,669,589)
- Foreign – Through local reinsurance broker	(2,847,409)	(7,175,704)	(2,387,337)	(12,410,450)
Net premiums written	144,682,264	92,197,591	10,453,754	247,333,609
Change in unearned premiums, net	16,017,253	6,010,796	699,423	22,727,472
Net premiums earned	160,699,517	98,208,387	11,153,177	270,061,081
Reinsurance commissions earned	-	-	8,748,442	8,748,442
Policy fees	37,170	-	229,310	266,480
Other underwriting income	2,146,162	-	-	2,146,162
TOTAL REVENUES	162,882,849	98,208,387	20,130,929	281,222,165
UNDERWRITING COSTS				
Gross claims paid	(128,257,981)	(97,195,550)	(6,878,782)	(232,332,313)
Reinsurers' share of claims paid	2,006,310	8,289,167	3,965,197	14,260,674
Net claims paid	(126,251,671)	(88,906,383)	(2,913,585)	(218,071,639)
Changes in outstanding claims, net	(9,991,595)	(4,227,330)	4,093,702	(10,125,223)
Changes in claims incurred but not reported, net	20,508,525	12,718,818	2,100,292	35,327,635
Net claims incurred	(115,734,741)	(80,414,895)	3,280,409	(192,869,227)
Changes in premium deficiency reserve	(10,412,472)	(5,557,040)	1,916,594	(14,052,918)
Changes in other technical reserves	(2,070,917)	450,230	3,863,985	2,243,298
Policy acquisition costs	(9,058,372)	(9,848,462)	(3,358,213)	(22,265,047)
Inspection and supervision fees	(737,648)	(1,498,572)	(268,516)	(2,504,736)
Third party administrator fees	-	(4,871,319)	-	(4,871,319)
Other underwriting expenses	(2,802,400)	(1,485,547)	(4,000)	(4,291,947)
TOTAL UNDERWRITING COSTS	(140,816,550)	(103,225,605)	5,430,259	(238,611,896)
NET UNDERWRITING SURPLUS /(DEFICIT)	22,066,299	(5,017,218)	25,561,188	42,610,269
Unallocated other operating expenses				(57,345,904)
Unallocated investment and other income				19,415,415
SURPLUS FROM INSURANCE OPERATIONS				4,679,780

30 INSURANCE OPERATING SEGMENTS (continued)

For the year ended 31 December 2019	Motor	Medical	Property & Casualty	Total
Gross written premiums				
Individuals	103,422,069	-	830,489	104,252,558
Very small enterprises	5,834,008	99,011,844	1,102,972	105,948,824
Small enterprises	5,225,131	906,019	4,557,108	10,688,258
Medium sized enterprises	5,270,101	248,183	15,522,066	21,040,350
Large enterprises	28,307,538	4,548	35,298,863	63,610,949
Total gross written premiums	**148,058,847**	**100,170,594**	**57,311,498**	**305,540,939**

For the year ended 31 December 2018	Motor	Medical	Property & Casualty	Total
REVENUES				
Gross written premiums	190,943,386	87,886,625	41,167,971	319,997,982
Reinsurance premiums ceded				
- Local	-	-	(2,647,339)	(2,647,339)
- Foreign – Direct	-	-	(13,115,130)	(13,115,130)
- Foreign – Through local reinsurance brokers	-	-	(13,076,094)	(13,076,094)
Excess of loss premiums				
- Local	(949,252)	(546,194)	(373,051)	(1,868,497)
- Foreign – Direct	-	-	(1,542)	(1,542)
- Foreign – Through local reinsurance brokers	(5,407,679)	(6,686,214)	(2,630,467)	(14,724,360)
Net premiums written	184,586,455	80,654,217	9,324,348	274,565,020
Change in unearned premiums, net	33,476,915	32,489,612	1,924,987	67,891,514
Net premiums earned	218,063,370	113,143,829	11,249,335	342,456,534
Reinsurance commissions	-	-	7,445,607	7,445,607
Policy fees	5,227,700	-	272,043	5,499,743
Other underwriting income	2,369,012	-	-	2,369,012
TOTAL REVENUES	225,660,082	113,143,829	18,966,985	357,770,896
UNDERWRITING COSTS				
Gross claims paid	(145,295,410)	(84,235,084)	(10,517,542)	(240,048,036)
Reinsurers' share of claims paid	6,022,567	8,619,092	8,412,325	23,053,984
Net claims paid	(139,272,843)	(75,615,992)	(2,105,217)	(216,994,052)
Changes in outstanding claims, net	(770,469)	8,644,694	(113,578)	7,760,647
Changes in claims incurred but not reported, net	3,459,010	20,602,133	176,016	24,237,159
Net claims incurred	(136,584,302)	(46,369,165)	(2,042,779)	(184,996,246)
Changes in premium deficiency reserve	-	(2,356,730)	(1,916,594)	(4,273,324)
Changes in other technical reserves	4,920,610	884,751	(917,369)	4,887,992
Policy acquisition costs	(15,421,271)	(11,737,157)	(2,840,993)	(29,999,421)
Inspection and supervision fees	(950,204)	(1,315,568)	(440,281)	(2,706,053)
Third party administrator fees	-	(5,986,096)	-	(5,986,096)
Other underwriting expenses	(753,171)	(1,683,652)	(35,800)	(2,472,623)
TOTAL UNDERWRITING COSTS	(148,788,338)	(68,563,617)	(8,193,816)	(225,545,771)
NET UNDERWRITING SURPLUS	76,871,744	44,580,212	10,773,169	132,225,125
Unallocated other operating expenses				(71,092,476)
Unallocated investment and other income				12,134,303
SURPLUS FROM INSURANCE OPERATIONS				73,266,952

The accompanying notes 1 to 33 form part of these financial statements.

30 INSURANCE OPERATING SEGMENTS (continued)

As at December 31, 2019	Motor	Medical	Property & Casualty	Total Insurance Operations
ASSETS				
Reinsurers' share of unearned premiums	-	-	19,851,794	19,851,794
Reinsurers' share of outstanding claims	9,936,276	2,911,553	36,116,384	48,964,213
Reinsurers' share of claims incurred but not reported	2,404,394	157,223	5,624,379	8,185,996
Deferred policy acquisition costs	2,242,681	2,595,041	1,120,821	5,958,543
Total Segment assets	14,583,351	5,663,817	62,713,378	82,960,546
Unallocated assets				530,901,621
Total insurance operations assets				613,862,167
LIABILITIES				
Unearned premiums	64,865,426	30,478,718	26,768,768	122,112,912
Unearned reinsurance commission	-	-	1,803,595	1,803,595
Outstanding claims	93,120,734	20,863,004	45,658,800	159,642,538
Claims incurred but not reported	38,412,619	5,893,077	8,786,059	53,091,755
Premium deficiency reserve	10,412,472	7,913,770	-	18,326,242
Other technical reserves	3,537,501	341,462	1,322,606	5,201,569
Total Segment liabilities	210,348,752	65,490,031	84,339,828	360,178,611
Unallocated liabilities				253,683,556
Total insurance operations liabilities				613,862,167

As at December 31, 2018	Motor	Medical	Property & Casualty	Total Insurance Operations
ASSETS				
Reinsurers' share of unearned premiums	-	-	9,826,524	9,826,524
Reinsurers' share of outstanding claims	12,440,967	1,607,603	44,488,157	58,536,727
Reinsurers' share of claims incurred but not reported	2,360,268	-	21,278,035	23,638,303
Deferred policy acquisition costs	4,507,509	3,534,996	1,208,784	9,251,289
Total Segment assets	19,308,744	5,142,599	76,801,500	101,252,843
Unallocated assets				546,569,386
Total insurance operations assets				647,822,229
LIABILITIES				
Unearned premiums	80,882,679	36,489,514	17,442,921	134,815,114
Unearned reinsurance commission	-	-	1,593,290	1,593,290
Outstanding claims	85,633,830	15,331,724	58,124,275	159,089,829
Claims incurred but not reported	58,877,018	18,454,672	26,540,007	103,871,697
Premium deficiency reserve	-	2,356,730	1,916,594	4,273,324
Other technical reserves	1,466,584	791,692	5,186,591	7,444,867
Total Segment liabilities	226,860,111	73,424,332	110,803,678	411,088,121
Unallocated liabilities				236,734,108
Total insurance operations liabilities				647,822,229

31 SUPPLEMENTARY INFORMATION

Statement of Financial Position

	As at 31 December 2019		
	Insurance operations	**Shareholders' operations**	**Total**
ASSETS			
Cash and cash equivalents	70,968,861	54,491,877	125,460,738
Time deposits	350,322,697	14,062,875	364,385,572
Premiums and reinsurers' receivable, net	49,101,466	-	49,101,466
Reinsurers' share of unearned premiums	19,851,794	-	19,851,794
Reinsurers' share of outstanding claims	48,964,213	-	48,964,213
Reinsurers' share of claims incurred but not reported	8,185,996	-	8,185,996
Deferred policy acquisition costs	5,958,543	-	5,958,543
Investments	30,561,376	197,208,569	227,769,945
Due from insurance operations	-	174,020,104	174,020,104
Prepaid expenses and other assets	19,862,265	2,801,292	22,663,557
Right-of-use assets	6,235,610	-	6,235,610
Property, equipment and intangible assets, net	3,849,346	-	3,849,346
Investment in associate	-	302,011	302,011
Statutory deposit	-	30,000,000	30,000,000
Statutory deposit investment returns	-	1,206,937	1,206,937
TOTAL ASSETS	613,862,167	474,093,665	1,087,955,832
LIABILITIES			
Policyholders and accounts payables	27,474,519	-	27,474,519
Reinsurers' balances payable	16,101,860	-	16,101,860
Accrued expenses and other liabilities	20,576,950	2,700,615	23,277,565
Lease liabilities	5,980,823	-	5,980,823
Unearned premiums	122,112,912	-	122,112,912
Unearned reinsurance commission	1,803,595	-	1,803,595
Outstanding claims	159,642,538	-	159,642,538
Claims incurred but not reported	53,091,755	-	53,091,755
Premium deficiency reserve	18,326,242	-	18,326,242
Other technical reserves	5,201,569	-	5,201,569
Due to shareholders' operations	174,020,104	-	174,020,104
End-of-service benefits	12,953,970	-	12,953,970
Zakat payable	-	32,026,709	32,026,709
Statutory deposit investment returns	-	1,206,937	1,206,937
TOTAL LIABILITIES	617,286,837	35,934,261	653,221,098
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus	467,978	-	467,978
Fair value reserve on available for sale investments	(1,658,891)	-	(1,658,891)
Accumulated actuarial loss on end-of-service benefits	(2,233,757)	-	(2,233,757)
TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS	613,862,167	35,934,261	649,796,428
SHAREHOLDERS' EQUITY			
Share capital	-	300,000,000	300,000,000
Statutory reserve	-	49,573,882	49,573,882
Retained earnings	-	75,227,968	75,227,968
Fair value reserve on available for sale investments	-	13,357,554	13,357,554
TOTAL SHAREHOLDERS' EQUITY	-	438,159,404	438,159,404
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	613,862,167	474,093,665	1,087,955,832

31 SUPPLEMENTARY INFORMATION (continued)

Statement of Financial Position

	As at 31 December 2018		
	Insurance operations	Shareholders' operations	Total
ASSETS			
Cash and cash equivalents	141,569,650	81,965,109	223,534,759
Time deposits	315,872,791	52,250,860	368,123,651
Premiums and reinsurers' receivable, net	37,828,171	-	37,828,171
Reinsurers' share of unearned premiums	9,826,524	-	9,826,524
Reinsurers' share of outstanding claims	58,536,727	-	58,536,727
Reinsurers' share of claims incurred but not reported	23,638,303	-	23,638,303
Deferred policy acquisition costs	9,251,289	-	9,251,289
Investments	31,161,180	153,290,968	184,452,148
Due from insurance operations	-	170,036,859	170,036,859
Prepaid expenses and other assets	15,717,453	2,728,644	18,446,097
Property, equipment and intangible assets, net	4,420,141	-	4,420,141
Investment in associate	-	570,292	570,292
Statutory deposit	-	25,000,000	25,000,000
Statutory deposit investment returns	-	837,567	837,567
TOTAL ASSETS	647,822,229	486,680,299	1,134,502,528
LIABILITIES			
Policyholders and accounts payables	26,652,095	-	26,652,095
Reinsurers' balances payable	3,438,376	-	3,438,376
Accrued expenses and other liabilities	22,147,396	2,458,348	24,605,744
Unearned premiums	134,815,114	-	134,815,114
Unearned reinsurance commission	1,593,290	-	1,593,290
Outstanding claims	159,089,829	-	159,089,829
Claims incurred but not reported	103,871,697	-	103,871,697
Premium deficiency reserve	4,273,324	-	4,273,324
Other technical reserves	7,444,867	-	7,444,867
Due to shareholders' operations	170,036,859	-	170,036,859
End-of-service benefits	11,496,527	-	11,496,527
Zakat payable	-	29,839,668	29,839,668
Statutory deposit investment returns	-	837,567	837,567
TOTAL LIABILITIES	644,859,374	33,135,583	677,994,957
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus	7,326,695	-	7,326,695
Fair value reserve loss on available for sale investments	(1,006,041)	-	(1,006,041)
Accumulated actuarial loss on end-of-service benefits	(3,357,799)	-	(3,357,799)
TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS	647,822,229	33,135,583	680,957,812
SHAREHOLDERS' EQUITY			
Share capital	-	250,000,000	250,000,000
Statutory reserve	-	48,707,396	48,707,396
Retained earnings	-	151,762,026	151,762,026
Fair value reserve gain on available for sale investments	-	3,075,294	3,075,294
TOTAL SHAREHOLDERS' EQUITY	-	453,544,716	453,544,716
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	647,822,229	486,680,299	1,134,502,528

31 SUPPLEMENTARY INFORMATION (continued)

Statement of Income

	2019			2018		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross written premiums	305,540,939	-	305,540,939	319,997,982	-	319,997,982
Reinsurance premiums ceded	(44,127,291)	-	(44,127,291)	(28,838,563)	-	(28,838,563)
Excess of loss premiums	(14,080,039)	-	(14,080,039)	(16,594,399)	-	(16,594,399)
Net premiums written	247,333,609	-	247,333,609	274,565,020	-	274,565,020
Changes in unearned premiums, net	22,727,472	-	22,727,472	67,891,514	-	67,891,514
Net premiums earned	270,061,081	-	270,061,081	342,456,534	-	342,456,534
Reinsurance commissions	8,748,442	-	8,748,442	7,445,607	-	7,445,607
Policy fees	266,480	-	266,480	5,499,743	-	5,499,743
Other underwriting income	2,146,162		2,146,162	2,369,012		2,369,012
TOTAL REVENUES	281,222,165	-	281,222,165	357,770,896	-	357,770,896
UNDERWRITING COSTS						
Gross claims paid	(232,332,313)	-	(232,332,313)	(240,048,036)	-	(240,048,036)
Reinsurers' share of claims paid	14,260,674	-	14,260,674	23,053,984	-	23,053,984
Net claims paid	(218,071,639)	-	(218,071,639)	(216,994,052)	-	(216,994,052)
Changes in outstanding claims, net	(10,125,223)	-	(10,125,223)	7,760,647	-	7,760,647
Changes in claims incurred but not reported, net	35,327,635	-	35,327,635	24,237,159	-	24,237,159
Net claims incurred	(192,869,227)	-	(192,869,227)	(184,996,246)	-	(184,996,246)
Changes in premiums deficiency reserve	(14,052,918)	-	(14,052,918)	(4,273,324)	-	(4,273,324)
Changes in other technical reserves	2,243,298		2,243,298	4,887,992		4,887,992
Policy acquisition costs	(22,265,047)	-	(22,265,047)	(29,999,421)	-	(29,999,421)
Inspection and supervision fees	(2,504,736)	-	(2,504,736)	(2,706,053)	-	(2,706,053)
Third party administrator fees	(4,871,319)		(4,871,319)	(5,986,096)		(5,986,096)
Other underwriting expenses	(4,291,947)	-	(4,291,947)	(2,472,623)	-	(2,472,623)
TOTAL UNDERWRITING COSTS	(238,611,896)	-	(238,611,896)	(225,545,771)	-	(225,545,771)
NET UNDERWRITING SURPLUS	42,610,269	-	42,610,269	132,225,125	-	132,225,125
OTHER OPERATING (EXPENSES)/INCOME						
Reversal of/ (allowance for) doubtful debts provision	4,718,586	-	4,718,586	(3,575,255)	-	(3,575,255)
General and administrative expenses	(62,064,490)	(3,675,710)	(65,740,200)	(67,517,221)	(2,698,504)	(70,215,725)
Investment income	16,789,219	14,917,819	31,707,038	11,868,924	9,825,195	21,694,119
Share of loss of associate	-	(268,280)	(268,280)	-	(650,096)	(650,096)
Other income	2,626,196	-	2,626,196	265,379	-	265,379
TOTAL OTHER OPERATING (EXPENSES)/INCOME	(37,930,489)	10,973,829	(26,956,660)	(58,958,173)	6,476,595	(52,481,578)
Total income before surplus attribution and zakat	4,679,780	10,973,829	15,653,609	73,266,952	6,476,595	79,743,547
Surplus attributable to shareholders	(4,211,802)	4,211,802	-	(65,940,257)	65,940,257	-
Net income before zakat	467,978	15,185,631	15,653,609	7,326,695	72,416,852	79,743,547
Zakat charge	-	(10,853,203)	(10,853,203)	-	(11,913,498)	(11,913,498)
Net income after zakat	467,978	4,332,428	4,800,406	7,326,695	60,503,354	67,830,049

31 SUPPLEMENTARY INFORMATION (continued)

Statement of Comprehensive Income	2019			2018		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Net income after zakat	**467,978**	**4,332,428**	**4,800,406**	7,326,695	60,503,354	67,830,049
Other comprehensive income/(loss)						
Items that will be reclassified to statements of income in subsequent years						
Available for sale investments:						
- Net amounts transferred to statement of income	**(2,608,870)**	**(2,806,174)**	**(5,415,044)**	(891,074)	48,190	(842,884)
- Net change in fair value	**1,956,020**	**13,088,434**	**15,044,454**	1,339,380	(3,983,344)	(2,643,964)
	(652,850)	**10,282,260**	**9,629,410**	448,306	(3,935,154)	(3,486,848)
Items that will not be reclassified to statements of income in subsequent years						
Actuarial gain/(loss) on end-of-service benefits	**1,124,042**	**-**	**1,124,042**	(1,455,013)	-	(1,455,013)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**939,170**	**14,614,688**	**15,553,858**	6,319,988	56,568,200	62,888,188

31 SUPPLEMENTARY INFORMATION (continued)

Statement of Cash Flows

	2019		
	Insurance Operations	**Shareholders' Operations**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat	467,978	15,185,631	15,653,609
Adjustments for non-cash items:			
Surplus attributable to the shareholders	4,211,802	(4,211,802)	-
Depreciation of property and equipment	1,494,576	-	1,494,576
Reversal of doubtful debts provision	(4,718,586)	-	(4,718,586)
Provision for end-of-service indemnities	2,886,163	-	2,886,163
Realized gain from investments	(2,608,870)	(2,806,174)	(5,415,044)
Impairment of available for sale investments	185,216	-	185,216
Share of loss of associate	-	268,280	268,280
Loss on disposal of property and equipment	36,007	-	36,007
Right-of-use depreciation	1,623,700	-	1,623,700
Interest expense on lease liability	199,838	-	199,838
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable	(6,554,709)	-	(6,554,709)
Reinsurers' share of unearned premiums	(10,025,270)	-	(10,025,270)
Reinsurers' share of outstanding claims	9,572,514	-	9,572,514
Reinsurers' share of claims incurred but not reported	15,452,307	-	15,452,307
Deferred policy acquisition costs	3,292,746	-	3,292,746
Prepaid expenses and other assets	(4,144,812)	(72,648)	(4,217,460)
Right-of-use assets	(7,859,309)	-	(7,859,309)
Statutory deposit	-	(5,000,000)	(5,000,000)
Policyholders and accounts payables	822,424	-	822,424
Reinsurers' balances payable	12,663,484	-	12,663,484
Accrued expenses and other liabilities	(1,570,446)	242,267	(1,328,179)
Lease liabilities	5,780,985	-	5,780,985
Unearned premiums	(12,702,202)	-	(12,702,202)
Unearned reinsurance commission	210,305	-	210,305
Outstanding claims	552,709	-	552,709
Claims incurred but not reported	(50,779,942)	-	(50,779,942)
Premium deficiency reserve	14,052,918	-	14,052,918
Other technical reserves	(2,243,298)	-	(2,243,298)
	(29,701,772)	3,605,554	(26,096,218)
End-of-service indemnities paid	(304,678)	-	(304,678)
Insurance surplus paid	(7,326,695)	-	(7,326,695)
Zakat paid	-	(8,666,161)	(8,666,161)
Net cash used in operating activities	(37,333,145)	(5,060,607)	(42,393,752)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Additions)/disposals in time deposits	(34,449,906)	38,187,985	3,738,079
Additions in investments	(15,009,435)	(93,132,796)	(108,142,231)
Proceeds from available for sale investments	17,380,043	62,303,629	79,683,672
Additions in property and equipment	(959,789)	-	(959,789)
Net cash (used in)/ generated from investing activities	(33,039,087)	7,358,818	(25,680,269)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	-	(30,000,000)	(30,000,000)
Due to shareholders' operations	(228,557)	228,557	-
Net cash used in financing activities	(228,557)	(29,771,443)	(30,000,000)
Net change in cash and cash equivalents	(70,600,789)	(27,473,232)	(98,074,021)
Cash and cash equivalents, beginning of the year	141,569,650	81,965,109	223,534,759
Cash and cash equivalents, end of the year	70,968,861	54,491,877	125,460,738
Non-cash transactions:			
Change in fair value of available for sale investments	(652,850)	10,282,260	9,629,410
Bonus shares	-	50,000,000	50,000,000

The accompanying notes 1 to 33 form part of these financial statements.

31 SUPPLEMENTARY INFORMATION (continued)

Statement of Cash Flows

	2018		
	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat	7,326,695	72,416,852	79,743,547
Adjustments for non-cash items:			
Surplus attributable to the shareholders	65,940,257	(65,940,257)	-
Depreciation of property and equipment	1,290,392	-	1,290,392
Allowance for of doubtful debts	3,575,255	-	3,575,255
Provision for end-of-service indemnities	1,799,502	-	1,799,502
Realized (gain)/loss from investments	(891,074)	48,190	(842,884)
Impairment of available for sale investments	620,545	-	620,545
Share of loss of associate	-	650,096	650,096
Gain on disposal of property and equipment	(51,925)	-	(51,925)
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable	(1,526,539)	-	(1,526,539)
Reinsurers' share of unearned premiums	936,985	-	936,985
Reinsurers' share of outstanding claims	18,345,533	-	18,345,533
Reinsurers' share of claims incurred but not reported	939,613	-	939,613
Deferred policy acquisition costs	6,655,842	-	6,655,842
Prepaid expenses and other assets	(465,073)	(424,709)	(889,782)
Policyholders and accounts payables	(3,649,020)	-	(3,649,020)
Reinsurers' balances payable	605,287	-	605,287
Accrued expenses and other liabilities	(8,446,765)	83,335	(8,363,430)
Unearned premiums	(68,828,499)	-	(68,828,499)
Unearned reinsurance commission	(120,250)	-	(120,250)
Outstanding claims	(26,106,180)	-	(26,106,180)
Claims incurred but not reported	(25,176,772)	-	(25,176,772)
Premium deficiency reserve	4,273,324	-	4,273,324
Other technical reserves	(4,887,992)	-	(4,887,992)
	(27,840,859)	6,833,507	(21,007,352)
End-of-service indemnities paid	(670,552)	-	(670,552)
Insurance surplus paid	(10,221,968)	-	(10,221,968)
Zakat paid	-	(7,914,699)	(7,914,699)
Net cash used in operating activities	(38,733,379)	(1,081,192)	(39,814,571)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals in time deposits	17,500,807	27,566,368	45,067,175
Additions in investments	(12,623,508)	(50,844,352)	(63,467,860)
Proceeds from available for sale investments	23,582,613	21,647,316	45,229,929
Additions in property and equipment	(2,421,794)	-	(2,421,794)
Proceeds from disposal of property and equipment	65,350	-	65,350
Net cash generated from (used in) investing activities	26,103,468	(1,630,668)	24,472,800
CASH FLOWS FROM FINANCING ACTIVITIES			
Due to shareholders' operations	(40,271,229)	40,271,229	-
Net cash (used in)/generated from financing activities	(40,271,229)	40,271,229	-
Net change in cash and cash equivalents	(52,901,140)	37,559,369	(15,341,771)
Cash and cash equivalents, beginning of the year	194,470,790	44,405,740	238,876,530
Cash and cash equivalents, end of the year	141,569,650	81,965,109	223,534,759
Non-cash transactions:			
Change in fair value of available for sale investments	448,306	(3,935,154)	(3,486,848)

32 COMPARATIVE FIGURES

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

33 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 9 March, 2020 (corresponding to 14 Rajab 1441H).