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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

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

Emphasis of matter

We draw attention to note 4 to the financial statements which indicates that during the year, the Company's accumulated losses exceeded 50% of its Share Capital. Subsequent to the year-end, on 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. As of the date of approval of these financial statements, the Company is in the process of obtaining approval from the regulatory authorities amongst meeting others legal formalities.

Our opinion is not qualified in respect of the above matter.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of ultimate claim liabilities arising from insurance contracts

As at 31 December 2019, outstanding claims, claims incurred but not reported (IBNR), premium deficiency reserves and other technical reserves amounted to SR 21.431 million, SR 18.493 million, SR 17.335 million and SR 1.460 million respectively as reported in Note 15 to the financial statements.

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

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

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

The Company's disclosures about the significant accounting policies of the above mentioned key audit matter are included in Note 3 to the financial statements.</td><td>We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.

We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences

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

In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our actuarial specialist performed the following:

• Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods.

• Assessed key actuarial assumptions including claims historical experience, ratios and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's current trends and our own industry knowledge.

• Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.</td></tr>
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Other information included in the Company's 2019 Annual Report

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

Sindi & Batterjee
Audit & Consultancy
Kreston International

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

for Al-Bassam & Co.
Certified Public Accountants
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Jeddah – 21454
Kingdom of Saudi Arabia

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

for Sindi & Batterjee
Certified Public Accountants
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Mazin Mohammed Batterjee
Certified Public Accountant
Licence No. 217

22 March 2020
27 Rajab 1441H
Jeddah, Kingdom of Saudi Arabia

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

محاسبون قانونيون
PROFESSIONAL LICENCE NO. 76
Public Accountants
ABDUL KADIR SINDI & MAZEN BATTERJEE CO.

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019	31 December 2018
		SAR '000	
ASSETS			
Cash and cash equivalents	5	**77,375**	56,721
Short term murabaha deposits	6	**76,036**	82,882
Premiums receivable – net	7	**44,859**	17,429
Reinsurer balance receivable	8	**2,995**	-
Reinsurer share of outstanding claims	15	**1,034**	5,857
Reinsurer share of claims incurred but not reported	15	**94**	2,103
Reinsurer share of premium deficiency reserve	15	**-**	610
Prepaid expenses and other assets	13	**14,975**	15,381
Deferred policy acquisition costs	10	**2,851**	1,035
Investments	9	**72,950**	12,695
Property and equipment	12	**2,392**	2,446
Intangible assets	11	**1,106**	1,161
Statutory deposit	14	**45,000**	30,000
Accrued commission income on statutory deposit		**3,492**	2,318
TOTAL ASSETS		**345,159**	230,638
LIABILITIES			
Accrued and other liabilities	17	**36,232**	71,107
Reinsurer balance payable	8	**-**	939
Unearned premiums	15	**75,920**	20,338
Outstanding claims	15	**21,431**	44,408
Claims incurred but not reported	15	**18,493**	15,943
Premium deficiency reserve	15	**17,335**	2,441
Other technical reserves	15	**1,460**	572
End-of-service indemnities	18	**5,934**	5,808
Zakat and income tax	23	**15,498**	10,698
Accrued commission income payable to SAMA		**3,492**	2,318
TOTAL LIABILITIES		**195,795**	174,572
SHAREHOLDERS' EQUITY			
Share capital	24	**300,000**	100,000
Accumulated losses		**(150,860)**	(44,708)
TOTAL SHAREHOLDERS' EQUITY		**149,140**	55,292
Re-measurement reserve of end-of-service indemnities – related to insurance operations		**224**	774
TOTAL EQUITY		**149,364**	56,066
TOTAL LIABILITIES AND EQUITY		**345,159**	230,638
COMMITMENTS AND CONTINGENCIES	16	**12,545**	13,045

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

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

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018 (restated)
		SAR '000	
REVENUES			
Gross premiums written		**154,028**	138,244
Excess of loss expenses – foreign		**-**	(22,358)
Net premiums written		**154,028**	115,886
Changes in unearned premiums, net	19	**(55,582)**	128,039
Net premiums earned	15	**98,446**	243,925
TOTAL REVENUES		**98,446**	243,925
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**139,694**	289,273
Reinsurer share of claims paid		**(6,933)**	(28,021)
Net claims paid		**132,761**	261,252
Changes in outstanding claims, net	19	**(18,154)**	4,009
Changes in claims incurred but not reported, net	19	**4,559**	530
Net claims incurred		**119,166**	265,791
Premium deficiency reserve	19	**15,504**	1,831
Other technical reserves	19	**888**	85
Policy acquisition costs		**4,451**	14,779
Other underwriting expenses		**3,413**	4,369
TOTAL UNDERWRITING COSTS AND EXPENSES		**143,422**	286,855
NET UNDERWRITING LOSS		**(44,976)**	(42,930)

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

STATEMENT OF INCOME – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		SAR '000	
OTHER OPERATING (EXPENSES) / INCOME			
(Allowance for) / release of doubtful debts	7, 8	**(9,962)**	122
General and administrative expenses	29	**(53,882)**	(52,968)
Commission income on deposits		**6,666**	3,849
Unrealized gain on investments		**802**	92
TOTAL OTHER OPERATING EXPENSES		**(56,376)**	(48,905)
Net loss for the year		**(101,352)**	(91,835)
Net income attributed to the insurance operations		**-**	-
Net loss for the year attributable to the shareholders before zakat		**(101,352)**	(91,835)
Zakat for the year		**(4,800)**	(2,400)
Net loss for the year		**(106,152)**	(94,235)
Loss per share (Expressed in SAR per share)			
Weighted average number of ordinary shares outstanding (in thousands)		**29,411**	15,673
Basic and diluted loss per share for the year (SR) – restated – 2018	28	**(3.61)**	(6.01)

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		SAR '000	
Net loss for the year		**(106,152)**	(94,235)
Other comprehensive income / (loss)			
Items that will not be reclassified to statements of income in subsequent years			
Actuarial (loss) / gain on defined indemnities obligation – related to Insurance operations		**(550)**	774
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(106,702)**	(93,461)

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Related to shareholders'				
2019	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of end-of-service indemnities – related to insurance operations	Total equity
			SAR '000		
Balance as at 31 December 2018	100,000	(44,708)	55,292	774	56,066
Total comprehensive loss for the year					
Net loss for the year	-	(106,152)	(106,152)	-	**(106,152)**
Other comprehensive income	-	-	-	(550)	**(550)**
Total comprehensive loss for the year	-	(106,152)	(106,152)	(550)	**(106,702)**
Increasing of share capital (note 24)	200,000	-	200,000	-	**200,000**
Balance as at 31 December 2019	**300,000**	**(150,860)**	**149,140**	**224**	**149,364**

Chairman

Chief Financial Officer

Chief Executive Officer

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Related to shareholders'				
2018	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of end-of-service indemnities – related to insurance operations	Total equity
	SAR '000				
Balance as at 31 December 2017	200,000	(45,072)	154,928	-	154,928
Total comprehensive loss for the year					
Net loss for the year	-	(94,235)	(94,235)	-	(94,235)
Other comprehensive income	-	-	-	774	774
Total comprehensive loss for the year	-	(94,235)	(94,235)	774	(93,461)
Reduction of share capital (note 24)	(100,000)	100,000	-	-	-
Transaction cost	-	(5,401)	(5,401)	-	(5,401)
Balance as at 31 December 2018	100,000	(44,708)	55,292	774	56,066

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		**(101,352)**	(91,835)
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**959**	801
Amortization of intangible assets	11	**808**	942
Allowance for / (release of) doubtful debts	7, 8	**9,962**	(122)
Unrealized gain on investments	9	**(655)**	(57)
Amortization of discount – net	9	**(147)**	(35)
Provision for end-of-service indemnities	18	**1,159**	2,834
		(89,266)	(87,472)
Changes in operating assets and liabilities:			
Premiums receivable		**(34,392)**	97,583
Reinsurer balance receivable		**(5,995)**	-
Reinsurer share of outstanding claims		**4,823**	(5,857)
Reinsurer share of claims incurred but not reported		**2,009**	(1,305)
Reinsurer share of premium deficiency reserve		**610**	(610)
Deferred policy acquisition costs		**(1,816)**	7,889
Prepaid expenses and other assets		**406**	13,346
Accrued and other liabilities		**(34,875)**	48,098
Reinsurer balance payable		**(939)**	66
Unearned premiums		**55,582**	(128,039)
Outstanding claims		**(22,977)**	9,866
Claims incurred but not reported		**2,550**	1,835
Premium deficiency reserve		**14,894**	2,441
Other technical reserves		**888**	85
Net cash used in operating activities		**(108,498)**	(42,074)
End-of-service indemnities paid		**(1,583)**	(459)
Net cash flows used in operating activities		**(110,081)**	(42,533)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		**(64,453)**	-
Proceeds from sale of investments		**5,000**	21,886
Proceeds from maturity of short-term murabaha deposits		**6,846**	51,981
Increase in Statutory deposit		**(15,000)**	-
Purchase of property and equipment		**(905)**	(1,317)
Purchase of intangible assets		**(753)**	(707)
Net cash flows (used in) / from investing activities		**(69,265)**	71,843
CASH FLOWS FROM FINCING ACTIVITIES			
Issuance of right shares	24	**200,000**	-
Transaction costs		**-**	(5,401)
Net cash flows from / (used in) financing activities		**200,000**	(5,401)
Net change in cash and cash equivalents		**20,654**	23,909
Cash and cash equivalents, beginning of the year		**56,721**	32,812
Cash and cash equivalents, end of the year		**77,375**	56,721

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

1.GENERAL

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

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

Following is the branch of the Company:

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

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

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

2. BASIS OF PREPARATION

(a) Basis of preparation

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 32 to the financial statements

The financial statements are prepared under the going concern basis (note 4) and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value. The Company's statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, statutory deposit, end-of-service indemnities, all other assets and liabilities are of short-term nature, unless, stated otherwise.

2. BASIS OF PREPARATION – (continued)

(a) Basis of preparation – (continued)

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

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

Shareholders	90%
Policyholders	10%
	100%

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

The statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 64 to 70 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

2. BASIS OF PREPARATION – (continued)

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending December 31.

(d) Critical accounting judgments, estimates and assumptions

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

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

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are 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, Expected Loss Ratio Method and Cape Cod Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2. BASIS OF PREPARATION – (continued)

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

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

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

iv) Deferred tax
Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2019 since the Company does not anticipate availability of future taxable profit to utilize any tax credits.

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

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

(e) Seasonality of operations
There are no seasonal changes that may affect insurance operations of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company for the preparation of these financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2018 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim condensed statement of changes in shareholders' equity for the period.

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

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

Standard/ Amendments	***Description***
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014 – 2016 cycle.

IFRS 16 - Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognises 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 optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has assessed the impact and concludes that the relevant new standard and interpretations applicable to the Company did not have any significant impact on these financial statements. Lease agreement is not falling under qualified lease. Thus, no right of use has been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

Change in accounting for Zakat and income tax

As mentioned in note 2, the basis of preparation has changed as a result of the issuance of Circular by SAMA, dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity under retained earnings as per the SAMA Circular No. 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, Zakat and income tax shall be recognized in the statement of income.

The Company amended its accounting policy relating to zakat and have started to apply International Accounting Standard – Income Taxes ("IAS 12") and IFRIC 21 – Levies so far as these relate to Zakat. The Company has accounted for this change in the accounting policy relating to zakat retrospectively (see note 2) and the effects of the above change are disclosed in note 31 to the financial statements. The change has resulted in reduction of reported income for the year ended December 2018 by SR 2.4 million. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

Deferred tax

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

Deferred tax is charged or credited in the statement of income, except in the case of items credited or charged to other comprehensive income/equity in which case it is included in other comprehensive income/equity.

Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2019 since the Company does not anticipate availability of future taxable profit to utilize any tax credits.

The deferred tax liability has not been recorded since there are no temporary taxable differences.

Employees-end-of-service benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

Standard/ Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 17	Insurance Contracts (note below)	1 January 2022
IFRS 9	Financial Instruments	Refer below

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:

A) embedded derivatives, if they meet certain specified criteria;
B) distinct investment components; and
C) 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;

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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;

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

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

Effective date

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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	Company is still assessing Financial Impact
Data Impact / IT Systems	▪ New chart of accounts to be developed for PAA/ GMM. ▪ Actuarial and accounting data will be needed at more granular level. ▪ Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM. ▪ Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment. ▪ Identification of key inputs for onerous contracts test as well as defining 'facts and circumstance' for PAA contracts. ▪ Calculation and tracking of contractual service margin. ▪ Calculation of coverage period of risk attaching reinsurance contract.
Process Impact	▪ Finance, actuarial, underwriting and IT processes to be built suitable for IFRS 17 together with new set of controls and governance framework. ▪ New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources. ▪ Setting up new accounting policies each suitable for measurement model and technical decisions for each area. ▪ Monitor terms and conditions attaching to insurance and reinsurance contracts. ▪ New expense allocation process, acquisition costs, claims settlement costs and underwriting costs to be put in place to identify profitability at a contract level. ▪ For recognition, advance premium receipts to be compared to contract receipt date. ▪ Cash receipts for premiums need to be tracked at policy level. ▪ System to track coverage period for future products need to be put in place.
Impact on RI Arrangements	▪ Insurance contract liabilities / assets is required to be reported gross of reinsurance and a separate reinsurance asset / liability shall be reported. ▪ The cash flows (after factoring any expected credit loss) shall be reported gross (before reinsurance) and undiscounted. ▪ Cancellation clauses to be reviewed to assess the impact on measurement models relevant for these contracts.
Impact on Policies & Control Frameworks	▪ New Steering committee for IFRS 17 needs to be put in place ▪ Project plan for design and implementation to be set at activities level

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

a) <u>Classification and measurement:</u>

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:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- 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:

- 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
- 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) <u>Impairment:</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

IFRS 9 – Financial Instruments (continued)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

IFRS 9 - Financial Instruments (continued)

Impact assessment

As at 31 December 2019, the Company has total financial assets (including insurance receivables / reinsurance recoverable) and insurance related assets amounting to SR 323.835 million and SR 48.982 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 311.055 million (2018: SR 202.920 million). Fair value of unit linked investments held at fair value through statement of income as at 31 December 2019 is SR Nil million (2018: SR Nil million). Other financial assets consist of available for sale investments amounting to SR Nil million (2018: SR Nil million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Other financial assets have a fair value of SR 12.780 million as at 31 December 2019 with a fair value change during the year of SR 0.655 million. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 27. The Company financial assets have low credit risk as at 31 December 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.

assets have low credit risk as at 31 December 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.

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

i. Insurance contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

ii. Revenue Recognition

Recognition of premium

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

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

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for Medical insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

Investment income

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

Dividend income

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

iii. Claims

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iv. Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 4(b) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer 4(n). Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

v. Deferred policy acquisition costs

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

vi. Liability adequacy test

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

3. SIGNIFICANT ACCOUNTING POLICIES - (continued)

vii. Receivables

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

viii. Investments

i. Available-for-sale investments

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

Reclassification:

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any

3. SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

Reclassification (continued):

previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the Effective Interest Rate "EIR". If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iii. Held to maturity

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

Reclassification:

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

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

iv. De-recognition of financial instruments

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

v. Offsetting

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

vi. Trade date accounting

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vii. Impairment of financial assets

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

Evidence of impairment may include:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vii. Impairment of financial assets (continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

viii. Property and Equipment

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

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

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

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

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

ix. Intangible assets

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

Software	4
Licenses	4

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

x. Impairment of non-financial assets

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

xi. Employees' end-of-service benefits

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

xii. Zakat and income tax

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

Change in accounting for Zakat and income tax

As mentioned in note 2, the basis of preparation has changed as a result of the issuance of Circular by SAMA, dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity under retained earnings as per the SAMA Circular No. 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, Zakat and income tax shall be recognized in the statement of income.

The Company amended its accounting policy relating to zakat and have started to apply International Accounting Standard – Income Taxes ("IAS 12") and IFRIC 21 – Levies so far as these relate to Zakat. The Company has accounted for this change in the accounting policy relating to zakat retrospectively (see note 2) and the effects of the above change are disclosed in note 31 to the financial statements. The change has resulted in reduction of reported income for the year ended 31 December 2018 by SR 2.4 million. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xiii. Deferred Tax

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

xiv. Dividend distribution

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

xv. Cash and cash equivalents

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

xvi. Cash flow statement

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

xvii. Foreign currencies

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

xviii. Operating segments

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

- Medical - coverage for health insurance.

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

xix. Statutory reserves

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xx. Fair values

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

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

xxi. Accounts payable and accruals

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

xxii. Provisions

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

xxiii. Provision for outstanding claims

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

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

4. GOING CONCERN

On 8 May 2018, the Company announced on Tadawul that as on 31 March 2018, the Company's accumulated losses reached 74.5% of its share capital. Further, on 10 June 2018, in an Extraordinary General Assembly Meeting, it was resolved to reduce the Company's share capital from SR 200 million to SR 100 million. Accordingly, the Company absorbed SR 100 million of accumulated losses against its share capital of 10 million shares. As of 30 June 2018 and 30 September 2018, Company's accumulated losses represents 26.19% and 23.08% of the share capital, respectively.

On 27 May 2018, the Company received a letter from SAMA regarding non-compliance with the solvency requirement. As at 31 December 2018, the Company is not in full compliance with Article 66 of SAMA Insurance Implementing Regulations in relation to its solvency requirements. Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and update SAMA weekly on the progress. The Company has submitted the report as received from independent consultant to SAMA regarding the improvement in solvency requirement.

On 18 July 2018, the Company received a letter from SAMA indicating issues concerning the risk assessment procedures, corporate governance, contingency planning and internal control environment among other things. Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and to provide final report from the consultant to SAMA within 60 working days from the date of the original letter. The Company has taken necessary actions to comply with SAMA's letter and has appointed the consultant to report on deficiencies in risk assessment procedures, corporate governance and other related matters. On 18 October 2018, the Company has submitted the report as received from consultant to SAMA.

On 12 December 2018, in an extra ordinary general meeting, the shareholders' approved to increase the share capital by SR 200 million through right issue. On 24 December 2018, the right issue procedures had finalized and the Company received the increased share capital on 16 January 2019. On 24 January 2019, the Company received a letter from SAMA uplifting the suspension on underwriting business.

As at 31 December 2019, the Company's accumulated losses reached 50.29% of its share capital (31 December 2018: 44.71%).

These conditions raised uncertainty on the Company's ability to continue as a going concern. However, Subsequent to the year-end, as mentioned in note 27 on 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company appointed a Financial Advisor to initiate the reduction process. As of the date of approval of these financial statements, the Company is in the process of obtaining approval from the regulatory authorities amongst meeting other legal formalities. The management considered the financial position and is satisfied that the going concern basis of preparation of the financial statements is appropriate. Accordingly, the financial statements has been prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	2019	2018
	SAR'000	
Bank balances and cash	**14,590**	16,484
	14,590	16,484

	Shareholders' operations	
	2019	2018
	SAR'000	
Bank balances and cash	**18**	21
Deposits maturing within 3 months from the acquisition date	**62,767**	40,216
	62,785	40,237
TOTAL	**77,375**	56,721

6. MURABAHA DEPOSITS

Murabaha deposits represents deposits with local bank that have investment grade credit ratings and have an original maturity of more than three months but less than a year, amounting to SR 76,036 thousand (2018: SR 82,882 thousand), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia. As of 31 December 2019, the deposit carrying commission rates ranges from 1.9% to 3.1% (31 December 2018: the deposit carrying commission rates ranges from 2.4% to 3.3%).

7. PREMIUMS RECEIVABLE – NET

Premium receivables comprise amounts due from the following:

	2019	2018
	SAR'000	
Policyholders	**44,929**	16,635
Brokers and agents	**12,472**	15,211
Related parties (note 22)	**10,748**	1,911
	68,149	33,757
Provision for doubtful receivables	**(23,290)**	(16,328)
Premiums receivable – net	**44,859**	17,429

Note: Premium balances receivable from brokers and agents at 31 December 2019 amounting to SAR 12.4 million (31 December 2018: SAR 15.2 million) are ultimately due from customers that are insured through brokers and agents.

7. PREMIUMS RECEIVABLE – NET - (continued)

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

	2019	2018
	SR'000	
Balance at the beginning of the year	**16,328**	16,469
Release / (provision) during the year	**6,962**	(122)
Write-offs during the year	**-**	(19)
Balance at the end of the year	**23,290**	16,328

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

	Up to three months	**Above three and up to six months**	**Above six and up to twelve months**	**Above twelve months**	**Total**
			SR'000		
31 December 2019	**21,755**	**15,520**	**7,584**	**-**	**44,859**
31 December 2018	1,193	1,262	10,794	4,180	17,429

Balances up to three months are considered neither past due nor impaired. Balances above three months are past due but not impaired. Unimpaired receivables are expected, on the basis of experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.
In respect of premium receivables, ten major customers account for 32.8% of the balance as at 31 December 2019 (31 December 2018: 19.3%).

8. REINSURER BALANCE RECEIVABLE

Reinsurer receivable comprise amounts due from the following:

	2019	2018
	SAR'000	
Gross receivable / (payable)	**5,995**	(939)
Provision for doubtful receivables	**(3,000)**	**-**
Reinsurer receivable – net	**2,995**	(939)

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

	2019	2018
	SAR'000	
Balance at the beginning of the year	**-**	-
Provision during the year	**3,000**	-
Balance at the end of the year	**3,000**	-

9. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	2019	2018
	SAR'000	
- Held as FVSI	**12,780**	7,695
- Held to maturity	**60,170**	5,000
	72,950	12,695

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

	Shareholders' operations	
	2019	2018
	SAR'000	
Opening balance	**7,695**	7,638
Purchases during the year	**4,430**	-
Changes in fair value of investments	**655**	57
Closing balance	**12,780**	7,695

	2019	2018
	SR'000	
Saudi Aramco	**4,878**	-
Al Badr Murabaha Fund	**7,200**	7,044
Saudi Fransi GCC IPO Fund	**702**	651
	12,780	7,695

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	2019	2018
	SAR'000	
Opening balance	**5,000**	26,851
Placement during the year	**60,023**	-
Matured during the year	**(5,000)**	(21,886)
Amortization of held to maturity investments	**147**	35
Closing balance	**60,170**	5,000

10. DEFERRED POLICY ACQUISITION COST

Insurance operations	**2019**	2018
	SAR'000	
Balance at the beginning of the year	**1,035**	8,924
Paid during the year	**6,267**	6,890
Amortised during the year	**(4,451)**	(14,779)
Balance at the end of the year	**2,851**	1,035

11. INTANGIBLES ASSETS

	2019	2018
	SR'000	
Insurance Operations		
Cost:		
Balance at the beginning of the year	**22,058**	21,351
Additions during the year	**753**	707
Balance at the end of the year	**22,811**	22,058
Amortization:		
Balance at the beginning of the year	**20,897**	19,955
Charge for the year	**808**	942
Balance at the end of the year	**21,705**	20,897
Net book value as at 31 December	**1,106**	1,161

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

12. PROPERTY AND EQUIPMENT

Insurance Operations	***Leasehold improvements***	***Computer equipment***	***Motor vehicles***	***Furniture fittings and office equipment***	***Total***
			SR'000		
Cost:					
At 1 January 2018	4,405	8,993	449	2,566	16,413
Additions during the year	287	964	-	66	1,317
At 31 December 2018	4,692	9,957	449	2,632	17,730
Additions during the year	-	905	-	-	905
At 31 December 2019	**4,692**	**10,862**	**449**	**2,632**	**18,635**
Accumulated depreciation:					
At 01 January 2018	4,156	8,588	163	1,576	14,483
Charge for the year	187	329	68	217	801
At 31 December 2018	4,343	8,917	231	1,793	15,284
Charge for the year	177	503	66	213	959
At 31 December 2019	**4,520**	**9,420**	**297**	**2,006**	**16,243**
Net book value as at 31 December 2019	**172**	**1,442**	**152**	**626**	**2,392**
Net book value as at 31 December 2018	349	1,040	218	839	2,446

13. PREPAID EXPENSES AND OTHER ASSETS

	2019	2018
	SR'000	
Insurance Operations		
Prepayments	**1,619**	1,624
Advances to suppliers	**2,921**	2,557
VAT Receivable	**4,023**	6,532
Others	**4,090**	3,549
	12,653	14,262
Shareholders' Operations	***2019***	*2018*
	SR'000	
Accrued income	**2,322**	1,069
Prepaid expenses	**-**	50
	2,322	1,119
Total	**14,975**	15,381

14. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 30 million (31 December 2018: SR 30 million), in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. On 16 January 2019, the Company has increased its share capital by SR 200 million and on 25 April 2019 placed an additional deposit amounting to SR 15 million. Therefore, the statutory deposit reached to SR 45 million equivalent to 15% of its paid up share capital.

15. TECHNICAL RESERVES

15.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2019	2018
	SAR'000	
Outstanding claims	**21,431**	44,408
Claims Incurred but not reported	**18,493**	15,943
	39,924	60,351
Premium deficiency reserve	**17,335**	2,441
Other technical reserves	**1,460**	572
	58,719	63,364
Less:		
- Reinsurer share of outstanding claims	**(1,034)**	(5,857)
- Reinsurer share of claims incurred but not reported	**(94)**	(2,103)
- Reinsurer share of premium deficiency reserve	**-**	(610)
	(1,128)	(8,570)
Net outstanding claims and reserves	**57,591**	54,794

15. TECHNICAL RESERVES – (continued)

15.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

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

	2018		
	Gross	Reinsurance	Net
		SAR'000	
Balance as at the beginning of the year	148,377	-	148,377
Premium written during the year	138,244	(22,358)	115,886
Premium earned during the year	(266,283)	22,358	(243,925)
Balance as at the end of the year	20,338	-	20,338

16. COMMITMENTS AND CONTINGENCIES

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

	2019	2018
	SAR'000	
Letters of guarantee	**12,545**	13,045
Total	**12,545**	13,045

b. There were no capital commitments outstanding as at 31 December 2019 (31 December 2018: Nil).

c. As at 31 December 2019, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2018: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT) (see note 21), which is secured against the Company Murabaha deposit of SR 14 million (31 December 2018: SR 14 million) with Saudi Arabian British Bank.

17. ACCRUED AND OTHER LIABILITIES

	2019	*2018*
	SR'000	
Payable to medical providers	**15,947**	53,361
Payable to suppliers	**924**	557
Inspection and supervision fees	**653**	119
Accrued expenses	**11,868**	4,639
Other liabilities	**6,840**	12,431
Total	**36,232**	71,107

18. END OF SERVICE IMDEMNITIES

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

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

	2019	2018
	SAR'000	
Present value of defined benefit obligation	**5,934**	5,808
	5,934	5,808

18.2 Movement of defined indemnities obligation

	2019	2018
	SAR'000	
Opening balance	**5,808**	4,207
Charge to statement of income	**1,159**	2,834
Charge to statement of other comprehensive income	**550**	(774)
Payment of benefits during the year	**(1,583)**	(459)
Closing balance	**5,934**	5,808

18.3 Reconciliation of present value of defined indemnities obligation

	2019	2018
	SAR'000	
Opening balance	**5,808**	4,207
Current service costs	**1,159**	2,834
Actuarial loss from experience adjustments	**550**	(774)
Benefits paid during the year	**(1,583)**	(459)
	5,934	5,808

18. END OF SERVICE IMDEMNITIES – (continued)

18.4 Principal actuarial assumptions

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

	2019	2018
Valuation discount rate	**4.6%**	5%
Expected rate of increase in salary level across different age bands	**4%**	4%

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

Valuation discount rate	**2019**	2018
	SAR'000	
- Increase by 1%	**(687)**	(629)
- Decrease by 1%	**822**	752
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**819**	752
- Decrease by 1%	**(696)**	(641)

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

	2019	2018
Valuation Discount rate		
Increase by 1%	**(5,248)**	(5,178)
Decreased by 1%	**6,756**	6,560
Expected rate of increase in salary level across different age bands		
Increase by 1%	**(6,752)**	(6,560)
Decreased by 1%	**(5,238)**	(5,167)
Mortality rate		
Increase by 20%	**(5,933)**	(5,807)
Decreased by 20%	**(5,935)**	(5,809)
Withdrawal Rate		
Increase by 20%	**(5,750)**	(5,649)
Decreased by 20%	**(6,110)**	(5,957)

19. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES

	2019			2018		
	Gross	**Due from reinsurers**	**Net**	Gross	Due from reinsurers	Net
		SR '000			SR '000	
Outstanding claims	**44,408**	**(5,857)**	**38,551**	34,542		34,542
Claims Incurred but not reported	**15,943**	**(2,103)**	**13,840**	14,108	(798)	13,310
Premium deficiency reserve	**2,441**	**(610)**	**1,831**	-	-	-
Other technical reserves	**572**	**-**	**572**	487	-	487
Balance – 1 January	**63,364**	**(8,570)**	**54,794**	49,137	(798)	48,339
Claim paid	**(139,694)**	**6,933**	**(132,761)**	(289,273)	28,021	(261,252)
Claims incurred	**119,267**	**(101)**	**119,166**	300,974	(35,183)	265,791
Premium deficiency reserve	**14,894**	**610**	**15,504**	2,441	(610)	1,831
Other technical reserves	**888**	**-**	**888**	85	-	85
Balance – 31 December	**58,719**	**(1,128)**	**57,591**	63,364	(8,570)	54,794
Outstanding claims	**21,431**	**(1,034)**	**20,397**	44,408	(5,857)	38,551
Claims Incurred but not reported	**18,493**	**(94)**	**18,399**	15,943	(2,103)	13,840
Premium deficiency reserve	**17,335**	**-**	**17,335**	2,441	(610)	1,831
Other technical reserves	**1,460**	**-**	**1,460**	572	-	572
Total	**58,719**	**(1,128)**	**57,591**	63,364	(8,570)	54,794

Claims Triangulation Analysis by accident year

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

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

Claims Triangulation Analysis by accident year (continued)

2019 Accident year	2016	2017	2018	2019	Total
SR '000					
Gross estimate of ultimate claims costs:					
At the end of accident year	69,009	131,513	257,415	93,496	93,496
One year later	70,596	177,450	282,091	-	282,091
Two years later	70,591	178,482	-	-	178,482
Three years later	70,750	-	-	-	70,750
Current estimate of cumulative claims	70,750	178,482	282,091	93,496	624,819
Cumulative payments to date	(70,750)	(178,482)	(271,053)	(64,610)	-584,895
Liability recognised in statement of financial position	-	-	11,038	28,886	39,924

2019 Accident year	2016	2017	2018	2019	Total
SR '000					
Net estimate of ultimate claims costs:					
At the end of accident year	36,776	117,396	233,159	91,859	91,859
One year later	39,019	150,598	259,122	-	259,122
Two years later	38,159	151,563	-	-	151,563
Three years later	38,287	-	-	-	38,287
Current estimate of cumulative claims	38,287	151,563	259,122	91,859	540,831
Cumulative payments to date	-38,287	-151,563	-248,985	-63,200	-502,035
Liability recognised in statement of financial position	-	-	10,137	28,659	38,796

20. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

b. Carrying amounts and fair value

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

20. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
			SAR'000		
31 December 2018					
Financial assets measured at fair value					
- Investments held as FVSI	7,695	7,695	-	-	7,695
	7,695	7,695	-	-	7,695
Financial assets not measured at fair value					
- Held to maturity investments	5,000	-	5,008	-	5,008
- Murabaha deposits	82,882	-	-	83,724	83,724
	87,882	-	5,008	83,724	88,732

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

21. OPERATING SEGMENTS

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

22. TRANSACTIONS WITH RELATED PARTIES

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

	Nature of transactions	**Transactions for year ended**		**Balance receivable / (payable) as at**	
		31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
		SAR'000			
Major shareholders					
Munich Re	Reinsurance ceded	**-**	**-**	-	-
Claims paid	Claims recovered	**-**	**-**	-	-
Other recoveries	Other recoveries	**-**	**-**	**-**	1,587
Entities controlled, jointly controlled or significantly influenced by related parties					
Related parties of Juffali Group – (affiliates)	Insurance premium written	**2,209**	2,627	**1,231**	1,911
	Office rent	**-**	-	**-**	-
	Claims paid	**7,497**	3,716	**-**	-
	Purchase of computer equipment, licenses, vehicles and other services	**421**	27	**-**	-
	Commission paid	**132**	332	**-**	-
Related parties of Dr. Soliman Fakeeh Group– (affiliates)	Insurance premium written	**20,725**	-	**9,517**	-
	Claims paid	**4,353**	8,941	**(5,430)**	(5,611)
Related parties of International Medical Center	Claims paid	**2,204**	8,052	**(1,381)**	(6,211)

22. TRANSACTIONS WITH RELATED PARTIES (continued)

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

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the year ended 31 December 2019 and 2018:

	2019	2018
Top management executives	**SAR'000**	
Salaries and other allowances	**3,346**	4,074
End of service indemnities	**125**	151
	3,471	4,225

	2019	2018
Board and committees	**SAR'000**	
Board and committees remuneration and fees	**1,392**	9
	1,392	9

23. ZAKAT AND INCOME TAX

a. Charge for the year

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

Movements in provision during the year	**2019**	2018
	SAR'000	
Balance at the beginning of the year	**10,698**	**8,298**
Charge for the year	**4,800**	**2,400**
Balance at the end of the year	**15,498**	**10,698**

As the Company has incurred a loss during the year ended 31 December 2019, and in previous years, no provision has been established in respect of income tax in these financial statements.

23. ZAKAT AND INCOME TAX (continued)

b. Status of zakat assessments

The Company has filed its Zakat and income tax return for the first twelve month year ended 30 June 2012 with the General Authority of Zakat and Tax (“GAZT”). The Company has also filed its Zakat and income tax return for the long year from 8 February 2012 to 31 December 2013 and for the years from 2014 to 2018 and obtained restricted zakat certificates.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. The Company has filed an appeal against such assessment. The Company submitted an appeal against the GAZT treatment and is confident of a favourable outcome.

During 2017, the Company filed an appeal to the Appellate Committee for Zakat and Tax Appeal (“ACZTA”) against the Preliminary Objection Committee’s (“POC”) decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

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

24. SHARE CAPITAL

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

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

25. STATUTORY RESERVE

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

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

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

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

The Company is in compliance with all the externally imposed Capital requirements with sound solvency margin. The Capital structure of the Company as at 31 December 2019 consists of paid up share Capital of SR 300 million (31 December 2018: SR 100 million) and accumulated loses of SAR 150.86 million (31 December 2018: SR 44.71 million) in the statement of financial position.

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

27. SUBSEQUENT EVENT

Subsequent to the year-end, on 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company announced on Tadawul the reduction of share capital and appointed a Financial Advisor to initiate the reduction process. As of the date of approval of these financial statements, the Company is in the process of obtaining approval from the regulatory authorities amongst others legal formalities.

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

28. LOSS PER SHARE

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

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

	2019	2018
	SAR’000	
Issued ordinary shares as at 01 January	**10,000**	**10,000**
Effect of bonus element of right share issue	**-**	**5,673**
Effect of right share issue	**19,411**	**-**
Balance at the end of the year	**29,411**	**15,673**

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

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

	2019	2018 (restated)
	SAR’000	
Net loss for the year (note 32)	**(106,152)**	**(94,235)**
Weighted average number of ordinary shares	**29,411**	**15,673**
Basic and diluted loss per share (SR) – Restated	**(3.61)**	**(6.01)**

29. GENERAL AND ADMINISTRATIVE EXPENSES

Insurance Operations	***2019***	*2018*
	SAR'000	
Employee costs	**35,312**	39,536
Depreciation (note 12)	**959**	801
Amortization (note 11)	**808**	942
Rent expenses	**4,645**	160
Legal and professional fees	**2,206**	1,696
Repair and maintenance costs	**2,925**	2,460
Marketing expenses	**95**	435
Other expenses	**3,254**	3,739
	50,204	49,769

Shareholders Operations	***2019***	*2018*
	SAR'000	
Legal and professional fees	**463**	2,106
Investment related expenses	**328**	235
Subscriptions	**1,083**	415
Committee fees	**1,392**	10
Others	**412**	433
	3,678	3,199
Total	**53,882**	52,968

30. RISK MANAGEMENT

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

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

Risk management structure

Board of Directors

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

30. RISK MANAGEMENT– (continued)

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

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

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

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

Geographical concentration of risks
Since the Company operates in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.
Independent actuarial review of claims and claims reserves
In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.
Key assumptions
The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors

30. RISK MANAGEMENT– (continued)

such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position.

Process used to decide on assumptions

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

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

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

Sensitivities

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

	Change in assumptions	**Impact on net loss for the year** *SR' 000*
Ultimate loss ratio – Insurance Operations		
Year ended 31 December 2019	**± 5%**	**± 4,922**
Year ended 31 December 2018	± 5%	± 12,196

30. RISK MANAGEMENT– (continued)

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

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

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

The credit risk exposure in respect of reinsurer's share of outstanding claims, incurred but not reported claims and premium deficiency reserves is SR 1,128 thousand (31 December 2018: SR 8,570 thousand).

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

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

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

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

	2019	2018
	SR'000	SR'000
Minimum regulatory capital	**100,000**	**100,000**

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

- The Company's risk management policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are

30. RISK MANAGEMENT– (continued)

reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

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

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

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

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Shareholders' Operations are exposed to market risk with respect to their FVIS investments. A 5% change in the fair value of FVIS investments, with all other variables held constant, would impact the Shareholders' Operations by SR 639 thousands (2018: SR 385 thousands).

Commission rate risk

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

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

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

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

30. RISK MANAGEMENT– (continued)

Shareholder's Operations

	Less than 3 months	*3 months to 1 year*	*Above 1 year*	*No fixed maturity*	*Total*
2019			*SR '000*		
Murabaha deposits	**62,767**	**76,036**	**-**	**-**	**138,803**
Investments held to maturity	**-**	**-**	**60,170**	**-**	**60,170**
	62,767	**76,036**	**60,170**	**-**	**198,973**
2018					
Murabaha deposits	40,215	82,882	-	-	123,097
Investments held to maturity	-	-	5,000	-	5,000
	40,215	82,882	5,000	-	128,097

The insurance operations did not have any commission bearing assets as at 31 December 2019 and 2018. The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

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

	2019	*2018*
Shareholder's Operations		
Saudi Arabian Riyal denominated Murabaha deposits	**2.91%**	2.37%
Investments held to maturity	**3.62%**	2.24%

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

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

Market risk (continued)

	2019	*2018*
Shareholder's Operations	***SR'000***	
Increase in commission rates by 100 basis points	**1,990**	**1,281**
Decrease in commission rates by 100 basis points	**(1,990)**	**(1,281)**

30. RISK MANAGEMENT– (continued)

Foreign currency risk

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

Credit risk

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

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

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

	2019	2018
	SR'000	
Insurance Operations		
Cash at banks (note 5)	**14,590**	16,484
Premium receivable, net (note 7)	**44,859**	17,429
Reinsurers' receivable	**2,995**	-
Reinsurer's share of outstanding claims	**1,034**	5,857
Reinsurer's share of IBNR	**94**	2,103
Reinsurer's share of premium deficiency reserve	**-**	610
Amount due from shareholders' operations	**93,217**	96,298
Other receivables	**185**	185
	156,974	138,966

	2019	2018
	SR'000	
Shareholders' Operations		
Cash and cash equivalents (note 5)	**62,785**	40,237
Murabaha deposits (note 6)	**76,036**	82,882
Investments held to maturity	**60,170**	5,000
Statutory deposit	**40,000**	30,000
Other receivables	**5,814**	3,437
	244,805	161,556

30. RISK MANAGEMENT– (continued)

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

Insurance operations' financial assets

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
		SR' 000		
Cash and cash equivalents	**14,572**	**-**	**-**	**14,572**
Premiums receivable, net	**-**	**36,376**	**8,483**	**44,859**
Reinsurers' receivable	**-**	**2,995**	**-**	**2,995**
Reinsurance share of outstanding claims	**-**	**1,034**	**-**	**1,034**
Reinsurance share of incurred but not reported claims	**-**	**94**	**-**	**94**
Amount due from shareholders' operations	**-**	**93,217**	**-**	**93,217**
Other receivables	**-**	**185**	**-**	**185**
As at 31 December 2019	**14,572**	**133,901**	**8,483**	**156,956**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	16,454	-	-	16,454
Premiums receivable, net	-	2,189	15,240	17,429
Reinsurance share of outstanding claims	-	5,857	-	5,857
Reinsurance share of incurred but not reported claims	-	2,107	-	2,107
Reinsurance share of premium deficiency reserves	-	610	-	610
Amount due from shareholders' operations	-	96,298	-	96,298
Other receivables	-	185	-	185
As at 31 December 2018	16,454	107,246	15,240	138,940

30. RISK MANAGEMENT– (continued)

Shareholders' operations' financial assets

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

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
			SR' 000	
Cash and cash equivalents	40,237	-	-	40,237
Investments	5,000	-	-	5,000
Other receivables	-	3,437	-	3,437
Statutory deposit	30,000	-	-	30,000
As at 31 December 2018	75,237	3,437	-	78,674

Liquidity risk

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

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

Maturity profiles

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

30. RISK MANAGEMENT– (continued)

	2019			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
	SR' 000			
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims , IBNR, PDR and other technical reserves	**58,718**	**-**	**-**	**58,718**
Reinsurance balances payable	**-**	**-**	**-**	**-**
Accrued expenses and other liabilities	**34,994**	**-**	**5,934**	**40,928**
	93,712	**-**	**5,934**	**99,646**
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	**4,730**	**-**	**-**	**4,730**
	4,730	**-**	**-**	**4,730**
TOTAL FINANCIAL LIABILITIES	**98,442**	**-**	**5,934**	**104,376**

	2018			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
	SR' 000			
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims and other technical reserves	63,364	-	-	63,364
Reinsurance balances payable	939	-	-	939
Accrued expenses and other liabilities	66,462	-	5,808	72,270
	130,765	-	5,808	136,573
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	6,963	-	-	6,963
	6,963	-	-	6,963
TOTAL FINANCIAL LIABILITIES	137,728	-	5,808	143,536

Liquidity profile

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

30. RISK MANAGEMENT– (continued)

Operational Risk

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

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

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

31. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	31 December 2019			31 December 2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
ASSETS						
Cash and cash equivalents	14,590	62,785	**77,375**	16,484	40,237	56,721
Short term murabaha deposits	-	76,036	**76,036**	-	82,882	82,882
Premiums receivable – net	44,859	-	**44,859**	17,429	-	17,429
Reinsurers' balances receivable	2,995	-	**2,995**	-	-	-
Reinsurers' share of outstanding claims	1,034	-	**1,034**	5,857	-	5,857
Reinsurers' share of claims incurred but not reported	94	-	**94**	2,103	-	2,103
Reinsurers' share of premium deficiency reserve	-	-	-	610	-	610
Deferred policy acquisition costs	2,851	-	**2,851**	1,035	-	1,035
Investments	-	72,950	**72,950**	-	12,695	12,695
Due from shareholders' operations	93,217	-	**93,217**	96,298	-	96,298
Prepaid expenses and other assets	12,653	2,322	**14,975**	14,262	1,119	15,381
Property and equipment	2,392	-	**2,392**	2,446	-	2,446
Intangible assets	1,106	-	**1,106**	1,161	-	1,161
Statutory deposit	-	45,000	**45,000**	-	30,000	30,000
Accrued income on statutory deposit	-	3,492	**3,492**	-	2,318	2,318
	175,791	262,585	**438,376**	157,685	169,251	326,936
Less: Inter-operations eliminations	(93,217)	-	**(93,217)**	(96,298)	-	(96,298)
TOTAL ASSETS	**82,574**	**262,585**	**345,159**	61,387	169,251	230,638

31. SUPPLEMENTARY INFORMATION (continued)

a) Statement of financial position – (continued)

	31 December 2019			31 December 2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
LIABILITIES						
Accrued and other liabilities	34,994	1,238	**36,232**	66,462	4,645	71,107
Reinsurers' balances payable	-	-	-	939	-	939
Unearned premiums	75,920	-	**75,920**	20,338	-	20,338
Outstanding claims	21,431	-	**21,431**	44,408	-	44,408
Claims incurred but not reported	18,493	-	**18,493**	15,943	-	15,943
Premium deficiency reserve	17,335	-	**17,335**	2,441	-	2,441
Other technical reserves	1,460	-	**1,460**	572	-	572
Due to insurance operations	-	93,217	**93,217**	-	96,298	96,298
End-of-service indemnities	5,934	-	**5,934**	5,808	-	5,808
Zakat and income tax	-	15,498	**15,498**	-	10,698	10,698
Accrued commission income payable to SAMA	-	3,492	**3,492**	-	2,318	2,318
	175,567	**113,445**	**289,012**	156,911	113,959	270,870
Less: Inter-operations eliminations	-	(93,217)	**(93,217)**	-	(96,298)	(96,298)
TOTAL LIABILITIES	**175,567**	**20,228**	**195,795**	156,911	17,661	174,572
SHAREHOLDERS' EQUITY						
Share capital	-	300,000	**300,000**	-	100,000	100,000
Accumulated losses	-	(150,860)	**(150,860)**	-	(44,708)	(44,708)
TOTAL SHAREHOLDERS' EQUITY	-	149,140	**149,140**	-	55,292	55,292
Re-measurement reserve of defined indemnities obligation	224	-	**224**	774	-	774
	224	-	**224**	774	-	56,066
TOTAL LIABILITIES ' AND EQUITY	**175,791**	**169,368**	**345,159**	157,685	72,953	230,638
COMMITMENTS AND CONTINGENCIES	-	**12,545**	**12,545**	500	12,545	13,045

31. SUPPLEMENTARY INFORMATION (continued)

b) Statement of income – (continued)

For the year ended 31 December	2019			2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
REVENUES						
Gross premiums written:						
- Individual	1,423	-	1,423	375	-	375
- Micro enterprises	2,381	-	2,381	1,743	-	1,743
- Small enterprises	19,082	-	19,082	19,085	-	19,085
- Medium enterprises	47,418	-	47,418	39,997	-	39,997
- Large enterprises	83,724	-	83,724	77,044	-	77,044
Total gross premiums written	154,028	-	**154,028**	138,244	-	138,244
Reinsurance premiums ceded – foreign	-	-	**-**	-	-	-
Excess of loss expenses – foreign	-	-	**-**	(22,358)	-	(22,358)
Net premiums written	154,028	-	**154,028**	115,886	-	115,886
Changes in unearned premiums, net	(55,582)	-	**(55,582)**	128,039	-	128,039
Net premiums earned	98,446	-	**98,446**	243,925	-	243,925
TOTAL REVENUES	98,446	-	**98,446**	243,925	-	243,925
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	139,694	-	**139,694**	289,273	-	289,273
Reinsurers' share of claims paid	(6,933)	-	**(6,933)**	(28,021)	-	(28,021)
Net claims	132,761	-	**132,761**	261,252	-	261,252
Changes in outstanding claims	(18,154)		**(18,154)**	4,009		4,009
Changes in claims incurred but not reported	4,559	-	**4,559**	530	-	530
Net claims incurred	119,166	-	**119,166**	265,791	-	265,791
Premium deficiency reserve	15,504	-	**15,504**	1,831	-	1,831
Other technical reserves	888	-	**888**	85	-	85
Policy acquisition costs	4,451	-	**4,451**	14,779	-	14,779
Other underwriting expenses	3,413	-	**3,413**	4,369	-	4,369
TOTAL UNDERWRITING COSTS AND EXPENSES	143,422	-	**143,422**	286,855	-	286,855
NET UNDERWRITING (LOSS)	(44,976)	-	**(44,976)**	(42,930)	-	(42,930)

31. SUPPLEMENTARY INFORMATION (continued)

c) Statement of income – (continued)

For the year ended 31 December	2019			2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SAR '000					
OTHER OPERATING (EXPENSES) / INCOME						
(allowance for) / Release of doubtful debts	(9,962)	-	**(9,962)**	122	-	122
General and administrative expenses	(50,204)	(3,678)	**(53,882)**	(49,769)	(3,199)	(52,968)
Commission income on deposits	-	6,666	**6,666**	-	3,849	3,849
Unrealized gain on investments	-	802	**802**	-	92	92
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(60,166)	3,790	**(56,376)**	(49,647)	742	(48,905)
NET (LOSS) FOR THE YEAR	(105,142)	3,790	**(101,353)**	(92,577)	742	(91,835)
Net Income attributed to the insurance operations	-	-	**-**	-	-	-
Net (loss) / income for the year attributed to shareholders' operations	(105,142)	3,790	**(101,352)**	(92,577)	742	(91,835)
Zakat expense	-	(4,800)	(4,800)	-	(2,400)	(2,400)
Net (loss) for the period	(105,142)	(1,010)	**(106,152)**	(92,577)	(1,658)	(94,235)
Loss per share (SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)	**-**		**29,411**	**-**		15,673
Basic and diluted loss per share for the year (SR) – restated – 2018	-		**(3.61)**	-		(6.01)

31. SUPPLEMENTARY INFORMATION (continued)

d) statement of comprehensive income

For the year ended 31 December	**2019**			2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	-	**(106,152)**	**(106,152)**	-	(94,235)	(94,235)
Other comprehensive income / (loss)	-	-	**-**	-	-	-
Actuarial (gain) / loss on define indemnities obligation	**(550)**	-	**(550)**	774	-	774
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	**(550)**	**(106,152)**	**(106,702)**	774	(94,235)	(93,461)

31. SUPPLEMENTARY INFORMATION (continued)

e) Statement of cash flows

	2019			2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) for the year	-	(101,352)	**(101,352)**	-	(91,835)	(91,835)
Adjustments for non-cash items:						
Depreciation of property and equipment	959	-	959	801	-	801
Amortization of intangible assets	808	-	808	942	-	942
Gain on sale of property and equipment	-	-	-	-	-	-
Allowance for doubtful debts	9,962	-	**9962**	(122)	-	(122)
Unrealized gain on investments	-	(655)	**(655)**	-	(57)	(57)
Amortization of discount – net	-	(147)	**(147)**	-	(35)	(35)
Provision for end-of-service indemnities	1,159	-	**1,159**	2,834	-	2,834
	12,888	(102,154)	**(89,266)**	4,455	(91,927)	(87,472)
Changes in operating assets and liabilities:						
Premiums receivable	(34,392)	-	**(34,392)**	97,583	-	97,583
Reinsurers' balance receivable	(5,995)	-	**(5,995)**	-	-	-
Reinsurers' share of unearned premiums	-	-	**-**	-	-	-
Reinsurers' share of outstanding claims	4,823	-	**4,823**	(5,857)	-	(5,857)
Reinsurers' share of IBNR	2,009	-	**2,009**	(1,305)	-	(1,305)
Reinsurers' share of PDR	610	-	**610**	(610)	-	(610)
Deferred policy acquisition costs	(1,816)	-	**(1,816)**	7,889	-	7,889
Prepaid expenses and other assets	1,609	(1,203)	**406**	13,544	(198)	13,346
Accrued and other liabilities	(31,468)	(3,407)	**(34,875)**	43,720	4,378	48,098
Reinsurers' balances payable	(939)	-	**(939)**	66	-	66
Unearned premiums	55,582	-	**55,582**	(128,039)	-	(128,039)
Outstanding claims	(22,977)	-	**(22,977)**	9,866	-	9,866
Claims incurred but not reported	2,550	-	**2,550**	1,835	-	1,835
Premium deficiency reserve	14,894	-	**14,894**	2,441	-	2,441
Other technical reserves	888	-	**888**	85	-	85
Due to Insurance Operations	-	(3,081)	**(3,081)**	-	59,095	59,095
Due from Shareholders' Operations	3,081	-	**3,081**	(59,095)	-	(59,095)
Cash (used in) / from operating activities	1,347	(109,845)	**(108,498)**	(13,422)	(28,652)	(42,074)
End-of-service indemnities paid	(1,583)	-	**(1,583)**	(459)	-	(459)
Zakat paid	-	-	**-**	-	-	-
Net cash flows (used in) operating activities	(236)	(109,845)	**(110,081)**	(13,881)	(28,652)	(42,533)

31. SUPPLEMENTARY INFORMATION (continued)

Statement of cash flows – (continued)

	2019			2018		
	Insurance operations	**Share-holders' operations**	**Tsotal**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	(64,453)	**(64,453)**	-	-	-
Proceeds from sale of investments	-	5,000	**5,000**	-	21,886	21,886
Placement of short term murabaha deposits	-	-	**-**	-	-	-
Proceeds from maturing of short term murabaha deposits	-	6,846	**6,846**	-	51,981	51,981
Increase in Statutory deposit	-	(15,000)	**(15,000)**	-	-	-
Purchase of property and equipment	(905)	-	**(905)**	(1,317)	-	(1,317)
Purchase of intangible assets	(753)	-	**(753)**	(707)	-	(707)
Net cash flows (used in) investing activities	(1,658)	(67,607)	**(69,265)**	(2,024)	73,867	71,843
CASH FLOWS FROM FINANCING ACTIVITIES						
Right shares issued	-	200,000	**200,000**	-	-	-
Transaction cost	-	-	**-**	-	(5,401)	(5,401)
Net cash flows from / (used in) financing activities	-	200,000	**200,000**	-	(5,401)	(5,401)
Net change in cash and cash equivalents	(1,894)	22,548	**20,654**	(15,905)	39,814	23,909
Cash and cash equivalents, beginning of the year	16,484	40,237	**56,721**	32,389	423	32,812
Cash and cash equivalents, end of the year	14,590	62,785	**77,375**	16,484	40,237	56,721

32. COMPARITIVE FIGURES

A). Zakat

As mentioned under note 2, the basis of preparation has changed as a result of the issuance on the new Circular by SAMA. The change in the accounting treatment for Zakat (as explained in note 3) has the following impact on the line items of the statements of income, comprehensive income and changes in shareholders' equity:

As at and for the year ended 31 December 2018:

Account	***Financial statement impacted***	***Balance previously reported***	***Effect of restatement***	***Balance restated***
		SR'000	***SR'000***	***SR'000***
Zakat	Statement of income	-	(2,400)	(2,400)
Net income for the year	Statement of income	(91,835)	(2,400)	(94,235)
Zakat	Statement of changes in Shareholders' equity	(2,400)	2,400	-
Total comprehensive income for the year	Statements of comprehensive Income and changes in Shareholders' equity	(91,835)	(2,400)	(94,235)
Loss per share for the year (SR)	Statement of income	(5.86)	(0.15)	(6.01)

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

33. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

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

- As discussed in note 2 to these financial statements, previously statement of financial position, statement of income, and cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level statement of financial position, statement of income and statement of cash flows.
- The amounts "due to / from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 28 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 28 (b)).

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 20 Rajab 1441H, corresponding to 15 March 2020.