MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS ANDINDEPENDENT AUDITORS' REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

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INDEPENDENT AUDITORS' REPORT
To the Shareholders of
MALATH COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Malath Cooperative Insurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 28, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Independent auditors' report (continued)

Key Audit Matters (continued)

Valuation of insurance contract liabilities	
Key audit matter	***How the matter was addressed in our audit***
As at 31 December 2019, outstanding claims including claims incurred but not reported (IBNR) and other technical reserves amounted to Saudi Riyals 339 million as reported in Note 7 to the financial statements. The estimation of 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 the reporting date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on 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 as the valuation of insurance contract liabilities require the use of significant judgment and estimates. *Refer to notes 2 and 3 to the financial statements which explain significant accounting policies, the valuation methodology used by the Company and critical judgements and estimates*	We performed the following procedures: - Understood, evaluated and tested key controls around the claims handling and provision setting processes. - Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. - Performed substantive tests on the amounts recorded for a sample of claims notified and paid: including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. - Obtained 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 management's expert in estimating the IBNR by comparing it to the accounting and other records. - Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following: i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for significant differences. ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. - Assessed the adequacy and appropriateness of the related disclosure in the financial statements.

BDO تكتور محمد العمري وشركاه Dr. Mohamed Al-Amri & Co. PKF Ibrahim Ahmed Al-Bassam & Co Certified Public Accountants - Al-Bassam & Co. (member firm of PKF International)

Independent auditors' report (continued)

Other information
Management is responsible for the other information. Other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, in particular the Audit Committee, are responsible for overseeing the Company's financial reporting process.

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

As part of an audit in accordance with ISAs 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 the 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Dr. Mohamed Al-Amri & Co.

Ibrahim Ahmed Al-Bassam & Co

Independent auditor's report (continued)

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

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

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

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

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

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 Dr. Mohamed Al-Amri & Co.
P. O. Box 8736
Riyadh 11492
Kingdom of Saudi Arabia

Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362

For Al-Bassam & Co.
P.O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337

Riyadh, on 21 Rajab 1441 (H)
Corresponding to: 16 March 2020 (G)

C.R 1010385804
Al-Bassam & Co

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019	2018
		SR (000)	
ASSETS			
Cash and cash equivalents	4	**170,270**	114,143
Murabaha deposits	5	**640,000**	678,349
Premiums and reinsurers' receivable - net	6	**183,834**	162,966
Reinsurers' share of unearned premiums	7b	**17,538**	19,190
Reinsurers' share of outstanding claims	7a	**122,227**	67,855
Reinsurers' share of claims incurred but not reported	7a	**25,476**	17,878
Deferred policy acquisition costs	7d	**27,331**	21,058
Deferred excess of loss premiums		**496**	1,088
Available-for-sale investments	8	**36,187**	35,621
Prepayments and other assets	9	**41,748**	31,040
Property and equipment	10	**3,338**	3,834
Statutory deposit	11	**75,000**	75,000
Accrued commission income on statutory deposit	11	**8,124**	5,505
TOTAL ASSETS		**1,351,569**	1,233,527

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2019

	Note	2019	2018
		SR (000)	
LIABILITIES			
Policyholders claims payable		**41,046**	54,313
Accrued and other liabilities	12	**87,100**	93,469
Reinsurance balances payable		**11,248**	5,266
Unearned premiums	7b	**348,546**	267,020
Unearned reinsurance commission	7c	**4,801**	4,469
Outstanding claims	7a	**140,569**	35,039
Claims incurred but not reported (IBNR)	7a	**177,894**	236,506
Additional premium reserve	7a	**17,314**	15,612
Other technical reserves	7a	**3,605**	12,697
Due to related parties	20	**2**	165
Employees' end-of-service benefits	13	**14,850**	13,852
Accumulated surplus		**8,821**	9,657
Provision for zakat	14	**32,220**	29,866
Accrued commission income payable to SAMA	11	**8,124**	5,505
TOTAL LIABILITIES		**896,140**	783,436
EQUITY			
Share capital	15	**500,000**	500,000
Statutory reserve	16	**2,131**	2,131
Accumulated losses		**(42,296)**	(47,478)
Fair value reserve for available-for-sale investments		**634**	(231)
Re-measurement reserve of defined benefit obligation		**(5,040)**	(4,331)
TOTAL EQUITY		**455,429**	450,091
TOTAL LIABILITIES AND EQUITY		**1,351,569**	1,233,527

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CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME

For the year ended 31 December 2019

	Note	2019	2018 (Restated)
		SR (000)	
REVENUES			
Gross premiums written	7b	835,236	729,076
Reinsurance premiums ceded			
- Local		(5,310)	(3,894)
- International (includes premium ceded through local broker)		(65,110)	(65,824)
		(70,420)	(69,718)
Excess of loss expenses		(17,278)	(20,508)
Net premiums written		747,538	638,850
Movement in unearned premiums, net		(83,178)	(47,500)
Net premiums earned	7b	664,360	591,350
Reinsurance commissions	7c	17,786	15,736
Other underwriting income		2,694	5,835
NET REVENUES		684,840	612,921
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(558,429)	(606,774)
Reinsurers' share of claims paid		29,217	82,624
Net claims paid		(529,212)	(524,150)
Movement in outstanding claims, net		(51,158)	31,062
Movement in IBNR, net		66,210	90,671
Movement in additional premium reserve		(1,702)	(5,098)
Movement in other technical reserve		9,092	2,530
Net claims incurred		(506,770)	(404,985)
Policy acquisition costs	7d	(71,602)	(77,336)
TOTAL UNDERWRITING COSTS AND EXPENSES		(578,372)	(482,321)
NET UNDERWRITING INCOME		106,468	130,600

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME (continued)
For the year ended 31 December 2019

	Note	2019	2018 (Restated)
		SR (000)	
Net underwriting income brought forward		**106,468**	130,600
OTHER INCOME/(EXPENSES)			
Provision for doubtful debts	6	**1,075**	(11,532)
Salaries and staff related costs	17	**(71,151)**	(71,879)
Other general and administrative expenses	18	**(45,882)**	(46,030)
Investment income		**25,486**	19,660
Other income		**2,185**	-
Reversal of impairment/(impairment loss) on available for sale investments	8	**1,184**	(3,833)
TOTAL OTHER INCOME/(EXPENSES)		**(87,103)**	(113,614)
Net income for the year		**19,365**	16,986
Net income attributed to insurance operations		**(1,000)**	(1,356)
Net income for the year attributable to shareholders before zakat		**18,365**	15,630
Zakat charge for the year (Restated)	14 & 26	**(13,183)**	(13,000)
Net income for the year attributable to shareholders (Restated)		**5,182**	2,630
Earnings per share	19		
Basic and diluted earnings per share (Saudi Riyals) (Restated)		**0.10**	0.05
Weighted average number of shares in issue throughout the year (thousands)		**50,000**	50,000

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018 (Restated)
	SR (000)	
Net income for the year attributable to shareholders (Restated)	**5,182**	2,630
Other comprehensive income:		
Items that may be reclassified to statements of income in subsequent years		
-Change in fair value of available-for-sale investments, net	**865**	(231)
Items that will not be reclassified to statements of income in subsequent years		
-Re-measurement loss on defined benefit plan	**(709)**	(2,774)
Total comprehensive income / (loss) for the year attributable to shareholders	**5,338**	(375)
Net income attributable to insurance operations	**1,000**	1,356
Other comprehensive income	**-**	-
Total comprehensive income attributable to insurance operations	**1,000**	1,356
Total comprehensive income for the year	**6,338**	981

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	Statutory reserve	Accumulated losses	Fair value reserve for available-for-sale investments	Re-measurement loss on defined benefit obligation	Total equity
				(SR 000)		
Balance at 01 January 2019	**500,000**	**2,131**	**(47,478)**	**(231)**	**(4,331)**	**450,091**
Net income for the year	-	-	**5,182**	-	-	**5,182**
Realized gain on disposal of available-for-sale investments, net	-	-	-	**865**	-	**865**
Remeasurement loss on defined benefit plan	-	-	-	-	**(709)**	**(709)**
Other comprehensive income	-	-	-	**865**	**(709)**	**156**
Total comprehensive income	-	-	**5,182**	**865**	**(709)**	**5,338**
Balance at 31 December 2019	**500,000**	**2,131**	**(42,296)**	**634**	**(5,040)**	**455,429**
Balance at 01 January 2018	500,000	2,131	(50,108)	-	(1,557)	450,466
Net income for the year (Restated)	-	-	2,630	-	-	2,630
Realized gain on disposal of available-for-sale investments, net	-	-	-	(231)	-	(231)
Remeasurement loss on defined benefit plan	-	-	-	-	(2,774)	(2,774)
Other comprehensive income	-	-	-	(231)	(2,774)	(3,005)
Total comprehensive income	-	-	2,630	(231)	(2,774)	(375)
Balance at 31 December 2018	500,000	2,131	(47,478)	(231)	(4,331)	450,091

CHIEF FINANCIAL OFFICER CHIEF EXECUTIVE OFFICER DIRECTOR

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019	2018
		SR (000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Total income for the year before zakat		19,365	16,986
Adjustments for non-cash items:			
Depreciation of property and equipment	10	1,881	2,134
(Reversal of impairment)/impairment on available for sale investments	8	(1,185)	3,833
Loss on disposal of available-for-sale investments		-	102
Provision for employees' end-of-service benefits	13	2,472	2,207
(Reversal)/provision for doubtful debts	6	(1,075)	11,532
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		(19,793)	(69,045)
Reinsurers' share of unearned premiums		1,652	(3,119)
Reinsurers' share of outstanding claims		(54,372)	39,900
Reinsurers' share of claims incurred but not reported		(7,598)	(9,913)
Deferred policy acquisition costs		(6,273)	(3,550)
Deferred excess of loss premiums		592	117
Prepayments and other assets		(10,708)	(9,159)
Policyholders claims payable		(13,267)	13,515
Accrued and other liabilities		(6,652)	(6,543)
Reinsurance balances payable		5,982	(5,021)
Unearned premiums		81,526	50,619
Unearned reinsurance commission		332	476
Outstanding claims		105,530	(70,962)
Claims incurred but not reported		(58,612)	(80,758)
Additional premium reserve		1,702	-
Other technical reserves		(9,092)	2,568
Acumulated surplus		(1,836)	-
Due to related parties		(163)	88
Cash from / (used in) operating activities		30,408	(113,993)
Zakat paid	14	(10,829)	(6,005)
Employees' end-of-service benefits paid	13	(1,900)	(4,128)
Net cash from (used in) operating activities		17,679	(124,126)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in murabaha deposits		38,349	(460,349)
Additions of property and equipment		(1,385)	(796)
Additions of available for sale investments	8	(8,516)	-
Proceed from disposal of available-for-sale investments	8	10,000	664
Net cash from (used in) investing activities		38,448	(460,481)
Net change in cash and cash equivalents		56,127	(584,607)
Cash and cash equivalents at the beginning of the year	4	114,143	698,750
Cash and cash equivalents at the end of the year	4	170,270	114,143
Supplemental non-cash information:			
Change in fair value of available-for-sale investments		865	(231)
Investment return on statutory deposit		2,618	1,387
Fully provided receivables written off		-	17,083
Remeasurement loss on defined benefit obligation		709	2,774

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

The accompanying notes 1 to 28 form an integral part of these financial statements.

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Malath Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/60 and incorporated on 21 Rabi Al-Awal 1428H corresponding to 9 April 2007 under Commercial Registration No. 1010231787. The Company's head office is situated at Mohammad Bin Abdelaziz Street, P.O. Box 99763, Riyadh 11625, and Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and related services in accordance with its by-laws and the applicable regulations in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

Statement of compliance

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

The financial statements of the Company as at 31 December 2018, were prepared in compliance with IFRS, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax).

On 23 July 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 IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat retrospectively by adjusting the impact in line with International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and the effects of this change are disclosed in note 26 to the financial statements.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments and measurement at present value of employees' end-of-service benefit obligations. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Available-for-sale investment, Property and equipment, Statutory deposit, Accrued income on statutory deposit, Employees' end-of-service benefits and Accrued commission income payable to SAMA. All other financial statement line items would generally be classified as current.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 25). 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.

2 BASIS OF PREPARATION (continued)

(a) Basis of presentation and measurement (continued)

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 25 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

(b) Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR), which is also the functional currency of the Company.

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(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.

The estimate and judgments used by management in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2018. 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.

2 BASIS OF PREPARATION (continued)

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

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

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

ii) Impairment of available-for-sale financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair values of the financial assets below its cost. 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.

iii) Impairment of receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms (Refer note 6).

v) Deferred policy acquisition costs

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortized over the related period of policy coverage. 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 in statement of income.

vi) Additional premium reserve

Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented except for and adoption of the amendments to existing standards mentioned below which has no material impact on these financial statements on the current year or prior years and is expected to have an insignificant effect in future years:

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

STANDARD/ INTERPRETATION/ AMENDMENTS	DESCRIPTION	EFFECTIVE FROM PERIODS BEGINNING ON OR AFTER THE FOLLOWING DATE
IFRS 16	Leases	1-Jan-19
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1-Jan-19
Amendments to IAS 19	Plan amendment, Curtailment or Settlement	1-Jan-19
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1-Jan-19
Amendments to IAS 11	Re-measurement of interests in joint operation	1-Jan-19
Amendments to IAS 1	Conceptual clarification	1-Jan-19

The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard regarding lease contracts for which the lease term ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has performed an assessment of IFRS 16 and determined the difference as compared to IAS 17 and IFRC 4 is not material to the Company's financial statements. Other standards/interpretations/amendments do not have any impact on the financial statements of the Company.

b) Standards issued but not yet effective

The Company has chosen not to early adopt the amendments and revisions to the IFRSs, which have been published and are mandatory for compliance for the Company with effect from future dates.

STANDARD/ INTERPRETATION/ AMENDMENTS	DESCRIPTION	EFFECTIVE FROM YEARS BEGINNING ON OR AFTER THE
IFRS 9	Financial Instruments (refer below)	1-Jan-18
IFRS 17	Insurance Contracts (refer below)	1-Jan-21
Amendments to IFRS 10	Sale and	Effective for annual years beginning on or after 1 January 2016. Deferred indefinitely by amendments made in December
Amendments to IAS 12	Dividends recognized in profit and loss	1-Jan-20

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a. IFRS 17 - Insurance Contracts

Overview

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

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

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

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

Measurement

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

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

a) the fulfilment cash flows (FCF), which comprise:
   i. probability-weighted estimates of future cash flows,
   ii. an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and
   iii. a risk adjustment for non-financial risk;
b) the Contractual Service Margin (CSM) - The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is re-measured to be the sum of:

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a. IFRS 17 - Insurance Contracts (continued)

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

i. the entity's share of the changes in the fair value of underlying items
ii. the effect of changes in the time value of money and in 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 remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain 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 intends to apply the Standard on its effective date.

Transition

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

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance, [and investment contracts with discretionary participating features, if applicable] together with amendments to presentation and disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a. IFRS 17 - Insurance Contracts (continued)

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 an initial operational impact gap analysis and currently undergoing through detialed operational and financial impact assessment. Key gaps and their impact are as follows:

Impact area	Summary of impact
Financial impact	The Company is in process to ascertain the financial impact on reported balances of year 2018.
Data impact	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the LFRC, RI contracts held break down into risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17). Further extensive exercise will be carried out to ensure the required data is available.
IT systems impact	Detailed assessment needed of existing systems capabilities for IFRS 17 calculations, storage and reporting and whether new systems/calculation engines should be implemented.
Process impact	The company carried out an operational impact assessment exercise to assess the operational impact of implementing IFRS 17. Since, majority of the company's contracts would be measured under the premium allocation approach, the process impact is expected to be moderate.
Impact on Reinsurance arrangements	Further assessment is needed to confirm measurement approach for reinsurance arrangements where RI gross premium ceded does not automatically qualify for PAA.
Impact on policies and control frameworks	The Company's policies and procedures needs updation to accommodate the changes in the Company's processes and systems related to IFRS 17 implementation. Detailed exercise for the purpose shall be carried out after ascertaining financial and operational gaps assessment.

The Company has started its implementation process and has set up a project team, supervised by Company's CEO. Furthermore, to assess financial and operational impact of IFRS-17, the Company has hired Pricewaterhouse Coopers (PwC) as their consultants.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

2) IFRS 9 – Financial Instruments

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

a) Classification and measurement:

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

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

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

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

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

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

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

b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

c) Hedge accounting:

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

2) IFRS 9 – Financial Instruments (continued)

Effective date

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

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

The Company has performed a detailed assessment beginning February, 2020:

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

Impact assessment

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SR 913 million and SR 377 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 913 million (2018: SR 882 million). Other financial assets consist of available for sale investments amounting to SR 36 million (2018: SR 35 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 excluding available for sale investments have a fair value of SR 25 million as at December 31, 2019 with no fair value change during the year. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 21.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

2) IFRS 9 – Financial Instruments (continued)

The Company financial assets have low credit risk as at December 31, 2019 and 2018. The above is based on high- level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

The significant accounting policies used in preparing these financial statements are set out below have been consistently applied unless otherwise mentioned:

Cash and cash equivalents

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

Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are initially recognised in the statement of financial position at fair value and are subsequently measured at amortised cost using effective interest method, less any impairement in value, whereas deposits with maturities not exceeding three months are reported under cash and cash equivalents.

Premiums and reinsurers' receivable - net

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 "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. Receivable balances are disclosed in note 6 fall under the scope of IFRS-4 "Insurance Contract".

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate as premiums are earned. Amortization is recorded in the statement of income, as policy acquisition costs.

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 financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Where the liability adequacy test requires the adoption of new best estimate's assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Available for sale investments

Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and statement of comprehensive income.

Realized gains or losses on sale of these investments are reported in the statement of comprehensive income. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of income.

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

Fair values of 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. Where the fair value is not readily determinable, such investments are stated at cost less allowance for impairment in value, if any.

Impairment and un-collectibility 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 ass

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

- 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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and un-collectibility 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.

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.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Classification and subsequent measurement

Since the Company does not have financial liabilities classified at Fair value through Profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial instruments

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

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statements of income and comprehensive income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values

The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income as they are consumed or expire with the passage of time.

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. 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:

	Percentages
Leasehold improvements	20%
Computer hardware	25%
Computer software	10%
Furniture and fixtures	10%
Office equipment	20%-25%
Motor vehicle	25%

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

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

Statutory deposit

The statutory deposit, which is equal to 10% of the Company's paid up capital, consisted mainly of murabaha deposit maintained at a local bank in compliance with SAMA requirement.

Accrued and other liabilities

Accrued and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Employees' end-of-service benefits

The Company operates a post-employement end-of-service, defined 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.

Short term employee benefits

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

Retirement benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a state-owned defined contribution plan. The payments made are expensed as incurred.

Zakat and tax

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

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.

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.

Accumulated surplus

In accordance with the Implementing Regulations, the Company is required to distribute 10% of the net annual surplus from the insurance operations to the policyholders and remaining 90% of the surplus is transferred to the shareholders' operations. Any deficiency arising on insurance operations is transferred to the shareholders' operations in full. The distribution of 10% of annual surplus to policyholders are transferred to accumuled surplus which is shown in statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Recognition of premium and commission revenue

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term polices (engineering and marine).

Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Marine - Last three months premium at a reporting date is considered as unearned.
- Engineering - as per the guidelines provided by SAMA, pre-defined calculation for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

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.

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

Investment income

Investment income classified under murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under available-for-sale investments is recognized when the right to receive payment is established.

Claims

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

Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates.

In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported ("IBNR") as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.
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 liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts ceded
Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contract.

The benefits to which the Company is entitled under its reinsurance contracts ceded are recognized as reinsurance assets in the insurance operations' assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

At each financial reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of income. Refer accounting policy for impairment of financial assets.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized as income and 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.

Expense Recognition
Expenses are recognized in statements of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statement of income are

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

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

Dividend distribution
Dividend distribution 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

Segment reporting
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 products and services and has eight reportable operating segments and one non-operating reportable segment as follows:

- Medical insurance provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary insurance provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability insurance provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- General accident insurance provides coverage against accidental death to individual and group of parties under Personal Accident Insurance.
- Others provide coverage for workmen compensation.

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.

Shareholders' Funds is a non-operating segment. Income earned from murabaha deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

4 CASH AND CASH EQUIVALENTS

	2019	2018
	SR (000)	
Insurance operations		
Cash in banks	**48,960**	16,352
Cash on hand	**10**	-
Short term Murabaha deposits	**50,000**	50,000
	98,970	66,352
Shareholders' operations		
Cash in banks	**71,300**	47,791
Total cash and cash equivalent	**170,270**	114,143

Short term Murabaha deposits have original maturity of less than three months. The short term Murabaha deposits are subject to an average commission rate of 1.73% per annum as at 31 December 2019 (31 December 2018: 1.68% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

5 MURABAHA DEPOSITS

	2019	2018
	SR (000)	
Insurance operations		
Short term Murabaha deposits	**360,000**	365,349
Shareholders' operations		
Short term Murabaha deposits	**280,000**	313,000
Total short term Murabaha deposits	**640,000**	678,349

Murabaha deposits have an original maturity year of more than three months from the date of acquisition. These deposits are subject to an average commission rate of 3.24% per annum as at 31 December 2019 (31 December 2018: 3.07% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	31 December 2019	31 December 2018
	SR (000)	
Policyholders	205,100	180,560
Reinsurers	349	299
Insurance companies	4,729	3,113
Agents and brokers	7,030	2,617
Related parties (Refer note 20)	-	10,826
	217,208	197,415
Less:		
Provision for doubtful receivables - policyholders	(33,151)	(34,380)
Provision for doubtful receivables - reinsurers	(223)	(69)
	(33,374)	(34,449)
	183,834	162,966

The movement in the provision for doubtful receivables is as follows:

	2019	2018
	SR (000)	
Balance at the beginning of the year	34,449	40,000
(Reversals) / provision for the year	(1,075)	11,532
Write-off for the year	-	(17,083)
Balance at the end of the year	33,374	34,449

As at 31 December, the aging of receivables were as follows:

2019		Past due but not impaired	Past due and impaired		
	Total	Less than 90 days	91 - 180 days	181 - 360 days	More than 360 days
Policyholders	216,859	174,460	11,918	3,883	26,598
Related parties	-	-	-	-	-
Receivables from reinsurers	349	-	44	9	296
	217,208	174,460	11,962	3,892	26,894
2018					
Policyholders	186,290	98,431	39,099	19,595	29,165
Related parties	10,826	1,367	2,001	7,458	-
Receivables from reinsurers	299	10	-	83	206
	197,415	99,808	41,100	27,136	29,371

7 TECHNICAL RESERVES

a) Outstanding claims and reserves

	2019	2018
	SR (000)	
Gross outstanding claims	172,230	60,548
Less: realizable value of salvage and subrogation	(31,661)	(25,509)
Outstanding claims	140,569	35,039
Claims incurred but not reported	177,894	236,506
Additional premium reserves	17,314	15,612
Other technical reserves	3,605	12,697
	339,382	299,854
Reinsurers' share of outstanding claims	(122,227)	(67,855)
Reinsurers' share of claims incurred but not reported	(25,476)	(17,878)
	(147,703)	(85,733)
Net outstanding claims and reserves	191,679	214,121

b) Unearned premiums

	2019		
	Gross	Reinsurers' share	Net
	SR (000)		
Unearned premiums at beginning of the year	267,020	(19,190)	247,830
Premiums written during the year	835,236	(87,698)	747,538
Premiums earned during the year	(753,710)	89,350	(664,360)
Unearned premiums at end of the year	348,546	(17,538)	331,008

	2018		
	Gross	Reinsurers' share	Net
	SR (000)		
Unearned premiums at beginning of the year	216,401	(16,071)	200,330
Premiums written during the year	729,076	(90,226)	638,850
Premiums earned during the year	(678,457)	87,107	(591,350)
Unearned premiums at end of the year	267,020	(19,190)	247,830

c) Unearned reinsurance commission

	2019	2018
	SR (000)	
Balance at beginning of the year	4,469	3,993
Commission received during the year	18,118	16,212
Commission earned during the year	(17,786)	(15,736)
Balance at end of the year	4,801	4,469

d) Deferred policy acquisition costs

	2019	2018
	SR (000)	
Balance at beginning of the year	21,058	17,508
Incurred during the year	77,875	80,886
Amortized during the year	(71,602)	(77,336)
Balance at end of the year	27,331	21,058

8 AVAILABLE-FOR-SALE INVESTMENTS

	2019	2018
	SR (000)	
Insurance operations		
Unquoted		
NCB Capital- Real Estate Development Fund (note 14)	3,372	3,322
Shareholders' operations		
Quoted		
ARAMCO shares	9,380	-
Unquoted		
TASNEE Sukuk (Matured May 2019)	-	10,000
NCB Capital-Real Estate Development Fund	6,743	6,645
SEDCO Capital-Real Estate Income Fund 2	14,769	13,731
Najm Company for Insurance Services - Shares	1,923	1,923
Ending balance	32,815	32,299
Total available for sale investments (note 20)	36,187	35,621

The fair values of the unquoted mutual funds computed above are based on the latest reported net assets as at the reporting date. An impairment review is performed at each reporting date.

Movement in the investment balance is as follows:

	Quoted Securities	Unquoted Securities	Total
		SR (000)	
Insurance operations			
Balance at 01 January 2019	-	3,322	3,322
Reversal of impairment during the year	-	50	50
Balance at 31 December 2019	-	3,372	3,372
Balance at 01 January 2018	-	4,600	4,600
Impairment during the year	-	(1,278)	(1,278)
Balance at 31 December 2018	-	3,322	3,322
Shareholders' operations			
Balance at 01 January 2019	-	32,299	32,299
Addition during the year	8,516	-	8,516
Disposals during the year	-	(10,000)	(10,000)
Reversal of impairment during the year	-	1,135	1,135
Re-measurement gain during the year	865	-	865
Balance at 31 December 2019	9,381	23,434	32,815
Balance at 1 January 2018	766	35,085	35,851
Disposals during the year	(766)	-	(766)
Impairment of investment during the year	-	(2,555)	(2,555)
Re-measurement loss during the year	-	(231)	(231)
Balance at 31 December 2018	-	32,299	32,299

9 PREPAYMENTS AND OTHER ASSETS

	2019	2018
	SR (000)	
Accrued commission receivable	**17,327**	7,662
Advance settelments	**9,470**	9,400
Prepaid employee benefits and others	**2,879**	2,728
Deferred expenses	**2,851**	5,316
Prepaid rent	**2,478**	2,496
Advance to employees	**1,957**	1,570
Guarantee deposits	**300**	300
Others	**4,486**	1,568
	41,748	31,040

10 PROPERTY AND EQUIPMENT

	2019						
	Leasehold improvements	*Computer hardware*	*Computer software*	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Total 2019*
				SR (000)			
Cost							
1 January	15,752	11,150	3,681	3,848	3,250	84	37,765
Additions	123	1,124	-	1	137		1,385
31 December	15,875	12,274	3,681	3,849	3,387	84	39,150
Accumulated depreciation/amortisation							
1 January	14,123	10,588	2,986	3,226	2,924	84	33,931
Charge for the year	666	485	344	239	147	-	1,881
31 December	14,789	11,073	3,330	3,465	3,071	84	35,812
Net book value:							
31 December	1,086	1,201	351	384	316	-	3,338

	2018						
	Leasehold improvements	*Computer hardware*	*Computer software*	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Total 2018*
				SR (000)			
Cost							
1 January	15,690	11,069	3,345	3,848	2,933	84	36,969
Additions	62	81	336	-	317	-	796
31 December	15,752	11,150	3,681	3,848	3,250	84	37,765
Accumulated depreciation/amortisation							
1 January	13,369	10,028	2,628	2,929	2,759	84	31,797
Charge for the year	754	560	358	297	165	-	2,134
31 December	14,123	10,588	2,986	3,226	2,924	84	33,931
Net book value:							
31 December	1,629	562	695	622	326	-	3,834

11 STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations issued by the Saudi Arabian Monetary Authority (SAMA), the Company has deposited 15 percent (31 December 2018: 15 percent) of its share capital, amounting to SR 75 million (31 December 2018: 75 million), in a bank designated by SAMA. The statutory deposit is maintained with a reputed local bank and can be withdrawn only with the consent of SAMA. The Company is not entitled to receive the investment return on this deposit. This investment return is shown as a separate line item in the Statement of Financial Position.

12 ACCRUED AND OTHER LIABILITIES

	2019	2018
	SR (000)	
Provision for withholding tax on reinsurance payments	**39,379**	33,268
Commission payable	**20,856**	21,006
Accrued vacation allowance	**2,759**	2,563
Accounts payable - GOSI and others	**1,504**	2,299
Accrued SAMA inspection fees	**987**	374
Accrued employees' salaries and other benefits	**806**	721
Accrued professional fees	**630**	618
Accrued CCHI inspection fees	**449**	260
Other liabilities	**19,730**	32,360
	87,100	93,469

13 EMPLOYEES' END-OF-SERVICE BENEFITS

The Company operates a defined benefit plan for its employees based on the prevailing Saudi Labor Law. 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:

	2019	2018
Present value of defined benefit obligation	**14,850**	13,852

Movement of defined benefit obligation

	2019	2018
At the beginning of the year	**13,852**	13,081
Current service cost	**1,936**	1,873
Interest cost	**536**	334
Net benefit expenses	**2,472**	2,207
Benefits paid during the year	**(1,900)**	(4,128)
Actuarial loss from experience adjustments	**426**	2,692
At the end of the year	**14,850**	13,852

Principal actuarial assumptions	**2019**	2018
Valuation discount rate	**3.75%**	3%
Salaray escalation	**5%**	5%

13 EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

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

	2019	2018
	SR (000)	
Discount rate		
- Increase by 50 basis points	**(330)**	(373)
- Decrease by 50 basis points	**347**	391
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**685**	703
- Decrease by 1%	**(638)**	(654)

14 PROVISION FOR ZAKAT

a) Zakat payable

The estimated zakat base of the Company, which is subject to adjustments under Zakat regulations, consists fo the following:

	2019	2018
	SR (000)	
Share capital	**500,000**	500,000
Adjusted income before Zakat	**29,205**	35,953
Property and equipment, net	**(3,338)**	(3,834)
Adjusted available-for-sale investments	**(36,187)**	(25,621)
Statutory deposit	**-**	(75,000)
Accumulated losses	**(142,844)**	(121,106)
Provisionand adjustments	**164,579**	209,608
Estimated Zakat base	**511,415**	520,000

The movement in zakat payable during the year is as follows:

	2019	2018
	SR (000)	
Balance at beginning of the year	**29,866**	22,871
Charge for the year	**13,183**	13,000
Payments during the year	**(10,829)**	(6,005)
Balance at end of the year	**32,220**	29,866

b) Status of assessments

The Company had filed the Zakat return for the years from 2016 to 2018 and received a temporary Zakat certificate. No assessments have been received from General Authority of Zakat and Tax (GAZT) to date in respect of these years.

b) Status of assessments

Zakat years 2007 to 2010: The Company had filed an appeal against the final assessment of GAZT and submitted a letter of guarantee to GAZT for zakat and withholding income tax amounting to SR 31.81 million, which is included in the contingent and committments note (22). During the year 2017, the primary appeal committee issued a report in which certain arguments of the Company were rejected. The Company appealed against this report in Higher Appeal Committee dated 18/10/1438 H, where the decision is pending.

Zakat years 2011 to 2015: The Company has also filed an appeal to the primary appeal committee against the final assessment of Zakat issued by GAZT amounting to SR 8 million the decision is pending.

15 SHARE CAPITAL

As at 31 December 2019 and 31 December 2018, the issued and paid up share capital of the Company amounts to SR 500 million, divided into 50 million ordinary shares of SR 10 each.

16 STATUTORY RESERVE

In accordance with the Company's By-Laws and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital and such transfer is only made at year end. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

17 SALARIES AND STAFF RELATED COSTS

	2019	2018
	SR (000)	
Basic salaries	35,961	35,866
Housing allowances	8,547	8,642
Staff bonus	5,304	5,500
Transportation allowances	3,592	3,638
Insurance	4,803	4,741
End-of-service benefits (note 13)	2,472	2,207
Social security charges	3,643	3,600
Others	6,829	7,685
	71,151	71,879

18 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	SR (000)	
Inspection fees	8,029	5,464
Withholding tax	6,786	5,228
Occupancy charges	5,900	6,287
Advertisement and promotion	5,270	1,723
IT expenses	4,540	5,676
Professional fees	2,888	4,439
Depreciation expense (note 10)	1,881	2,134
Office supplies	471	2,065
Communication expenses	974	931
Training and development	911	405
Others	8,232	11,678
	45,882	46,030

19 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year have been calculated by dividing the total net income for the year by the weighted average number of shares in issue throughout the year.

The basic and diluted earning per share are as follows:

	For the year ended 31 December	
	2019	2018 (Restated)
Basic and diluted earnings per share (Saudi Riyals)	0.10	0.05
Weighted average number of shares throughout the year	50,000	50,000

20 RELATED PARTY TRANSACTIONS AND BALANCES

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 mutually agreed and are approved by the Company's management.

	For the year ended	
	2019	2018
Gross premiums written to companies related to the members of Board of Directors (BOD)	-	209,717
Gross premiums received from BOD members	-	47
Gross claims paid to companies related to BOD	-	80,851
Gross claims paid to BOD members	-	1
Board of Directors' and committees meeting fees	333	441
Net reinsurance premium paid to a reinsurance brokerage firm related to a BOD member	-	188
Bonus paid to Board of Directors	1,850	1,725

Balances due from / (to) related parties comprise the following:

	2019	2018
	SR (000)	
Premiums receivable from companies related to BOD members	-	10,826
Net reinsurance balance payable to a reinsurance brokerage firm related to a BOD member	-	(151)
Claims payable to companies owned by BOD members	(2)	(14)

Remuneration and compensation of BOD and key management personnel:

2019	**Board members (Non-executives)**	**Key management personnel including CEO and CFO**
	SR (000)	
Salaries and compensation	**-**	**5,868**
Allowances	**-**	**-**
Annual remuneration	**1,850**	**592**
End of service indemnities	**-**	**318**
	1,850	**6,778**

2018	Board members (Non-executives)	Key management personnel including CEO and CFO
	SR (000)	
Salaries and compensation	-	5,938
Allowances	399	-
Annual remuneration	1,725	679
End of service indemnities	-	290
	2,124	6,907

21 RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

Risk Governance

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

a. Risk management structure - a cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.
b. Board of directors - the apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined
c. Senior management - the senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Concentration of insurance risk

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

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

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

Sources of uncertainty in estimation of future claim payments

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

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

Process used to decide on assumptions

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

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

21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Process used to decide on assumptions (continued)

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

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

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

Sensitivity analysis

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact net underwriting

	Change in assumptions	Increase/ (decrease) in net liabilities	Increase/ (decrease) in underwriting surplus
Ultimate loss ratio			
2019	**+/- 10%**	**66,436**	**66,436**
2018	+/- 10%	59,135	59,135

21 RISK MANAGEMENT (continued)

b) Reinsurance risk

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

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

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

- Minimum acceptable credit rating by recognized rating agencies that is not lowerthan BBB or equivalent
- Reputation of particular reinsurance companies
- Existing or past business relationship with the reinsurer.

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

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

c) 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 investment in Sukuk.

The Company have murabaha deposits and investment in Sukuk which are realisable within 3 months up to 3 years, 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 limits commission rate risk by monitoring changes in commission rates in the currencies in which its its deposits are denominated. The Company had no deposits in currencies other than Saudi Riyal.

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

	2019	2018
	SR (000)	
Increase/(decrease) in commission rates by 100 basis points	**6,400**	7,283

d) Credit risk

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

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

a. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial
b. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
c. Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

21 RISK MANAGEMENT (continued)

d) Credit risk (continued)

The Company does not have an internal credit ratings assessment process, and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

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

	2019	2018
	SR (000)	
Cash and cash equivalents	**170,270**	114,143
Murabaha deposits	**640,000**	678,349
Premiums and reinsurers' receivable - net	**183,834**	162,966
Reinsurers' share of outstanding claims and reserves	**122,227**	67,855
Available-for-sale investments	**36,187**	35,621
Statutory deposit	**75,000**	75,000
Other assets	**19,584**	9,532
	1,247,102	1,143,466

Credit quality

The credit quality of the financial assets is as follows:

Credit quality	* Credit Rating	2019	2018
Cash and cash equivalents			
Satisfactory	BBB+	170,270	114,143
Murabaha deposits			
Satisfactory	BBB+	640,000	678,349
Investments			
Satisfactory	A3 - Baa3	-	-
Unrated	Unrated	36,187	35,621
		36,187	35,621

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

21 RISK MANAGEMENT (continued)

e) Liquidity risk and maturity profiles

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity Profiles

The table below summarizes the maturity profile of financial assets and financial liabilities of the Company based on remaining contractual obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	2019 SR (000)			2018 SR (000)		
FINANCIAL ASSETS	Less than one year	No term	Total	Less than one year	No term	Total
Cash and cash equivalents	170,270	-	170,270	114,143	-	114,143
Murabaha deposits	640,000	-	640,000	678,349	-	678,349
Premiums and reinsurers' receivable - net	183,834	-	183,834	162,966	-	162,966
Reinsurers' share of unearned premiums	17,538	-	17,538	19,190	-	19,190
Reinsurers' share of outstanding claims	122,227	-	122,227	67,855	-	67,855
Reinsurers' share of claims incurred but not reported	25,476	-	25,476	17,878	-	17,878
Deferred policy acquisition costs	27,331	-	27,331	21,058	-	21,058
Deferred excess of loss premiums	496	-	496	1,088	-	1,088
Available-for-sale investments	-	36,187	36,187	-	35,621	35,621
Statutory deposit	-	75,000	75,000	-	75,000	75,000
Accrued commission income on statutory deposit	-	8,124	8,124	-	5,505	5,505
Other assets	45,086	-	45,086	34,874	-	34,874
	1,232,258	119,311	1,351,569	1,117,401	116,126	1,233,527
FINANCIAL LIABILITIES						
Policyholders claims payable	41,046	-	41,046	54,313	-	54,313
Accrued and other liabilities	87,100	-	87,100	93,469	-	93,469
Reinsurance balances payable	11,248	-	11,248	5,266	-	5,266
Outstanding claims and reserves	339,382	-	339,382	299,854	-	299,854
Employees' end-of-service benefits	-	14,850	14,850	-	13,852	13,852
Provision for zakat	32,220	-	32,220	29,866	-	29,866
	510,996	14,850	525,846	482,768	13,852	496,620

21 RISK MANAGEMENT (continued)

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyals.

g) Market price risk

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

The Company has investment in unquoted equity instruments carried at cost, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of changes in equity will be impacted.

Sensitivity analysis

The sensitivity of the comprehensive income on the assumed changes in the market prices of quoted available-for-sale investments included in the assets for the year ended 31 December 2019 and 2018 is set out below:

2019		2018	
Change in market price	***Impact +/-***	*Change in market price*	*Impact +/-*
+ / - 5%	**426**	+ / - 5%	-
+ / - 10%	**852**	+ / - 10%	-

h) Capital management

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

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

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

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

21 RISK MANAGEMENT (continued)

i) Regulatory framework risk

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

Fair value of financial instruments

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

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities,

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable), and

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The following table summarizes the financial assets recorded at fair value as of 31 December 2019 and 2018 by level of the fair value hierarchy.

As at 31 December 2019

	Carrying value	Level 1	Level 2	Level 3	Total
			SR (000)		
Financial assets:					
Insurance operations					
Available-for-sale investments					
Mutual Funds	3,372	-	3,372	-	3,372
Shareholders' operations					
Available-for-sale investments					
Equity securities	11,303	9,380	-	1,923	11,303
Mutual Funds	21,512	-	21,512	-	21,512
	36,187	9,380	24,884	1,923	36,187

As at 30 December 2018 (Audited)

	Carrying value	Level 1	Level 2	Level 3	Total
			SR (000)		
Financial assets:					
Insurance operations					
Available-for-sale investments					
Mutual Funds	3,322	-	3,322	-	3,322
Shareholders' operations					
Available-for-sale investments					
Equity securities	1,923	-	1,923	-	1,923
Mutual Funds	20,376	-	20,376	-	20,376
Sukuk	10,000	-	10,000	-	10,000
	35,621	-	35,621	-	35,621

The fair values of other financial assets and liabilities, not included in the table above, are not materially different from the carrying values included in the financial statements.

21 RISK MANAGEMENT (continued)

j) 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 behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its 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.

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

22 COMMITMENTS AND CONTINGENCIES

a. Legal proceedings and regulations

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

b. Contingent liabilities

The Company's contingent liabilities are as follows:

	2019	2018
	SR (000)	
Letters of guarantee	48,027	44,512

Letter of guarantees include amount of SR 31.81 million for GAZT, refer note 14. Rest of the letter of guarantees are bank guarantees acquired for various tenders. The Company does not foresee any uncertainity invloved regarding these bank guarantees.

23 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include income from investments, income from Murabaha deposits, other income, general and administrative expenses, and provision for doubtful debts.

Segment results do not include commission on short-term Murabaha deposits. Segment assets do not include insurance operations' cash and cash equivalents, short-term Murabaha deposits, available for sale investments, receivables, prepaid expenses and other assets and property and equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include reinsurers' balances payable, policyholders claims payable, accrued expenses and other liabilities, accumulated surplus and due to related parties. Accordingly, they are included in unallocated liabilities.

23 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2019				
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Total**
			SR (000)		
Revenues					
Gross premiums written					
-Individuals	-	120,084	669	-	120,753
-Very small enterprises	2,472	1,840	100	-	4,412
-Small enterprises	18,431	5,345	1,630	-	25,406
-Medium enterprises	37,951	8,671	21,034	-	67,656
-Corporates	202,910	353,458	60,641	-	617,009
	261,764	489,398	84,074	-	835,236
Reinsurance premiums ceded					
- Local	-	-	(5,310)	-	(5,310)
- International	-	-	(65,110)	-	(65,110)
	-	-	(70,420)	-	(70,420)
Excess of loss expenses	(4,833)	(9,912)	(2,533)	-	(17,278)
Net premiums written	256,931	479,486	11,121	-	747,538
Movement in unearned premiums, net	(4,936)	(77,898)	(344)	-	(83,178)
Net premiums earned	251,995	401,588	10,777	-	664,360
Reinsurance commissions	-	-	17,786	-	17,786
Other underwriting income	123	2,522	49	-	2,694
Net revenues	252,118	404,110	28,612	-	684,840
Underwriting costs and expenses					
Gross claims paid	(188,132)	(349,610)	(20,687)	-	(558,429)
Reinsurers' share of claims paid	5,295	5,701	18,221	-	29,217
Net claims paid	(182,837)	(343,909)	(2,466)	-	(529,212)
Movement in outstanding claims, net	(21,390)	(27,431)	(2,337)	-	(51,158)
Movement in IBNR, net	(8,818)	75,497	(469)	-	66,210
Movement in additional premium reser	5,315	(7,670)	653	-	(1,702)
Movement in other technical reserves	(328)	9,144	276	-	9,092
Net claims incurred	(208,058)	(294,369)	(4,343)	-	(506,770)
Policy acquisition costs	(15,851)	(45,862)	(9,889)	-	(71,602)
Total underwriting costs and expens	(223,909)	(340,231)	(14,232)	-	(578,372)
Net underwriting income	28,209	63,879	14,380	-	106,468
Unallocated revenue					28,855
Unallocated expenses					(115,958)
Total income for the year					19,365

23 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2018				
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Total
			SR (000)		
Revenues					
Gross premiums written					
-Individuals		82,004	463	-	82,467
-Very small enterprises	1,375	3,624	181	-	5,180
-Small enterprises	17,405	5,860	1,008	-	24,273
-Medium enterprises	34,102	9,877	14,403	-	58,382
-Corporates	152,217	339,722	66,835	-	558,774
	205,099	441,087	82,890	-	729,076
Reinsurance premiums ceded					
- Local	-	-	(3,894)	-	(3,894)
- International	-	-	(65,824)	-	(65,824)
	-	-	(69,718)	-	(69,718)
Excess of loss expenses	(6,881)	(11,155)	(2,472)	-	(20,508)
Net premiums written	198,218	429,932	10,700	-	638,850
Movement in unearned premiums, net	(41,658)	(5,082)	(760)	-	(47,500)
Net premiums earned	156,560	424,850	9,940	-	591,350
Reinsurance commissions	-	-	15,736	-	15,736
Other underwriting income	427	5,012	396	-	5,835
Net revenues	156,987	429,862	26,072	-	612,921
Underwriting costs and expenses					
Gross claims paid	(131,628)	(397,920)	(77,226)	-	(606,774)
Reinsurers' share of claims paid	4,644	5,592	72,388	-	82,624
Net claims paid	(126,984)	(392,328)	(4,838)	-	(524,150)
Movement in outstanding claims, net	(11,046)	39,965	2,143	-	31,062
Movement in IBNR, net	(926)	77,248	14,349	-	90,671
Movement in additional premium reser	(7,107)	2,815	(806)	-	(5,098)
Movement in other technical reserves	(299)	2,765	64	-	2,530
Net claims incurred	(146,362)	(269,535)	10,912	-	(404,985)
Policy acquisition costs	(10,386)	(40,482)	(26,468)	-	(77,336)
Total underwriting costs and expenses	(156,748)	(310,017)	(15,556)	-	(482,321)
Net underwriting income	239	119,845	10,516	-	130,600
Unallocated revenue					19,660
Unallocated expenses					(133,274)
Total income for the year					16,986

23 SEGMENT INFORMATION (Continued)

	As at 31 December 2019				
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Total
			SR (000)		
Assets					
Reinsurers' share of outstanding claim	2,991	22,526	96,710	-	122,227
Reinsurers' share of IBNR	-	-	25,476	-	25,476
Reinsurers' share of unearned premium	-	-	17,538	-	17,538
Deferred policy acquisition costs	6,000	18,900	2,431	-	27,331
Segment assets	8,991	41,426	142,155	-	192,572
Unallocated assets					1,158,997
Total assets					1,351,569
Liabilities and equity					
Unearned premiums	97,483	229,573	21,490	-	348,546
Unearned reinsurance commission	-	-	4,801	-	4,801
Outstanding claims	46,407	(9,719)	103,881	-	140,569
Claims incurred but not reported	20,558	130,354	26,982	-	177,894
Additional premium reserve	1,792	15,369	153	-	17,314
Other technical reserves	1,172	2,281	152	-	3,605
Segment liabilities	167,412	367,858	157,459	-	692,729
Unallocated liabilities and surplus					203,411
Total equity					455,429
Total liabilities and equity					1,351,569

23 SEGMENT INFORMATION (Continued)

Operating segment	As at 31 December 2018 Medical	Motor	Property & casualty	Protection & savings	Total
			SR (000)		
Assets					
Reinsurers' share of unearned premium	-	-	19,190	-	19,190
Reinsurers' share of outstanding claim	-	19,065	48,790	-	67,855
Reinsurers' share of IBNR	-	-	17,878	-	17,878
Deferred policy acquisition costs	5,704	12,889	2,465	-	21,058
Segment assets	5,704	31,954	88,323	-	125,981
Unallocated assets					1,107,546
Total assets					1,233,527
Liabilities					
Unearned premiums	92,547	151,676	22,797	-	267,020
Unearned reinsurance commission	-	-	4,469	-	4,469
Outstanding claims	22,026	(40,610)	53,623	-	35,039
Claims incurred but not reported	11,740	205,851	18,915	-	236,506
Additional premium reserve	7,107	7,699	806	-	15,612
Other technical reserves	844	11,425	428	-	12,697
Segment liabilities	41,717	184,365	73,772	-	299,854
Unallocated liabilities and surplus					483,582
Total equity					450,091
Total liabilities					1,233,527

24 CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the

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

Claims triangular analysis is by accident years spanning a number of financial years.

Claims development table gross of reinsurance (with IBNR) for 2019:

Accident year	2013 & earlier	2014	2015	2016	2017	2018	2019	Total
At end of accident year	2,166,092,000	939,369,000	1,520,796,000	1,749,933,000	726,006,813	526,238,498	614,549,512	8,242,984,823
One year later	2,195,438,000	976,761,000	1,560,835,000	1,278,788,126	711,131,671	496,496,597		7,219,450,395
Two years later	1,936,351,000	984,107,000	1,111,335,626	1,255,965,605	709,763,845			5,997,523,075
Three years later	1,949,531,000	670,050,867	1,112,175,761	1,233,430,825				4,965,188,453
Four years later	765,694,304	672,942,840	1,112,810,501					2,551,447,645
Five years later	756,990,547	678,482,966						1,435,473,513
Six years later	756,636,856							756,636,856
Current estimate of cumulative claims	756,636,856	678,482,966	1,112,810,501	1,233,430,825	709,763,845	496,496,597	614,549,512	5,602,171,101
Cumulative payments to date	(746,308,182)	(667,951,135)	(1,082,802,968)	(1,218,201,569)	(686,757,673)	(463,733,953)	(417,952,738)	(5,283,708,219)
Gross outstanding claims and IBNR	10,328,673	10,531,830	30,007,533	15,229,256	23,006,172	32,762,644	196,596,774	318,462,882

Claims development table gross of reinsurance (with IBNR) for 2018:

Accident year	2012 & earlier	2013	2014	2015	2016	2017	2018	Total
At end of accident year	1,312,810,000	839,152,000	939,369,000	1,520,796,000	1,749,933,000	726,006,813	526,238,498	7,614,305,310
One year later	1,326,940,000	868,556,000	976,761,000	1,560,835,000	1,278,788,126	711,131,671		6,723,011,798
Two years later	1,326,882,000	693,690,000	984,107,000	1,111,335,626	1,255,965,605			5,371,980,230
Three years later	1,242,661,000	676,352,000	670,050,867	1,112,175,761				3,701,239,628
Four years later	1,273,179,000	369,181,127	672,942,840					2,315,302,967
Five years later	396,513,177	373,937,091						770,450,268
Six years later	383,053,456							383,053,456
Current estimate of cumulative claims	383,053,456	373,937,091	672,942,840	1,112,175,761	1,255,965,605	711,131,671	526,238,498	5,035,444,922
Cumulative payments to date	(374,224,951)	(370,931,901)	(663,709,063)	(1,082,132,988)	(1,218,740,004)	(672,307,874)	(381,852,603)	(4,763,899,384)
Gross outstanding claims and IBNR	8,828,505	3,005,190	9,233,777	30,042,774	37,225,601	38,823,798	144,385,895	271,545,539

24 CLAIMS DEVELOPMENT TABLE (continued)

Claims development table net of reinsurance (with IBNR) for 2019:

Accident year	**2013 & earlier**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
At end of accident year	1,393,421,000	876,175,000	1,427,811,000	1,716,637,000	704,249,284	507,617,033	545,045,179	7,170,955,496
One year later	1,424,874,000	924,001,000	1,509,402,000	1,226,942,094	657,183,164	473,137,252		6,215,539,510
Two years later	1,401,360,000	931,866,000	1,069,712,024	1,192,380,087	650,165,567			5,245,483,678
Three years later	1,423,733,000	663,479,653	1,065,493,836	1,172,718,438				4,325,424,926
Four years later	424,696,203	621,495,290	1,069,655,488					2,115,846,980
Five years later	544,467,143	624,251,077						1,168,718,220
Six years later	541,377,204							541,377,204
Current estimate of cumulative claims	541,377,204	624,251,077	1,069,655,488	1,172,718,438	650,165,567	473,137,252	545,045,179	5,076,350,205
Cumulative payments to date	(541,337,280)	(621,292,967)	(1,051,638,292)	(1,171,884,065)	(647,120,356)	(461,065,929)	(411,251,060)	(4,905,589,951)
Net outstanding claims and IBNR, net	39,924	2,958,109	18,017,195	834,373	3,045,210	12,071,323	133,794,119	170,760,254

Claims development table net of reinsurance (with IBNR) for 2018:

Accident year	**2012 & earlier**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
At end of accident year	845,136,000	527,503,000	876,175,000	1,427,811,000	1,716,637,000	704,249,284	507,617,033	6,605,128,317
One year later	865,918,000	553,424,000	924,001,000	1,509,402,000	1,226,942,094	657,183,164		5,736,870,258
Two years later	871,450,000	553,836,000	931,866,000	1,069,712,024	1,192,380,087			4,619,244,111
Three years later	847,524,000	558,447,000	663,479,653	1,065,493,836				3,134,944,488
Four years later	865,286,000	367,012,424	621,495,290					1,853,793,714
Five years later	57,683,779	262,596,864						320,280,642
Six years later	281,870,279							281,870,279
Current estimate of cumulative claims	281,870,279	262,596,864	621,495,290	1,065,493,836	1,192,380,087	657,183,164	507,617,033	4,588,636,553
Cumulative payments to date	(278,088,581)	(261,334,668)	(617,226,092)	(1,051,011,296)	(1,173,187,615)	(640,695,165)	(381,280,966)	(4,402,824,384)
Net outstanding claims and IBNR, net	3,781,698	1,262,196	4,269,198	14,482,540	19,192,472	16,487,999	126,336,067	185,812,169

25 SUPPLEMENTARY INFORMATION

25.1 statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	2019	2018	2019	2018	2019	2018
			SR (000)			
ASSETS						
Cash and cash equivalents	98,970	66,352	71,300	47,791	170,270	114,143
Murabaha deposits	360,000	365,349	280,000	313,000	640,000	678,349
Premiums and reinsurers' receivable - net	183,834	162,966	-	-	183,834	162,966
Reinsurers' share of unearned premiums	17,538	19,190	-	-	17,538	19,190
Reinsurers' share of outstanding claims	122,227	67,855	-	-	122,227	67,855
Reinsurers' share of claims incurred but not reported	25,476	17,878	-	-	25,476	17,878
Deferred policy acquisition costs	27,331	21,058	-	-	27,331	21,058
Deferred excess of loss premiums	496	1,088	-	-	496	1,088
Available-for-sale investments	3,372	3,322	32,815	32,299	36,187	35,621
Prepayments and other assets	36,275	26,508	5,473	4,532	41,748	31,040
Property and equipment	3,338	3,834	-	-	3,338	3,834
Statutory deposit	-	-	75,000	75,000	75,000	75,000
Accrued commission income on statutory deposit	-	-	8,124	5,505	8,124	5,505
	878,857	755,400	472,712	478,127	1,351,569	1,233,527
Due from insurance operations			28,637	12,202	28,637	12,202
TOTAL ASSETS	878,857	755,400	501,349	490,329	1,380,206	1,245,729

25 SUPPLEMENTARY INFORMATION (continued)

25.1 statement of financial position (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
			SR (000)			
LIABILITIES						
Policyholders claims payable	**41,046**	54,313	-	-	**41,046**	54,313
Accrued and other liabilities	**86,564**	92,933	**536**	536	**87,100**	93,469
Reinsurance balances payable	**11,248**	5,266	-	-	**11,248**	5,266
Unearned premiums	**348,546**	267,020	-	-	**348,546**	267,020
Unearned reinsurance commission	**4,801**	4,469	-	-	**4,801**	4,469
Outstanding claims	**140,569**	35,039	-	-	**140,569**	35,039
Claims incurred but not reported (IBNR)	**177,894**	236,506	-	-	**177,894**	236,506
Additional premium reserve	**17,314**	15,612		-	**17,314**	15,612
Other technical reserves	**3,605**	12,697	-	-	**3,605**	12,697
Due to related parties	**2**	165	-	-	**2**	165
Employees' end-of-service benefits	**14,850**	13,852	-	-	**14,850**	13,852
Accumulated surplus	**8,821**	9,657		-	**8,821**	9,657
Provision for zakat	-	-	**32,220**	29,866	**32,220**	29,866
Accrued commission income payable to SAMA	-	-	**8,124**	5,505	**8,124**	5,505
	855,260	747,529	**40,880**	35,907	**896,140**	783,436
Due to shareholders' operations	**28,637**	12,202	-	-	**28,637**	12,202
TOTAL LIABILITIES	**883,897**	759,731	**40,880**	35,907	**924,777**	795,638
EQUITY						
Share capital	-	-	**500,000**	500,000	**500,000**	500,000
Statutory reserve	-	-	**2,131**	2,131	**2,131**	2,131
Accumulated losses	-	-	**(42,296)**	(47,478)	**(42,296)**	(47,478)
Fair value reserve for available-for-sale investments	-	-	**634**	(231)	**634**	(231)
Re-measurement reserve of defined benefit obligation	**(5,040)**	(4,331)	-	-	**(5,040)**	(4,331)
TOTAL EQUITY	**(5,040)**	(4,331)	**460,469**	454,422	**455,429**	450,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**878,857**	755,400	**501,349**	490,329	**1,380,206**	1,245,729

25 SUPPLEMENTARY INFORMATION (continued)

25.2 statement of income (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)
REVENUES						
Gross premiums written	**835,236**	729,076	-	-	**835,236**	729,076
Reinsurance premiums ceded						
- Local	**(5,310)**	(3,894)	-	-	**(5,310)**	(3,894)
- International (includes premium ceded through local broker)	**(65,110)**	(65,824)	-	-	**(65,110)**	(65,824)
	(70,420)	(69,718)	-	-	**(70,420)**	(69,718)
Excess of loss expenses	**(17,278)**	(20,508)	-	-	**(17,278)**	(20,508)
Net premiums written	**747,538**	638,850	-	-	**747,538**	638,850
Movement in unearned premiums, net	**(83,178)**	(47,500)	-	-	**(83,178)**	(47,500)
Net premiums earned	**664,360**	591,350	-	-	**664,360**	591,350
Reinsurance commissions	**17,786**	15,736	-	-	**17,786**	15,736
Other underwriting income	**2,694**	5,835	-	-	**2,694**	5,835
NET REVENUES	**684,840**	612,921	-	-	**684,840**	612,921
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(558,429)**	(606,774)	-	-	**(558,429)**	(606,774)
Reinsurers' share of claims paid	**29,217**	82,624	-	-	**29,217**	82,624
Net claims paid	**(529,212)**	(524,150)	-	-	**(529,212)**	(524,150)
Movement in outstanding claims, net	**(51,158)**	31,062	-	-	**(51,158)**	31,062
Movement in IBNR, net	**66,210**	90,671	-	-	**66,210**	90,671
Movement in additional premium reserve	**(1,702)**	(5,098)	-	-	**(1,702)**	(5,098)
Movement in other technical reserve	**9,092**	2,530	-	-	**9,092**	2,530
Net claims incurred	**(506,770)**	(404,985)	-	-	**(506,770)**	(404,985)
Policy acquisition costs	**(71,602)**	(77,336)	-	-	**(71,602)**	(77,336)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(578,372)**	(482,321)	-	-	**(578,372)**	(482,321)
NET UNDERWRITING INCOME	**106,468**	130,600	-	-	**106,468**	130,600

25 SUPPLEMENTARY INFORMATION (continued)

25.2 statement of income (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2019	2018 (Restated)	**2019**	2018 (Restated)	**2019**	2018 (Restated)
Net underwriting income brought forward	**106,468**	130,600	-	-	**106,468**	130,600
OTHER INCOME/(EXPENSES)						
Provision for doubtful debts	**1,075**	(11,532)	-	-	**1,075**	(11,532)
Salaries and staff related costs	**(71,151)**	(71,879)	-	-	**(71,151)**	(71,879)
Other general and administrative expenses	**(43,243)**	(42,995)	**(2,639)**	(3,035)	**(45,882)**	(46,030)
Investment income	**14,616**	10,642	**10,870**	9,018	**25,486**	19,660
Other income	**2,185**	-	-	-	**2,185**	-
Reversal of impairment/(impairment loss) on available for sale investments	**49**	(1,278)	**1,135**	(2,555)	**1,184**	(3,833)
TOTAL OTHER INCOME/(EXPENSES)	**(96,469)**	(117,042)	**9,366**	3,428	**(87,103)**	(113,614)
Net income for the year	**9,999**	13,558	**9,366**	3,428	**19,365**	16,986
Surplus attributed to insurance operations	**(1,000)**	(1,356)	-	-	**(1,000)**	(1,356)
Net income attributable to shareholders before zakat	**8,999**	12,202	**9,366**	3,428	**18,365**	15,630
Zakat charge for the year (Restated)	-	-	**(13,183)**	(13,000)	**(13,183)**	(13,000)
Net income attributable to shareholders' operations	**8,999**	12,202	**(3,817)**	(9,572)	**5,182**	2,630

25 SUPPLEMENTARY INFORMATION (continued)

25.3 statement of comprehensive income

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)
Net income for the year after zakat	1,000	1,356	5,182	2,630	6,182	3,986
Other comprehensive income:						
Items that may be reclassified to statement of insurance operations' surplus in subsequent years:						
- Change in fair value of available-for-sale investments, net	-	-	865	(231)	865	(231)
Items that will not be reclassified to statement of insurance operations' surplus in subsequent years:						
- Re-measurement loss on defined benefit plan	(709)	(2,774)	-	-	(709)	(2,774)
Total comprehensive income / (loss) for the year	291	(1,418)	6,047	2,399	6,338	981
Total comprehensive income attributable to insurance operations	(1,000)	(1,356)	-	-	(1,000)	(1,356)
Total comprehensive income / (loss) attributable to shareholders	(709)	(2,774)	6,047	2,399	5,338	(375)

25 SUPPLEMENTARY INFORMATION (continued)

25.4 statement of cash flows (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2019	2018	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the year before zakat	1,000	1,356	18,365	15,630	19,365	16,986
Adjustments for non-cash items:						
Depreciation of property and equipment	1,881	2,134	-	-	1,881	2,134
(Reversal of impairment)/impairment on available for sale investme	(50)	1,278	(1,135)	2,555	(1,185)	3,833
Loss on disposal of available-for-sale investments	-	-	-	102	-	102
Provision for employees' end-of-service benefits	2,472	2,207	-	-	2,472	2,207
(Reversal)/provision for doubtful debts	(1,075)	11,532	-	-	(1,075)	11,532
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(19,793)	(69,045)	-	-	(19,793)	(69,045)
Reinsurers' share of unearned premiums	1,652	(3,119)	-	-	1,652	(3,119)
Reinsurers' share of outstanding claims	(54,372)	39,900	-	-	(54,372)	39,900
Reinsurers' share of claims incurred but not reported	(7,598)	(9,913)	-	-	(7,598)	(9,913)
Deferred policy acquisition costs	(6,273)	(3,550)	-	-	(6,273)	(3,550)
Deferred excess of loss premiums	592	117	-	-	592	117
Prepayments and other assets	(9,767)	(5,176)	(941)	(3,983)	(10,708)	(9,159)
Policyholders claims payable	(13,267)	13,515	-	-	(13,267)	13,515
Accrued and other liabilities	(6,652)	(6,543)	-	-	(6,652)	(6,543)
Reinsurance balances payable	5,982	(5,021)	-	-	5,982	(5,021)
Unearned premiums	81,526	50,619	-	-	81,526	50,619
Unearned reinsurance commission	332	476	-	-	332	476
Outstanding claims	105,530	(70,962)	-	-	105,530	(70,962)
Claims incurred but not reported	(58,612)	(80,758)	-	-	(58,612)	(80,758)
Additional premium reserve	1,702	-	-	-	1,702	-
Other technical reserves	(9,092)	2,568	-	-	(9,092)	2,568
Acumulated surplus	(1,836)	-	-	-	(1,836)	-
Due to related parties	(163)	88	-	-	(163)	88
Cash from (used in) operating activities	14,119	(128,297)	16,289	14,304	30,408	(113,993)

25 SUPPLEMENTARY INFORMATION (continued)

25.4 statement of cash flows (continued)

		For the year ended 31 December (SR '000)					
		Insurance Operations		Shareholders' Operations		Total	
	Note	**2019**	2018	**2019**	2018	**2019**	2018
Due from insurance operations		**-**	-	**(16,435)**	(32,024)	**(16,435)**	(32,024)
Due to shareholders' operations		**16,435**	32,024	**-**	-	**16,435**	32,024
Zakat paid		**-**	-	**(10,829)**	(6,005)	**(10,829)**	(6,005)
Employees' end-of-service benefits paid		**(1,900)**	(4,128)	**-**	-	**(1,900)**	(4,128)
Net cash from (used in) operating activities		**28,654**	(100,401)	**(10,975)**	(23,725)	**17,679**	(124,126)
CASH FLOWS FROM INVESTING ACTIVITIES							
Decrease/(increase) in murabaha deposits		**5,349**	(310,349)	**33,000**	(150,000)	**38,349**	(460,349)
Additions of property and equipment		**(1,385)**	(796)	**-**	-	**(1,385)**	(796)
Additions of available for sale investments		**-**	-	**(8,516)**	-	**(8,516)**	-
Proceed from disposal of available-for-sale investment	8	**-**	-	**10,000**	664	**10,000**	664
Net cash from/(used in) investing activities		**3,964**	(311,145)	**34,484**	(149,336)	**38,448**	(460,481)
Net change in cash and cash equivalents		**32,618**	(411,546)	**23,509**	(173,061)	**56,127**	(584,607)
Cash and cash equivalents at the beginning of the year	4	**66,352**	477,898	**47,791**	220,852	**114,143**	698,750
Cash and cash equivalents at the end of the year	4	**98,970**	66,352	**71,300**	47,791	**170,270**	114,143

26 RESTATEMENT AND COMPARATIVE FIGURES

The change in the accounting treatment for zakat (as explained in note 2) has the following impact on the line items of the statements of income, statement of financial position and statement of changes in equity:

As at and for the year ended 31 December 2018:

Financial statement impacted	Account	Before the restatement for the year ended 31 December 2018	Effect of restatement	As restated as at and for the year ended 31 December
Statement of changes in equity	Net income for the year	15,630	(13,000)	2,630
Statement of changes in equity	Provision for zakat	(13,000)	13,000	-
Statement of income	Zakat charge for the year	-	(13,000)	(13,000)
Statement of income	Earnings per share	(0.31)	0.26	(0.05)

In addition to above, certain prior year figures have been reclassified to conform to current year presentation.

27 EVENTS AFTER THE REPORTING DATE

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. There are no other subsequent events that require disclosure or amendments to the accompanying financial statements.

28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 13 Rajab 1441H (corresponding to 08 March 2020).