THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Qualified Opinion

We have audited the financial statements of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise of Statement of financial position as at 31 December 2019 and statements of comprehensive income and the statements of changes in shareholders' equity and cash flows for the year then ended, and the accompanying notes which form an integral part of these financial statements.

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

Basis of Qualified Opinion

1) As disclosed in note 10 to the accompanying financial statements, all reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included in the policyholders' and reinsurance balances receivable under note 9 amounting to Saudi Riyals 114 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties. The underlying transactions with such related parties will then also require disclosure under related party transactions. Accordingly, management is currently unable to provide a complete list of all related parties balances and transactions which impacts both the presentation and disclosure of related party balances and transactions. Consequently, we were unable to determine whether any adjustments to the presentation and disclosure of the related party balances and transactions were necessary in the accompanying financial statements.

2) As disclosed in note 6, the Company is accounting for its reinsurance transactions related to the general line of business based on their understanding of the contractual terms of the reinsurance agreements. However, such accounting of reinsurance transactions may be subject to different interpretations. As a result, the Company's financial statements may require adjustments, if the terms of reinsurance agreements are interpreted differently. Management is still securing clarity on the terms of the reinsurance agreements. In the absence of information in this regard, we were unable to determine whether adjustments would be required in the accompanying financial statements.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' 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, as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to note 2 to the accompanying financial statements, which details various communications from SAMA to the Company. The Company did not meet the solvency margin requirements as at 31 December 2019. The deficiency in solvency margin along with other matters as set forth in note 2 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the accompanying financial statements are prepared using the going-concern assumption based on management's assessment on the company abilities to continue as a going concern. Our opinion is not further modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts	
As at 31 December 2019, outstanding claims, claims incurred but not reported (IBNR) and other amounted to Saudi Riyals 467 million, Saudi Riyals 751 million and Saudi Riyals 35 million as reported in Note 11 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgements could result in material over / understatement of the Company's profitability. *The Company's policies for claims and related judgments and estimates are disclosed in note 6 to the financial statements respectively. Liabilities for outstanding claims including IBNR and claims incurred have been disclosed in note 11 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been disclosed in note 32 to the financial statements.*	We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuarial expert to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our expert actuarial performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought sufficient justification for any significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters ***(Continued)***

Key audit matter	How our audit addressed the key audit matter
Valuation of Goodwill	
At 31 December 2019, the Company had goodwill amounting to Saudi Riyals 480 million, which represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Management reviews goodwill for impairment annually, and assesses the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. As per IAS 36, an impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. As management believes that Fair value less cost to sell analysis provides higher value compared to value in use, therefore, Fair value less cost to sell analysis are used for impairment valuation. Management uses its expert to perform fair value less cost to sell analysis that use market approach to determine the need for impairment. In arriving at the valuation under market approach, the expert applied certain judgments and factors including trends in share prices, stock index liquidity, book price multiple, comparable companies analysis and comparable transaction analysis, etc. We considered this as a key audit matter since the financial condition of the Company has deteriorated over the period with accumulated losses of Saudi Riyal 256.5 million as at 31 December 2019 and inadequate solvency margin position, therefore, there is a risk that the carrying value of goodwill may be impaired. *Refer to the significant accounting policies note 5 to the financial statements, note which explains the valuation methodology used by the Company and critical judgment and estimates.*	We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity. We evaluated the source data of significance to the management's expert's work for relevance, completeness and accuracy by performing the following procedures: - Inquired of the expert to determine how the expert has obtained satisfaction that the data used is relevant, complete and accurate; - Reviewed the data for completeness and internal consistency; and - Agreed the data to supporting documentation. We gained an understanding and evaluated methods and assumptions that are significant to the management's expert's work for their relevance and reasonableness by reviewing the expert's report and cross checked their consistency with other audit evidence.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters ***(Continued)***

Key audit matter	How our audit addressed the key audit matter
Insurance and reinsurance receivables As at 31 December 2019, the Company had insurance and reinsurance receivables of SR 756.32 million and SR 307.21 million respectively, against which an impairment provision of SR 272.50 million and SR 218.82 million was maintained, respectively. We considered this as a key audit matter as the assessment of impairment requires subjective judgments with respect to the estimation of the amount and timing of future cash flows. 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. For individually significant receivables, the Company also assesses the impairment individually on a regular basis. *Refer to note 5 of the financial statements for the accounting policy relating to the impairment of insurance and reinsurance receivables, note 6 for the critical accounting estimates and judgments, and note 9 for the disclosures of insurance and reinsurance receivable balances.*	We also carried-out the following audit procedures: - Reviewed the methodology and judgment used and challenged management's key assumptions used in assessing impairment. - On sample basis checked the completeness and accuracy of the insurance and reinsurance aging reports by tracing the balances to the source documents. - On sample basis, requested external confirmations of the outstanding amount from counterparties and where responses were poor, we performed alternative tests to ensure existence and accuracy of those receivables. - Challenged management's key assumptions over credit risk and the calculation methodology, including correspondence with the insurer and re-insurers to assess recoverability. - Considered the consistency of the approach with the prior years, and enquired about any major variations and changes in key assumptions and its basis. - Considered adequacy of disclosures in the financial statements in accordance with the requirements of International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Other information included in the Company's 2019 Annual Report

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

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

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

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

Responsibilities of Those Charged with Governance for the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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.

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Abdullah M. AlAzem
Certified Public Accountant
License No. 335

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س.ت: ١٠١٠٤٦٤٧٥٩
Associated Accountants
Certified Public Accountants

03 March 2020
08 Rajab 1441H

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Notes	December 31, 2019 (Audited)	December 31, 2018 (Audited) (Restated)	January 01, 2018 (Audited) (Restated)
		SAR '000		
ASSETS				
Cash and cash equivalents	7	**291,216**	1,122,429	383,525
Short term deposits	8	**266,884**	-	471,250
Premium and reinsurers' receivable, net	9	**572,215**	681,078	659,105
Reinsurers' share of unearned premiums	15	**290,619**	282,901	464,063
Reinsurers' share of outstanding claims	11 a	**334,829**	294,162	366,647
Reinsurers' share of claims incurred but not reported	11 a	**222,617**	126,644	114,493
Deferred policy acquisition costs	16	**67,196**	76,227	85,065
Due from a related party, net	10	**63**	63	63
Prepayment and other assets, net	14	**253,841**	134,273	238,077
Available for sale investments	13	**479,445**	74,151	153,376
Right of use assets, net	17	**25,854**	-	-
Property and equipment, net	18	**46,170**	49,158	53,211
Intangible assets, net	18	**4,719**	2,484	3,319
Deferred tax asset	27	**11,962**	13,923	12,225
Statutory deposit	19	**120,000**	120,000	150,000
Investment in an associate	12	**9,393**	9,872	9,341
Accrued commission on statutory deposit	29	**23,864**	19,507	15,546
Goodwill	20	**480,000**	480,000	480,000
TOTAL ASSETS		**3,500,887**	3,486,872	3,659,306

The accompanying notes 1 to 36 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

STATEMENT OF FINANCIAL POSITION (Continued)
AS AT DECEMBER 31, 2019

	Notes	December 31, 2019 (Audited)	December 31, 2018 (Audited) (Restated)	January 01, 2018 (Audited) (Restated)
		SAR '000		
LIABILITIES				
Accrued expenses and other liabilities	21	**59,622**	158,493	152,892
Accounts and commission payable		**137,744**	124,860	121,768
Lease liability	22	**25,903**	-	-
Reinsurers' balances payable		**107,488**	50,410	135,761
Gross unearned premiums	15	**985,437**	1,236,849	1,405,228
Unearned reinsurance commission	24	**31,161**	22,205	35,206
Gross outstanding claims	11 a	**466,610**	325,214	499,938
Claims incurred but not reported	11 a	**751,200**	624,910	594,499
Premium deficiency reserves	11 b	**20,529**	51,052	15,700
Other technical reserves	11 b	**14,894**	9,759	10,596
Due to a related party	10	**17,080**	17,600	3,886
End of service indemnities	23	**27,451**	25,461	20,887
Surplus distribution payable		**112,561**	111,566	111,566
Zakat & income tax	27	**13,188**	27,184	25,022
Accrued commission income payable to SAMA	29	**23,864**	19,507	15,546
TOTAL LIABILITIES		**2,794,732**	2,805,070	3,148,495
EQUITY				
Share capital	28 a	**800,000**	800,000	400,000
Statutory reserve		**146,135**	146,135	146,135
Accumulated losses		**(256,482)**	(259,606)	(40,777)
Re-measurement of defined benefit liability – employees benefits	23	**(5,159)**	(4,285)	(302)
Fair values reserve on investments	13	**21,661**	(442)	5,755
TOTAL EQUITY		**706,155**	681,802	510,811
TOTAL LIABILITIES AND EQUITY		**3,500,887**	3,486,872	3,659,306
COMMITMENTS AND CONTINGENCIES	31			

The accompanying notes 1 to 36 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	SAR'000 December 31, 2019	SAR'000 December 31, 2018 (Restated)
REVENUES			
Gross premiums written			
-Direct		2,421,277	2,070,179
-Reinsurance		-	(706)
		2,421,277	2,069,473
Reinsurance premiums ceded			
-Local		(7,280)	(2,419)
-Abroad		(621,230)	(248,063)
		(628,510)	(250,482)
Excess of loss expenses – foreign		(55,401)	(15,521)
Net written premiums		1,737,366	1,803,470
Changes in unearned premiums, net		259,129	(12,783)
Net premiums earned		1,996,495	1,790,687
Re-insurance commissions		98,912	54,027
TOTAL REVENUES		2,095,407	1,844,714
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	11 a	(1,989,336)	(2,060,113)
Expenses incurred related to claims	11 a	(27,244)	(77,133)
Hospital discount		101,070	87,599
Reinsurers' share of claims paid	11 a	361,784	380,720
Net claims and other benefits paid		(1,553,726)	(1,668,927)
Changes in outstanding claims, net		(100,729)	102,239
Changes in incurred but not reported claims, net		(30,317)	(18,260)
Net claims and other benefits incurred		(1,684,772)	(1,584,948)
Additional premium deficiency reserve	11 b	30,522	(35,352)
Other technical reserves	11 b	(5,134)	837
Policy acquisition costs	16 a, b	(117,785)	(123,776)
TOTAL UNDERWRITING COSTS AND EXPENSES		(1,777,169)	(1,743,239)
NET UNDERWRITING INCOME		318,238	101,475
OTHER OPERATING (EXPENSES)/ INCOME			
Reversal of / (Allowance for) doubtful debts		36,882	(27,074)
Legal case provision		(24,246)	-
General and administrative expenses	25	(306,213)	(266,372)
Third party administration fees		(59,714)	(47,648)
Special commission income		30,243	13,291
Income from investment in associate	12	4,420	5,017
Realized gain on available for sale investment		(164)	6,016
Other income	26	20,725	10,768
TOTAL OTHER OPERATING (EXPENSES)/ INCOME		(298,067)	(306,002)
NET INCOME / (LOSS) FOR THE YEAR BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX		20,171	(204,527)
Net income attributed to insurance operation		(995)	-
NET INCOME / (LOSS) FOR THE YEAR AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX		19,176	(204,527)
Zakat and income tax			
Current zakat and income tax		(14,091)	(6,323)
Deferred tax		(1,961)	1,698
Net income / (loss) for the year		3,124	(209,152)
Earnings / (Loss) per share			
Earnings / (Loss) per share (SAR per share)	28	0.04	(3.90)

The accompanying notes 1 to 36 form an integral part of these financial statements.

Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	SAR'000 December 31, 2019	SAR'000 December 31, 2018 (Restated)
Net income / (loss) for the year		**3,124**	(209,152)
Other comprehensive income / (loss)			
Item that will not be reclassified to statement of income in subsequent period			
-Re-measurement of employees end of service indemnities	23	**(693)**	(3,983)
Items that are or may be reclassified to statement of income in subsequent periods			
Available for sale investments			
- Net change in fair values, insurance operations	13	**181**	21
- Net change in fair values, shareholders' operations		**21,922**	(202)
- Reclassified to statement of income, insurance operations		-	(350)
- Reclassified to statement of income, shareholders' operations		-	(5,666)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		**24,534**	(219,332)

The accompanying notes 1 to 36 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(SAR in '000')

	Notes	Share capital	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2019 (Audited) (Restated)		**800,000**	**146,135**	**(259,606)**	**(442)**	**(4,285)**	**681,802**
Total comprehensive income for the year end:							
Net income for the year end		-	-	**3,124**	-	-	**3,124**
-Actuarial losses on defined benefits obligation		-	-	-	-	**(874)**	**(874)**
-Change in fair values	13 a	-	-	-	**22,103**	-	**22,103**
Balance as at December 31, 2019 (Audited)		**800,000**	**146,135**	**(256,482)**	**21,661**	**(5,159)**	**706,155**

	Notes	Share capital	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2018 (Audited) (Restated)		400,000	146,135	(40,777)	5,755	(302)	510,811
Total comprehensive loss for the year end:							
Net loss for the year end		-	-	(209,152)	-	-	(209,152)
-Actuarial losses on defined benefits obligation		-	-	-	-	(3,983)	(3,983)
-Reclassification		-	-	-	(6,016)	-	(6,016)
-Change in fair values	13 a	-	-	-	(181)	-	(181)
		400,000	146,135	(249,929)	(442)	(4,285)	291,479
-Right issue	28 a	400,000	-	-	-	-	400,000
-Transaction cost related to right issue	28 a	-	-	(9,677)	-	-	(9,677)
Balance as at December 31, 2018 (Audited) (Restated)		800,000	146,135	(259,606)	(442)	(4,285)	681,802

The accompanying notes 1 to 36 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	SAR '000 December 31, 2019	SAR '000 December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year before zakat and income tax		20,171	(204,527)
Adjustments for non-cash items:			
Depreciation and amortization	18	8,258	8,956
Loss on disposal of property and equipment		25	-
Realized gain on sale of investment		-	(6,016)
Allowance for doubtful debts		(36,882)	27,074
Special commission income		(34,500)	(13,291)
Income from investment in associate		(4,417)	(5,017)
Provision for end of service indemnities	23	7,030	5,931
		(40,315)	(186,890)
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		145,745	(49,047)
Reinsurers' share of unearned premiums		(7,718)	181,162
Reinsurers' share of outstanding claims		(40,666)	72,485
Reinsurers' share of claims Incurred but not reported		(95,973)	(12,151)
Deferred policy acquisition costs		9,031	8,838
Prepayment and other assets		(119,569)	103,804
Deposit against letter of guarantee		(15,364)	(35,392)
Right of use assets		(25,854)	-
Accounts and commission payable		12,884	3,092
Accrued expenses and other liabilities		(98,870)	5,601
Lease liability		25,903	-
Reinsurers' balances payable		57,078	(85,351)
Gross unearned premiums		(251,412)	(168,379)
Unearned reinsurance commission		8,956	(13,001)
Gross outstanding claims		141,396	(174,724)
Claims incurred but not reported		126,290	30,411
Premium deficiency reserves		(30,522)	37,622
Other technical reserves		5,134	(3,107)
Due to related party		(520)	13,714
		(194,366)	(271,313)
Payment of employees end of service indemnities	23	(5,914)	(5,340)
Zakat and income tax paid	27	(28,087)	(4,161)
Net cash used in operating activities		(228,367)	(280,814)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from investment in an associate		4,896	4,486
Disposal / (additions) in sale of available for sale investments		(383,192)	79,044
Special commission income	13 a	34,500	13,291
(Additions) / proceeds in / from short term deposits		(266,884)	471,250
Interest on statutory deposit		4,357	3,961
Interest payable on statutory deposit		(4,357)	(3,961)
Additions in property, equipment and intangible	18	(7,530)	(4,068)
Net cash (used in) / generated from investing activities		(618,210)	564,003
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in statutory deposit		-	30,000
Transaction cost related to increase in capital		-	(9,677)
Increase in capital		-	400,000
Net cash generated from financing activities		-	420,323
Net change in cash and cash equivalents		(846,577)	703,512
Cash and cash equivalents, beginning of the year	7	1,057,472	353,960
Cash and cash equivalents, end of the year	7	210,895	1,057,472
NON-CASH INFORMATION			
Change in fair value of available for sale investments		22,103	(181)

The accompanying notes 1 to 36 form an integral part of these financial statements.

Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231925 dated 8 Rabi Thani 1428H (corresponding to 26 April 2007). The registered address of the Company's head office is as follows:

Medgulf Insurance
Futuro Tower
King Saud Road
P.O. Box 2302
Riyadh 11451, Saudi Arabia

The objectives of the Company are to transact in cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor and other general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 28 Rabi Al-Awal 1428H (corresponding to 16 April 2007).

2 BASIS OF PREPARATION

Basis of presentation

The financial statements have been prepared on a historical cost basis except for the measurement at fair value of available for sale investments and investment in associates which is accounted for under equity method.

Statement of compliance

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

The financial statements of the Company as at and for the year ended 31 December 2018 and 01 January 2018, respectively, were prepared in compliance with the International Financial Reporting Standards ("IFRS") as modified by Saudi Arabian Monetary Authority (SAMA) for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax.

During 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 by the Saudi Organization for Certified Public Accountants ("SOCPA").

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 26) and the effects of this change are disclosed in note 27 to the financial statements).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (refer note 34). The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

Functional and presentation currency

The functional and presentational currency of the Company is Saudi Arabian Riyals. The financial statements are presented in Saudi Riyal rounded to nearest thousand (SAR'000) unless otherwise stated.

2 BASIS OF PREPARATION (Continued)

Going concern

Due to the continuous decline in the financial performance of the Company, the Company did not meet the solvency margin requirements as at 31 December 2017 and consequently SAMA issued a letter number 391000054425 dated 29 January 2018, preventing the Company from writing any new policies and renewing the existing policies. SAMA, in its aforesaid letter, also instructed the Company to increase its share capital before 30 July 2018 to address the issue of its deteriorating solvency margin. The Company's Board of Directors in their meeting held on 6 February 2018, recommended a right issue amounting to SAR 400 million in order to improve the solvency margin and the Company's future business activities. Such right issue was subjected to approval of the regulatory authorities and general assembly of the Company. SAMA issued a letter dated 15 April 2018 allowing the Company to write new policies and renewing the existing policies starting from 17 April 2018 subject to certain conditions. The aforesaid conditions amongst others include, the Company's commitment to increase its share capital before 31 October 2018. In addition SAMA instructed the Company to take necessary steps for continuous recovery of Company's receivables, implementation of best governance practices by the Board of Directors and the executive management and submit weekly progress report on the measures taken by the management in this regard and intimated that in case of non-compliance of the above, SAMA will take necessary actions as required by the law.

On 17 October 2018 the Company successfully raised capital of SAR 400 million through issuance of right shares.

However, the Company is yet to meet its solvency margin requirement (refer note 33 i).

Management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying cash flow projections under such scenarios, management believes that the Company will be able to continue the business and meet its obligations as and when they fall due over the next 12 months. As a result, the financial statements have been prepared on a going concern basis. Management`s assessment is based on number of estimates and assumptions including significant recoveries from major policyholders, reinsurers and related parties and other cost saving measures.

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

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

3 SURPLUS DISTRIBUTION

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Authority ("SAMA"). In case of losses, losses are absorbed by shareholders.

The insurance operations' surplus for the year ended 31 December 2019 amounted to SAR 9,955 thousand (31 December 2018: deficit of SAR 213,459 thousand). Accordingly, 90% of the insurance operations' surplus amounting to SAR 8,960 thousand was transferred to shareholders' operations for the year, leaving a surplus payable to policyholders of SAR 995 thousand (31 December 2018: the full amount of SAR 213,459 thousand was transfer to shareholders because of the deficit).

4 CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS

The accounting policies and risk management policy used in the preparation of the financial statement are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except as explained below:

Standards issued and effective

Standard/ Interpretation	Description	Effective date
IFRS 16	Leases	1 January 2019

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach. Prior periods have not been restated. For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term. For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4%. The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is the lease liability recognised at 1 January 2019:

	SAR '000'
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**24,853**

4 CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS (Continued)

Standards and amendments published but not yet effective

IFRS 17 – Insurance Contracts

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

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

i. embedded derivatives, if they meet certain specified criteria;
ii. distinct investment components; and
iii. distinct performance obligations to provide non-insurance goods and services.

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

Measurement

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

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

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

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

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

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

4 CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS (Continued)

Standards and amendments published but not yet effective (Continued)

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, the CSM is also adjusted for in addition to adjustment under general model;

- changes in the entity's share of the fair value of underlying items ,
- changes in the effect of the time value of money and financial risks not relating to the underlying items.
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

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

Effective Date

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

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

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.

Impact

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

4 CHANGE IN ACCOUNTING POLICIES AND RESTATEMENTS (Continued)

Standards and amendments published but not yet effective (Continued)

IFRS 17 – Insurance Contracts (Continued)

Impact Area	Summary of Impact
Financial Impact (valuation of liabilities, income statement, balance sheet, solvency capital)	The company is currently undergoing a financial impact assessment exercise to assess the financial impact of implementing IFRS 17.
Data Impact (more granular data, etc.)	Data impact is likely to be insignificant as majority of the company's contracts, being less than a year, would qualify for measurement under the premium allocation approach, which is more or less similar to the current approach adopted by the Company under IFRS 4.
IT Systems Impact (data storage & archiving, investment systems, reporting systems, etc.)	The company is in the process of finalizing its assessment of IT system requirements and these requirements are being documented for onboarding an IT vendor for providing Actuarial and Financial solutions for managing change required under IFRS 17.
Process Impact (actuarial valuation, accounting processes, disclosures, etc.)	The company carried out an operational impact assessment exercise to assess the operational impact of implementing IFRS 17.
Impact on RI Arrangements (renegotiation of T&Cs, etc.)	The reinsurance contracts held by the Company are under review and are being assessed to determine the applicable measurement model under IFRS 17.
Impact on Policies & Control Frameworks	The company has hired an external consultant to modify their current policies and control framework to be in line with IFRS 17 requirements.

The Company has started with the implementation process and have set up an IFRS 17 steering committee and working group.

4 CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS (Continued)

Standards and amendments published but not yet effective (Continued)

IFRS 9 – Financial Instruments

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

a) Classification and measurement:

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

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

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

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

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

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

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

b) Impairment:

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

c) Hedge accounting:

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

4 CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS (Continued)

Standards and amendments published but not yet effective (Continued)

IFRS 9 – Financial Instruments (Continued)

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

1 apply a temporary exemption from implementing IFRS 9 until the earlier of

a. the effective date of a new insurance contract standard; or
b. annual reporting periods beginning on or after January 1, 2022 following the IASB's proposal to report the effective application date of IFRS 17/ IFRS 9 of one-year. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

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

The Company has determined that it is eligible for the temporary exemption option (1). The eligibility conclusion is based on an analysis of the percentage of the total consolidated carrying amount of liabilities connected with insurance activities relative to the carrying amount of all liabilities, which indicates Company's activities are predominately connected with insurance. 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.

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SAR 1,781.65 million and SAR 915.26 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents, short-term fixed deposits, premium and reinsurance receivable and other receivables amounting to SAR 1,302.20 million (2018: SAR 1,967.66 million). Other financial assets consist of available for sale investments amounting to SAR 479.45 million (2018: SAR 74.15 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. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in notes 33. 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.

4 CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS (Continued)

Accounting Policy (Continued)

Income tax

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

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

Deferred income tax:

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

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised

Zakat:

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

5 SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparation of these financial statements:

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.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks and short-term time deposits with an original maturity of less than three months at the date of acquisition.

Goodwill

Goodwill represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses, if any, relating to goodwill cannot be reversed in future periods.

Land, property and equipment

Land is stated at cost less any impairment and is not depreciated. Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis at the following depreciation rates:

Class of Assets	Rates
Leasehold improvements	15% - 25%
Office equipment, furniture and fixtures	10% - 15%
Computers	25%
Motor vehicles	25%

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income

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

Intangible assets

IT development and software is shown at historical cost. It has a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following periods:

	Years
IT development and software	15% - 25%

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

All investments are initially recognised at fair value, being the fair value of the consideration given, including acquisition charges associated with the investment except for investments at fair value through profit or loss. Premiums and discounts are amortized on a systematic basis to their maturity. For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the statement of financial position date without any deduction for transaction costs.

(a) Available for sale investments

Investments which are classified as "available for sale" are subsequently measured at fair value. Available for sale investments are those investments that are not held to maturity nor held for trading. For an available for sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly under insurance operations' surplus and / or shareholders' comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss previously recognised under the insurance operations' surplus and / or shareholders' comprehensive income is included in the statement of insurance operations and accumulated surplus and / or shareholders' operations for the year. Available for sale investments whose fair value cannot be reliably measured are carried at amortised cost less impairment provision.

(b) Investments in held to maturity securities

Investments which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income - shareholders' operations when the investment is derecognized or impaired.

(c) Investment in an associate

Associates are enterprises in which the Company generally holds 20% to 50% of the voting power and / or over which it exercises significant influence. Investments in an associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

Statutory reserve

In accordance with its bylaws, the Company shall allocate 20% of its net income from shareholders' operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2019.

Impairment and un-collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between the cost and fair value (fair value being lower than cost), less any impairment loss previously recognized in the statement of shareholders' operations.
- For assets carried at cost, impairment is the difference between the cost and the present value (present value being lower than cost) of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is determined based on future cash flows that are discounted at the original effective special commission rate.

5 SIGNIFICANT ACCOUNTING POLICTIES (Continued)

Accrued expenses and other liabilities

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

Special commission income

Special commission income from time deposits is recognized on an effective yield basis.

Dividend income

Dividend income is recognised when the right to receive dividend is established.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

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 of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Employees' end of service indemnities

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

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 - insurance operations and accumulated surplus and shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available for sale investments are recognised in 'insurance operations surplus' in the statement of insurance operations and other comprehensive income under the statement of shareholders' comprehensive operations. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting financial assets and liabilities

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

Premiums earned and commission income

Premiums are taken into income over the term of the policies to which they relate on a pro-rata basis. For engineering construction projects with policy terms in excess of one year, the premium are taken into income linearly over the policy term. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The underwriting results represents premiums earned and fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses on continuing policies.

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts.

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

- Actual number of days for all lines of business, except
- For engineering construction projects with policy terms in excess of one year, it is assumed that the risk is increasing linearly over the policy term.
- Last three month of premiums for marine cargo business.

Premiums receivable

Premiums receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the de-recognition criteria for financial assets have been met.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to statement of income - insurance operations and accumulated surplus / (deficit) as incurred. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the date of statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position 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 at date of statement of financial position. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the date of statement of financial position and settlements and provisions in the following year is included in the underwriting account for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 4 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer to note 4.

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

Reinsurance assumed

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

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

Investment income on these contracts is accounted for using the EIR method when accrued.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income - insurance operations and accumulated surplus and an unexpired risk provision is created.

Deferred policy acquisition costs

Commissions, SAMA fees, CCHI fees, TPA fees, partial administration cost (related to underwriting and issuance of policy), and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of income - insurance operations and accumulated surplus.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year.

Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income - insurance operations and accumulated surplus.

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

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

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of income - insurance operations and accumulated surplus.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

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.

Fair values

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

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

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial statement is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles.
- Other classes, which covers any other classes of insurance not included above.

Shareholders' operations' is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is 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 income or loss in the accompanying 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.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

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 and involves a significant degree of judgment. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. 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 liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. 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.

Following are the critical areas of estimation and judgments for medical and motor business for which the Company acquires services of independent actuary to determine such reserves.

As a first step towards setting appropriate IBNR reserves for the medical and motor line of businesses, a runoff analysis is prepared to assess how the claims reserves determined at the previous valuation dates compare with actual developments. Results from runoff analysis are taken into consideration while setting reserves for IBNR claims. An analysis is carried out by using the following methods:

- Chain Ladder method - this builds up, using historical claims payment patterns, ratios of eventual cumulative claims which have been incurred in a particular year to those which have been paid as at the end of a reporting year.
- Bornhuetter Ferguson method – this is a technique that combines actual past claims experience and any prior information or expectations that might be available concerning claims, for example expected ultimate loss ratios.
- Expected Loss Ratio method – this technique determines the projected amount of claims relative to earned premiums. The method is used where the insurer lacks the appropriate past claim occurrence data because of changes in product offerings, change in claims settlement processes, etc.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

ii) Premium deficiency reserve

Estimation of the premium deficiency for medical and motor business 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 realize in the future.

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 recognised 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. During 2017, the Company has revisited its provisioning approach and significantly increased the level of provisioning in respect of insurance and reinsurance receivables due to increase in credit risk associated with the receivables.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

iv) Goodwill impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Management believes that fair value less cost to sell analysis provides a higher value compared to value in use, and therefore, fair value less cost to sell analyses are used for impairment assessments. Management used a valuation expert to perform fair value less cost to sell analysis through a market based approach to test impairment. The fair value less cost to sell calculation is based on the quoted share price of the Company as of period close and subsequent events that occurred till measurement date. In arriving at the valuation under market approach, the expert also applied certain judgments and factors including analysis of price book value multiples of the comparable companies and comparable transactions.

v) Reinsurance

The Company accounts for its reinsurance transactions based on their understanding of the contractual terms of the reinsurance treaties.

7 CASH AND CASH EQUIVALENTS

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

	SAR'000		
	Insurance operations		
	December 31, 2019	December 31, 2018	January 01, 2018
Cash and bank balances	**88,607**	208,789	97,035
Deposits maturing within 3 months from the acquisition date	**88,752**	438,500	251,749
Cash and cash equivalent in the statement of cash flows	**177,359**	647,289	348,784
Deposit against letter of guarantee	**80,321**	64,957	29,565
	257,680	712,246	378,349

	SAR'000		
	Shareholders' operations		
	December 31, 2019	December 31, 2018	January 01, 2018
Cash and bank balances	**33,536**	6,314	5,176
Deposits maturing within 3 months from the acquisition date	**-**	403,869	-
	33,536	410,183	5,176
Cash and bank balances	**291,216**	1,122,429	383,525
Cash and cash equivalents in the statement of cash flow	**210,895**	1,057,472	353,960

Cash at banks and short-term deposits are placed with counterparties who have credit ratings equivalent to A+ to BBB ratings under Standard and Poor's, Fitch and Moody's ratings methodology.

Deposits maturing within 3 months from the acquisition date are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia and earned special commission income at an average rate of 2.29% per annum (2018: 3.22% per annum).

The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

Deposits against letters of guarantee comprise amounts placed with a local bank against issuance of payment guarantees in favor of the Company's customers and service providers (also see note 31). Such deposits against letters of guarantee cannot be withdrawn before the expiration of guarantee (are restricted in nature).

8 SHORT TERM DEPOSITS

Short term deposits are placed with counterparties that have credit ratings equivalent to BBB+ to BBB ratings under Standard and Poor's, Fitch and Moody's ratings methodology.

Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 2.43% per annum (2018: 3.04% per annum).

For the year ended 31 December 2019 the carrying amounts of the short term deposits reasonably approximate the fair value at the statement of financial position date. The company did not have any short term deposit as at 31 December 2018.

9 PREMIUM AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

	SAR'000		
	December 31, 2019	December 31, 2018	January 01, 2018
Policyholders	**407,434**	450,663	518,982
Brokers and agents	**348,888**	419,703	349,996
Premiums receivables	**756,322**	870,366	868,978
Less: Allowance for doubtful debts	**(272,495)**	(313,582)	(290,942)
	483,827	556,784	578,036
Reinsurers' receivable	**307,208**	339,354	302,568
Less: Allowance for doubtful debts	**(218,820)**	(215,060)	(221,499)
	88,388	124,294	81,069
Premium and reinsurers' receivable – net	**572,215**	681,078	659,105

As disclosed in note 10.c, the Company, together with CRC is carrying out an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included above in reinsurance balances receivable amounting to Saudi Riyals 114.0 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties in note 10.

As at December 31, 2019, the movement in the provision for doubtful debts of premium receivables was as follows:

Movement in provision for doubtful debts:

	SAR'000		
	December 31, 2019	December 31, 2018	January 01, 2018
Balance, January 1	**528,642**	512,441	219,571
Write off during the year	**-**	27,074	292,870
Provision for the year	**(37,327)**	(10,873)	-
Balance, December 31	**491,315**	528,642	512,441

9 PREMIUM AND REINSURERS' RECEIVABLE, NET

The aging analysis of gross premiums and reinsurance balances receivable is as at 31 December 2019 and 2018 is set as below:

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

	Total	**Neither past due nor impaired**	**Past due but not impaired**		**Past due and impaired**
			Less than 30 days	**31 - 90 days**	
	SAR '000'				
Premiums and re- insurance receivables					
- Policyholders	**407,434**	**205,081**	**36,707**	**15,792**	**149,854**
- Brokers and agents	**348,888**	**145,255**	**27,210**	**25,240**	**151,183**
- Premium receivables	**756,322**	**350,336**	**63,917**	**41,032**	**301,037**
- Receivable from reinsurers	**307,208**	**-**	**23,032**	**23,582**	**260,594**
As at December 31, 2019	**1,063,530**	**350,336**	**86,949**	**64,614**	**561,631**

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired
			Less than 30 days	31 - 60 days	
	SAR '000'				
Premiums and re-insurance receivables					
- Policyholders’	450,663	161,994	48,674	23,376	216,619
- Brokers and agents	419,703	275,004	39,426	15,252	90,021
- Premium receivables	870,366	436,998	88,100	38,628	306,640
- Receivable from re- insurance	339,354	-	62,168	731	276,455
As at December 31, 2018	1,209,720	436,998	150,268	39,359	583,095

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia as well as reinsurance companies mainly in Europe. Premiums and reinsurance balances receivable include SAR 33.7 million (31 December 2018: SAR 21.4 million) due in foreign currencies, mainly in US Dollars. The Company’s terms of business require amounts to be paid within 30 to 90 days of the date of transaction. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. The five largest customers accounts for 29% (31 December 2018: 41%) of the premiums receivable as at 31 December 2019. Further, total receivable from government entities amount to SR 179.1 million (31 December 2018: SAR 163.9 million) constituting 24% (31 December 2018: 19%) of total premium receivable.

Unimpaired premiums and reinsurance balances receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured. The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of premiums receivable balances, are from individuals and unrated corporates. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

10.a The following are the details of major related party transactions during the year and their balances at the end of the year:

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at		
		December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	January 01, 2018
		SAR'000				
Due from a related party						
Medgulf BSC - Head office account (major shareholder)	-Balance due from at year end	-	-	**2,453**	2,453	2,453
	-Allowance for doubtful debts	-	-	**(2,390)**	(2,390)	(2,390)
	-Net Balance due from at year end	-	-	**63**	63	63
Total due from related party				**63**	63	63
Due to a related party						
Medivisa KSA (affiliate)	-Insurance premium for employees of fellow subsidiary	**2,956**	3,017	-	-	-
	-Third party administration fees	**57,013**	51,555	-	-	-
	-Claim incurred	**126**	95	-	-	-
	-Payment received		2	-	-	-
	-premium refundable	**260**	464	-	-	-
	-Payment on third party administration fees	**54,832**	35,386	-	-	-
	-Balance due to at year end*	-	-	**17,080**	17,600	3,886
Total due to related party				**17,080**	17,600	3,886

*This doesn't includes unearned TPA fee due to the Company amounting to SAR 20.3 million (31 December 2018 : SAR 25.7 million).

Other related parties transactions and balances – due from / (due to)

The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	**(31,513)**	34,453	**3,937**	35,450	997
	-Statutory deposit (refer note 10.a (i))	-	26,039	**139,507**	139,507	165,546
	-Gross written premiums	**4,879**	3,244	-	-	-
	-Premiums (refundable)	-	-	**(413)**	(1,016)	(1,163)
	-Claims incurred / adjustment	**84**	-	-	-	-
	-Outstanding Claims	-	-	**(1,432)**	(580)	(607)

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at		
		December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	January 01, 2018
		SAR'000				
Other related parties transactions and balances – due from / (due to)						
Medivisa KSA (affiliate)	-Medical Claim Jordan / Balance	**-**	1,022	**-**	570	1,592
	-Medical claim Lebanon / balance	**-**	580	**-**	1,109	529
	-Medical claim Egypt / balance	**-**	160	**-**	160	
Al Istithmar Capital (subsidiary of SIB-founding shareholder)	-Discretionary portfolio arrangement (refer 10.a (ii))	**-**	55,524	**-**	-	55,524
	-Current account	**-**	685	**-**	1,205	520
	-Premiums refundable	**-**	-	**-**	(38)	-
Abunayyan trading Co (Under common directorship)	-Gross written premiums	**4,227**	-	**-**	-	-
	-Premiums receivable	**-**	-	**703**		
	-Claims incurred	**84**	-	**-**	-	-
KSB Pumps Arabia (Under common directorship)	-Gross written premiums	**863**	-	**-**	-	-
	-Premiums receivable	**-**	-	**906**		
	-Claims incurred	**1**	-	**-**	-	-
Toray membrane middle east (Under common directorship)	-Gross written premiums	**817**	-	**-**	-	-
	-Premiums receivable	**-**	-	**680**		
	-Claims incurred	**18**	-	**-**	-	-
Tumpane jubar (Under common directorship)	-Gross written premiums	**964**	-	**-**	-	-
	-Premiums receivable	**-**	-	**1,013**		
	-Claims incurred	**6**	-	**-**	-	-

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at		
		December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	January 01, 2018
		SAR'000				
Other related parties transactions and balances – due from / (due to)						
Bayan Credit Bureau (Under common directorship)	-Gross written premiums	**792**	808	**-**	**-**	**-**
	-Premiums receivable	**-**	-	**10**	**(38)**	**-**
	-Claims incurred	**441**	343	**-**	**-**	**-**
Medgulf BSC (major shareholder)	-Claim recoveries	-	-	**-**	-	-
	-Reinsurance recovery (refer 10.a(iii))	-	-	**5,962**	5,962	5,962
	-Allowance for doubtful debts	-	-	**(4,471)**	(4,471)	(5,962)
	-Net Balance receivable at year end	-	-	**1,491**	1,491	-
Addison Bradley Overseas / Addison Bradley & Co. (affiliate)	-Balance receivable at year end	**-**	**-**	**3,856**	3,856	3,856
	-Allowance for doubtful debts	**-**	**-**	**(3,856)**	(3,856)	(3,856)
	-Net balance due from at year end	**-**	**-**	**-**	-	-
Citiscape (Under common directorship)	--Gross written premiums	**1,337**	-	**-**	-	**-**
	-Premiums receivable	**-**	-	**1,399**		
	-Claims incurred	**3**	-	**-**	**-**	**-**
Middle east agriculture (Under common directorship)	-Gross written premiums	**619**	-	**-**	-	-
	-Premiums receivable	**-**	-	**650**		
	-Claims incurred	**15**	**-**	**-**	-	-

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at		
		December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	January 01, 2018
		SAR'000				
Other related parties transactions and balances – due from / (due to)						
Eletronic and electric industry (Under common directorship)	-Gross written premiums	**1,019**	-	-	-	-
	-Premiums receivable	-	-	**1,070**	-	-
	-Claims incurred	**29**	-	-		
Addison Bradley International / Medgulf Lebanon (affiliate)	-Reinsurance recovery	-	23	-	-	-
	-Balance receivable at year end	-	-	**30,265**	30,265	30,242
	-Allowance for doubtful debts	-	-	**(30,242)**	(30,242)	(30,242)
	-Net balance due from at year end	-	-	**23**	23	-
Arabian qudra (Under common directorship)	--Gross written premiums	**526**	-	-	-	-
	-Premiums receivable	-	-	**457**	-	-
	-Claims incurred	**18**	-	-	-	-
Saudi meter company (Under common directorship)	--Gross written premiums	**116**	-	-	-	-
	-Premiums receivable	-	-	**121**		
	-Claims incurred	**1**	-	-	-	-
Saudi Tumpane Co.(Under common directorship)	-Gross written premiums	**2,980**	-	-	-	-
	-Premiums receivable	-	-	**3,129**		
	-Claims incurred	**52**	-	-	-	-

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at		
		December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	January 01, 2018
		SAR'000				
Other related parties transactions and balances – due from / (due to)						
Abunayyan electrical (Under common directorship)	-Gross written premiums	**253**	-	**-**	**-**	**-**
	-Premiums receivable	**-**	-	**266**		
	-Claims incurred	**2**	-	**-**	**-**	**-**
Industrial instrumentation and control system(Under common directorship)	-Gross written premiums	**506**	-	**-**	**-**	**-**
	-Premiums receivable	**-**	-	**631**	-	-
	-Allowance for doubtful debts	**-**	-	**(15)**	-	-
	-Net Balance receivable at year end	**-**	-	**616**	-	-
	-Claims incurred	**11**	-	**-**	**-**	**-**
Saline water conversion corporation(Under common directorship)	-Gross written premiums	**3,915**	91,803	**-**	**-**	**-**
	-Premiums receivable	**-**	-	**107**		
	-Claims incurred	**63,031**	25,544	**-**	**-**	**-**
Raad Al Barakati (Under common directorship)	-Gross written premiums	**3**	9	**-**	**-**	**-**
	-Claims incurred	**17**	-	**-**	**-**	**-**
Amal Bin Shiha (Under common directorship)	-Gross written premiums	**1**	1	**-**	**-**	**-**

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at		
		December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	January 01, 2018
		SAR'000				
Other related parties transactions and balances – due from / (due to)						
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the year	**-**	-	**-**	-	-
	-Reinsurance recoveries (Refer 10.a (iv)	**15**	2,779	**-**	-	-
	-Net balance due from at year end	-	-	**16,267**	16,252	13,453
	-Allowance for doubtful debts	**-**	-	**(12,191)**	(10,106)	(10,090)
	-Net balance due from at year end	**-**	-	**4,076**	6,146	3,363
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at year end	**-**	-	**1,472**	1,472	1,472
	-Allowance for doubtful debts	**-**	-	**(1,472)**	(1,472)	(1,472)
	-Net balance due from at year end (Refer 10.a (v))	**-**	-	**-**	-	-
Saudi Fransi Capital (Under common directorship)	--Gross written premiums	**-**	3,969			
	-Premiums receivable	**-**	-	**-**	253	-
	-Allowance for doubtful debts			**-**	(66)	-
	-Net balance due from at year end	**-**	-	**-**	187	-
	-Claims incurred		2,774			
	-Investment portfolio	**122,995**		**135,000**	-	-

10.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 2.4% per annum

10.a(ii) Discretionary portfolio management agreement (DPM) was signed on 11 February 2011 and includes a mix of equity and debt investments.

10. a (iii) This represent overpayment of premium ceded to Medgulf Bahrain for reinsurance placement.

10. a (iv) This represent reinsurance claims recoverable from Addison Bradley International. Most of the reinsurance claim recoveries in respect of run-off treaties for the underwriting years up to 2014 have been collected by the related party either directly or through a broker (refer note 10.c).

10. a (v) Reinsurance placement was made by the said related party. There is a claim recovery from the reinsurer which related party needs to recover.

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

10.b Compensation of key management personnel

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

2019	**BOD members (Non-Executive)**	**Top Executives including the CEO and CFO**
Salaries and compensation	**-**	**8,520**
Allowances	**337**	**-**
Annual remuneration	**3,390**	**-**
End of service indemnities	**-**	**2,282**
	3,727	**10,802**

2018	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	85	7,260
Allowances	480	-
Annual remuneration	3,394	-
End of service indemnities	-	1,863
	3,959	9,123

10.c All reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC is carrying out an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included in the policyholders' and reinsurance balances receivable under note 9 amounting to Saudi Riyals 114.0 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties. The underlying transactions with such related parties will then also require disclosure under related party transactions.

11 CLAIMS

a) Outstanding Claims and IBNR

	December 31, 2019			December 31, 2018		
	Gross	**Re-insurance share**	**Net**	Gross	Re-insurance share	Net
		SAR'000			SAR'000	
End of the year						
Outstanding claims	**466,610**	**(334,829)**	**131,781**	325,214	(294,162)	31,052
Claims incurred but not reported	**751,200**	**(222,617)**	**528,583**	624,910	(126,644)	498,266
	1,217,810	**(557,446)**	**660,364**	950,124	(420,806)	529,318
Claims paid during the year	**1,915,510**	**(361,784)**	**1,553,726**	2,049,647	(380,720)	1,668,927
Beginning of the year						
Outstanding claims	**325,214**	**(294,162)**	**31,052**	499,938	(366,647)	133,291
Claims incurred but not reported	**624,910**	**(126,644)**	**498,266**	594,499	(114,493)	480,006
	950,124	**(420,806)**	**529,318**	1,094,437	(481,140)	613,297
Claims incurred	**2,183,196**	**(498,424)**	**1,684,772**	1,905,334	(320,386)	1,584,948

b) Other Technical Reserves

SAR'000	**December 31, 2019**	December 31, 2018	January 01, 2018
		SAR'000	
Premium deficiency reserve	**20,529**	51,052	15,700
Others	**14,894**	9,759	10,596
Other reserves at end of the year	**35,423**	60,811	26,296

c) Claims Triangulation Analysis by Accident Year

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

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

11 CLAIMS (Continued)

c) Claims Triangulation Analysis by Accident Year (Continued)

i) On Gross Basis

SAR '000'

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
At the end of accident year	1,148,965	1,525,392	1,759,169	2,030,375	2,865,129	3,196,139	3,553,993	2,821,668	2,281,556	1,776,365	2,154,612	2,154,612
One year later	1,166,831	1,538,465	1,887,696	2,355,342	3,006,147	3,446,409	3,403,193	2,818,050	2,446,353	1,784,344	-	1,784,344
Two years later	1,165,977	1,509,521	1,967,919	2,319,794	3,056,802	3,430,507	3,413,046	2,838,429	2,430,527	-	-	2,430,527
Three years later	1,145,562	1,537,038	1,950,795	2,321,681	3,082,282	3,453,587	3,438,152	2,846,770	-	-	-	2,846,770
Four years later	1,281,007	1,537,201	1,948,513	2,323,884	3,021,821	3,453,723	3,465,713	-	-	-	-	3,465,713
Five years later	1,257,000	1,543,934	1,945,686	2,331,979	3,015,807	3,453,423	-	-	-	-	-	3,453,423
Six years later	1,238,429	1,544,369	1,942,946	2,338,689	3,015,089	-	-	-	-	-	-	3,015,089
Seven years later	1,238,219	1,538,549	1,942,017	2,339,764	-	-	-	-	-	-	-	2,339,764
Eight years later	1,233,679	1,537,916	1,942,388	-	-	-	-	-	-	-	-	1,942,388
Nine years later	1,233,062	1,537,958	-	-	-	-	-	-	-	-	-	1,537,958
Ten years later	1,233,120	-	-	-	-	-	-	-	-	-	-	1,233,120
Ultimate paid claims (estimated)	**1,233,120**	**1,537,958**	**1,942,388**	**2,339,764**	**3,015,089**	**3,453,423**	**3,465,713**	**2,846,770**	**2,430,527**	**1,784,344**	**2,154,612**	**26,203,708**
Cumulative paid claims	**1,233,290**	**1,529,898**	**1,937,305**	**2,327,187**	**2,991,523**	**3,421,361**	**3,391,068**	**2,778,964**	**2,361,239**	**1,700,002**	**1,314,061**	**24,985,898**
Outstanding claims + IBNR	**(170)**	**8,060**	**5,083**	**12,577**	**23,566**	**32,062**	**74,645**	**67,806**	**69,288**	**84,342**	**840,551**	**1,217,810**

ii) On net Basis (net of reinsurance)

SAR '000'

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
At the end of accident year	605,607	872,437	1,029,061	1,115,317	1,430,868	1,854,990	1,966,552	1,883,118	1,456,421	1,129,932	1,100,423	1,100,423
One year later	959,934	1,230,858	1,469,036	1,763,784	2,293,167	2,598,710	2,682,079	2,472,220	1,989,928	1,518,948	-	1,518,948
Two years later	974,509	1,253,311	1,497,190	1,787,052	2,327,099	2,620,345	2,750,789	2,527,054	2,021,596	-	-	2,021,596
Three years later	976,864	1,256,963	1,501,740	1,793,553	2,337,348	2,625,289	2,773,677	2,543,036	-	-	-	2,543,036
Four years later	977,869	1,258,320	1,504,241	1,795,712	2,343,473	2,630,417	2,786,625	-	-	-	-	2,786,625
Five years later	978,295	1,265,141	1,507,236	1,796,369	2,344,794	2,631,894	-	-	-	-	-	2,631,894
Six years later	979,726	1,265,527	1,508,070	1,796,769	2,345,439	-	-	-	-	-	-	2,345,439
Seven years later	980,167	1,267,881	1,508,888	1,797,404	-	-	-	-	-	-	-	1,797,404
Eight years later	980,233	1,267,944	1,509,241	-	-	-	-	-	-	-	-	1,509,241
Nine years later	980,233	1,268,543	-	-	-	-	-	-	-	-	-	1,268,543
Ten years later	980,213	-	-	-	-	-	-	-	-	-	-	980,213
Ultimate paid claims (estimated)	**976,818**	**1,263,807**	**1,507,009**	**1,807,846**	**2,345,494**	**2,635,383**	**2,791,543**	**2,550,553**	**2,039,561**	**1,541,857**	**1,703,855**	**21,163,726**
Cumulative paid claims	**980,213**	**1,268,543**	**1,509,241**	**1,797,404**	**2,345,439**	**2,631,894**	**2,786,625**	**2,543,036**	**2,021,596**	**1,518,948**	**1,100,423**	**20,503,362**
Outstanding claims + IBNR	**(3,395)**	**(4,736)**	**(2,232)**	**10,442**	**55**	**3,489**	**4,918**	**7,517**	**17,965**	**22,909**	**603,432**	**660,364**

12 INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 9,393 thousand (a 25% equity interest) (2018: SAR 9,872), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

	SAR'000	
	December 31, 2019	December 31, 2018
At the beginning of the year	**9,872**	9,341
Dividend received from investment in an associate	**(4,896)**	(4,486)
Income from investment in an associate	**4,417**	5,017
At the end of year	**9,393**	9,872

Al-Waseel for Electronic Transportation

Country of Incorporation Saudi Arabia

	SAR'000	
	September 30, 2019	December 31, 2018
Assets	**46,838**	56,841
Liabilities	**9,267**	10,590
Revenue	**26,275**	38,590
Profit	**10,536**	19,216
% Interest Held	**25%**	25%

13 AVAILABLE FOR SALE INVESTMENTS

Investments are classified as set out below:

a) Insurance Operations - Available for sale investments

	SAR'000	
SAR'000	**December 31, 2019**	December 31, 2018
Type of Investments		
-Mutual Fund	**10,181**	-
-Sukuks quoted- international	**-**	25,000
	10,181	25,000

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia.

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SAR 181 thousand (31 December 2018: SAR Nil) is presented within shareholders' equity in the statement of financial position.

The movements during the year in available for sale investments for insurance's operations were as follows:

	December 31, 2019	December 31, 2018
At the beginning of the year	**25,000**	28,358
Purchase during the year	**10,000**	-
Sold during the year	**(25,000)**	(3,379)
Net change in fair values	**181**	21
At the end of the year	**10,181**	25,000

*The realised gain is transferred to statement of income under special commission income.

13 AVAILABLE FOR SALE INVESTMENTS (Continued)

b) Shareholders' Operations - Available for sale investments

	SAR'000	
	December 31, 2019	December 31, 2018
Type of Investments		
Equity unquoted- domestic	**1,923**	1,923
Equity quoted- domestic	**135,067**	-
Mutual Funds unqoted- domestic	**80,983**	-
Sukuks unquoted- domestic	**10,000**	10,000
Sukuks unquoted- international	**-**	18,622
Sukuks quoted- domestic	**241,291**	-
Sukuks quoted- international	**-**	18,606
	469,264	49,151

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia.

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SAR 21,480 thousand (31 December 2018: SAR (442) thousand) is presented within shareholders' equity in the statement of financial position.

The movements during the year in available for sale investments for shareholders' operations were as follows:

	SAR'000	
	December 31, 2019	December 31, 2018
At the beginning of the year	**49,151**	125,018
Purchase during the year	**436,606**	-
Sold during the year	**(38,415)**	(75,665)
Net change in fair values	**21,922**	(202)
At the end of the year	**469,264**	49,151

c) Analysis of investments of insurance and shareholders' operations

i. The analysis of investments of insurance and shareholders' operations by counterparties is as follows:

	SAR'000	
	December 31, 2019	December 31, 2018
Government and quasi government	**357,602**	10,000
Banks and other financial institutions	**119,920**	62,228
Corporates	**1,923**	1,923
Total	**479,445**	74,151

ii. The credit quality of investment portfolio is as follows:

	SAR'000	
	December 31, 2019	December 31, 2018
AA- To AAA	**10,000**	28,605
A- To A+	**347,602**	5,000
N/A	**121,843**	40,546
Total	**479,445**	74,151

Credit ratings are based on Standard and Poor, Fitch and Moody's rating methodology or the issuer, noting that "NA" represents the sum of the investments which are not rated.

13 AVAILABLE FOR SALE INVESTMENTS (Continued)

iii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statement. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The unlisted security of SAR1.92 million (31 December 2018: SAR 1.92 million) held as part of Company's shareholder operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy cumulatively for insurance and shareholders operations:

Determination of fair value and fair value hierarchy

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

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

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

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

1. Insurance operations – Fair Value

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2019				
Available for sale investments				
- Mutual Fund	**10,181**	**-**	**-**	**10,181**
Total available for sale investments	**10,181**	**-**	**-**	**10,181**

13 AVAILABLE FOR SALE INVESTMENTS (Continued)

iii. Fair value (Continued)

1. Insurance operations – Fair Value (Continued)

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2018				
Available for sale investments				
- Sukuk	-	25,000	-	25,000
Total available for sale investments	-	25,000	-	25,000

SAR'000s	Level 1	Level 2	Level 3	Total
January 01, 2018				
Available for sale investments				
- Mutual funds	3,358	-	-	3,358
- Sukuk	-	25,000	-	25,000
Total available for sale investments	3,358	25,000	-	28,358

2. Shareholders' operations – Fair Value

SAR'000s	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2019				
Available for sale investments				
- Mutual Fund	**80,983**	**-**	**-**	**80,983**
- Sukuk	**-**	**251,291**	**-**	**251,291**
- Equities	**-**	**135,067**	**1,923**	**136,990**
Total available for sale investments	**80,983**	**386,358**	**1,923**	**469,264**

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2018				
Available for sale investments				
- Bonds	-	37,228	-	37,228
- Sukuk	-	10,000	-	10,000
- Equities	-	-	1,923	1,923
Total available for sale investments	-	47,228	1,923	49,151

SAR'000s	Level 1	Level 2	Level 3	Total
January 01, 2018				
Available for sale investments				
- Mutual funds	55,524	-	-	55,524
- Bonds	9,998	37,573	-	47,571
- Sukuk		20,000	-	20,000
- Equities	-	-	1,923	1,923
Total available for sale investments	65,522	57,573	1,923	125,018

14 PREPAYMENTS AND OTHER ASSETS, NET

(a) Prepayment and other assets, net

	SAR'000					
	31 December 2019			31 December 2018		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
Prepayment on hospital dues	**165,655**	**-**	**165,655**	61,092	-	61,092
Deferral of SAMA, CCHI and TPA fees (Note 14 b)	**31,101**	**-**	**31,101**	39,321	-	39,321
Advances to suppliers	**48,221**	**-**	**48,221**	10,902	-	10,902
Advances to employees	**9,158**	**-**	**9,158**	8,824	-	8,824
Accrued Income from Manafeth	**5,467**	**-**	**5,467**	2,467	-	2,467
Prepaid rent	**339**	**-**	**339**	1,889	-	1,889
Accrued special commission income	**671**	**3,270**	**3,941**	900	2,522	3,422
Prepaid expenses	**2,141**	**-**	**2,141**	470	-	470
VAT	**6,470**	**-**	**6,470**	-	-	-
Others	**6,039**	**-**	**6,039**	5,886	-	5,886
Provision for doubtfull debts	**(24,691)**		**(24,691)**	-	-	-
	250,571	**3,270**	**253,841**	131,751	2,522	134,273

(b) The movements during the year for deferral of TPA, SAMA and CCHI fees are as follows:

	SAR'000	
	December 31, 2019	December 31, 2018
TPA fees	**25,772**	23,909
Costs incurred during the year	**48,885**	49,511
Amortised during the year charged to claim expenses	**(54,299)**	(47,648)
At the end of the year	**20,358**	25,772

	Note	SAR'000	
		December 31, 2019	December 31, 2018
Supervision and inspection fees - SAMA		**6,185**	7,024
Costs incurred during the year		**10,848**	10,347
Amortised during the year	25	**(12,106)**	(11,186)
At the end of the year		**4,927**	6,185

	Note	SAR'000	
		December 31, 2019	December 31, 2018
Supervision and inspection fees - CCHI		**7,364**	6,832
Costs incurred during the year		**16,560**	14,392
Amortised during the year	25	**(18,108)**	(13,860)
At the end of the year		**5,816**	7,364
Total Deferral of SAMA, CCHI and TPA fees		**31,101**	39,321

15 UNEARNED PREMIUMS

The movements during the year for unearned premiums are as follows:

	For the year ended December 31, 2019		
SAR'000	**Gross**	**Re-insurance**	**Net**
Balance at the beginning of the year	**1,236,849**	**(282,901)**	**953,948**
Premium written during the year	**2,421,277**	**(628,510)**	**1,792,767**
Premium earned during the year	**(2,672,689)**	**620,792**	**(2,051,897)**
Balance at the end of the year	**985,437**	**(290,619)**	**694,818**

	For the year ended December 31, 2018		
SAR'000	Gross	Re-insurance	Net
Balance at the beginning of the year	1,405,228	(464,063)	941,165
Premium written during the year	2,069,473	(266,003)	1,803,470
Premium earned during the year	(2,237,852)	447,165	(1,790,687)
Balance at the end of the year	1,236,849	(282,901)	953,948

16 DEFERRED POLICY ACQUISITION COSTS

(a) The movements during the year for commissions' incurred for operations are as follows:

SAR'000	**For the year ended December 31, 2019**	For the year ended December 31, 2018
At the beginning of the year	**61,500**	71,402
Incurred during the year	**108,754**	114,938
Amortized during the year	**(114,691)**	(124,840)
At the end of the year	**55,563**	61,500

(b) The movements during the year for deferral of administration cost are as follows:

SAR'000	**For the year ended December 31, 2019**	For the year ended December 31, 2018
At the beginning of the year	**14,727**	13,663
Amortized during the year	**(3,094)**	1,064
At the end of the year	**11,633**	14,727
Total deferred acquisition cost at end of the year	**67,196**	**76,227**

17 RIGHT OF USE ASSETS - NET

	Building SAR'000	**Total SAR'000**
Cost:		
Impact of adoption of IFRS 16	**25,206**	**25,206**
Additions during the period	**9,581**	**9,581**
Balance at 31 December 2019	**34,787**	**34,787**
Accumulated amortization:		
Balance at 1 January 2019		
Charge for the period	**8,933**	**8,933**
Balance at 31 December 2019	**8,933**	**8,933**
Net book value:		
At 31 December 2019	**25,854**	**25,854**

18 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment						Intangible Assets	
	Shareholders' Operations	Insurance Operations						
	Land	Leasehold improvements	Office equipment, furniture and fixtures	Computers	Motor vehicles	Total	Computer software	Total
	SAR '000							
Cost:								
Balance at January 1, 2019	30,000	41,821	38,756	21,237	2,875	134,689	14,526	149,215
Additions during the year	-	742	494	2,824	-	4,060	3,470	7,530
Disposals during the year	-	-	(101)	(654)	(465)	(1,220)	-	(1,220)
Balance at December 31, 2019	**30,000**	**42,563**	**39,149**	**23,407**	**2,410**	**137,529**	**17,996**	**155,525**
Accumulated depreciation:								
Balance at January 1, 2019	-	37,143	29,504	16,226	2,658	85,531	12,042	97,573
Charge for the year (note 25)	-	1,830	2,501	2,491	201	7,023	1,235	8,258
Disposals during the year	-	-	(77)	(653)	(465)	(1,195)	-	(1,195)
Balance at December 31, 2019	**-**	**38,973**	**31,928**	**18,064**	**2,394**	**91,359**	**13,277**	**104,636**
Net book value as at								
December 31, 2019	**30,000**	**3,590**	**7,221**	**5,343**	**16**	**46,170**	**4,719**	**80,889**
December 31, 2018	30,000	4,678	9,252	5,011	217	49,158	2,484	81,642
December 31, 2017	30,000	5,841	12,070	4,832	468	53,211	3,319	56,530

19 STATUTORY DEPOSIT AND ACCRUED COMMISSION

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5%, and accordingly, the Company has transferred the same to arrive at 15% statutory deposit. This statutory deposit cannot be withdrawn without the consent of SAMA. During the year ended 2017, the Company in its extraordinary general meeting held on 22 September 2017 reduced the share capital from Saudi Riyals 1 billion to Saudi Riyals 400 million. (Refer Note 1). Thereafter, during the year 2018, the company increased its paid capital to SR 800 million by right issue shares. After the aforementioned amendments to the capital, the statutory deposit is currently maintained at 15% of the new paid up capital, SR 800 million, amounting to SR 120 million. The Statutory deposit is placed at the commission rate of 2.4% per anum (2018 : 2.05%)

20 GOOD WILL

The Company held an ordinary general assembly meeting on 22 December 2008 and approved the purchase of the insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of the Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) B.S.C (closed) ("Portfolio") effective 1 January 2009. The acquisition resulted in goodwill of SR 480 million.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating units ('CGU') to which goodwill has been allocated. To assess the Goodwill impairment impact as of 31 December 2018, the Company appointed a consultant and a report dated 11 February 2018 was issued. Considering the Company as a single CGU, the consultant applied 'Share Price' and 'Market' approach on the trading activity of the Company's stock and the capitalization of the earnings using value metrics of broadly comparable listed companies and Mergers and Acquisitions transaction multiples. Accordingly, as of the date of the approval of the financial statements for the year ended 31 December 2018 based on the aforementioned approach, the valuation result concluded the recoverable amount of goodwill to be higher than the carrying value.

During the year end December 31, 2018 the management revisited the assessment approach by using Value-In-Use (VIU) assessment for the goodwill impairment based on a detailed five year business plan, in addition to the 'Share Price' and 'Market' approach on the trading activity of the Company's stock. This assessment was carried-out by a consultant appointed by the Company in their report dated February 20, 2019. As per the management's assessment, the goodwill will be impaired if WACC (Weighted average cost of capital) will have to increase to over 30% and terminal value growth rate reduce to 1% for goodwill to be impaired.

21 ACCRUED EXPENSES AND OTHER LIABILITIES

	SAR'000					
	31 December 2019			31 December 2018		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
Payable to suppliers	**27,077**	**-**	**27,077**	135,036	-	135,036
VAT payable	**16,743**	**-**	**16,743**	10,256	-	10,256
Accrued expenses	**1,688**	**1,154**	**2,842**	3,661	2,820	6,481
Accrued CCHI fees	**1,637**	**-**	**1,637**	3,497	-	3,497
Accrued withholding tax	**10,649**	**-**	**10,649**	2,490	-	2,490
Other payables	**674**	**-**	**674**	733	-	733
Total	**58,468**	**1,154**	**59,622**	155,673	2,820	158,493

22 LEASE LIABILITY

	SAR'000
	31 December 2019
Liability	
Impact of adoption of IFRS 16	**24,853**
Additions for the year	**7,553**
Finance cost	**1,027**
At end of the year	**33,433**
Payments	
At beginning of the year	**-**
Paid during the year	**(7,530)**
At end of the year	**(7,530)**
Balance at the end of the year	**25,903**

Lease liability is break into maturity wise as follows:

Less than one year	**10,514**
One to five years	**15,389**
More than five years	**-**
Lease liabilities - net	**25,903**

23 END OF SERVICE INDEMNITIES

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

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

	SAR'000	
	31 December 2019	31 December 2018
Present value of defined benefit	**27,451**	25,461
	27,451	25,461

23.2 Movement of defined benefit obligation

	Note	SAR'000	
		31 December 2019	31 December 2018
Opening balance		**25,461**	20,887
Charge to statement of income–insurance operations & accumulated surplus	25	**7,030**	5,931
Charge to statement of comprehensive income – insurance operations		**874**	3,983
Payment of benefits during the year		**(5,914)**	(5,340)
Closing balance		**27,451**	25,461

23 END OF SERVICE INDEMNITIES (Continued)

23.3 Reconciliation of present value of defined benefit obligation

	SAR'000	
	31 December 2019	31 December 2018
Present value of defined benefit obligation as at January 1	**25,461**	20,887
Current service costs	**5,521**	4,808
Financial costs	**1,509**	1,123
Actuarial loss from experience adjustments	**874**	3,983
Benefits paid during the year	**(5,914)**	(5,340)
Present value of defined benefit obligation	**27,451**	25,461

23.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	31 December 2019	31 December 2018
Valuation discount rate	**2.30%**	4.20%
Expected rate of increase in salary level	**2.30%**	4.20%

23.5 Sensitivity analysis of actuarial assumptions

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

	SAR'000	
	31 December 2019	31 December 2018
Valuation discount rate		
-Increase by 0.5%	**(1,118)**	(975)
	(4.1%)	(3.8%)
-Decrease by 0.5%	**1,186**	1,031
	4.3%	4.0%
Expected rate of increase in salary level across different age bands		
-Increase by 0.5%	**1,280**	1,121
	4.7%	4.4%
-Decrease by 0.5%	**(1,217)**	(1,071)
	(4.4%)	(4.2%)

24 UNEARNED REINSURANCE COMMISSION

	SAR'000	
	31 December 2019	31 December 2018
At the beginning of the year	**22,205**	35,206
Commission received during the year	**107,868**	41,026
Commission earned during the year	**(98,912)**	(54,027)
At the end of the year	**31,161**	22,205

25 GENERAL AND ADMINISTRATIVE EXPENSES

	SAR '000					
	31 December 2019			31 December 2018		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
Variable cost						
CCHI fees	**18,108**	**-**	**18,108**	13,860	-	13,860
Withholding taxes	**31,499**	**-**	**31,499**	16,000	-	16,000
SAMA fees	**12,106**	**-**	**12,106**	11,186	-	11,186
Assist America	**2,803**	**-**	**2,803**	2,999	-	2,999
Al - Elm fees	**4,266**	**-**	**4,266**	2,984	-	2,984
Other fees	**11,211**		**11,211**	2,046	-	2,046
	79,993	**-**	**79,993**	49,075	-	49,075
Fix cost						
Employee salaries and costs	**149,082**	**-**	**149,082**	145,892	-	145,892
Rent	**13,952**	**-**	**13,952**	16,058	-	16,058
Outsources	**12,725**	**-**	**12,725**	11,699	-	11,699
Depreciation & amortization	**8,258**	**-**	**8,258**	8,956	-	8,956
Professional fees	**9,276**	**1,589**	**10,865**	7,974	1,295	9,269
Repair and maintenance	**6,283**	**-**	**6,283**	4,460	-	4,460
Communication	**3,755**	**-**	**3,755**	3,316	-	3,316
Stationery	**1,936**	**8**	**1,944**	3,090	-	3,090
Promotion and advertising	**1,888**	**23**	**1,911**	2,605	25	2,630
Hospitality and business trip	**2,486**	**94**	**2,580**	1,447	-	1,447
Utilities	**1,661**	**-**	**1,661**	1,323	-	1,323
Board of directors and other committees fees	**-**	**4,906**	**4,906**	-	3,959	3,959
Other expenses	**7,429**	**869**	**8,298**	4,370	828	5,198
	218,731	**7,489**	**226,220**	211,190	6,107	217,297
Total	**298,724**	**7,489**	**306,213**	260,265	6,107	266,372

26 OTHER INCOME

	SAR'000	
	31 December 2019	31 December 2018
Excess provision reversal upon final settlement with GAZT	**15,791**	-
Others	**4,934**	10,768
	20,725	10,768

27 ZAKAT AND INCOME TAX

a) Zakat charge for the year

	Notes	**31 December 2019 SR'000**	31 December 2018 SR'000
Zakat calculation			
Net income / (loss) for the year		**19,176**	(204,830)
Provision for end of service benefits	23	**27,451**	19,805
Provision for doubtful debts including provision on due from a related party	9	**519,396**	531,032
Withholding taxes payable on reinsurance payment		**10,100**	109,098
Share capital	28 a	**800,000**	400,000
Surplus distribution payable		**112,561**	111,566
Statutory reserve		**146,135**	146,135
Provision for zakat and income tax		**(903)**	20,862
		1,614,740	1,338,498
Property and equipment differences		**(515,527)**	(513,475)
Investment in associate	12	**(9,393)**	(9,872)
Investment in Najm (level 3)	14 c	**(1,923)**	(1,923)
Difference in depreciation on fixed assets		**(14,613)**	(15,126)
Deferred acquisition cost	16	**(67,196)**	(76,227)
Opening accumulated loss		**(273,529)**	(53,002)
		(882,181)	(669,625)
Zakat base		**751,735**	464,043
Saudi shareholders' share of zakat base (74.98%) (31 December 2018: 54.5%)		**563,651**	252,903
Zakat at 2.5%		**14,091**	6,323

The differences between the financial and the zakatable results are mainly due to provisions which are not included in the calculation of zakatable income.

27 ZAKAT AND INCOME TAX (Continued)

b) Income tax charge for the year

There was no income tax in the year 2019 and 2018 due to net adjusted losses incurred.

c) Movement in the provision for zakat and income tax during the year

The movement in the provision for zakat and income tax for the year was as follows:

	SAR '000	
	31 December 2019	31 December 2018
At the beginning of the year	**27,184**	25,022
Charge - current year	**14,091**	6,323
Charge - prior year	**-**	-
Payments during the year	**(28,087)**	(4,161)
At the end of the year	**13,188**	27,184

The provision for zakat and income tax for the year is 14,091 thousand (31 December 2018: SR 6,323 thousand).

d) Status of zakat and tax assessments

The Company has filed its zakat and income tax declarations for the year from 16 April 2007 to 31 December 2018 with the General Authority of Zakat and Income Tax (GAZT). Further, the Company has filed two appeal for zakat, income tax and withholding tax for assessment years 2008 to 2012 and another one for assessment year 2013 to 2016. The management has made appropriate provisions in this financial statement based on the advice of the Company's zakat and tax consultant.

During the year ended 31 December 2019, the company has reach an agreement with GAZT regarding the two appeal for zakat, income tax and withholding tax for assessment years 2008 to 2012 and 2013 to 2016 and agreed on the amount to be paid of SR 115,555 thousand. The company has booked a provision of SR 131,346 thousand as per the zakat and tax consultant, thus, the amount of SR 15,791 thousand, which represent the difference between the provision amount and the agreed amount, was transfer to other income. During the year ended 31 December 2019, the company has successfully paid the full amount agreed.

e) Deferred tax

Given this is the first time deferred tax will be disclosed, the source i.e. where the temporary differences are arising from for deferred tax and its movement should be disclosed.

	SAR '000	
	31 December 2019	31 December 2018
Opening deferred tax asset	**13,923**	12,225
Origination or reversal of temporary differences	**(1,961)**	1,698
Closing deferred tax asset	**11,962**	13,923

This deferred tax arises on the following temporary differences.

	SAR '000		
	31 December 2019	31 December 2018	01 January 2018
End of service	**(27,451)**	(25,461)	(20,887)
Provision on receivable	**(518,396)**	(528,642)	(512,441)
Accelerated depreciation	**284,936**	276,085	283,073
Fair value gain / (loss)	**21,661**	(442)	5,755
Net deductible temporary difference	**(239,250)**	(278,460)	(244,500)
Deferred tax asset	**11,962**	13,923	12,225

27 ZAKAT AND INCOME TAX

f) Change in the accounting treatment for zakat and income tax

The change in the accounting treatment for zakat and income tax (as explained in note 4) has the following impact on the line items of the statements of income, statement of financial position and changes in shareholders' 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 2018:**
Statement of changes in Equity	Provision for zakat and income tax (Accumulated Losses)	6,323	(6,323)	-
Statement of income	Zakat and income tax expenses	-	(4,625)	4,625
Statement of income	Earnings per share	(3.81)	(0.09)	(3.90)
Statement of financial position	Deferred tax asset / liability		1,698	(1,698)

As at 31 December 2018

Financial statement impacted	Account	Before the restatement as at 31 December 2018:	Effect of restatement	As restated as at 31 December 2018:
Statement of financial position	Deferred tax asset / liability	-	13,923	13,923
Statement of financial position	Accumulated Losses	(273,529)	13,923	(259,606)

As at 1 January 2018

Financial statement impacted	Account	Before the restatement as at 1 January 2018:	Effect of restatement	As restated as at 1 January 2018:
Statement of financial position	Deferred tax asset / liability	-	12,225	12,225
Statement of financial position	Accumulated Losses	(53,002)	12,225	(40,777)

28 SHARE CAPITAL

a) Share capital

The authorized and paid up share capital of the Company was SAR 1,000 million divided into 100 million shares of SAR 10 each. The founding shareholders of the Company has subscribed and paid for 75 million shares (SAR 750 million) with a nominal value of SAR 10 each, which represented 75% of the shares of the Company and the remaining 25 million shares (SR 250 million) with a nominal value of SAR 10 each which represent 25% of the shares of the Company, was subscribed by the general public. The Share capital represented foreign shareholders by 45.5% and Saudi shareholders by 54.5% as at end of year 2016. The Company in its extra ordinary general meeting held on 22 September 2017 approved the reduction of share capital from Saudi Riyals 1 billion to Saudi Riyals 400 million by reducing the number of shares from 100 million to 40 million shares of SR 10 each to comply with the requirements of the Regulations for Companies. This resulted in accumulated losses to decline below one half of Company's share capital. The reduction of capital was approved by the regulatory authorities. During 2017, the Company incurred transaction cost of SR 691 thousand in respect of reduction in share capital, which has been charged directly to the Statement of changes in Shareholders' Equity.

During the year ended 31 December 2018, the Company's Board of Directors in their meeting held on 6 February 2018, recommended a right issue amounting to SAR 400 million. Such right issue had been approved by the regulatory authorities and general assembly of the Company and the current paid up capital of the company is SR 800 million. The Company incurred transaction cost of SR 9,677 thousand in respect to the increase in share capital, which has been charged directly to the Statement of changes in Shareholders' Equity.

b) Earnings / (loss) per share

Earnings / (loss) per share has been calculated by dividing the net earnings / (loss) for the year by the weighted average number of shares outstanding as of the reporting date.

	SAR '000	
	31 December 2019	31 December 2018
Net income / (loss) for the year	**3,124**	(209,152)
Weighted average number of ordinary shares	**80,000**	53,691
Earnings / (loss) per share	**0.04**	(3.90)

29 ACCRUED COMMISSION ON STATUTORY DEPOSIT

The interest on statutory deposit which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia amounts to SAR 23,864 thousand (31 December 2018: SAR 19,507 thousand). This commission cannot be withdrawn without the consent of Saudi Arabian Monetary Authority ("SAMA").

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values with the exception of unquoted financial instruments which are carried at cost.

31 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

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) Contingencies and capital commitments

As at 31 December 2019, the Company's banker has issued letters of guarantee of SR 80,321 thousand (31 December 2018: SR 64,957 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (also see note 7). The Company had no capital commitments in 2019 (31 December 2018: nil).

c) Contingent liability

The Company, is subject to a litigation, based on independent legal advice, the Company does not believe that the outcome of these court cases will have a material impact on the Company`s income or financial condition.

32 SEGMENTAL 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 set out below.

Segment results do not include allocation of general and administrative expenses, allowance for doubtful debt, special commission income and other income to operating segments as these are reported and monitored on an overall basis.

Segment assets do not include allocation of cash and cash equivalents, time deposits, available for sale investments, premiums and reinsurance balances receivable, prepayments and other assets, due from a related party, intangible assets, statutory deposit and property and equipment, net, as these are reported and monitored on a total basis.

Segment liabilities do not include allocation of accounts and commission payable, reinsurance balances payable, accrued expenses and other liabilities, surplus distribution payable, end of service benefits, account and commission payable, due to a related party, zakat and tax and commissions payable to SAMA.

Shareholders' operations is a non-operating segment. Certain direct operating expenses, other overhead expenses and surplus from the insurance operations are allocated to this segment on an appropriate basis as approved by management.

As at December 31, 2019

32 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
				SAR'000		
Assets						
Reinsurers' share of unearned	-	73,089	217,530	290,619	-	290,619
Reinsurers' share of outstanding	35,567	(31,006)	330,268	334,829	-	334,829
Reinsurers' share of claims Incurred but not reported	44,725	69,961	107,931	222,617	-	222,617
Deferred policy acquisition costs	48,769	8,393	10,034	67,196	-	67,196
Unallocated assets				1,229,288	1,356,338	2,585,626
Total assets	129,061	120,437	665,763	2,144,549	1,356,338	3,500,887
Liabilities						
Gross unearned premiums	581,634	162,430	241,373	985,437	-	985,437
Unearned reinsurance commission	-	19,004	12,157	31,161	-	31,161
Gross outstanding claims	281,180	(174,016)	359,446	466,610	-	466,610
Claims incurred but not reported	351,153	282,729	117,318	751,200	-	751,200
Premium deficiency reserves	15,592	2,238	2,699	20,529	-	20,529
Other technical reserves	2,459	4,750	7,685	14,894	-	14,894
Unallocated liabilities and insurance operations` surplus				486,695	38,206	524,901
Total liabilities and insurance operations` surplus	1,232,018	297,135	740,678	2,756,526	38,206	2,794,732

As at December 31, 2018

32 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned	-	50,680	232,221	282,901	-	282,901
Reinsurers' share of outstanding claims	-	(20,377)	314,539	294,162	-	294,162
Reinsurers' share of claims Incurred but not reported	-	48,733	77,911	126,644	-	126,644
Deferred policy acquisition costs	51,630	12,976	11,621	76,227	-	76,227
Unallocated assets	-	-	-	1,571,781	1,135,157	2,706,938
Total assets	51,630	92,012	636,292	2,351,715	1,135,157	3,486,872
Liabilities						
Gross unearned premiums	736,330	241,343	259,176	1,236,849	-	1,236,849
Unearned reinsurance commission	-	10,136	12,069	22,205	-	22,205
Gross outstanding claims	110,072	(123,352)	338,494	325,214	-	325,214
Claims incurred but not reported	300,862	237,791	86,257	624,910	-	624,910
Premium deficiency reserves	48,466	-	2,586	51,052	-	51,052
Other technical reserves	-	4,721	5,038	9,759	-	9,759
Unallocated liabilities and insurance operations` surplus				485,570	49,511	535,081
Total liabilities and insurance operations` surplus	1,195,730	370,639	703,620	2,755,559	49,511	2,805,070

As at January 01, 2018

32 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	-	82,650	381,413	464,063	-	464,063
Reinsurers' share of outstanding claims	-	(9,819)	376,466	366,647	-	366,647
Reinsurers' share of claims Incurred but not reported	-	53,921	60,572	114,493	-	114,493
Deferred policy acquisition costs	50,386	20,551	14,128	85,065	-	85,065
Unallocated assets	-	-	-	1,730,305	898,733	2,629,038
Total assets	50,386	147,303	832,579	2,760,573	898,733	3,659,306
Liabilities						
Gross unearned premiums	683,124	300,279	421,825	1,405,228	-	1,405,228
Unearned reinsurance commission	-	17,547	17,659	35,206	-	35,206
Gross outstanding claims	174,337	(81,946)	407,547	499,938	-	499,938
Claims incurred but not reported	301,984	226,911	65,604	594,499	-	594,499
Premium deficiency reserves	15,700	-	-	15,700	-	15,700
Other technical reserves	-	2,505	8,091	10,596	-	10,596
Unallocated liabilities and insurance operations` surplus	-	-	-	546,125	41,203	587,328
Total liabilities and insurance operations` surplus	1,175,145	465,296	920,726	3,107,292	41,203	3,148,495

32 Operating segments

For the year ended December 31, 2019

	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
				SAR'000		
REVENUES						
Gross premiums written						
-Direct	1,805,825	336,368	279,084	2,421,277	-	2,421,277
-Reinsurance	-	-	-	-	-	-
	1,805,825	336,368	279,084	2,421,277	-	2,421,277
Re-insurance premiums ceded						
-Local	-	-	(7,280)	(7,280)	-	(7,280)
-Abroad	(230,830)	(151,357)	(239,043)	(621,230)	-	(621,230)
	(230,830)	(151,357)	(246,323)	(628,510)	-	(628,510)
Excess of loss premiums	(41,062)	(6,512)	(7,827)	(55,401)		(55,401)
Net premiums written	1,533,933	178,499	24,934	1,737,366	-	1,737,366
Changes in unearned premiums, net	154,696	101,322	3,111	259,129	-	259,129
Net premiums earned	1,688,629	279,821	28,045	1,996,495	-	1,996,495
Re-insurance commission income	35,779	31,210	31,923	98,912	-	98,912
TOTAL REVENUES	1,724,408	311,031	59,968	2,095,407	-	2,095,407
UNDERWRITING COSTS AND						
Gross claims paid	(1,493,521)	(339,093)	(156,722)	(1,989,336)	-	(1,989,336)
Expenses incurred related to claims	-	(22,429)	(4,815)	(27,244)	-	(27,244)
Hospital discount	101,070	-	-	101,070		101,070
Reinsurers' share of claims paid	103,465	105,014	153,305	361,784	-	361,784
Net claims and other benefits paid	(1,288,986)	(256,508)	(8,232)	(1,553,726)	-	(1,553,726)
Changes in outstanding claims, net	(135,541)	40,035	(5,223)	(100,729)	-	(100,729)
Changes in incurred but not reported claims, net	(5,566)	(23,710)	(1,041)	(30,317)	-	(30,317)
Net claims and other benefits incurred	(1,430,093)	(240,183)	(14,496)	(1,684,772)	-	(1,684,772)
Premium deficiency reserve	32,875	(2,238)	(115)	30,522	-	30,522
Other technical reserves	(2,459)	(29)	(2,646)	(5,134)	-	(5,134)
Policy acquisition costs	(81,596)	(20,823)	(15,366)	(117,785)	-	(117,785)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,481,273)	(263,273)	(32,623)	(1,777,169)	-	(1,777,169)
NET UNDERWRITING INCOME	243,135	47,758	27,345	318,238	-	318,238
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal of doubtful debts				36,882	-	36,882
Legal case provision				(24,246)	-	(24,246)
General and administrative expenses				(298,724)	(7,489)	(306,213)
Third party administration fee				(59,714)	-	(59,714)
Special commission income				16,794	13,449	30,243
Income from investment in associate				-	4,420	4,420
Realized gain on available for sale investment				-	(164)	(164)
Other income				20,725	-	20,725
Total Other Operating Expenses, net				(308,283)	10,216	(298,067)
Net income for the year before appropriation and before zakat and income tax				9,955	10,216	20,171

32 Operating segments

	For the year ended December 31, 2018					
	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
REVENUES						
Gross premiums written						
-Direct	1,434,090	443,334	192,755	2,070,179	-	2,070,179
-Reinsurance	-	-	(706)	(706)	-	(706)
	1,434,090	443,334	192,049	2,069,473	-	2,069,473
Re-insurance premiums ceded						
-Local	-	-	(2,419)	(2,419)	-	(2,419)
-Abroad	-	(94,809)	(153,254)	(248,063)	-	(248,063)
	-	(94,809)	(155,673)	(250,482)	-	(250,482)
Excess of loss premiums	-	(8,021)	(7,500)	(15,521)	-	(15,521)
Net premiums written	1,434,090	340,504	28,876	1,803,470	-	1,803,470
Changes in unearned premiums, net	(53,206)	27,042	13,381	(12,783)	-	(12,783)
Net premiums earned	1,380,884	367,546	42,257	1,790,687	-	1,790,687
Re-insurance commission income	-	26,395	27,632	54,027	-	54,027
TOTAL REVENUES	1,380,884	393,941	69,889	1,844,714	-	1,844,714
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(1,445,106)	(334,554)	(280,453)	(2,060,113)	-	(2,060,113)
Expenses incurred related to claims	(47,648)	(24,426)	(5,059)	(77,133)	-	(77,133)
Hospital discount	87,599	-	-	87,599	-	87,599
Re-insurers' share of claims paid	-	91,436	289,284	380,720	-	380,720
Net claims and other benefits paid	(1,405,155)	(267,544)	3,772	(1,668,927)	-	(1,668,927)
Changes in outstanding claims, net	64,264	30,848	7,127	102,239	-	102,239
Changes in incurred but not reported claims, net	1,122	(16,068)	(3,314)	(18,260)	-	(18,260)
Net claims and other benefits incurred	(1,339,769)	(252,764)	7,585	(1,584,948)	-	(1,584,948)
Premium deficiency reserve	(32,767)	-	(2,585)	(35,352)	-	(35,352)
Other technical reserves	-	(2,216)	3,053	837	-	837
Policy acquisition costs	(74,383)	(33,381)	(16,012)	(123,776)	-	(123,776)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,446,919)	(288,361)	(7,959)	(1,743,239)	-	(1,743,239)
NET UNDERWRITING INCOME	(66,035)	105,580	61,930	101,475	-	101,475
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts				(27,074)	-	(27,074)
Legal case provision				-	-	-
General and administrative expenses				(260,265)	(6,107)	(266,372)
Third party administration fee				(47,648)	-	(47,648)
Special commission income				8,937	4,354	13,291
Income from investment in associate				-	5,017	5,017
Realized gain on available for sale investment				348	5,668	6,016
Other income				10,768	-	10,768
Total Other Operating Expenses, net				(314,934)	8,932	(306,002)
Net loss for the year before appropriation and before zakat and income tax				(213,459)	8,932	(204,527)

32 Operating segments

	For the year ended December 31, 2019			
	Medical	**Motor**	**Property & casualty**	**Total**
	SAR'000			
Gross premiums written				
Large enterprise	**1,251,103**	**70,541**	**149,121**	**1,470,765**
Medium enterprise	**175,360**	**22,221**	**54,598**	**252,179**
Small enterprise	**240,073**	**10,975**	**51,931**	**302,979**
Micro enterprise	**135,596**	**4,734**	**22,692**	**163,022**
Individual	**3,693**	**227,897**	**742**	**232,332**
TOTAL GROSS PREMIUMS WRITTEN	**1,805,825**	**336,368**	**279,084**	**2,421,277**

33 RISK MANAGEMENT

33.1 Risk governance

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

33.2 Risk management structure

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

Board of Directors

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

Senior management

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

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are also insured by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The risks faced by the Company and the manner in which these risks are mitigated by management are set out below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims severity, actual benefits paid and subsequent development of long term claims are different than expected. Therefore the objective of the Company is to ensure that sufficient resources are available to cover these liabilities. The insurance risk arising from insurance contracts is mainly concentrated in the Kingdom of Saudi Arabia.

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. There is no single counterparty exposure that exceeds 35% of total reinsurance assets at the reporting date.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years, the Company has only underwritten comprehensive polices for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 2,000 thousand (31 December 2018: SR 2,000 thousand).

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The company does not have any reinsurance coverage for medical line of business.

33 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Sensitivity analysis

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 uncertainty in the estimation process. The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 10% change in the claims ratio would impact income by approximately SR 10,832 thousand (31 December 2018: SR 11,838 thousand) annually in aggregate.

b) Re-insurance risk

In common with other insurance companies, 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. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

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

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

	SAR '000'	
	31 December 2019	**31 December 2018**
Middle East	**300,623**	226,231
Europe	**256,823**	194,575
	557,446	420,806

c) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to 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 not in compliance with solvency margin requirement as prescribed by SAMA.

33 RISK MANAGEMENT (continued)

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 assets held by the Company, the maximum exposure to credit risk 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:

- The Company only enters into insurance and reinsurance contracts with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the investment officer in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.
- There are no significant concentrations of credit risk within the Company.

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

	SR'000		
	December 31, 2019	December 31, 2018	01 January, 2018
ASSETS, INSURANCE OPERATIONS			
Cash and cash equivalents (other than cash in hand)	**257,680**	712,246	378,319
Short term deposits	**91,835**	-	401,250
Available for sale Investments	**10,181**	25,000	28,358
Premiums and reinsurance balances receivable, net	**572,215**	681,078	659,105
Advances to employees	**9,158**	8,824	9,343
Advances to suppliers	**48,221**	10,902	4,944
Accrued special commission income	**671**	900	950
Reinsurers' share of outstanding claims	**334,829**	294,162	366,647
Reinsurers' share of Claim incurred but not reported	**222,617**	126,644	114,493
Due from related party, net	**63**	63	63
	1,547,470	1,859,819	1,963,472
ASSETS, SHAREHOLDERS' OPERATIONS			
Cash and cash equivalents (other than cash in hand)	**33,536**	410,183	5,176
Short term deposits	**175,049**	-	70,000
Available for sale Investments	**469,264**	49,151	125,018
Statutory deposit	**120,000**	120,000	150,000
Accrued commission on statutory deposit	**23,864**	19,507	15,546
Accrued special commission income	**3,270**	2,522	1,427
	824,983	601,363	367,167
TOTAL ASSETS	**2,372,453**	2,461,182	2,330,639

33 RISK MANAGEMENT (continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in time deposits with local banks.

Maturity profiles

Unearned premiums and reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the non-derivative financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	SAR'000		
	December 31, 2019		
	Up to one year	**More than one year**	**Total**
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	**58,468**	-	**58,468**
Accounts and commission payable	**137,744**	-	**137,744**
Reinsurance balances payable	**107,488**	-	**107,488**
Gross outstanding claims	**466,610**	-	**466,610**
Claim incurred but not reported	**751,200**	-	**751,200**
Surplus distribution payable	**112,561**	-	**112,561**
	1,634,071	-	**1,634,071**
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	**1,154**	**-**	**1,154**
Commission payable on statutory deposit	**23,864**	**-**	**23,864**
	25,018	**-**	**25,018**
TOTAL FINANCIAL LIABILITIES	**1,659,089**	**-**	**1,659,089**

	SAR'000		
	December 31, 2018		
	Up to one year	More than one year	Total
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	155,673	-	155,673
Accounts and commission payable	124,860	-	124,860
Reinsurance balances payable	30,937	19,473	50,410
Gross outstanding claims	325,214	-	325,214
Claim incurred but not reported	624,910	-	624,910
Surplus distribution payable	111,566	-	111,566
	1,373,160	19,473	1,392,633
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	2,820	-	2,820
Commission payable on statutory deposit	19,507	-	19,507
	22,327	-	22,327
TOTAL FINANCIAL LIABILITIES	1,395,487	19,473	1,414,960

Liquidity profile

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

33 RISK MANAGEMENT (continued)

f) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company`s principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

	SAR'000							
	December 31, 2019				December 31, 2018			
	Saudi Riyals	**US Dollars**	**Others**	**Total**	Saudi Riyals	US Dollars	Others	Total
INSURANCE OPERATIONS' ASSETS								
Cash and cash equivalents`	**257,680**	-	-	**257,680**	686,084	26,162	-	712,246
Short term deposits	**91,835**	-	-	**91,835**	-	-	-	-
Premium and reinsurers' receivable, net	**539,147**	**31,343**	**1,725**	**572,215**	659,741	19,928	1,409	681,078
Reinsurers' share of unearned premiums	**241,130**	**48,906**	**583**	**290,619**	180,685	102,106	110	282,901
Reinsurers' share of outstanding claims	**188,910**	**145,822**	**97**	**334,829**	119,332	174,790	40	294,162
Reinsurers' share of claims incurred but not reported	**222,617**	-	-	**222,617**	126,644	-	-	126,644
Deferred policy acquisition costs	**66,855**	**340**	**1**	**67,196**	76,227	-	-	76,227
Due from a related party, net	**63**	-	-	**63**	63	-	-	63
Due from / to shareholders` / insurance operation	**606,999**	-	-	**606,999**	399,560	-	-	399,560
Prepayment and other assets, net	**250,571**	-	-	**250,571**	131,751	-	-	131,751
Available for sale investments	**10,181**	-	-	**10,181**	25,000	-	-	25,000
Right of use assets, net	**25,854**	-	-	**25,854**	-	-	-	-
Property and equipment, net	**16,170**	-	-	**16,170**	19,158	-	-	19,158
Intangible assets, net	**4,719**	-	-	**4,719**	2,484	-	-	2,484
TOTAL INSURANCE OPERATIONS' ASSETS	**2,522,731**	**226,411**	**2,406**	**2,751,548**	2,426,729	322,986	1,559	2,751,274
SHAREHOLDERS' ASSETS								
Cash and cash equivalents`	**33,536**	-	-	**33,536**	407,402	2,781	-	410,183
Short term deposits	**175,049**	-	-	**175,049**	-	-	-	-
Prepayment and other assets, net	**3,270**	-	-	**3,270**	2,522	-	-	2,522
Available for sale investments	**469,264**	-	-	**469,264**	11,925	37,226		49,151
Property and equipment, net	**30,000**	-		**30,000**	30,000	-	-	30,000
Deferred tax asset	**11,962**	-	-	**11,962**	13,923	-	-	13,923
Statutory deposit	**120,000**	-	-	**120,000**	120,000	-	-	120,000
Investment in an associate	**9,393**	-	-	**9,393**	9,872	-	-	9,872
Accrued commission on statutory deposit	**23,864**	-	-	**23,864**	19,507	-	-	19,507
Goodwill	**480,000**	-	-	**480,000**	480,000			480,000
TOTAL SHAREHOLDERS' ASSETS	**1,356,338**	**-**	**-**	**1,356,338**	1,095,151	40,007	-	1,135,158
TOTAL ASSETS	**3,879,069**	**226,411**	**2,406**	**4,107,886**	3,521,880	362,993	1,559	3,886,432

33 RISK MANAGEMENT (continued)

f) Foreign currency risk (Continued)

	SAR'000							
	December 31, 2019				December 31, 2018			
	Saudi	**US Dollars**	**Others**	**Total**	Saudi Riyals	US Dollars	Others	Total
INSURANCE OPERATIONS' LIABILITIES								
Accrued expenses and other liabilities	**58,468**	**-**	**-**	**58,468**	155,673	-	-	155,673
Accounts and commission payable	**137,744**	**-**	**-**	**137,744**	124,860	-	-	124,860
Lease liability	**25,903**	**-**	**-**	**25,903**	-	-	-	-
Reinsurers' balances payable	**104,261**	**1,761**	**1,466**	**107,488**	50,410	-	-	50,410
Gross unearned premiums	**934,683**	**50,152**	**602**	**985,437**	1,132,735	103,902	212	1,236,849
Unearned reinsurance commission	**29,617**	**1,489**	**55**	**31,161**	19,692	2,483	30	22,205
Gross outstanding claims	**316,999**	**149,451**	**160**	**466,610**	150,384	174,790	40	325,214
Claims incurred but not reported	**751,200**	**-**	**-**	**751,200**	624,910	-	-	624,910
Premium deficiency reserve	**20,529**	**-**	**-**	**20,529**	51,052	-	-	51,052
Other technical reserves	**14,894**	**-**	**-**	**14,894**	9,759	-	-	9,759
Due to a related party	**17,080**	**-**	**-**	**17,080**	17,600	-	-	17,600
End of service indemnities	**27,451**	**-**	**-**	**27,451**	25,461	-	-	25,461
Surplus distribution payable	**112,561**	**-**	**-**	**112,561**	111,566	-	-	111,566
TOTAL INSURANCE OPERATIONS' LIABILITIES	**2,551,390**	**202,853**	**2,283**	**2,756,526**	2,474,102	281,175	282	2,755,559
SHAREHOLDERS' LIABILITIES								
Accrued expenses and other liabilities	**1,154**	**-**	**-**	**1,154**	2,820	-	-	2,820
Zakat & income tax	**13,188**	**-**	**-**	**13,188**	27,184	-	-	27,184
Due from / to shareholders` / insurance operations	**606,999**	**-**	**-**	**606,999**	399,560	-	-	399,560
Accrued commission income payable to SAMA	**23,864**	**-**	**-**	**23,864**	19,507	-	-	19,507
TOTAL SHAREHOLDERS' LIABILITIES	**645,205**	**-**	**-**	**645,205**	449,071	-	-	449,071
TOTAL LIABILITIES	**3,196,595**	**202,853**	**2,283**	**3,401,731**	2,923,173	281,175	282	3,204,630

33 RISK MANAGEMENT (continued)

g) Special commission rate risk

Special commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market special commission rates. Floating rate instruments expose the company to cash flow special commission risk, whereas fixed commission rate instruments expose the Company to fair value interest risk.

The Company is exposed to special commission rate risk on its certain investments, cash and cash equivalents, and time deposits. The Company limits special commission rate risk by monitoring changes in special commission rates in the currencies in which its investments are denominated.

The following table demonstrates the sensitivity of statements of insurance operations and the shareholders income to reasonably possible changes in commission rates of the Company's term deposits, with all other variables held constant.

31 December 2019	**Change in variable**	**Impact on net loss**
Currency	**+ 50 basis points**	**1,778**
Saudi Riyal	**- 50 basis points**	**(1,778)**

31 December 2018	Change in variable	Impact on net loss
Currency	+ 50 basis points	5,084
Saudi Riyal	- 50 basis points	(5,084)

h) 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 instruments traded in the market.

The Company has unquoted equity instruments carried at cost or indicative selling price, 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 income - shareholders' operations will be impacted.

The sensitivity of the income on the assumed changes in the market prices of quoted available for sale investments on the statement of shareholders comprehensive income / (loss) and statement of insurance operations' comprehensive income / loss is set out below:

	Change in market price	**Effect on statement of shareholders comprehensive income / (loss)**
31 December 2019	**+5%**	**18,835**
	-5%	**(18,835)**
31 December 2018	+5%	930
	-5%	(930)

i) Capital management

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.

33 RISK MANAGEMENT (continued)

i) Capital management (Continued)

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

- Minimum Capital Requirement of SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company uses Claims Solvency Margin Method for determining its solvency requirements. As at 31 December 2019, the solvency margin is less than the required minimum margin (also see note 2). The capital structure of the Company as at 31 December 2019 consists of paid-up share capital of SAR 800 million, legal reserves of SAR 146 million and accumulated deficit of SAR 256.5 million (December 31, 2018: paid-up share capital of SAR 800 million, legal reserves of SAR 146 million and accumulated deficit of SAR 259.6 million.) in the statement of financial position.

j) Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical, 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, hence, all the insurance risks relate to policies written in Saudi Arabia.

k) 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.

33 RISK MANAGEMENT (continued)

l) Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly 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. 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.

34 SUPPLEMANTARY INFORMATION

STATEMENT OF FINANCIAL POSITION

	SAR '000								
	December 31, 2019			December 31, 2018			January 01, 2018		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS									
Cash and cash equivalents`	**257,680**	**33,536**	**291,216**	712,246	410,183	1,122,429	378,349	5,176	383,525
Short term deposits	**91,835**	**175,049**	**266,884**	-	-	-	401,250	70,000	471,250
Premium and reinsurers' receivable, net	**572,215**	**-**	**572,215**	681,078	-	681,078	659,105	-	659,105
Reinsurers' share of unearned premiums	**290,619**	**-**	**290,619**	282,901	-	282,901	464,063	-	464,063
Reinsurers' share of outstanding claims	**334,829**	**-**	**334,829**	294,162	-	294,162	366,647	-	366,647
Reinsurers' share of claims incurred but not reported	**222,617**	**-**	**222,617**	126,644	-	126,644	114,493	-	114,493
Deferred policy acquisition costs	**67,196**	**-**	**67,196**	76,227	-	76,227	85,065	-	85,065
Due from a related party, net	**63**	**-**	**63**	63	-	63	63	-	63
Due from / to shareholders` / insurance operation	**606,999**	**(606,999)**	**-**	399,560	(399,560)	-	346,744	(346,744)	-
Prepayment and other assets, net	**250,571**	**3,270**	**253,841**	131,751	2,522	134,273	236,650	1,427	238,077
Available for sale investments	**10,181**	**469,264**	**479,445**	25,000	49,151	74,151	28,358	125,018	153,376
Right of use assets, net	**25,854**	**-**	**25,854**	-	-	-	-	-	-
Property and equipment, net	**16,170**	**30,000**	**46,170**	19,158	30,000	49,158	23,211	30,000	53,211
Intangible assets, net	**4,719**	**-**	**4,719**	2,484	-	2,484	3,319	-	3,319
Deferred tax asset	-	**11,962**	**11,962**	-	13,923	13,923	-	12,225	12,225
Statutory deposit	-	**120,000**	**120,000**	-	120,000	120,000	-	150,000	150,000
Investment in an associate	-	**9,393**	**9,393**	-	9,872	9,872	-	9,341	9,341
Accrued commission on statutory deposit	**-**	**23,864**	**23,864**	-	19,507	19,507	-	15,546	15,546
Goodwill	**-**	**480,000**	**480,000**	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	**2,751,548**	**749,339**	**3,500,887**	2,751,274	735,598	3,486,872	3,107,317	551,989	3,659,306

34 SUPPLEMANTARY INFORMATION (Continued)

STATEMENT OF FINANCIAL POSITION (Continued)

	SAR '000								
	December 31, 2019			December 31, 2018			January 01, 2018		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES									
Accrued expenses and other liabilities	**58,468**	**1,154**	**59,622**	155,673	2,820	158,493	152,257	635	152,892
Accounts and commission payable	**137,744**	**-**	**137,744**	124,860	-	124,860	121,768	-	121,768
Lease liability	**25,903**	**-**	**25,903**	-	-	-	-	-	
Reinsurers' balances payable	**107,488**	**-**	**107,488**	50,410	-	50,410	135,761	-	135,761
Gross unearned premiums	**985,437**	**-**	**985,437**	1,236,849	-	1,236,849	1,405,228	-	1,405,228
Unearned reinsurance commission	**31,161**	**-**	**31,161**	22,205	-	22,205	35,206	-	35,206
Gross outstanding claims	**466,610**	**-**	**466,610**	325,214	-	325,214	499,938	-	499,938
Claims incurred but not reported	**751,200**	**-**	**751,200**	624,910	-	624,910	594,499	-	594,499
Premium deficiency reserve	**20,529**	**-**	**20,529**	51,052	-	51,052	15,700	-	15,700
Other technical reserves	**14,894**	**-**	**14,894**	9,759	-	9,759	10,596	-	10,596
Due to a related party	**17,080**	**-**	**17,080**	17,600	-	17,600	3,886	-	3,886
End of service indemnities	**27,451**	**-**	**27,451**	25,461	-	25,461	20,887	-	20,887
Surplus distribution payable	**112,561**	**-**	**112,561**	111,566	-	111,566	111,566	-	111,566
Zakat & income tax	**-**	**13,188**	**13,188**	-	27,184	27,184	-	25,022	25,022
Accrued commission income payable to SAMA	**-**	**23,864**	**23,864**	-	19,507	19,507	-	15,546	15,546
TOTAL LIABILITIES	**2,756,526**	**38,206**	**2,794,732**	2,755,559	49,511	2,805,070	3,107,292	41,203	3,148,495
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS									
Fair values reserve gain on investments	**181**	**-**	**181**	-	-	-	327	-	327
Re-measurement of defined benefit liability – employees benefits	**(5,159)**	**-**	**(5,159)**	(4,285)	-	(4,285)	(302)	-	(302)
TOTAL INSURANCE OPERATIONS' (DEFICIT) / SURPLUS	**(4,978)**	**-**	**(4,978)**	(4,285)	-	(4,285)	25	-	25
SHAREHOLDERS' EQUITY									
Share capital	**-**	**800,000**	**800,000**	-	800,000	800,000	-	400,000	400,000
Statutory reserve	**-**	**146,135**	**146,135**	-	146,135	146,135	-	146,135	146,135
Accumulated losses	**-**	**(256,482)**	**(256,482)**	-	(259,606)	(259,606)	-	(40,777)	(40,777)
Fair values reserve gain on investments	**-**	**21,480**	**21,480**	-	(442)	(442)	-	5,428	5,428
TOTAL SHAREHOLDERS' EQUITY	**-**	**711,133**	**711,133**	-	686,087	686,087	-	510,786	510,786
TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS` EQUITY	**2,751,548**	**749,339**	**3,500,887**	2,751,274	735,598	3,486,872	3,107,317	551,989	3,659,306

34 SUPPLEMANTARY INFORMATION (Continued)

STATEMENT OF INCOME

	SAR '000					
	December 31, 2019			December 31, 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
-Direct	**2,421,277**	-	**2,421,277**	2,070,179	-	2,070,179
-Reinsurance	-	-	-	(706)	-	(706)
	2,421,277	-	**2,421,277**	2,069,473		2,069,473
Reinsurance premiums ceded						
-Local	**(7,280)**	-	**(7,280)**	(2,419)	-	(2,419)
-Abroad	**(621,230)**	-	**(621,230)**	(248,063)	-	(248,063)
	(628,510)	-	**(628,510)**	(250,482)	-	(250,482)
Excess of loss expenses – foreign	**(55,401)**	-	**(55,401)**	(15,521)	-	(15,521)
Net written premiums	**1,737,366**	-	**1,737,366**	1,803,470	-	1,803,470
Changes in unearned premiums, net	**259,129**	-	**259,129**	(12,783)	-	(12,783)
Net premiums earned	**1,996,495**	-	**1,996,495**	1,790,687	-	1,790,687
Re-insurance commissions	**98,912**	-	**98,912**	54,027	-	54,027
TOTAL REVENUES	**2,095,407**	-	**2,095,407**	1,844,714	-	1,844,714
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(1,989,336)**	-	**(1,989,336)**	(2,060,113)	-	(2,060,113)
Expenses incurred related to claims	**(27,244)**	-	**(27,244)**	(77,133)	-	(77,133)
Hospital discount	**101,070**	-	**101,070**	87,599		87,599
Reinsurers' share of claims paid	**361,784**	-	**361,784**	380,720	-	380,720
Net claims and other benefits paid	**(1,553,726)**	-	**(1,553,726)**	(1,668,927)	-	(1,668,927)
Changes in outstanding claims, net	**(100,729)**	-	**(100,729)**	102,239	-	102,239
Changes in incurred but not reported claims, net	**(30,317)**	-	**(30,317)**	(18,260)	-	(18,260)
Net claims and other benefits incurred	**(1,684,772)**	-	**(1,684,772)**	(1,584,948)	-	(1,584,948)
Additional premium deficiency reserve	**30,522**	-	**30,522**	(35,352)	-	(35,352)
Other technical reserves	**(5,134)**	-	**(5,134)**	837	-	837
Policy acquisition costs	**(117,785)**		**(117,785)**	(123,776)	-	(123,776)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(1,777,169)**	-	**(1,777,169)**	(1,743,239)	-	(1,743,239)
NET UNDERWRITING INCOME/ (LOSS)	**318,238**	-	**318,238**	101,475	-	101,475
OTHER OPERATING (EXPENSES)/ INCOME						
(Allowance for) / reversal of doubtful debts	**36,882**	-	**36,882**	(27,074)	-	(27,074)
Legal case provision	**(24,246)**	-	**(24,246)**	-	-	-
General and administrative expenses	**(298,724)**	**(7,489)**	**(306,213)**	(260,265)	(6,107)	(266,372)
Third party administration fee	**(59,714)**	-	**(59,714)**	(47,648)	-	(47,648)
Special commission income	**16,794**	**13,449**	**30,243**	8,937	4,354	13,291
Income from investment in associate	-	**4,420**	**4,420**	-	5,017	5,017
Realized gain on available for sale investment	-	**(164)**	**(164)**	348	5,668	6,016
Other income	**20,725**	-	**20,725**	10,768	-	10,768
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	**(308,283)**	**10,216**	**(298,067)**	(314,934)	8,932	(306,002)
NET INCOME / (LOSS) FOR THE YEAR BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	**9,955**	**10,216**	**20,171**	(213,459)	8,932	(204,527)
Shareholders' appropriation from deficit	**(8,960)**	**8,960**	-	213,459	(213,459)	-
NET INCOME / (LOSS) FOR THE YEAR AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	**995**	**19,176**	**20,171**	-	(204,527)	(204,527)
Zakat and income tax						
Current zakat and income tax	-	**(14,091)**	**(14,091)**	-	(6,323)	(6,323)
Deferred tax	-	**(1,961)**	**(1,961)**	-	1,698	1,698
Net income / (loss) for the year	**995**	**3,124**	**4,119**	-	(209,152)	(209,152)

34 SUPPLEMANTARY INFORMATION (Continued)

STATEMENT OF COMPREHENSIVE INCOME

	For the Year ended December 31					
	SAR '000					
	2019			2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income / (loss) for the year	**995**	**3,124**	**4,119**	-	(209,152)	(209,152)
Other comprehensive income / (loss)						
Item that will not be reclassified to statement of income in subsequent period						
-Re-measurement of employees end of service indemnities	**(693)**	**-**	**(693)**	(3,983)	-	(3,983)
Items that are or may be reclassified to statement of income in subsequent periods						
Available for sale investments						
- Net change in fair values	**181**	**21,922**	**22,103**	21	(202)	(181)
- Reclassified to statement of income	-	-	-	(350)	(5,666)	(6,016)
TOTAL COMPREHENSIVE INCOME/ (LOSS)	**483**	**25,046**	**25,529**	(4,312)	(215,020)	(219,332)
Reconciliation:						
Less: Net income attributable to insurance operations and transferred to surplus distribution payable.			**(995)**			-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR			**24,534**			(219,332)

34 SUPPLEMANTARY INFORMATION
STATEMENT OF CASH FLOWS

	SAR '000					
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	For the year ended December 31, 2019			For the year ended December 31, 2018		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income / (loss) for the year before zakat and income tax	**995**	**19,176**	**20,171**	-	(204,527)	(204,527)
Adjustments for non-cash items:						
Depreciation and amortization	**8,258**	**-**	**8,258**	8,956	-	8,956
Loss on disposal of property and equipment	**25**		**25**			
Realized gain on sale of investment	**-**	**-**	**-**	(348)	(5,668)	(6,016)
Allowance for doubtful debts	**(36,882)**	**-**	**(36,882)**	27,074	-	27,074
Special commission income	**(16,795)**	**(17,705)**	**(34,500)**	(9,284)	(4,007)	(13,291)
Income from investment in associate	**-**	**(4,417)**	**(4,417)**	-	(5,017)	(5,017)
Provision for end of service indemnities	**7,030**	**-**	**7,030**	5,931	-	5,931
	(37,369)	**(2,946)**	**(40,315)**	32,329	(219,219)	(186,890)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	**145,745**	**-**	**145,745**	(49,047)	-	(49,047)
Reinsurers' share of unearned premiums	**(7,718)**	**-**	**(7,718)**	181,162	-	181,162
Reinsurers' share of outstanding claims	**(40,666)**	**-**	**(40,666)**	72,485	-	72,485
Reinsurers' share of claims Incurred but not reported	**(95,973)**	**-**	**(95,973)**	(12,151)	-	(12,151)
Deferred policy acquisition costs	**9,031**	**-**	**9,031**	8,838	-	8,838
Prepayment and other assets	**(118,821)**	**(748)**	**(119,569)**	104,900	(1,096)	103,804
Deposit against letter of guarantee	**(15,364)**	**-**	**(15,364)**	(35,392)	-	(35,392)
Right of use assets	**(25,854)**	**-**	**(25,854)**	-	-	-
Accounts and commission payable	**12,884**	**-**	**12,884**	3,092	-	3,092
Accrued expenses and other liabilities	**(97,205)**	**(1,665)**	**(98,870)**	3,416	2,185	5,601
Lease liability	**25,903**	**-**	**25,903**	-	-	-
Reinsurers' balances payable	**57,078**	**-**	**57,078**	(85,351)	-	(85,351)
Gross unearned premiums	**(251,412)**	**-**	**(251,412)**	(168,379)	-	(168,379)
Unearned reinsurance commission	**8,956**	**-**	**8,956**	(13,001)	-	(13,001)
Gross outstanding claims	**141,396**	**-**	**141,396**	(174,724)	-	(174,724)
Claims incurred but not reported	**126,290**	**-**	**126,290**	30,411	-	30,411
Premium deficiency reserves	**(30,522)**	**-**	**(30,522)**	37,622	-	37,622
Other technical reserves	**5,134**	**-**	**5,134**	(3,107)	-	(3,107)
Due to related party	**(520)**	**-**	**(520)**	13,714	-	13,714
	(189,007)	**(5,359)**	**(194,366)**	(53,183)	(218,130)	(271,313)
Payment of employees end of service indemnities	**(5,914)**	**-**	**(5,914)**	(5,340)	-	(5,340)
Zakat and income tax paid	**-**	**(28,087)**	**(28,087)**	-	(4,161)	(4,161)
Net cash used in operating activities	**(194,921)**	**(33,446)**	**(228,367)**	(58,523)	(222,291)	(280,814)
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividend received from investment in an associate	**-**	**4,896**	**4,896**	-	4,486	4,486
Disposal / (additions) in sale of available for sale investments	**15,000**	**(398,192)**	**(383,192)**	3,379	75,665	79,044
Special commission income	**16,795**	**17,705**	**34,500**	9,283	4,008	13,291
(Additions) / proceeds in / from short term deposits	**(91,835)**	**(175,049)**	**(266,884)**	401,250	70,000	471,250
Interest on statutory deposit	**-**	**4,357**	**4,357**	-	3,961	3,961
Interest payable on statutory deposit	**-**	**(4,357)**	**(4,357)**	-	(3,961)	(3,961)
Additions in property, equipment and intangible	**(7,530)**	**-**	**(7,530)**	(4,068)	-	(4,068)
Net cash (used in) / generated from investing activities	**(67,570)**	**(550,640)**	**(618,210)**	409,844	154,159	564,003
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to / (from) shareholders operation	**(207,439)**	**207,439**	**-**	(52,816)	52,816	-
Decrease in statutory deposit	**-**	**-**	**-**	-	30,000	30,000
Transaction cost related to increase in capital	**-**	**-**	**-**	-	(9,677)	(9,677)
Increase in capital	**-**	**-**	**-**	-	400,000	400,000
Net cash (used in) / generated from financing activities	**(207,439)**	**207,439**	**-**	(52,816)	473,139	420,323
Net change in cash and cash equivalents	**(469,930)**	**(376,647)**	**(846,577)**	298,505	405,007	703,512
Cash and cash equivalents, beginning of the year	**647,289**	**410,183**	**1,057,472**	348,784	5,176	353,960
Cash and cash equivalents, end of the year	**177,359**	**33,536**	**210,895**	647,289	410,183	1,057,472

35 COMPARATIVE FIGURES

The reclassifications mainly related to inclusion of TPA, SAMA and CCHI fees in prepayment and other assets and intangible assets which were previously presented in deferred policy acquisition costs and property and equipment respectively in the statement of financial position. These changes were made for better presentation of balances in the statement of financial position of the Company. Accordingly the above said restatement and reclassifications also have an impact on the previously issued financial statement for the year ended 31 December 2018.

36 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company, on 8 Rajab 1441H, corresponding to 3 March 2020.