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PRIVATE AND CONFIDENTIAL

March 18, 2020

CHUBB Arabia Cooperative Insurance Company
P.O. 31616
Al-Khobar 31952
Kingdom of Saudi Arabia

Dear Sirs,

JOINT AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

We have substantially completed our joint audit of the financial statements of **CHUBB Arabia Cooperative Insurance Company** (the "Company") for the year ended December 31, 2019 (the "Financial Statements").

This letter sets out that we are presently finalizing our procedures, and based on the procedures performed to the date of this letter we expect to issue an unqualified opinion on the Company's financial statements as attached in due course, subject to:

- Finalization of our audit completion procedures;
- Receipt of approval of the financial statements for the year ended December 31, 2019 by the Company's Board of Directors and Saudi Arabian Monetary Authority ("SAMA"); and
- Receipt of signed management representation letter.

Yours sincerely,

Deloitte and Touche & Co.
Chartered Accountants
P.O. Box 182
Dammam 31411
Kingdom of Saudi Arabia

Waleed Moh'd Sobahi
Certified Public Accountants
(Licence No. 378)

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب الدمام
ترخيص رقم ٣٢٣/١١/٩٦/٢
License. 323/11/96/2
Dammam Branch
Chartered Accountants
Deloitte and Touche & Co.

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Abdullah M. Al Basri
Certified Public Accountants
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Head Office Riyadh
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Certified Accountants
Abdullah Al Basri & Co

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are 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 that are 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.

Key Audit Matters

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

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
<u>**Valuation of technical reserves**</u> The Company as at December 31, 2019, has gross technical reserves amounting to SR 112.2 million as reported in Note 9.1 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR) and other technical reserves. The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements. The valuation of technical reserves is a key judgmental area for the Directors given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain. Due to the significance of the amounts involved and the exercise of significant judgment by Directors in the process for determination of gross outstanding claims, we have determined it to be a key audit matter. *Refer to notes 5(b)(ii) which discloses the estimated liability arising from claims under insurance contracts and note 4(xix) which discloses accounting policies for claims.*	We evaluated the design and tested the implementation and operating effectiveness of key controls over the Director's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. We also evaluated the appropriateness of the reserving methodologies used in estimating the insurance claim liabilities as part of our substantive procedures. We performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claims and technical reserves. Using our actuarial specialists we performed re-projections on IBNR relating to selected operating segments, where we compared our re-projected IBNR to those booked by the Directors, and sought to understand any significant differences. For the remaining operating segments, we assessed the reasonableness of methodologies and assumptions used by the Directors against recognized actuarial practices and industry standards to identify and evaluate any anomalies. We assessed the completeness and accuracy of data used by the Directors in their calculation of technical reserves. We also assessed the appropriateness of the financial statements disclosures with to this matter against the requirements of IFRS.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHUBB ARABIA COOPERATIVE INSURANCE COMPANY (CONTINUED)

Other Information

The Board of Directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the 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 will not express any form of assurance conclusion thereon.

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

When we read the 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 the Directors and 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 the IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's by-laws, and for such internal control as the Directors determine 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.

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 (ISA) that are endosred in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHUBB ARABIA COOPERATIVE INSURANCE COMPANY (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)
As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of 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; and

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

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

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

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHUBB ARABIA COOPERATIVE INSURANCE COMPANY (CONTINUED)

Report on legal and other regulatory requirements

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance with the requirements of Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

Deloitte and Touche & Co
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Abdullah M. Al Basri
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xx Rajab , 1441H
March xx, 2020G

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	**2019 SR**	2018 SR (Restated)
ASSETS			
Cash and cash equivalents	6	**105,651,008**	141,510,319
Premiums and reinsurance balances receivable, net	8	**102,144,942**	71,742,938
Reinsurers' share of unearned premiums	9	**74,196,879**	51,629,690
Reinsurers' share of outstanding claims	9	**37,167,238**	32,402,153
Reinsurers' share of claims incurred but not reported	9	**38,629,609**	42,927,788
Deferred policy acquisition costs	9	**5,323,677**	4,305,281
Investments held for trading	7	**96,506,696**	82,766,224
Investments available for sale	7	**1,932,078**	1,932,078
Prepayments and other assets	11	**16,853,649**	15,697,435
Term deposits	6	**132,081,773**	79,467,701
Property and equipment	12	**2,746,133**	387,427
Intangible assets	13	**799,989**	720,395
Goodwill	14	**43,774,750**	43,774,750
Statutory deposit	15	**20,000,000**	20,000,000
Accrued income on statutory deposit	15	**1,854,812**	1,243,271
TOTAL ASSETS		**679,663,233**	590,507,450

The accompanying notes 1 to 37 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	**2019** **SR**	2018 SR (Restated)
LIABILITIES			
Accounts payable		**22,146,161**	17,570,524
Accrued expenses and other liabilities	18	**14,150,369**	9,360,327
Reinsurance balances payable	17	**64,807,468**	37,892,066
Unearned premiums	9	**101,027,961**	77,264,897
Unearned reinsurance commission income	16	**8,851,869**	7,110,295
Outstanding claims	9	**49,002,619**	43,917,326
Claims incurred but not reported	9	**58,267,707**	67,524,759
Additional premium reserves	9	**3,088,645**	338,987
Other technical reserves	9	**1,801,064**	4,042,602
End-of-service indemnities	20	**8,410,730**	7,174,176
Statutory deposit commission income payable	15	**1,854,812**	1,243,271
Zakat and income tax	24	**16,501,196**	18,134,513
Accumulated surplus payable	19	**9,184,671**	6,764,250
TOTAL LIABILITIES		**359,095,272**	298,337,993
EQUITY			
Share capital	25	**200,000,000**	200,000,000
Statutory reserve	26	**32,437,651**	26,568,563
Retained earnings		**89,976,615**	66,500,265
TOTAL SHAREHOLDERS' EQUITY		**322,414,266**	293,068,828
Re-measurement reserve of defined benefit obligation	20	**(1,846,305)**	(899,371)
TOTAL EQUITY		**320,567,961**	292,169,457
TOTAL LIABILITIES AND EQUITY		**679,663,233**	590,507,450
Commitments and contingencies	28		

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	**2019 SR**	2018 SR (Restated)
REVENUES			
Gross written premiums	9.2	**258,223,251**	233,972,759
Less: Reinsurance premiums ceded-			
Local		**(6,345,021)**	(6,023,593)
Foreign		**(159,525,444)**	(126,607,921)
Excess of loss expenses		**(3,717,630)**	(4,402,746)
Net premiums written		**88,635,156**	96,938,499
Changes in unearned premiums	9.2	**(23,763,064)**	(2,979,801)
Changes in reinsurer share of unearned premiums	9.2	**22,567,189**	7,373,778
Net premiums earned		**87,439,281**	101,332,476
Reinsurance commission income	16	**22,215,098**	21,257,548
NET REVENUES		**109,654,379**	122,590,024
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	9.1	**(53,511,581)**	(49,638,448)
Expenses incurred related to claims		**(2,481,662)**	(2,609,330)
Reinsurers' share of gross claims paid	9.1	**20,941,889**	14,237,345
Net claims and other benefits paid		**(35,051,354)**	(38,010,433)
Changes in outstanding claims		**(5,085,293)**	(4,442,293)
Changes in reinsurers' share of outstanding claims		**4,765,085**	8,177,520
Changes in claims incurred but not reported		**9,257,052**	57,728,044
Changes in reinsurance share of claims incurred but not reported		**(4,298,179)**	(48,959,512)
Net claims and other benefits incurred		**(30,412,689)**	(25,506,674)
Changes in additional premium reserves		**(2,749,658)**	2,077,512
Changes in other technical reserves		**2,241,538**	(1,036,865)
Policy acquisition costs		**(14,969,979)**	(18,247,903)
Other underwriting expenses		**(2,824,762)**	(2,213,465)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(48,715,550)**	(44,927,395)
NET UNDERWRITING INCOME		**60,938,829**	77,662,629

The accompanying notes 1 to 37 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	**2019** **SR**	2018 SR (Restated)
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for doubtful debts	8	**(2,572,424)**	(3,030,692)
General and administrative expenses	21,22	**(37,672,125)**	(33,960,180)
Dividend, interest and commission income	23	**9,611,339**	6,718,223
Realised gain on disposal of investment held for trading	7	**202,863**	1,361,289
Unrealised gain / (losses) on investments held for trading	7	**2,724,049**	(1,714,266)
Other income, net	11.1	**2,165,564**	2,459,600
TOTAL OTHER OPERATING (EXPENSES) / INCOME		**(25,540,734)**	(28,166,026)
Total income for the year before zakat and income tax & surplus attribution		**35,398,095**	49,496,603
Zakat	24	**(955,945)**	(5,207,355)
Income tax	24	**(1,885,160)**	(2,988,711)
TOTAL INCOME FOR THE YEAR		**32,556,990**	41,300,537
Net income attributed to insurance operations		**(3,211,552)**	(5,003,795)
Net income for the year attributable to shareholders		**29,345,438**	36,296,742
Basic and Diluted Earnings per share	27	**1.47**	1.81
Weighted average number of outstanding shares	27	**20,000,000**	20,000,000

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Note	**2019 SR**	2018 SR
			(Restated)
Total income for the year		**32,556,990**	41,300,537
Other comprehensive income			
Items that will not be reclassified to statement of income in subsequent years			
Changes in re-measurement reserve of defined benefit obligation	20	**(946,934)**	(741,587)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**31,610,056**	40,558,950
Net comprehensive income attributed to the insurance operations		**(2,264,618)**	(4,262,208)
Net comprehensive income attributable to the shareholders		**29,345,438**	36,296,742

The accompanying notes 1 to 37 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total Shareholders' Equity SR	Re-measurement of End of service indemnities SR	Total Equity SR
At January 1, 2019	200,000,000	26,568,563	66,500,265	293,068,828	(899,371)	292,169,457
Total comprehensive income for the year						
Net income for the year attributable to shareholders	-	-	**29,345,438**	**29,345,438**	**-**	**29,345,438**
Actuarial losses on defined benefits obligation - related to insurance operations	-	-	**-**	**-**	**(946,934)**	**(946,934)**
Total comprehensive income for the year	**-**	**-**	**29,345,438**	**29,345,438**	**(946,934)**	**28,398,504**
Transfer to statutory reserve	**-**	**5,869,088**	**(5,869,088)**	**-**	-	-
At December 31, 2019	**200,000,000**	**32,437,651**	**89,976,615**	**322,414,266**	**(1,846,305)**	**320,567,961**
At January 1, 2018	200,000,000	19,309,215	37,462,871	256,772,086	(157,784)	256,614,302
Total comprehensive income for the year						
Net income for the year attributable to shareholders (restated)	-	-	36,296,742	36,296,742	-	36,296,742
Actuarial losses on defined benefits obligation - related to insurance operations	**-**	-	-	-	(741,587)	(741,587)
Total comprehensive income for the year (restated)	-	-	36,296,742	36,296,742	(741,587)	35,555,155
Transfer to statutory reserve (restated)	**-**	7,259,348	(7,259,348)	-	-	-
At December 31, 2018 (restated)	200,000,000	26,568,563	66,500,265	293,068,828	(899,371)	292,169,457

The accompanying notes 1 to 37 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	2019 SR	2018 SR
OPERATING ACTIVITIES		
Net income before zakat and income tax	**35,398,095**	49,496,603
Adjustments for non-cash items:		
Depreciation of property and equipment	**1,282,390**	268,231
Amortization of intangible assets	**243,937**	199,922
Gain on sale of property and equipment	**(85,550)**	(64,160)
Allowance for doubtful debts	**2,572,424**	3,030,692
Changes in unrealised (gain)/losses on investments held for trading	**(2,724,049)**	1,714,266
Realised gains on investments held for trading	**(202,863)**	(1,361,289)
Interest on finance lease obligations	**82,183**	-
Provision for end-of-service indemnities	**1,347,589**	1,193,543
	37,914,156	54,477,808
Working capital adjustments:		
Premiums and insurance balances receivable	**(32,974,428)**	(9,511,167)
Reinsurers' share of unearned premiums	**(22,567,189)**	(7,373,778)
Reinsurers' share of outstanding claims	**(4,765,085)**	(8,177,520)
Reinsurers' share of claims incurred but not reported	**4,298,179**	48,959,512
Deferred policy acquisition costs	**(1,018,396)**	606,832
Prepayments and other assets	**(1,156,214)**	(4,369,680)
Accounts payable	**4,575,637**	4,109,711
Accrued expenses and other liabilities	**2,594,587**	(1,208,745)
Reinsurance balances payable	**26,915,402**	8,076,280
Unearned premiums	**23,763,064**	2,979,801
Unearned reinsurance commission income	**1,741,574**	884,603
Outstanding claims	**5,085,293**	4,442,293
Claims incurred but not reported	**(9,257,052)**	(57,728,044)
Additional premium reserves	**2,749,658**	(2,077,512)
Amounts due from related parties	**-**	83,254
Other technical reserves	**(2,241,538)**	1,036,865
Cash from operations	**35,657,648**	35,210,513
Surplus paid to policyholders	**(791,131)**	(3,473,925)
Zakat and income tax paid	**(4,474,422)**	(3,432,721)
End-of-service indemnities paid	**(1,057,969)**	(878,296)
Net cash generated from operating activities	**29,334,126**	27,425,571

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

	2019 SR	2018 SR
INVESTING ACTIVITIES		
Purchase of investments held for trading	**(35,196,661)**	(20,645,314)
Proceeds from disposal of investments held for trading	**24,383,101**	12,955,025
Additions to long term deposits	**(52,614,072)**	(19,622,032)
Proceeds from disposal of property and equipment	**85,550**	87,100
Purchase of property and equipment	**(405,597)**	(79,277)
Purchase of intangible assets	**(323,531)**	(535,312)
Net cash used in investing activities	**(64,071,210)**	(27,839,810)
FINANCING ACTIVITIES		
Payment under finance lease obligations	**(1,122,227)**	-
Net cash used in financing activities	**(1,122,227)**	-
DECREASE IN CASH AND CASH EQUIVALENTS	**(35,859,311)**	(414,239)
Cash and cash equivalents at the beginning of the year	**141,510,319**	141,924,558
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**105,651,008**	141,510,319
NON-CASH TRANSACTIONS:		
Re-measurement reserve of defined benefit obligation	**(946,934)**	(741,587)
Right of use assets	**3,235,499**	-

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES

CHUBB Arabia Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company registered on 28 Rajab, 1430H (corresponding to July 21, 2009) under commercial registration number 2050066029 which was later amended to 2051043431 dated 9 Sha'aban 1431H (corresponding to July 21, 2010), issued in Al-Khobar, Kingdom of Saudi Arabia. The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to October 11, 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to October 9, 2006).

The activities of the Company are to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 21 Dhul-Hijjah, 1430H (corresponding to December 8, 2009), the Company received the license from Saudi Arabian Monetary Agency ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia. Its principal lines of business include property, engineering, motor and casualty insurance.

On 11 Dhul Qadah 1439H corresponding to July 24, 2019, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The registered address of the Company's head office is as follows:

CHUBB Arabia Cooperative Insurance Company
Head office
Al-Khobar 31952 Business Gate, King Faisal Bin Abdulaziz Street (Coastal Road)
PO Box 2685
Al-Khobar, Kingdom of Saudi Arabia

The Company's principal place of business is in Al-Khobar, Kingdom of Saudi Arabia. Furthermore, the Company operates through various branches located in the Kingdom of Saudi Arabia with the following commercial registration numbers:

Branch Name	*Location*	*Commercial registration number*
Regional Branch	Al-Khobar	2051043431
Regional Branch	Jeddah	4030233953
Regional Branch	Riyadh	1010310552

2. ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

The Company started its insurance operations on February 1, 2010. The Company acquired the insurance portfolio and the net assets of Ace Arabia Insurance Company BSC and International Insurance Company BSC with effect from January 1, 2009 as set forth in SAMA's guidelines in this respect, following the approval on the transfer from the respective authorities in 2012.

3. BASIS OF PREPARATION

(a) Basis of presentation and measurement

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") and the Regulations for Companies in the Kingdom of Saudi Arabia.

On July 23, 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.

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 3) and the effects of this change are disclosed in note 24 to these financial statements.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investments held for trading and investments available for sale and defined benefit obligations which is recognized at the present value of future obligation using the projected unit credit method.

The Company's statement of financial position is not presented using a current/non-current classification. Except for property and equipment, intangible assets, statutory deposit, held for trading investments, investments available for sales, goodwill, statutory deposits, lease liabilities (included in accrued expenses other liabilities) and end-of-service benefits all other assets and liabilities are of short-term nature, unless, stated otherwise.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly under note 34. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending December 31.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented except for the change in accounting of zakat and income tax and new IFRS standards, IFRIC interpretations and amendment thereof and adoption of the amendments to existing standards as explained below:

i) Changes in accounting policies for Zakat and income tax:
As mentioned in note 3(a), the basis of preparation has been changed as a result of the issuance of latest instructions from SAMA dated July 23, 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated April 11, 2017. With the latest instructions issued by SAMA dated July 23, 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 24 to these financial statements. The change has resulted in reduction of reported income of the Company for the year ended December 31, 2018 by SR 8.2 million. The change has had no impact on the statement of cash flows for the year ended December 31, 2018.

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 jurisdiction where the Company operates and generates 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.

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 statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

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's has assessed that the interpretation has not had a significant impact on these financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ia. Change in the accounting policy for Zakat and income tax: (continued)

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 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. The deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

ii) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company

The following new standards, amendments and revisions to the existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from January 1, 2019 and accordingly adopted by the Company, as applicable:

Standard / Amendments	**Description**
IFRS 16	Leases (see below)
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3, 11 and IAS 12, 23	Annual Improvements to IFRS 2015 - 2017 etc

The adoption of the amendment standards and interpretations applicable to the Company except for adoption of IFRS 16 did not have any significant impact on these annual financial statements.

IFRS 16 - Leases:

Effective from January 1, 2019, the Company adopted IFRS 16 'Leases' which replaced the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 changes fundamentally the accounting for leases by lessees. It eliminates the previous IAS 17 dual accounting model, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting as follows:

Right of Use Assets / Lease Liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company (continued)

IFRS 16 - Leases: (continued)

Right of Use Assets
The Company applies the model, and measures the right of use assets at cost;

a. less any accumulated depreciation and any accumulated impairment losses; and
b. adjusted for any re-measurement of the lease liability for lease modifications

Lease Liabilities
On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability;`
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Impact on transition
The Company has opted for the modified retrospective application permitted by IFRS 16 upon the adoption of the new standard. During the first-time application of IFRS 16 to operating leases, the right to use the leased assets was measured at the amount of the lease liability, using the interest rate at the time of the first-time application. The adjustments as of January 1, 2019 are as follows:

	2019
Right-of-use assets	**3,235,499**
Lease liabilities	**3,235,499**

Below is a reconciliation of the opening and closing balances of lease liabilities.

	2019
Opening balance of lease liabilities recognized upon the initial transition to IFRS 16	**3,235,499**
Interest charged	**82,183**
Payments of lease liabilities	**(1,122,227)**
Closing balance (note 18)	**2,195,455**

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted the lease payments using its incremental borrowing rate.

Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS16 to leases previously classified as operating leases under IAS17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease terms or leases with a low value of less than SAR 18,750.
- Excluded initial direct costs from measuring the right of use asset at the date of initial application.
- Used hindsight when determining the lease terms if the contract contains options to extend or terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Standards issued but not yet effective

iiia. IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

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

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

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

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Standards issued but not yet effective (continued)

iiia. IFRS 17 – Insurance Contracts (continued)

Measurement (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**;**

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

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

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

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

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

Impact
The Company is currently assessing the impact of the application and implementation of IFRS 17. The Company does not expect a significant financial impact from adopting the standard due to the short-term nature of its insurance contracts and the related settlement patterns of its cash flows. The Company, however, expects that adopting the standard will likely have an impact on IT systems, data requirements and accounting polices to address additional presentation and disclosure requirements. At the date of the publication of these financial statements, it was not practicable to quantify the potential impact of adopting IFRS 17.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Standards issued but not yet effective (continued)

iiib. IFRS 9 – Financial Instruments

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

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.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Standards issued but not yet effective (continued)

iiib. IFRS 9 – Financial Instruments (continued)

Effective date

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

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

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

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

The Company has performed a detailed assessment beginning January 1, 2018:

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

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

Impact assessment:

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SR 471.98 million and SR 155.32 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents, long-term fixed deposits, premium and reinsurance receivable and other receivables amounting to SR 373.54 million (2018: SR 324.45 million). Other financial assets consist of available for sale investments and held for trading investments amounting to SR 1.93 million (2018: SR 1.93 million) and SAR 96.51 million (2018: SR 82.77 million). The Company is currently assessing the impact on application and implementation of IFRS 9, however, the Company expects the classification and measurement of financial assets to be impacted from implementation of IFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies
The significant accounting policies used in preparing these financial statements are set out below:

iv Insurance contracts

Insurance contracts are those contracts when the Company ("the insurer") has accepted significant insurance risk from another party ("the policyholders") by agreeing to compensate the policyholders if a specified uncertain future event ("the insured event") adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

v. Investment contracts

Investment contracts are those contracts that transfer significant financial risk but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however be reclassified as insurance contracts after inception if insurance risk becomes significant.

vi. Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually as and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

vii. Property and equipment

Property and equipment are initially recorded at cost and are carried at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Depreciation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

	Years
Leasehold improvements	5
Furniture, fixtures and office equipment	4 – 10
Motor vehicles	4
Right of use asset	2

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.

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

viii. Intangible assets

Intangible assets are initially recorded at cost and are carried at cost less accumulated amortisation and any accumulated impairment losses. The intangible asset comprises of software and related implementation costs. All these costs relating to the software package are deferred and amortized using the straight-line method over a period of five years. The amortization expense on intangible assets is recognised in the statement of income.

ix. Policy acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

x. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments comprise financial assets and financial liabilities.

The Company's financial assets include cash and cash equivalents, short term deposits, term deposits, investments held for trading, investments available for sale, premiums and insurance balances receivable, reinsurer's share of outstanding claims, amounts due from policyholder/broker/related parties, amounts due from shareholders and other assets.

Its financial liabilities consist of outstanding claims, reinsurance balances payable, accounts payable, amounts due to related parties, amounts due to shareholders operations, statutory deposit commission income payable and other liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xi. Fair values measurement

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

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

xii. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xiii. Investments

All investments, excluding those held at fair value through profit and loss (if any), are initially recognized at cost, being the fair value of the consideration given including transaction cost associated with the Investments.

Investments held for trading
Investments which are bought with the intention of resale in the short term are classified as trading investments. Such investments are measured and carried in the financial position at fair value. Unrealised gains and losses are included in the statement of income and statement of comprehensive income for the financial period.

Investments available for sale
These represent investments which are neither bought with the intention of being held to maturity nor for trading purposes. Such investments are stated at fair value. Changes in fair value are credited or charged to the statement of comprehensive. Where there is objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognized in the statement of comprehensive income and in the statement of income.

Determination of fair values of investments
For investments traded in active markets, fair value is determined by reference to quoted market bid prices. For unquoted equity investments, fair value is determined by reference to the market value of similar investments or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information is available for such investments.

Where partial holdings are sold, the related carrying values of such investments are accounted for on a weighted average basis.

xiv. De-recognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Company has transferred substantially all the risks and rewards of the asset, or

(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xiv. De-recognition (continued)

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

xv. Impairment of financial and non-assets

Financial assets carried at amortized cost
The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income.

Available-for-sale investments
The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from shareholders' equity and recognized in the statement of income. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of income of income.

Financial assets carried at cost
Impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xv. Impairment of non-financial assets (continued)

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of income.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. The Company performs its annual impairment test of goodwill as at December 31.

The recoverable amount of the non-life insurance business CGU and investment management services business CGU have been determined based on a value in use calculation. The calculation requires the Company to make an estimate of the expected future cash flows from each of the CGUs and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

Previously recorded impairment losses for goodwill are not reversed in future periods.

xvi. Premiums receivable and reinsurance receivable

Premiums receivable and reinsurance receivable are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable and are stated at gross less allowance for any uncollectable amount (allowance for doubtful debts) and any impairment in value. Bad debts are written off as incurred. The carrying value of premiums receivable and reinsurance 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 income. Premiums receivable and reinsurance receivable are derecognized when the de-recognition criteria for financial assets have been met.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xvii. *Accounts payable and accruals*

Liabilities are recognized for amounts to be paid in the future for services received, whether or not billed to the Company.

xviii. *Revenue recognition*

Premium and reinsurance commissions

Premiums and commission are recorded in the statement of income over the terms of the policies to which they relate on a pro-rata basis. The portion of premiums, reinsurance share of premiums and reinsurance commissions that will be earned in the future is reported as unearned premiums and unearned reinsurance commissions, respectively, and is deferred based on the following methods:

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

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

Investment income

Interest income is recognised in the statement of income as it accrues and is calculated by using the EIR method. Fees and commission that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

Investment income also includes dividends and when the right to receive payment is established.

xix. *Claims*

Gross claims consist of benefits and claims paid to policyholders and third parties, and related loss adjustor expenses, net of salvage and other recoveries and are charged to the statement of income as incurred changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xix. Claims (Continued)

Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income of for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

xx. Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

xxi. Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

The Company's reinsurance program is affected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks.

The Company cedes insurance risk in the normal course of business for all of its businesses. 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 statement of financial position 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. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premium and claims on assumed reinsurance are recognised as revenue 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. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Premium and claims are presented on a gross basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxi. Reinsurance (continued)

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

xxii. Deferred policy acquisition costs ("DAC")

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition DAC is amortised over the period in which the related revenue are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the statement of income.

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of income. DAC is also considered in the liability adequacy test for each reporting period. DAC is derecognised when the related contracts are either settled or disposed off.

xxiii. 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.

xxiv. Unearned reinsurance commission income

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable. Amortisation is recorded in the statement of income.

xxv. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxvi. Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision for premium deficiency.

xxvii. End-of-service indemnities

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company primarily has end of service indemnities, which qualify as defined benefit plans. Accruals to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurements, comprising actuarial gains and losses and the effect of the changes to the asset ceiling (if applicable), is reflected immediately in the statement of financial position with a charge or credit recognised in the comprehensive income in the period in which they occur. Re-measurement recognised in the statement of comprehensive income is reflected as a reserve under statement of equity and will not be reclassified to statement of income. Past service cost is recognised in statement of income in the period of a plan amendment.

xxviii. Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals ("SR") at the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are re-translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in statements of income and comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxix. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash at banks and time deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

xxx. Statutory reserve

In accordance with the Law on Supervision of Cooperative Insurance Companies and the by-laws of the Company, the Company shall set aside 20% of shareholders' net income in each year to the statutory reserve until it has built up a reserve equal to the share capital. This reserve is not available for dividend distribution.

xxxi. Zakat and taxes

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax ("the GAZT") in the Kingdom of Saudi Arabia. Zakat provision is charged to the statement of income. Zakat is computed on the Saudi shareholder's share of the zakat base, while income tax is calculated on the foreign shareholder's share of adjusted net income. Income tax is charged to the statement of income. The Company is settling the zakat and income tax annually to GAZT.

Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the KSA, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

xxxii. 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 liabilities simultaneously. Income and expense are not offset in the statements of income and statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

xxxiii. Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenue and incurs expenses and about which discrete financial information 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 organised into business units based on their products and services and has five reportable operating segments as follows:

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxxiv. Segmental reporting (continued)

- Property insurance, which covers fire and allied perils, property all risks.
- Engineering, which provides coverage against the Contractors' All Risks (CAR), Erection All Risks (EAR), Machinery All Risks (MAR), etc.
- Motor insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Casualty which provides coverage against the loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity.

Segments performance is evaluated based on profit or loss which in certain aspects is measured differently from profit and loss in the financial statements.

Other classes covers any other classes of insurance not included above. Operating segments do not include shareholders' operation of the Company.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders' income is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity.

As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

xxxiv. Liability adequacy test

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

xxxv. Dividend distribution

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxxvi. Leases

The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable prior to January 1, 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Policies applicable from January 1, 2019
The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these short term leases and leases of low value assets, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;\
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policies applicable from January 1, 2019 (continued)
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

a. Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

ai. Initial recognition of investments
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

aii. Impairment of equity investments
The Company treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

b. Estimation and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, 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 :

bi. Fair value measurement of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation and assumptions (continued)

bi. Fair value measurement of financial instruments (continued)
For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

bii. Valuation of insurance contract liabilities
Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is the Company's past claims settlement experience can be used to project future claims settlement and hence ultimate claims costs. As such, these methods extrapolate the settlement of paid and incurred losses, average costs per claim and claim numbers based on the observed settlement of earlier years and expected loss ratios. Historical claims settlement 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 settlement. 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 settlement data on which the projections are based. Additional qualitative judgment 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.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

biii. Impairment losses on 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. The Company classifies balances as "past due but not impaired (note 8) on the basis of the guidelines given by SAMA.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation and assumptions (continued)

biv. Deferred policy acquisition costs ("DAC")
Certain acquisition costs related to the sale of policies are recorded as DAC and are amortized in the statement of income over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment/write-offs in the statement of income.

bv. Useful life of property and equipment
The Company's management determines the estimated useful lives of its property and equipment before calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

bvi. Goodwill impairment testing
The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6. CASH AND CASH EQUIVALENTS

	Insurance operations		**Shareholders' operations**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	SR	SR	**SR**	SR	**SR**	SR
Cash at banks						
- Current accounts	**14,073,914**	8,298,585	**2,607,805**	1,523,906	**16,681,719**	9,822,491
- Time deposits	**44,436,980**	64,744,141	**44,532,309**	66,943,687	**88,969289**	131,687,828
	58,510,894	73,042,726	**47,140,114**	68,467,593	**105,651,008**	141,510,319

Deposits are placed with local banks with maturities of less than three-months and earn financial income at an average rate of 2.4% to 2.6% (December 31, 2018: 2.1% to 3.6%).

Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia within a maturity greater than three months from the date of original acquisition and earned Commission Income at a rate ranging from 3% to 3.55% per annum. For the year end December 31, 2019, the carrying amounts of the short term deposits reasonably approximate to the fair value at the statement of financial position date.

7. INVESTMENTS

Investments comprise the following:

	Insurance operations		Shareholders' operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SR	SR	**SR**	SR	**SR**	SR
Investments held for trading	**38,013,460**	36,028,138	**58,493,236**	46,738,086	**96,506,696**	82,766,224
Investments available for sale	**-**	-	**1,932,078**	1,932,078	**1,932,078**	1,932,078
	38,013,460	36,028,138	**60,425,314**	48,670,164	**98,438,774**	84,698,302

Investment securities are classified as follows:

i) Investments held for trading:

a) Category wise analysis is as follows:

Insurance Operations	Domestic		International		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SR	SR	**SR**	SR	**SR**	SR
Sukuks and bonds	**12,306,982**	8,455,503	**14,607,656**	16,930,277	**26,914,638**	25,385,780
Equity securities	**11,098,822**	10,642,358	**-**	-	**11,098,822**	10,642,358
	23,405,804	19,097,861	**14,607,656**	16,930,277	**38,013,460**	36,028,138

Shareholders' Operations	Domestic		International		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SR	SR	**SR**	SR	**SR**	SR
Sukuks and bonds	**23,581,682**	10,969,039	**18,950,019**	21,963,077	**42,531,701**	32,932,116
Equity securities	**15,961,535**	13,805,970	**-**	-	**15,961,535**	13,805,970
	39,543,217	24,775,009	**18,950,019**	21,963,077	**58,493,236**	46,738,086

7. INVESTMENTS (CONTINUED)

b) Movements in investments held for trading is as follows:

	Insurance operations		Shareholders' operations		Total	
	31 December 2019 SR	31 December 2018 SR	**31 December 2019 SR**	31 December 2018 SR	**2019 SR**	2018 SR
At the beginning of the year	**36,028,138**	29,108,064	**46,738,086**	46,320,848	**82,766,224**	75,428,912
Acquired during the year	**11,438,551**	8,986,905	**23,758,110**	11,658,409	**35,196,661**	20,645,314
Disposals during the year	**(10,613,964)**	(1,280,925)	**(13,769,137)**	(11,674,100)	**(24,383,101)**	(12,955,025)
Unrealised gains / (losses) on investments held for trading	**1,072,429**	(746,220)	**1,651,620**	(968,046)	**2,724,049**	(1,714,266)
Realised gains / (losses)	**88,306**	(39,686)	**114,557**	1,400,975	**202,863**	1,361,289
At the end of the year	**38,013,460**	36,028,138	**58,493,236**	46,738,086	**96,506,696**	82,766,224

All investments are denominated in Saudi Arabian Riyals and US Dollars. As at the balance sheet date investments amounting to SR 79.87 million (2018: SR 67.71 million) are denominated in US Dollars.

The Company arranged through a financial institution inside the Kingdom of Saudi Arabia to invest in certain Sukuks, bonds and equity securities traded in active open market in US Dollars. However, as the management's intention is to sell these investments in the short term, accordingly such investments are classified as investments held for trading.

c) There is no movement for available for sale investments.

8. PREMIUMS AND INSURANCE BALANCES RECEIVABLE, NET

	2019 SR	2018 SR
Policyholders	**25,718,715**	25,914,362
Brokers	**86,502,724**	54,472,241
Receivables from insurance and reinsurance companies	**1,567,753**	598,390
Premiums and reinsurance receivables from related parties (note 21)	**176,741**	6,512
	113,965,933	80,991,505
Less: allowance for doubtful debts	**(11,820,991)**	(9,248,567)
Premiums and reinsurers' receivable – net	**102,144,942**	71,742,938

8. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE (CONTINUED)

The movements in the allowance for doubtful debts are as follows:

	2019	2018
	SR	SR
As at January 1	**9,248,567**	6,217,875
Allowance for doubtful debts for the year	**2,572,424**	3,030,692
As at December 31	**11,820,991**	9,248,567

The aging analysis of unimpaired premiums and insurance balances receivable at the year-end is set out below:

		Neither past due nor impaired	Past due but not impaired		Past due and impaired		
	Total		31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than 360 days
	SR	SR	SR	SR	SR	SR	SR
Premiums and insurance balances receivable							
Premiums receivable	**100,465,503**	**52,444,675**	**14,856,477**	**6,097,117**	**12,338,830**	**12,977,519**	**1,750,885**
Receivables from insurance and reinsurance companies	**1,582,885**	**1,194,841**	**8,719**	**3,656**	**12,927**	**359,857**	**2,885**
Premiums and reinsurance receivables from related parties (note 21)	**96,554**	**7,730**	**32,388**	**4,056**	**15,809**	**36,571**	**-**
As at 31 December 2019	**102,144,942**	**53,647,246**	**14,897,584**	**6,104,829**	**12,367,566**	**13,373,947**	**1,753,770**
Premiums and insurance balances receivable							
Premiums receivable	71,424,239	10,553,367	26,223,972	11,676,444	10,490,145	11,373,664	1,106,647
Receivables from insurance and reinsurance companies	312,187	780	112,989	-	-	106,979	91,439
Premiums and reinsurance receivables from related parties (note 21)	6,512	6,512	-	-	-	-	-
As at 31 December 2018	71,742,938	10,560,659	26,336,961	11,676,444	10,490,145	11,480,643	1,198,086

Premiums and insurance balances receivables comprise a large number of customers, related parties mainly within the Kingdom of Saudi Arabia as well as reinsurance companies. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require immediate settlement if the balance exceeds a certain agreed amount.

No individual, company or broker accounts for more than 38% of the premiums receivable as at December 31, 2019 (2018: 25%). In addition, the five largest customers/brokers account for 45% of the premiums receivable as at December 31, 2019 (2018: 35%).

Unimpaired premiums receivable, receivables from insurance and reinsurance companies and reinsurance receivables from related parties 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.

9. TECHNICAL RESERVES

9.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2019 **SR**	2018 SR
Gross outstanding claims	**50,194,024**	46,098,352
Less: Realizable value of salvage and subrogation	**(1,191,405)**	(2,181,026)
	49,002,619	43,917,326
Claims incurred but not reported	**58,267,707**	67,524,759
Gross outstanding claims and reserves	**107,270,326**	111,442,085
Premium deficiency reserve	**-**	249,262
Additional unexpired reserve	**3,088,645**	89,725
Additional premium reserve	**3,088,645**	338,987
Claims handling provision	**-**	2,012,544
Unallocated loss adjustment expense	**1,801,064**	2,030,058
Other technical reserves	**1,801,064**	4,042,602
	112,160,035	115,823,674
Less:		
- Reinsurers' share of outstanding claims	**(37,167,238)**	(32,402,153)
- Reinsurers' share of claims incurred but not reported	**(38,629,609)**	(42,927,788)
Net outstanding claims and reserves	**36,363,188**	40,493,733

9.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Year ended December 31, 2019		
	Gross	**Reinsurance**	**Net**
Balance as at the beginning of the year	**77,264,897**	**(51,629,690)**	**25,635,207**
Premium written / (ceded) during the year	**258,223,251**	**(169,588,095)**	**88,635,156**
Premium earned during the year	**(234,460,187)**	**147,020,906**	**(87,439,281)**
Balance as at the end of the year	**101,027,961**	**(74,196,879)**	**26,831,082**

	Year-ended December 31, 2018		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	74,285,096	(44,255,912)	30,029,184
Premium written / (ceded) during the year	233,972,759	(137,034,260)	96,938,499
Premium earned during the year	(230,992,958)	129,660,482	(101,332,476)
Balance as at the end of the year	77,264,897	(51,629,690)	25,635,207

9. TECHNICAL RESERVES (CONTINUED)

9.3 Movement in deferred policy acquisition costs

	2019 **SR**	2018 SR
At January 1	**4,305,281**	4,912,113
Incurred during the year	**15,988,375**	17,641,071
Amortised during the year	**(14,969,979)**	(18,247,903)
At December 31	**5,323,677**	4,305,281

Deferred policy acquisition costs only relate to insurance operations, the company does not have any inwards reinsurance arrangements.

10. CLAIMS DEVELOPMENT

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The cumulative claims estimate and cumulative payments are in Saudi Riyals.

As required by IFRS, in setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from year 2015 onwards whose claim experience has not been fully developed.

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

10. CLAIMS DEVELOPMENT (CONTINUED)

a) Claims development table gross of reinsurance:

2019

Accident year or Underwriting year	**Before 2015 SR**	**2015 SR**	**2016 SR**	**2017 SR**	**2018 SR**	**2019 SR**	**Total SR**
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year	**-**	**158,700,037**	**129,916,844**	**98,754,154**	**111,621,906**	**106,556,132**	
- One year later	**-**	**138,487,936**	**115,778,583**	**88,674,458**	**62,972,496**	**-**	
- Two years later	**-**	**138,531,744**	**87,013,180**	**66,447,347**	**-**	**-**	
- Three years later	**-**	**115,058,570**	**72,335,367**	**-**	**-**	**-**	
- Four years later	**-**	**116,279,072**	**-**	**-**	**-**	**-**	
- Five years later	**-**	**-**	**-**	**-**	**-**	**-**	
Current estimate of cumulative claims	**-**	**116,279,072**	**72,335,367**	**66,447,347**	**62,972,496**	**106,556,132**	**424,590,414**
Cumulative payments to date	**-**	**112,527,837**	**67,768,473**	**57,446,040**	**43,233,396**	**36,344,642**	**317,320,388**
Gross outstanding claims and reserves, net	**-**	**3,751,235**	**4,566,894**	**9,001,307**	**19,739,100**	**70,211,490**	**107,270,326**

2018

Accident year or Underwriting year	Before 2014 SR	2014 SR	2015 SR	2016 SR	2017 SR	2018 SR	Total SR
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year		189,406,802	151,673,440	129,269,681	103,574,125	88,453,752	
- One year later		186,036,960	132,167,884	116,560,888	84,847,151	-	
- Two years later		162,434,450	139,415,815	79,286,789	-	-	
- Three years later		157,473,558	113,821,764	-	-	-	
- Four years later		156,497,093	-	-	-	-	
- Five years later	215,859	-	-	-	-	-	
Current estimate of cumulative claims	215,859	156,497,093	113,821,764	79,286,789	84,847,151	88,453,752	523,122,408
Cumulative payments to date	-	156,219,471	110,799,508	66,152,791	46,489,160	32,019,393	411,680,323
Gross outstanding claims and reserves, net	215,859	277,622	3,022,256	13,133,998	38,357,991	56,434,359	111,442,085

b) Claims development table net of reinsurance:

2019

Accident year or Underwriting year	**Before 2015 SR**	**2015 SR**	**2016 SR**	**2017 SR**	**2018 SR**	**2019 SR**	**Total SR**
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year	**-**	**64,860,281**	**63,166,954**	**52,214,892**	**47,929,912**	**47,139,307**	
- One year later	**-**	**60,612,867**	**55,077,856**	**44,392,945**	**38,906,740**	**-**	
- Two years later	**-**	**58,489,664**	**50,748,672**	**39,854,176**	**-**	**-**	
- Three years later	**-**	**54,375,167**	**47,932,487**	**-**	**-**	**-**	
- Four years later	**-**	**56,016,702**	**-**	**-**	**-**	**-**	
- Five years later	**-**	**-**	**-**	**-**	**-**	**-**	
Current estimate of cumulative claims	**-**	**56,016,702**	**47,932,487**	**39,854,176**	**38,906,740**	**47,139,307**	**229,849,412**
Cumulative payments to date	**-**	**55,095,540**	**46,542,482**	**37,798,290**	**32,555,257**	**26,384,364**	**198,375,933**
Gross outstanding claims and reserves, net	**-**	**921,162**	**1,390,005**	**2,055,886**	**6,351,483**	**20,754,943**	**31,473,479**

2018

Accident year or Underwriting year	Before 2014 SR	2014 SR	2015 SR	2016 SR	2017 SR	2018 SR	Total SR
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year	-	57,131,949	64,860,281	63,166,954	52,214,892	47,929,912	-
- One year later	-	57,804,093	60,612,867	55,077,856	44,392,945	-	-
- Two years later	-	54,001,336	58,489,664	50,748,672	-	-	-
- Three years later	-	52,345,604	54,375,167	-	-	-	-
- Four years later	-	51,504,961	-	-	-	-	-
- Five years later	71,700	-	-	-	-	-	-
Current estimate of cumulative claims	71,700	51,504,961	54,375,167	50,748,672	44,392,945	47,929,912	249,023,357
Cumulative payments to date	-	51,308,845	53,781,312	45,598,180	36,256,980	25,965,896	212,911,213
Gross outstanding claims and reserves, net	71,700	196,116	593,855	5,150,492	8,135,965	21,964,016	36,112,144

11. PREPAYMENTS AND OTHER ASSETS

	Insurance operations		Shareholders' operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SR	SR	**SR**	SR	**SR**	SR
Receivable from Manafeth third party liability insurance fund (note 11.1)	**1,806,296**	1,850,115	**-**	-	**1,806,296**	1,850,115
Prepaid insurance	**642,863**	378,649	**-**	-	**642,863**	378,649
Accrued interest	**96,411**	201,738	**1,672,672**	787,986	**1,769,083**	989,724
Advance payment on electronic systems	**13,080**	176,000	**-**	-	**13,080**	176,000
Prepaid system maintenance	**143,930**	142,769	**-**	-	**143,930**	142,769
Prepaid rent	**13,550**	15,208	**-**	-	**13,550**	15,208
Employees' receivables	**188,819**	68,454	**-**	-	**188,819**	68,454
Bank margin in respect of guarantees (note 24 and 28)	**50,341**	-	**9,500,821**	9,500,821	**9,551,162**	9,500,821
Advance tax	**-**	-	**2,169,899**	1,584,997	**2,169,899**	1,584,997
Others	**554,967**	990,698	**-**	-	**554,967**	990,698
	3,510,257	3,823,631	**13,343,392**	11,873,804	**16,853,649**	15,697,435

Note 11.1 Receivable from Manafeth Third party liability insurance fund relates to third party liability for foreign motor insurance. As per the Manafeth shared agreement, the net result of Manafeth portfolio after deducting management fee and related expenses are to be distributed equally among the insurance companies. The income obtained from this fund is classified under other income, net in the statement of income.

12. PROPERTY AND EQUIPMENT

	Leasehold improvements SR	Furniture, fixtures and office equipment SR	Motor vehicles SR	Right of use assets SR	Total SR
Cost:					
At January 1, 2018	1,269,790	4,336,551	835,572	-	6,441,913
Additions	-	79,277	-	-	79,277
Disposals	-	-	(292,944)	-	(292,944)
At December 31, 2018	1,269,790	4,415,828	542,628	-	6,228,246
Adjustment	**-**	**-**	**-**	**3,235,499**	**3,235,499**
Additions	**-**	**405,597**	**-**	**-**	**405,597**
Disposals	**-**	**-**	**(170,000)**	**-**	**(170,000)**
At December 31, 2019	**1,269,790**	**4,821,425**	**372,628**	**3,235,499**	**9,699,342**
Accumulated Depreciation:					
At January 1, 2018	1,240,044	3,991,959	610,589	-	5,842,592
Charge for the year	24,969	126,535	116,727	-	268,231
Disposals	-	-	(270,004)	-	(270,004)
At December 31, 2018	1,265,013	4,118,494	457,312	-	5,840,819
Charge for the year	**4,777**	**139,013**	**60,100**	**1,078,500**	**1,282,390**
Disposals	**-**	**-**	**(170,000)**	**-**	**(170,000)**
At December 31, 2019	**1,269,790**	**4,257,507**	**347,412**	**1,078,500**	**6,953,209**
Net book value:					
At December 31, 2019	**-**	**563,918**	**25,216**	**2,156,999**	**2,746,133**
At December 31, 2018	4,777	297,334	85,316	-	387,427

13. INTANGIBLE ASSETS

Software package

	SR
Cost:	
At January 1, 2018	4,674,139
Additions	535,312
At December 31, 2018	5,209,451
Additions	**323,531**
At December 31, 2019	**5,532,982**
Amortisation:	
At January 1, 2018	4,289,134
Charge for the year	199,922
At December 31, 2018	4,489,056
Charge for the year	**243,937**
At December 31, 2019	**4,732,993**
Net book value:	
At December 31, 2019	**799,989**
At December 31, 2018	720,395

14. GOODWILL

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Ace Arabia Insurance Company B.S.C. (c) and International Insurance Company B.S.C. (c). The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA letter of November 10, 2008 ("the Letter"), the value of combined goodwill was estimated at SR 43.77 million. The amount has been paid in accordance with SAMA's instructions.

Goodwill has been allocated to the operations of the entire Company which is considered as one CGU. The carrying amount of goodwill amounts to SR 43.77 million and no impairment loss has been recognised in 2019 and 2018, as a result of the impairment review for the CGU.

As at the statement of financial position date, the management of the Company has assessed the carrying value of the goodwill. Based on their assessment, the management believes that there is no objective evidence or circumstances that indicate any impairment in the value of the goodwill. Therefore, no impairment is required to be recognised in respect of the goodwill in the statement of income of shareholders' operations.

14. GOODWILL (CONTINUED)

In accordance with the requirements of the International Financial Reporting Standards, the Company's management has annually carried out an impairment test in respect of the abovementioned goodwill. The management conducted the impairment exercise for the year ended December 31, 2019. The recoverable amount of the operations has been based on the value in use calculation using cash flow projections based on financial budgets approved by the senior management covering a five-year period.

The key assumptions used for the VIU impairment calculation are:

- Investment market conditions – Investment market conditions are based on market research and published statistics. Management plans assume modest investment growth of 1.5% (2018: 1.5%), which is lower than the anticipated market growth forecast.

- Policy lapses – The Company has retained records of policy lapses since its inception and is therefore able to predict trends over the coming years. Management plans assume no change from recent experiences.

- Premiums – Earned premium income is based on average values achieved in the three years preceding the start of the budget period. An average growth rate of 25% (2018: 25%) per annum was applied.

- Expenses – Estimates are obtained from published indices of inflation and market research. The financial budget plans assume that expenses will broadly increase in line with inflation.

- Average discount rate – The Company has used an average discount rate of 20.3% (2018: 20.3%).

Sensitivity to changes in assumptions
With regard to the assessment of value in use for the identified CGU, management does not believe a reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to exceed its recoverable amount. The actual recoverable amount exceeds its carrying amount by SR 196.7 million.

Management recognised the fact that current market conditions reflect stable and profitable margins. Management believes even a reduction of 10% in the premium growth rate would not have any significant impact on the recoverable amount as compared to the carrying amount of the CGU.

15. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. Saudi Arabian Monetary Agency ("SAMA") is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

In accordance with the instruction received from SAMA vide their circular dated March 1, 2016, the Company has disclosed the commission earned on the statutory deposit as at December 31, 2019 as an asset and a liability in these financial statements.

16. UNEARNED REINSURANCE COMMISSION INCOME

	2019 SR	2018 SR
At January 1	**7,110,295**	6,225,692
Reinsurance commission received during the year	**23,956,672**	22,142,151
Reinsurance commission earned during the year	**(22,215,098)**	(21,257,548)
At December 31	**8,851,869**	7,110,295

17. REINSURANCE BALANCES PAYABLE

	2019 SR	2018 SR
Related parties (note 21)	**12,856,490**	10,432,831
Others	**51,950,978**	27,459,235
	64,807,468	37,892,066

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	Insurance operations		Shareholders' operations		**Total**	
	2019 SR	2018 SR	**2019 SR**	2018 SR	**2019 SR**	2018 SR
Stale cheques	**1,450,904**	2,626,851	**-**	-	**1,450,904**	2,626,851
Accrued bonus	**2,500,000**	1,640,933	**-**	-	**2,500,000**	1,640,933
Withholding tax payable	**1,899,818**	829,518	**-**	-	**1,899,818**	829,518
Deferred premium	**785,171**	785,171	**-**	-	**785,171**	785,171
Accrued supervision fees	**383,292**	245,609	**-**	-	**383,292**	245,609
Employees' vacation salary	**-**	173,456	**-**	-	**-**	173,456
Accrued legal and professional fees	**201,634**	112,500	**342,498**	384,999	**544,132**	497,499
Survey fees payables	**158,692**	98,571	**-**	-	**158,692**	98,571
Value added tax payables	**780,509**	-	**-**	-	**780,509**	-
Remuneration of board of directors' and other committee's members	**-**	-	**3,049,500**	2,241,000	**3,049,500**	2,241,000
Lease liabilities	**2,195,455**	-	**-**	-	**2,195,455**	-
Other	**365,396**	184,219	**37,500**	37,500	**402,896**	221,719
	10,720,871	6,696,828	**3,429,498**	2,663,499	**14,150,369**	9,360,327

19. SURPLUS DISTRIBUTION PAYABLE

	2019 SR	2018 SR
Opening surplus distribution payable	**6,764,250**	5,234,380
Total income attributed to the insurance operations	**3,211,552**	5,003,795
Surplus paid to policy holders	**(791,131)**	(3,473,925)
Closing surplus distribution payable	**9,184,671**	6,764,250

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

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

	2019 **SR**	2018 SR
Present value of defined benefit obligation	**8,410,730**	7,174,176

20.2 Movement in defined benefit obligation

	2019 **SR**	2018 SR
January 1,	**7,174,176**	6,117,342
Charged during the year	**1,347,589**	1,193,543
Actuarial loss charged to comprehensive income	**946,934**	741,587
Paid during the year	**(1,057,969)**	(878,296)
At December 31	**8,410,730**	7,174,176

20.3 Charge to statement of income for the year

	2019 **SR**	2018 SR
Current service cost	**1,023,462**	1,000,492
Interest cost	**324,127**	193,051
Cost recognized in statement of income	**1,347,589**	1,193,543

20.4 Principal actuarial assumptions

	2019 **SR**	2018 SR
Discount factor used	**2.90%**	4.30%
Long term salary increase rate	**3.60%**	5.00%
Mortality rates	**WHO SA 16 - 75%**	WHO SA 15 - 75%
Weighted average duration of defined benefit obligation	**7.67**	7.13
Rates of employees turnover	**Moderate**	Moderate

20. END-OF-SERVICE INDEMNITIES (CONTINUED)

20.5 Sensitivity analysis on present value of defined benefit obligations plan are as below:

	31 December, 2019		31 December, 2018	
	Percentage (%)	**Amount (SR)**	Percentage (%)	Amount (SR)
Discount rate				
Increase	**+0.5%**	**8,100,023**	+0.5%	6,927,665
Decrease	**-0.5%**	**8,746,293**	-0.5%	7,440,042
Expected changes in long term salary				
Increase	**+0.5%**	**8,653,757**	+0.5%	7,346,517
Decrease	**-0.5%**	**8,182,922**	-0.5%	7,012,188

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the end-of-service indemnities recognised within the statement of financial position.

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent shareholders, companies related to shareholders ("affiliates") and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of major related parties' transactions during the year and the related balances:

Related parties	***Nature of transactions***	**2019 SR**	2018 SR
Shareholders	Reinsurance premiums ceded	**44,784,912**	52,261,486
	Reinsurers' share of gross claims	**4,445,344**	5,395,849
	Reinsurance commission income	**7,702,604**	8,012,253
Affiliates	Gross written premiums	**335,564**	941,829
	Rent	**1,287,500**	1,399,770
	Claim expenses	**3,350,768**	3,525,574
Board of Directors	Remuneration	**1,425,000**	1,425,000
	Meeting fees	**1,368,000**	1,222,000
	Travel expenses	**557,873**	390,841

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

Balances due from / to related parties are comprised of the following:

Related parties	**Premiums and reinsurance receivables**		**Reinsurance payables**	
	2019 SR	2018 SR	**2019 SR**	2018 SR
CHUBB European Group London, UK	**-**	-	**1,848,485**	2,308,082
CHUBB European Group, France	**-**	-	**709,212**	1,852,083
CHUBB American Insurance Co., USA	**-**	-	**3,822,346**	1,850,805
ACE American Insurance, Bahrain	**65,207**	-	**-**	1,071,914
CHUBB Tempest RE	**-**	-	**966,037**	1,040,444
CHUBB Philadelphia, USA	**-**	-	**-**	749,767
CHUBB, Australia	**-**	-	**2,692**	641,717
CHUBB European Group, Turkey	**-**	-	**1,217,738**	447,228
ACE Mena, Bahrain	**-**	6,512	**196,858**	169,902
RFIB Group Limited, UK	**-**	-	**1,450,258**	-
CHUBB, South Africa	**-**	-	**1,347,402**	-
CHUBB, South Africa	**-**	-	**735,705**	-
CHUBB, Spain	**-**	-	**344,052**	-
El Khereiji Trading and Electronics Co.	**1,025**	-	**-**	-
El Khereiji Contracting Company	**110,509**	-	**-**	-
Others	**-**	-	**215,705**	300,889
Total	**176,741**	6,512	**12,856,490**	10,432,831

- Amounts due from/ due to, pertain to transactions conducted with affiliates.
- Prices and terms of payment for these transactions are approved by the management.

Remuneration and compensation of BOD Members and Executives

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

2019	**BOD members (Executives)**	**BOD members (Non-Executive)**	**Key management**
Salaries and compensation	**-**	**-**	**3,452,133**
End of service indemnities	**-**	**-**	**309,610**
Travel expenses	**40,564**	**517,309**	**-**
Annual remuneration and meeting fees	**315,000**	**2,478,000**	**-**
Total	**355,564**	**2,995,309**	**3,761,743**

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

Remuneration and compensation of BOD Members and Executives (continued)

2018	BOD members (Executives)	BOD members (Non-Executive)	Key management
Salaries and compensation	-	-	3,074,319
End of service indemnities	-	-	198,824
Travel expenses	9,697	381,144	390,841
Annual remuneration and meeting fees	305,000	2,342,000	-
Total	314,697	2,723,144	3,663,984

22. GENERAL AND ADMINISTRATIVE EXPENSES

	Insurance operations		Shareholders' operations		Total	
	2019 SR	2018 SR	**2019 SR**	2018 SR	**2019 SR**	2018 SR
Employees' cost	**22,697,842**	19,976,485	**581,995**	512,217	**23,279,837**	20,488,702
Rent	**612,937**	1,823,942	**15,716**	46,768	**628,653**	1,870,710
End-of-service indemnities (note 20)	**1,313,898**	1,145,262	**33,690**	48,281	**1,347,588**	1,193,543
Insurance	**1,199,769**	989,011	**30,763**	25,359	**1,230,532**	1,014,370
IT related services	**1,429,418**	728,114	**36,651**	18,670	**1,466,069**	746,784
Utilities	**524,175**	557,273	**13,440**	14,289	**537,615**	571,562
Depreciation and amortisation	**1,488,171**	456,449	**38,159**	11,704	**1,526,330**	468,153
Business travel and transport	**386,443**	294,511	**12,697**	7,552	**399,140**	302,063
Training costs	**544,311**	287,002	**54,047**	7,359	**598,358**	294,361
Stationery	**171,588**	204,313	**4,400**	5,239	**175,988**	209,552
Professional fees	**24,375**	20,475	**932,624**	843,774	**956,999**	864,249
Promotion and advertising	**85,446**	52,992	**12,192**	16,882	**97,638**	69,874
Repairs and maintenance	**79,277**	47,016	**2,033**	1,206	**81,310**	48,222
Fees and subscriptions	**146,912**	45,632	**3,767**	1,170	**150,679**	46,802
Remuneration of the board of directors', meeting fee and related expenses	**-**	-	**3,350,873**	3,037,841	**3,350,873**	3,037,841
Others	**1,331,997**	2,192,921	**512,519**	540,471	**1,844,516**	2,733,392
	32,036,559	28,821,398	**5,635,566**	5,138,782	**37,672,125**	33,960,180

23. DIVIDEND INTEREST AND COMMISSION INCOME

	Insurance operations		Shareholders' operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SR	SR	**SR**	SR	**SR**	SR
Investment held for trading						
Special commission income	**979,739**	788,605	**1,374,710**	1,023,033	**2,354,449**	1,811,638
Dividend income	**316,583**	302,531	**410,693**	392,463	**727,276**	694,994
Cash and short-term deposits						
Interest income	**1,163,051**	1,462,582	**5,366,563**	2,749,009	**6,529,614**	4,211,591
	2,459,373	2,553,718	**7,151,966**	4,164,505	**9,611,339**	6,718,223

24. ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The zakat charge relating to Saudi shareholders and principal elements of zakat base are as following:

	2019	2018
	SR	SR
Equity	**140,000,000**	140,000,000
Opening provisions and other adjustments	**(123,284,547)**	9,143,156
Book value of long term assets, net of related financing	**(1,679,687)**	(2,127,933)
	15,035,766	147,015,223
Zakatable income for the year	**22,734,116**	31,502,162
Zakat base	**37,769,882**	178,517,385

	2019	2018
	SR	SR
Charge and provision for the year	**955,945**	5,207,355

The difference between the financial results and zakatable income is mainly due to adjustments for certain costs based on relevant regulations.

b) Income tax

Charge for the year

Income tax relating to the non-Saudi shareholders' consists of:

	2019	2018
	SR	SR
Charge and provision for the year	**1,885,160**	2,988,711

Income tax has been provided for based on the estimated taxable profit at the rate of 20% per annum.

The differences between the financial results and taxable income are mainly due to adjustments for certain costs/claims based on the relevant fiscal regulations.

24. ZAKAT AND INCOME TAX (CONTINUED)

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

The movement in zakat and income tax provision is as follows:

	2019	2018
	SR	SR
At the beginning of the year	**18,134,513**	13,371,168
Provision for the year	**2,841,105**	8,196,066
Paid during the year	**(4,474,422)**	(3,432,721)
At the end of the year	**16,501,196**	18,134,513

The following is the shareholding percentage in the financial statements as at the end of the year:

	December 31, 2019	December 31, 2018
	%	%
Shareholding subject to zakat	**70.00**	70.00
Shareholding subject to income tax	**30.00**	30.00

d) Zakat and income tax assessments

In 2015, CHUBB Arabia has received two GAZT assessments, for the years from 2008 to 2012 amounting total SR 13,791,936 excluding income tax and withholding delay penalties (SAR 3,311,689 zakat, 3,047,985 income tax and 7,432,262 withholding tax). And for the years from 2013 to 2015 total amounting SR 6,189,132 excluding income tax delay penalties (SAR 6,089,779 zakat and 99,353 income tax).

The Company appealed against both assessments within the allowed period. To decrease penalties, the Company paid all income tax and withholding tax due including penalties and continued with the appeal to the same amounts and submitted a letter of guarantee for both assessments.

Zakat and income tax assessments have not been raised by the GAZT for the years 2016 or 2018.

24. ZAKAT AND INCOME TAX (CONTINUED)

e) Zakat and income tax impact (continued)

The change in the accounting treatment for zakat and income tax (as explained in note 3) 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 nine month period ended December 31, 2019:

Financial statement impacted	Account	Before the restatement	Effect of restatement	As restated
Statement of changes in Equity	Provision for zakat (retained earnings)	(5,207,355)	5,207,355	-
	Provision for income tax (retained earnings)	(2,988,711)	2,988,711	-
Statement of income	Zakat for the period	-	(5,207,355)	(5,207,355)
	Income tax for the period	-	(2,988,711)	(2,988,711)
	Earnings per share (expressed in SAR per share)	2.22	(0.41)	1.81

25. SHARE CAPITAL

The authorised, issued and paid-up share capital is SR 200 million at December 31, 2019 consisting of 20 million shares (December 31, 2018: SR 200 million consisting of 20 million shares) of SR 10 each.

In 2017, there was a 100% increase in the share capital of the Company by way of issuance of bonus shares, which was approved by the shareholders in an extraordinary general assembly meeting held on 19 October 2017. The increase in share capital was funded from the retained earnings and statutory reserve accounts by transferring an amount of SR 80 million from retained earnings and SR 20 million from statutory reserve which resulted in an increase in authorized, issued and paid up share capital to SR 200 million from SR 100 million. The number of issued shares increased from Ten Million (10,000,000) to Twenty Million (20,000,000) shares. The legal formalities for the increase were completed in 2017.

25. SHARE CAPITAL (CONTINUED)

Shareholding structure of the Company is as below.

	December 31, 2019		
	Type	***Country***	***Percentage Shareholding %***
Chubb International Holding Co.	Company	United States of America	**30**
El-Khereiji Investment Company	Company	Saudi Arabia	**10**
International Corporation For Trade and Contract Services	Company	Saudi Arabia	**5**
El-Khereiji Construction Company	Company	Saudi Arabia	**5**
El-Khereiji Trading & Electronics Company	Company	Saudi Arabia	**5**
El-Khereiji Real Estate	Company	Saudi Arabia	**5**
General Public	Individuals	Saudi Arabia	**40**

	December 31, 2018		
	Type	*Country*	*Percentage Shareholding %*
Chubb International Holding Co.	Company	United States of America	30
El-Khereiji Investment Company	Company	Saudi Arabia	10
International Corporation For Trade And Contract Services	Company	Saudi Arabia	5
El-Khereiji Construction Company	Company	Saudi Arabia	5
El-Khereiji Trading & Electronics Company	Company	Saudi Arabia	5
El-Khereiji Real Estate	Company	Saudi Arabia	5
General Public	Individuals	Saudi Arabia	40

26. STATUTORY RESERVE

In accordance with the Law on Supervision of Cooperative Insurance Companies and the by-laws of the Company, the Company has transferred 20% of shareholders' net income to the statutory reserve until the reserve amount equals to 100% of paid up capital.

27. EARNINGS PER SHARE

Earnings per share for the year have been calculated by dividing the net income for the year by the weighted average number of outstanding shares during the year.

28. GROSS WRITTEN PREMIUM

				December 31, 2019		
Class	**Individual**	**Very small**	**Small**	**Medium**	**Corporate**	**Total**
Motor	**7,625,600**	**937,664**	**3,088,562**	**7,983,936**	**42,256,062**	**61,891,824**
Property and Casualty	**1,609,386**	**2,245,035**	**8,337,014**	**9,780,934**	**174,359,058**	**196,331,427**
Total	**9,234,986**	**3,182,699**	**11,425,576**	**17,764,870**	**216,615,120**	**258,223,251**

				December 31, 2018		
Class	Individual	Very small	Small	Medium	Corporate	Total
Motor	9,520,013	957,966	2,678,351	4,494,267	56,190,182	73,840,779
Property and Casualty	1,863,583	625,283	7,650,942	6,966,205	143,025,967	160,131,980
Total	11,383,596	1,583,249	10,329,293	11,460,472	199,216,149	233,972,759

29. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	2019 **SR**	2018 SR
Letters of guarantee	**9,551,162**	9,500,821

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders insurance claims. 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 impact on the Company's results or financial position.

30. CAPITAL MANAGEMENT

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

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

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

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

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

The solvency margin as at December 31, 2019 is 143% (2018: 122%). Further, the Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at December 31, 2019 consists of paid-up share capital of SAR 200 million, statutory reserves of SAR 31.9 million and retained earnings of SAR 87.9 million (December 31, 2018: paid-up share capital of SAR 200 million, statutory reserves of SAR 28.2 million and retained earnings of SAR 64.9 million) in the statement of financial position.

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

31. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Board of Directors in their function as Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess their performance.

For management purposes, the Company is organized into business segments classified as: Property, Engineering, Motor, Casualty and Others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit is loss since 31 December 2018.

Segment results do not include allowance for doubtful debts, general and administrative expenses, dividend, interest and commission income, unrealised losses on disposal of investments held for trading, realized gains on investments held for trading and other income, net.

Segment assets do not include cash and cash equivalents, premiums and insurance balances receivable, amounts due from related parties, investments held for trading, investments available for sale, prepayments and other assets, term deposits, property and equipment, intangible assets, goodwill, statutory deposit and statutory deposit commission income. Accordingly, they are included in unallocated assets.

Segment liabilities and accumulated surplus do not include accounts payables, accrued expenses and other liabilities, reinsurance balances payable, end of service indemnities, statutory deposit commission income payable, provision for zakat and income tax and re-measurement reserve of defined benefit obligation. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2019 and December 31, 2018, its total revenues, expenses, and net income for the year then ended, are as follows:

31. SEGMENTAL INFORMATION (CONTINUED)

Operating segments (continued)

As at December 31, 2019	Property SR	Engineering SR	Motor SR	Casualty SR	Others SR	Total - Insurance operations SR	Shareholders' operations SR	Total SR
Assets								
Reinsurers' share of unearned Premiums	**44,033,459**	**10,224,197**	**2,386,904**	**12,862,604**	**4,689,715**	**74,196,879**	**-**	**74,196,879**
Reinsurers' share of outstanding claims	**26,168,110**	**2,550,818**	**942,172**	**6,358,210**	**1,147,928**	**37,167,238**	**-**	**37,167,238**
Reinsurers' share of claims incurred but not reported	**24,175,864**	**5,115,047**	**1,351,001**	**4,469,639**	**3,518,058**	**38,629,609**	**-**	**38,629,609**
Deferred policy acquisition costs	**1,386,577**	**1,052,385**	**1,145,218**	**1,284,766**	**454,731**	**5,323,677**	**-**	**5,323,677**
Unallocated assets						**205,725,674**	**318,620,156**	**524,345,830**
TOTAL ASSETS						**361,043,077**	**318,620,156**	**679,663,233**
Liabilities								
Gross unearned premiums	**46,140,915**	**11,721,970**	**15,910,079**	**20,443,319**	**6,811,678**	**101,027,961**	**-**	**101,027,961**
Gross outstanding claims	**27,349,511**	**3,323,214**	**5,352,364**	**10,667,271**	**2,310,259**	**49,002,619**	**-**	**49,002,619**
Claims incurred but not reported	**26,406,230**	**5,790,259**	**11,722,116**	**7,891,173**	**6,457,929**	**58,267,707**	**-**	**58,267,707**
Unearned reinsurance commission income	**3,561,862**	**2,611,072**	**736,419**	**1,158,582**	**783,934**	**8,851,869**	**-**	**8,851,869**
Additional premium reserves	**2,986,238**	**-**	**102,407**	**-**	**-**	**3,088,645**	**-**	**3,088,645**
Other technical reserves	**901,822**	**155,450**	**274,941**	**297,558**	**171,293**	**1,801,064**	**-**	**1,801,064**
Unallocated liabilities						**113,423,595**	**23,631,812**	**137,055,407**
TOTAL LIABILITIES						**335,463,460**	**23,631,812**	**359,095,272**

31. SEGMENTAL INFORMATION (CONTINUED)

Operating segments (continued)

As at December 31, 2018 (restated)	Property SR	Engineering SR	Motor SR	Casualty SR	Others SR	Total - Insurance operations SR	Shareholders' operations SR	Total SR
Assets								
Reinsurers' share of unearned Premiums	27,572,729	9,116,613	2,828,411	10,311,791	1,800,146	51,629,690	-	51,629,690
Reinsurers' share of outstanding claims	19,285,759	10,117,480	874,889	477,544	1,646,481	32,402,153	-	32,402,153
Reinsurers' share of claims incurred but not reported	32,334,465	4,424,183	1,481,945	1,965,957	2,721,238	42,927,788	-	42,927,788
Deferred policy acquisition costs	960,091	474,423	1,391,635	1,168,997	310,135	4,305,281	-	4,305,281
Unallocated assets						185,745,255	273,497,283	459,242,538
TOTAL ASSETS						317,010,167	273,497,283	590,507,450
Liabilities								
Gross unearned premiums	29,898,291	10,327,128	17,496,013	16,044,956	3,498,509	77,264,897	-	77,264,897
Gross outstanding claims	20,450,791	11,215,127	3,950,502	5,039,080	3,261,826	43,917,326	-	43,917,326
Claims incurred but not reported	35,519,793	6,473,157	11,532,190	7,635,251	6,364,368	67,524,759	-	67,524,759
Unearned reinsurance commission income	2,614,584	1,892,200	724,932	1,347,781	530,798	7,110,295	-	7,110,295
Additional premium reserve	225,670	111,661	-	-	1,656	338,987	-	338,987
Other technical reserves	1,675,686	602,887	1,001,541	375,040	387,448	4,042,602	-	4,042,602
Unallocated liabilities						75,198,473	22,940,654	98,139,127
TOTAL LIABILITIES						275,397,339	22,940,654	298,337,993

Geographical segments

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain investments held in countries domiciled in the Gulf Cooperation Council ("GCC").

31. SEGMENTAL INFORMATION (CONTINUED)

Operating segments

For the year ended December 31, 2019	Property SR	Engineering SR	Motor SR	Casualty SR	Others SR	Total SR
REVENUE						
Gross written premiums	**109,563,619**	**18,643,059**	**61,891,825**	**45,903,570**	**22,221,178**	**258,223,251**
Less: Reinsurance premiums ceded						
Local	**(4,182,638)**	**(1,768,906)**	**-**	**-**	**(393,477)**	**(6,345,021)**
Foreign	**(98,768,938)**	**(14,024,821)**	**(9,289,705)**	**(24,771,491)**	**(12,670,489)**	**(159,525,444)**
Excess of loss expenses	**(1,427,396)**	**(335,104)**	**(828,280)**	**(476,720)**	**(650,130)**	**(3,717,630)**
Net premiums written	**5,184,647**	**2,514,228**	**51,773,840**	**20,655,359**	**8,507,082**	**88,635,156**
Change in unearned premiums	**(16,242,624)**	**(1,394,842)**	**1,585,934**	**(4,398,363)**	**(3,313,169)**	**(23,763,064)**
Change in reinsurance share of unearned premiums	**16,460,730**	**1,107,584**	**(441,507)**	**2,550,813**	**2,889,569**	**22,567,189**
Net premiums earned	**5,402,753**	**2,226,970**	**52,918,267**	**18,807,809**	**8,083,482**	**87,439,281**
Reinsurance commission income	**10,927,115**	**3,401,419**	**2,847,589**	**2,829,701**	**2,209,274**	**22,215,098**
NET REVENUES	**16,329,868**	**5,628,389**	**55,765,856**	**21,637,510**	**10,292,756**	**109,654,379**
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(4,764,212)**	**(8,829,773)**	**(32,684,377)**	**(4,583,511)**	**(2,649,708)**	**(53,511,581)**
Expenses incurred related to claims	**(240,795)**	**(151,095)**	**(1,723,665)**	**(184,007)**	**(182,100)**	**(2,481,662)**
Reinsurers' share of gross claims paid	**4,524,806**	**7,941,732**	**4,848,604**	**2,195,400**	**1,431,347**	**20,941,889**
Net claims and other benefits paid	**(480,201)**	**(1,039,136)**	**(29,559,438)**	**(2,572,118)**	**(1,400,461)**	**(35,051,354)**
Change in outstanding claims	**(6,898,720)**	**7,891,913**	**(1,401,862)**	**(5,628,191)**	**951,567**	**(5,085,293)**
Changes in reinsurance share of outstanding claims	**6,882,351**	**(7,566,662)**	**67,283**	**5,880,666**	**(498,553)**	**4,765,085**
Changes in claims incurred but not reported	**9,113,563**	**682,898**	**(189,926)**	**(255,922)**	**(93,561)**	**9,257,052**
Changes in reinsurance share of claims incurred but not reported	**(8,158,601)**	**690,864**	**(130,944)**	**2,503,692**	**796,820**	**(4,298,179)**
Net claims and other benefits incurred	**458,392**	**659,877**	**(31,214,887)**	**(71,883)**	**(244,188)**	**(30,412,689)**
Changes in additional premium reserve	**(2,760,568)**	**111,661**	**(102,407)**	**-**	**1,656**	**(2,749,658)**
Changes in other technical reserves	**773,864**	**447,437**	**726,600**	**77,482**	**216,155**	**2,241,538**
Policy acquisition costs	**(4,741,576)**	**(1,051,703)**	**(4,888,961)**	**(3,020,849)**	**(1,266,890)**	**(14,969,979)**
Other underwriting expenses	**(757,405)**	**(343,275)**	**(567,434)**	**(586,512)**	**(570,136)**	**(2,824,762)**
TOTAL UNDERWRITING COSTS AND EXPENSES	**(7,027,293)**	**(176,003)**	**(36,047,089)**	**(3,601,762)**	**(1,863,403)**	**(48,715,550)**
NET UNDERWRITING INCOME	**9,302,575**	**5,452,386**	**19,718,767**	**18,035,748**	**8,429,353**	**60,938,829**
OTHER OPERATING (EXPENSES)/ INCOME						
Unallocated allowance for doubtful debts						**(2,572,424)**
Unallocated general and administrative expenses						**(37,672,125)**
Unallocated dividend, interest and commission income						**9,611,339**
Unallocated unrealised gain on disposal of investments held for trading						**2,724,049**
Unallocated realized gains on investments held for trading						**202,863**
Unallocated other income, net						**2,165,564**
TOTAL OTHER OPERATING EXPENSES						**(25,540,734)**
TOTAL INCOME FOR THE YEAR						**35,398,095**
Zakat						**(955,945)**
Income tax						**(1,885,160)**
Net Income for the year						**32,556,990**
Surplus transferred to insurance operations						**(3,211,552)**
Net results after transfer of surplus to shareholders						**29,345,438**

31. SEGMENTAL INFORMATION (CONTINUED)

Operating segments (continued)

For the year ended December 31, 2018 (restated)	Property SR	Engineering SR	Motor SR	Casualty SR	Others SR	Total SR
REVENUE						
Gross written premiums	81,294,722	18,885,215	73,840,778	38,212,101	21,739,943	233,972,759
Less: Reinsurance premiums ceded						
Local	(4,164,629)	(1,453,763)	-	-	(405,201)	(6,023,593)
Foreign	(69,040,175)	(14,462,501)	(11,636,413)	(20,182,442)	(11,286,390)	(126,607,921)
Excess of loss expenses	(1,496,470)	(581,960)	(955,682)	(492,322)	(876,312)	(4,402,746)
Net premiums written	6,593,448	2,386,991	61,248,683	17,537,337	9,172,040	96,938,499
Change in unearned premiums	(4,210,800)	(282,691)	1,186,200	(551,995)	879,485	(2,979,801)
Change in reinsurance share of unearned premiums	3,714,122	629,942	2,515,645	731,446	(217,377)	7,373,778
Net premiums earned	6,096,770	2,734,242	64,950,528	17,716,788	9,834,148	101,332,476
Reinsurance commission income	9,717,258	3,762,938	2,404,761	3,012,345	2,360,246	21,257,548
NET REVENUES	15,814,028	6,497,180	67,355,289	20,729,133	12,194,394	122,590,024
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(7,068,019)	(3,301,581)	(33,935,377)	(1,486,467)	(3,847,004)	(49,638,448)
Expenses incurred related to claims	(258,912)	(330,192)	(1,863,985)	(46,923)	(109,318)	(2,609,330)
Reinsurers' share of gross claims paid	4,880,597	3,291,166	3,156,435	263,539	2,645,608	14,237,345
Net claims and other benefits paid	(2,446,334)	(340,607)	(32,642,927)	(1,269,851)	(1,310,714)	(38,010,433)
Change in outstanding claims	(4,625,743)	(1,445,750)	3,870,710	(2,194,224)	(47,286)	(4,442,293)
Changes in reinsurance share of outstanding claims	6,840,411	921,497	874,889	140,681	(599,958)	8,177,520
Changes in claims incurred but not reported	47,030,436	158,804	5,305,349	7,443,606	(2,210,151)	57,728,044
Changes in reinsurance share of claims incurred but not reported	(46,064,756)	1,405,438	1,398,696	(6,813,327)	1,114,437	(48,959,512)
Net claims and other benefits incurred	734,014	699,382	(21,193,283)	(2,693,115)	(3,053,672)	(25,506,674)
Changes in additional premium reserve	438,603	1,608,703	-	-	30,206	2,077,512
Changes in other technical reserves	45,013	(487,721)	(54,297)	(210,027)	(329,833)	(1,036,865)
Policy acquisition costs	(4,502,750)	(1,260,824)	(7,255,204)	(3,197,045)	(2,032,080)	(18,247,903)
Other underwriting expenses	(561,569)	(263,076)	(624,722)	(350,780)	(413,318)	(2,213,465)
TOTAL UNDERWRITING COSTS AND EXPENSES	(3,846,689)	296,464	(29,127,506)	(6,450,967)	(5,798,697)	(44,927,395)
NET UNDERWRITING INCOME	11,967,339	6,793,644	38,227,783	14,278,166	6,395,697	77,662,629
OTHER OPERATING (EXPENSES)/ INCOME						
Unallocated allowance for doubtful debts						(3,030,692)
Unallocated general and administrative expenses						(33,960,180)
Unallocated dividend, interest and commission income						6,718,223
Unallocated unrealised losses on disposal of investments held for trading						(1,714,266)
Unallocated realized gains on investments held for trading						1,361,289
Unallocated other income, net						2,459,600
TOTAL OTHER OPERATING EXPENSES						(28,166,026)
TOTAL INCOME FOR THE YEAR						49,496,603
Zakat						(5,207,355)
Income tax						(2,988,711)
Net Income for the year						41,300,537
Surplus transferred to insurance operations						(5,003,795)
Net results after transfer of surplus to shareholders						36,296,742

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The management assessed that cash, bank balances and short-term deposits, receivables from policyholders/ /brokers/insurance/reinsurance companies and related parties, accounts payable, reinsurance balances payable, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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 (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2019			
	Level 1 SR	**Level 2 SR**	**Level 3 SR**	**Total SR**
Investments held for trading	**96,506,696**	**-**	**-**	**96,506,696**
	96,506,696	**-**	**-**	**96,506,696**

	31 December 2018			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Investments held for trading	82,766,224	-	-	82,766,224
	82,766,224	-	-	82,766,224

During the year, there has been no transfer between level 1, level 2 and level 3.

33. RISK MANAGEMENT

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

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 BOD providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Risk Management Committee
The Company has a Risk Management Committee in place. The Committee meets to review the reports of the Risk Manager to give advice and make recommendations on Company's enterprise-wide risk management to the BOD. The risks of each area are managed by the respective Line Managers and Departmental Heads. The Company continues to develop its risk management capability to ensure that an effective framework exists to support the management of all types of risk both currently and in future under SAMA's implementing rules and regulations. Elements of this framework include the regular identification and assessment of the key risks and controls as well as clearly defined ownership of both the risks and controls.

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 audited annually 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 primary objective of the Company's risk management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

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

Insurance and reinsurance risk management
The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

33. RISK MANAGEMENT (CONTINUED)

Insurance and reinsurance risk management (continued)
Underwriting and retention policies, procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting were necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

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

(i) Property
Property insurance contracts, with the main perils being fire, accidental damage and other allied perils resulting therefrom, are underwritten either on a replacement value or an indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties and the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims.

In respect of accumulation of the retentions under the property business, this is covered by proportional as well as non-proportional treaties.

(ii) Engineering
The engineering business includes long tail Erection All Risks ("EAR") and Contractor All Risk ("CAR") policies and annual policies for Machinery Break Down ("MBD"), Machinery All Risk, Electronic Data Processing, Deterioration of Stock and Business Interruption in conjunction with MBD. The long tail EAR/CAR policies cover various projects for the whole project period. Selection of the risks and proper underwriting are the criteria for this profitable line of business. These are amply covered under the engineering proportional and non-proportional treaties.

33. RISK MANAGEMENT (CONTINUED)

Frequency and severity of claims (continued)

(iii) Motor

For motor insurance contracts, the main elements of risk are claims arising out of insured vehicles as well as damage to third parties' properties. Further, death claims compensation have been made in accordance with the laws as applicable in the Kingdom of Saudi Arabia.

This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

(iv) Casualty

For casualty class of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage is the main factor that influences the level of claims.

(v) Marine

In marine insurance, the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Reinsurance arrangements have been made with reinsurers through proportional treaties as well as non-proportional treaties.

Concentration of insurance risk

The insurance risk exposure related to policyholders is mainly concentrated in the Kingdom of Saudi Arabia. However, through its underwriting strategy, the Company ensures that the portfolio is well diversified and not concentrated within few large clients. Its business is proportionally spread across all regions in the Saudi Arabia, and the Company targets both corporate and retail business. The insurance portfolio is not concentrated in a specific benefit level (diverse medical providers, different deductibles, annual limits and sub-limits).

Reinsurance risk

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

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.

33. RISK MANAGEMENT (CONTINUED)

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 of 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 credit worthy 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's investment portfolio is managed by the investment committee 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:

	Insurance operations		Shareholders' operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SR	SR	**SR**	SR	**SR**	SR
Cash and cash equivalents	**14,073,914**	8,298,585	**2,607,805**	1,523,906	**16,681,719**	9,822,491
Time deposits	**44,436,980**	64,744,141	**44,532,309**	66,943,687	**88,969,289**	131,687,828
Term deposits	**-**	-	**132,081,773**	79,467,701	**132,081,773**	79,467,701
Investments held for trading	**38,013,460**	36,028,138	**58,493,326**	46,738,086	**96,506,786**	82,766,224
Investments available for sale	**-**	-	**1,932,078**	1,932,078	**1,932,078**	1,932,078
Premiums and insurance balances receivable (note 8)	**102,144,942**	80,991,505	**-**	-	**102,144,942**	80,991,505
Reinsurers' share of outstanding claims (note 9)	**37,167,238**	32,402,153	**-**	-	**37,167,238**	32,402,153
Other assets	**1,902,707**	2,051,853	**-**	787,986	**1,902,707**	2,839,839
	237,739,241	224,516,375	**239,647,291**	197,393,444	**477,386,532**	421,909,819

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on 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, available for sale and held for trading investments.

33. RISK MANAGEMENT (CONTINUED)

Maturity profiles

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

	2019		
	Up to one year SR	**More than one year SR**	**Total SR**
INSURANCE OPERATIONS' FINANCIAL ASSETS			
Cash and cash equivalents	**14,073,914**	**-**	**14,073,914**
Time deposits	**44,436,980**	**-**	**44,436,980**
Investments held for trading	**38,013,460**	**-**	**38,013,460**
Premiums and insurance balances receivable	**102,144,942**	**-**	**102,144,942**
Reinsurers' share of unearned premiums	**74,196,879**	**-**	**74,196,879**
Reinsurers' share of outstanding claims	**37,167,238**	**-**	**37,167,238**
Reinsurers 'share of claims incurred but not reported	**38,629,609**	**-**	**38,629,609**
Other assets	**12,380,055**	**-**	**12,380,055**
	361,043,077	**-**	**361,043,077**

	2018		
	Up to one year SR	More than one year SR	Total SR
INSURANCE OPERATIONS' FINANCIAL ASSETS			
Cash and cash equivalents	8,298,585	-	8,298,585
Time deposits	64,744,141	-	64,744,141
Investments held for trading	36,028,138	-	36,028,138
Premiums and insurance balances receivable	71,742,938	-	71,742,938
Reinsurers' share of unearned premiums	51,629,690	-	51,629,690
Reinsurers' share of outstanding claims	32,402,153	-	32,402,153
Reinsurers 'share of claims incurred but not reported	42,927,788	-	42,927,788
Other assets	11,550,239	-	11,550,239
	319,323,672	-	319,323,672

	2019		
	Up to one year SR	**More than one year SR**	**Total SR**
SHAREHOLDERS FINANCIAL ASSETS			
Cash and cash equivalents	**2,607,805**	**-**	**2,607,805**
Time deposits	**44,532,309**	**-**	**44,532,309**
Term deposits	**132,081,773**		**132,081,773**
Investments available for sale	**1,932,078**		**1,932,078**
Investments held for trading	**60,425,314**	**-**	**60,425,314**
Amounts due from insurance operations	**28,903,966**	**-**	**28,903,966**
	270,483,245	**-**	**270,483,245**

33. RISK MANAGEMENT (CONTINUED)

Maturity profiles (continued)

	2018		
	Up to one year SR	More than one year SR	Total SR
SHAREHOLDERS FINANCIAL ASSETS			
Cash and cash equivalents	1,523,906	-	1,523,906
Time deposits	66,943,687	-	66,943,687
Term deposits	79,467,701		79,467,701
Investments available for sale	1,932,078		1,932,078
Investments held for trading	46,738,086	-	46,738,086
Amounts due from insurance operations	45,034,155	-	45,034,155
	241,639,613	-	241,639,613

	2019		
	Up to one year SR	**More than one year SR**	**Total SR**
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Gross outstanding claims	**49,002,619**	**-**	**49,002,619**
Claims incurred but not reported	**58,267,707**	**-**	**58,267,707**
Unearned premium reserve	**101,027,961**	**-**	**101,027,961**
Reinsurance balances payable	**64,807,468**	**-**	**64,807,468**
Accounts payable	**22,146,161**	**-**	**22,146,161**
Accrued expenses and other liabilities	**8,525,416**	**-**	**8,525,416**
Amounts due to shareholders' operations	**28,903,966**	**-**	**28,903,966**
	332,681,298	**-**	**332,681,298**
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	**3,429,499**	**-**	**3,429,499**
Amounts due to insurance operations	**3,324,349**	**-**	**3,324,349**
	6,753,848	**-**	**6,753,848**
TOTAL FINANCIAL LIABILITIES	**339,435,146**	**-**	**339,435,146**

	2018		
	Up to one year SR	More than one year SR	Total SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Gross outstanding claims	43,917,326	-	43,917,326
Claims incurred but not reported	67,524,759	-	67,524,759
Unearned premium reserve	77,264,897	-	77,264,897
Reinsurance balances payable	37,892,066	-	37,892,066
Accounts payable	17,570,524	-	17,570,524
Accrued expenses and other liabilities	6,696,828	-	6,696,828
Amounts due to shareholders' operations	45,034,155	-	45,034,155
	295,900,555	-	295,900,555
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	2,663,499	-	2,663,499
Amounts due to insurance operations	3,421,327	-	3,421,327
	6,084,826	-	6,084,826
TOTAL FINANCIAL LIABILITIES	301,985,381	-	301,985,381

33. RISK MANAGEMENT (CONTINUED)

Maturity profiles (continued)

	2018		
	Up to one year SR	More than one year SR	Total SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Gross outstanding claims	39,475,033	-	39,475,033
Claims incurred but not reported	125,252,803	-	125,252,803
Unearned premium reserve	74,285,096	-	74,285,096
Accounts payable	29,815,786	-	29,815,786
Reinsurance balances payable	13,460,813	-	13,460,813
Amounts due to shareholders' operations	39,359,973	-	39,359,973
Accrued expenses and other liabilities	8,668,570	-	8,668,570
	330,318,074	-	330,318,074
		-	
SHAREHOLDERS' FINANCIAL LIABILITIES			
Amounts due to insurance operations	10,798,030	-	10,798,030
TOTAL FINANCIAL LIABILITIES	341,116,104	-	341,116,104

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.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

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

The Company is exposed to commission rate risk on certain of its time deposits, term deposits, investments held for trading and investments available for sale. The Company limits commission rate risk by monitoring changes in commission rates.

33. RISK MANAGEMENT (CONTINUED)

Commission rate risk (continued)
The following table demonstrates the sensitivity of statement of shareholders comprehensive income to reasonably possible changes in commission rates, with all other variables held constant.

The sensitivity of the statement of shareholders comprehensive income is the effect of the assumed changes in commission rates on the Company's income for the year, based on the floating rate financial assets and financial liabilities held as at 31 December:

	Change in basis points	**Effect on comprehensive income for the year SR**
2019	**±25**	**±687,394**
2018	±25	±739,634

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

The Company limits market risk by maintaining a diversified portfolio and by monitoring developments in equity market. The Company does not have significant market risk.

Equity price risk
Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the investment committee.

The effect on the statement of income as a result of a change in the fair value of the held for trading investments at December 31, 2019 due to a reasonable possible change in the equity prices, with all other variables held as constant is as follows:

	2019		2018		**Total**	
Change in equity price	**Insurance operations' SR**	**Shareholders operations SR**	Insurance operations' SR	Shareholders operations SR	**2019 SR**	2018 SR
+5	**1,900,673**	**3,021,266**	1,801,407	2,336,904	-	-
-5	**(1,900,673)**	**(3,021,266)**	(1,801,407)	(2,336,904)	-	-

33. RISK MANAGEMENT (CONTINUED)

Operational Risk

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

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

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

34. SUPPLEMENTARY INFORMATION

As required by the Implementing Regulations, the statement of financial position, statement of income and statement of cash flows are separately disclosed for both insurance operations and shareholders operations are as follows:

a) Statement of financial position

	December 31, 2019			December 31, 2018 (restated)		
	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
Cash and cash equivalents	58,510,894	47,140,114	105,651,008	73,042,726	68,467,593	141,510,319
Premiums and insurance balances receivable	102,144,942	-	102,144,942	71,742,938	-	71,742,938
Amounts due from related parties	-	-	-	-	-	-
Reinsurers' share of unearned premiums	74,196,879	-	74,196,879	51,629,690	-	51,629,690
Reinsurers' share of outstanding claims	37,167,238	-	37,167,238	32,402,153	-	32,402,153
Reinsurers' share of claims incurred but not reported	38,629,609	-	38,629,609	42,927,788	-	42,927,788
Deferred policy acquisition costs	5,323,677	-	5,323,677	4,305,281	-	4,305,281
Investments held for trading	38,013,460	58,493,236	96,506,696	36,028,138	46,738,086	82,766,224
Investments available for sale	-	1,932,078	1,932,078	-	1,932,078	1,932,078
Prepayments and other assets	3,510,256	13,343,393	16,853,649	3,823,631	11,873,804	15,697,435
Term deposits	-	132,081,773	132,081,773	-	79,467,701	79,467,701
Property and equipment	2,746,133	-	2,746,133	387,427	-	387,427
Intangible assets	799,989	-	799,989	720,395	-	720,395
Goodwill	-	43,774,750	43,774,750	-	43,774,750	43,774,750
Statutory deposit	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Statutory deposit commission income		1,854,812	1,854,812	-	1,243,271	1,243,271
Amounts due from insurance operations	3,324,349	28,903,966	32,228,315	3,421,327	45,034,155	48,455,482
TOTAL ASSETS	364,367,426	347,524,122	711,891,548	320,431,494	318,531,438	638,962,932
Less: inter-operations elimination	(3,324,349)	(28,903,966)	(32,228,315)	(3,421,327)	(45,034,155)	(48,455,482)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	361,043,077	318,620,156	679,663,233	317,010,167	273,497,283	590,507,450

34. SUPPLEMENTARY INFORMATION (CONTINUED)

a) Statement of financial position (continued)

	December 31, 2019			December 31, 2018 (restated)		
	Insurance operations SR	**Shareholders' operations SR**	**Total SR**	Insurance operations SR	Shareholders' operations SR	Total SR
Accounts payable	**22,146,161**	**-**	**22,146,161**	17,570,524	-	17,570,524
Accrued expenses and other liabilities	**10,720,871**	**3,429,499**	**14,150,370**	6,696,828	2,663,499	9,360,327
Reinsurance balances payable	**64,807,468**	**-**	**64,807,468**	37,892,066	-	37,892,066
Gross unearned premiums	**101,027,961**	**-**	**101,027,961**	77,264,897	-	77,264,897
Gross outstanding claims	**49,002,619**	**-**	**49,002,619**	43,917,326	-	43,917,326
Claims incurred but not reported	**58,267,707**	**-**	**58,267,707**	67,524,759	-	67,524,759
Unearned reinsurance commission income	**8,851,869**	**-**	**8,851,869**	7,110,295	-	7,110,295
Additional premium reserves	**3,088,645**	**-**	**3,088,645**	338,987	-	338,987
Other technical reserves	**1,801,064**	**-**	**1,801,064**	4,042,602	-	4,042,602
End-of-service indemnities	**8,410,729**	**-**	**8,410,729**	7,174,176	-	7,174,176
Accumulated surplus payable	**9,184,671**	**-**	**9,184,671**	6,764,250	-	6,764,250
Statutory deposit commission income payable	**-**	**1,854,812**	**1,854,812**	-	1,243,271	1,243,271
Provision for zakat and income tax	**-**	**16,501,196**	**16,501,196**	-	18,134,513	18,134,513
Amounts due to shareholders' operations and insurance operations	**28,903,966**	**3,324,349**	**32,228,315**	45,034,155	3,421,327	48,455,482
TOTAL LIABILITIES	**366,213,731**	**25,109,856**	**391,323,587**	321,330,865	25,462,610	346,793,475
Less: inter-operations elimination	**(28,903,966)**	**(3,324,349)**	**(32,228,315)**	(45,034,155)	(3,421,327)	(48,455,482)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	**337,309,765**	**21,785,507**	**359,095,272**	276,296,710	22,041,283	298,337,993
SHAREHOLDERS' EQUITY						
Share capital	**-**	**200,000,000**	**200,000,000**	-	200,000,000	200,000,000
Statutory reserve	**-**	**32,437,651**	**32,437,651**	-	26,568,563	26,568,563
Retained earnings	**-**	**89,976,615**	**89,976,615**	-	66,500,265	66,500,265
TOTAL EQUITY	**-**	**322,414,266**	**322,414,266**	-	293,068,828	293,068,828
Re-measurement reserve of defined benefit obligation	**(1,846,305)**	**-**	**(1,846,305)**	(899,371)	-	(899,371)
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY	**335,463,460**	**344,199,773**	**679,663,233**	275,397,339	315,110,111	590,507,450

34. SUPPLEMENTARY INFORMATION (CONTINUED)

b) Statement of income

	Year ended December 31, 2019			Year ended December 31, 2018 (restated)		
	Insurance operations SR	**Shareholders' operations SR**	**Total SR**	Insurance operations SR	Shareholders' operations SR	Total SR
REVENUE						
Gross written premiums	**258,223,251**	**-**	**258,223,251**	233,972,759	-	233,972,759
Less: Reinsurance premiums ceded						
Local	**(6,345,021)**	**-**	**(6,345,021)**	(6,023,593)	-	(6,023,593)
Foreign	**(159,525,444)**	**-**	**(159,525,444)**	(126,607,921)	-	(126,607,921)
Excess of loss premiums	**(3,717,630)**	**-**	**(3,717,630)**	(4,402,746)	-	(4,402,746)
Net premiums written	**88,635,156**	**-**	**88,635,156**	96,938,499	-	96,938,499
Changes in unearned premiums	**(23,763,064)**	**-**	**(23,763,064)**	(2,979,801)	-	(2,979,801)
Changes in reinsurance share of unearned premiums	**22,567,189**	**-**	**22,567,189**	7,373,778	-	7,373,778
Net premiums earned	**87,439,281**	**-**	**87,439,281**	101,332,476	-	101,332,476
Reinsurance commission income	**22,215,098**	**-**	**22,215,098**	21,257,548	-	21,257,548
NET REVENUES	**109,654,379**	**-**	**109,654,379**	122,590,024	-	122,590,024
UNDERWRITING COSTS AND EXPENSES						
Gross claims	**(53,511,581)**	**-**	**(53,511,581)**	(49,638,448)	-	(49,638,448)
Expenses incurred related to claims	**(2,481,662)**	**-**	**(2,481,662)**	(2,609,330)	-	(2,609,330)
Reinsurers' share of gross claims paid	**20,941,889**	**-**	**20,941,889**	14,237,345	-	14,237,345
Net claims and other benefits paid	**(35,051,354)**	**-**	**(35,051,354)**	(38,010,433)	-	(38,010,433)
Changes in outstanding claims	**(5,085,293)**	**-**	**(5,085,293)**	(4,442,293)	-	(4,442,293)
Changes in reinsurance share of outstanding claims	**4,765,085**	**-**	**4,765,085**	8,177,520	-	8,177,520
Changes in claims incurred but not reported	**9,257,052**	**-**	**9,257,052**	57,728,044	-	57,728,044
Changes in reinsurance share of claims incurred but not reported	**(4,298,179)**	**-**	**(4,298,179)**	(48,959,512)	-	(48,959,512)
Net claims and other benefits incurred	**(30,412,689)**	**-**	**(30,412,689)**	(25,506,674)	-	(25,506,674)
Changes in additional premium reserve	**(2,749,658)**	**-**	**(2,749,658)**	2,077,512	-	2,077,512
Changes in other technical reserves	**2,241,538**	**-**	**2,241,538**	(1,036,865)	-	(1,036,865)
Policy acquisition costs	**(14,969,979)**	**-**	**(14,969,979)**	(18,247,903)	-	(18,247,903)
Other underwriting expenses	**(2,824,762)**	**-**	**(2,824,762)**	(2,213,465)	-	(2,213,465)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(48,715,550)**	**-**	**(48,715,550)**	(44,927,395)	-	(44,927,395)
NET UNDERWRITING INCOME	**60,938,829**	**-**	**60,938,829**	77,662,629	-	77,662,629

34. SUPPLEMENTARY INFORMATION (CONTINUED)

b) Statement of income (continued)

	Year ended December 31, 2019			Year ended December 31, 2018 (restated)		
	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for doubtful debts	(2,572,424)	-	(2,572,424)	(3,030,692)	-	(3,030,692)
General and administrative expenses	(32,036,559)	(5,635,566)	(37,672,125)	(28,821,398)	(5,138,782)	(33,960,180)
Dividend, interest and commission income	2,459,373	7,151,966	9,611,339	2,553,717	4,164,506	6,718,223
Realised (losses)/gain on disposal of investments held for trading	88,306	114,557	202,863	(39,686)	1,400,975	1,361,289
Unrealised losses on investments held for trading	1,072,429	1,651,620	2,724,049	(746,220)	(968,046)	(1,714,266)
Other income	2,165,564	-	2,165,564	2,459,600	-	2,459,600
TOTAL OTHER OPERATING EXPENSES	(28,823,311)	3,282,577	(25,540,734)	(27,624,679)	(541,347)	(28,166,026)
Total income before zakat, tax and surplus distribution	32,115,518	3,282,577	35,398,095	50,037,950	(541,349)	49,496,603
Surplus transferred to shareholders	(28,903,966)	28,903,966	-	(45,034,155)	45,034,155	-
Net Income for the year before zakat and tax	3,211,552	32,186,543	35,398,095	5,003,795	44,492,808	49,496,603
Zakat	-	(955,945)	(955,945)	-	(5,207,355)	(5,207,355)
Income tax	-	(1,885,160)	(1,885,160)	-	(2,988,711)	(2,988,711)
Net result from insurance operations after shareholders' transfer of surplus to shareholders	3,211,552	29,345,438	32,556,990	5,003,795	36,296,742	41,300,537

c) Statement of comprehensive income

	Year ended December 31, 2019			Year ended December 31, 2018 (restated)		
	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
Net result from insurance operations after shareholders' transfer of surplus to shareholders	3,211,552	29,345,438	32,556,990	5,003,795	36,296,739	41,300,534
Items that will not be reclassified to statement of income comprehensive income	(946,934)	-	(946,934)	(741,587)	-	(741,587)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,264,618	29,345,438	31,610,056	4,262,208	36,296,739	40,558,947
Weighted average number of outstanding shares (adjusted)		20,000,000			20,000,000	
Earnings per share for the year (adjusted)		1.47			1.81	

34 SUPPLEMENTARY INFORMATION (CONTINUED)

d) Statement of cash flows

		December 31, 2019			December 31, 2018		
	Note	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
OPERATING ACTIVITIES							
Total income for the year		3,211,552	32,186,543	35,398,095	5,003,795	44,492,808	49,496,603
Adjustments for:							
Depreciation of property and equipment		1,282,390	-	1,282,390	268,231	-	268,231
Amortisation of intangible assets		243,937	-	243,937	199,922	-	199,922
Gain on sale of property and equipment		(85,550)	-	(85,550)	(64,160)	-	(64,160)
Allowance for doubtful debts		2,572,424	-	2,572,424	3,030,692	-	3,030,692
Unrealised losses on investments held for trading	7	(1,072,429)	(1,651,620)	(2,724,049)	746,220	968,046	1,714,266
Realised (losses)/gain on disposal of investments held for trading	7	(88,306)	(114,557)	(202,863)	39,686	(1,400,975)	(1,361,289)
Interest on finance lease obligations		82,183	-	82,183			
Provision for end-of-service indemnities		1,347,588	-	1,347,588	1,193,543	-	1,193,543
		7,493,789	30,420,366	37,914,155	10,417,929	44,059,879	54,477,808
Working capital adjustments:					-		
Premiums and insurance balances receivable		(32,974,428)	-	(32,974,428)	(9,511,167)	-	(9,511,167)
Reinsurers' share of unearned premiums		(22,567,189)	-	(22,567,189)	(7,373,778)	-	(7,373,778)
Reinsurers' share of outstanding claims		(4,765,085)	-	(4,765,085)	(8,177,520)	-	(8,177,520)
Reinsurers' share of claims incurred but not reported		4,298,179	-	4,298,179	48,959,512	-	48,959,512
Deferred policy acquisition costs		(1,018,396)	-	(1,018,396)	606,832	-	606,832
Prepayments and other assets		313,375	(1,469,589)	(1,156,214)	2,124,115	(6,493,795)	(4,369,680)
Accounts payable		4,575,637	-	4,575,637	4,109,711	-	4,109,711
Accrued expenses and other liabilities		1,828,588	766,000	2,594,588	(1,971,742)	762,997	(1,208,745)
Reinsurance balances payable		26,915,402	-	26,915,402	8,076,280	-	8,076,280
Gross unearned premiums		23,763,064	-	23,763,064	2,979,801	-	2,979,801
Unearned reinsurance commission income		1,741,574	-	1,741,574	884,603	-	884,603
Gross outstanding claims		5,085,293	-	5,085,293	4,442,293	-	4,442,293
Claims incurred but not reported		(9,257,052)	-	(9,257,052)	(57,728,044)	-	(57,728,044)
Additional premium reserves		2,749,658	-	2,749,658	(2,077,512)	-	(2,077,512)
Amounts due from related parties		-	-	-	83,254	-	83,254
Other technical reserves		(2,241,538)	-	(2,241,538)	1,036,865	-	1,036,865
Cash from operations		5,940,871	29,716,777	35,657,648	(3,118,568)	38,329,081	35,210,513
Surplus distribution payable to policyholders		(791,131)	-	(791,131)	(3,473,925)	-	(3,473,925)
Zakat and income tax paid		-	(4,474,422)	(4,474,422)	-	(3,432,721)	(3,432,721)
End-of-service indemnities paid		(1,057,969)	-	(1,057,969)	(878,296)	-	(878,296)
Net cash from/(used in) operating activities		4,091,771	25,242,355	29,334,126	(7,470,789)	34,896,360	27,425,571

34 SUPPLEMENTARY INFORMATION (CONTINUED)

d) Statement of cash flows (continued)

		December 31, 2019			December 31, 2018		
	Note	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
INVESTING ACTIVITIES							
Purchase of investments held for trading		**(11,438,551)**	**(23,758,110)**	**(35,196,661)**	(8,986,905)	(11,658,409)	(20,645,314)
Proceeds from disposal of investments held for trading		**10,613,964**	**13,769,137**	**24,383,101**	1,280,925	11,674,100	12,955,025
Additions in long term deposits		**-**	**(52,614,072)**	**(52,614,072)**	-	(19,622,032)	(19,622,032)
Statutory deposit		**-**	-	**-**	-	-	-
Proceeds from sale of property and equipment		**85,550**	-	**85,550**	87,100	-	87,100
Purchase of property and equipment		**(405,597)**	-	**(405,597)**	(79,277)	-	(79,277)
Purchase of intangibles assets		**(323,531)**	-	**(323,531)**	(535,312)	-	(535,312)
Net cash used in investing activities		**(1,468,165)**	**(62,603,045)**	**(64,071,210)**	(8,233,469)	(19,606,341)	(27,839,810)
CASH FLOWS FROM FINANCING ACTIVITIES							
Payment under finance lease obligations		**(1,122,227)**	**-**	**(1,122,227)**			
Interoperation balances		**(16,130,189)**	**16,130,189**	-	5,674,182	(5,674,182)	-
Due to / (from) shareholders/insurance operations		**96,978**	**(96,978)**	-	(3,421,327)	3,421,327	-
Net cash (used in) / from financing activities		**(17,155,438)**	**16,033,211**	**(1,122,227)**	2,252,855	(2,252,855)	-
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(14,531,832)**	**(21,327,479)**	**(35,859,311)**	(13,451,403)	13,037,164	(414,239)
Cash and cash equivalents at the beginning of the year		**73,042,726**	**68,467,593**	**141,924,558**	86,494,129	55,430,429	141,924,558
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**58,510,894**	**47,140,114**	**105,651,008**	73,042,726	68,467,593	141,510,319
NON-CASH TRANSACTIONS:							
Re-measurement reserve of defined benefit obligation		**(946,934)**	**-**	**(946,934)**	(741,587)	-	(741,587)

35. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events, other than listed below since the year ended December 31, 2019 that would have a material impact on the financial position of the Company as reflected in these financial statements.

Subsequent to the year end, the Company announces that its Board of Directors has resolved, on Tuesday February 18, 2020, to enter into preliminary discussions with Al Ahli Takaful Company to study the possibility of merging the two companies. The entry into these discussions does not mean that a merger will happen between the two companies, but only that the potential for a mutually beneficial arrangement for both companies' shareholders is being explored. If a merger discussion is agreed, both companies will sign a non-binding Memorandum of Understanding (the MOU) to evaluate a potential merger between the two companies, but it will still be necessary to obtain official regulatory approvals before completing the merger.

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

36. COMPARATIVE BALANCES

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

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors, on xx Rajab 1441H, corresponding to March xx, 2020.