AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Amana Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 29, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, 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 Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the audited financial statements, which indicates, among other things, that on 28 March 2021, the Company announced on Tadawul, indicating that its accumulated losses exceeded 50% of its share capital of SAR 240 million as of 31 December 2020. As of 31 December 2020, the accumulated losses represent 61.46% (31 December 2019: 35.69%) of the Company's share capital, and as of the same date, the solvency of the Company reached 45% (31 December 2019: 137%). These events and conditions indicate a material uncertainty on the Company's ability to continue as a going concern. However, various strategic options, including capital restructuring, were considered by the Board of Directors to ensure the Company's going concern. Among such strategic options, on 15 November 2020, the Company has signed a Non-Binding Memorandum with Saudi Enaya Cooperative Insurance Co. ("Enaya") to assess the merger's feasibility subject to obtaining the required approvals. Furthermore, subsequent to the year ended dated 18 March 2021, the Company received Capital Market Authority (CMA) approval after completing the regulatory requirements as per the Capital Market Law and its Implementing Regulations for the absorption of losses through capital reduction from SAR 240,000,000 to SAR 130,000,000, thus reducing the number of shares from 24,000,000 to 13,000,000. The reduction is subject to the Company's shareholders' approval.

Based on the above, the Company's management has assessed its ability to continue as a going concern and is satisfied that the Company's operations shall continue for the foreseeable future under the normal course of business. Accordingly, the financial statements have been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts	
As at 31 December 2020, outstanding claims and claims incurred but not reported (IBNR) amounted to SR 35.66 million (2019: SR 51.47 million) and SR 58.15 million (2019: SR 28.6 million), respectively, as reported in note 7(a) to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgments could result in material over / understatement of the Company's profitability. The Company's policies for claims related estimates and judgments and accounting policies are disclosed in notes 2 and 3, respectively, to the financial statements respectively. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in note 7(a) and 20, respectively, to the financial statements. The Company's approach to claim related risk management has been disclosed in note 23 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 21 to the financial statements.	We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the Company. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuaries to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the Company's actuarial report, our actuaries performed the following: - evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; - assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and - reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. We also assessed the appropriateness of the financial statements disclosures relating to this matter against the requirements of the IFRS that are endorsed in the Kingdom of Saudi Arabia.

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

Other information included in the Company's 2020 Annual Report

Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information in the Company's annual report.

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs 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;

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Based on the information that has been made available to us, and as disclosed in Note 2, the Company's accumulated losses has reached 61.46% and solvency margin has reached 45% as at 31 December 2020 which triggers the following regulations applicable to the Company:

1. Article 150 of the Companies Law (Law) requires the Company executives or the auditors', upon knowledge thereof, to inform the chairman of the Board of Director (Board), who shall promptly inform the Board members. The Board shall, within 15 days from the date of notification, call for an extraordinary general assembly meeting within 45 days from the date of its knowledge of the losses, to decide whether to increase or decrease the Company's capital, in accordance with the provisions of the Law, to the extent where losses are decreased below half of the paid-in capital, or to dissolve the Company prior to the date set forth in its articles of association. However, subsequent to the year ended dated 18 March 2021, the Company received CMA's approval after completing the regulatory requirements as per the Capital Market Law and its Implementing Regulations for the absorption of losses through capital reduction

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

MOORE

El Sayed El Ayouty & Co.
Certified Public Accountants

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

Report on other legal and regulatory requirements (continued)

2. Under Article 68(c) of the Implementing regulations for the Insurance Company, whereby if the solvency margin is not restored to its appropriate level for two consecutive quarters, the Company will be required by the Saudi Central Bank (SAMA) to take all or any of the following measures immediately:
   a. Increase the Company's Capital;
   b. Adjust insurance premiums;
   c. Reduce costs;
   d. Stop underwriting business;
   e. Assets liquidation; and
   f. Any other measures deemed appropriate by the Company and approved by SAMA.

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31 March 2021
18 Shaba'an 1442

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 SAR' 000	2019 SAR' 000
ASSETS			
Cash and cash equivalents	4	133,983	44,515
Short Term deposits	5	40,000	115,993
Premiums and reinsurers' receivable - net	6	129,207	79,559
Reinsurers' share of unearned premiums	7b	2,056	4,866
Reinsurers' share of outstanding claims	7a	11,763	15,641
Reinsurers' share of claims incurred but not reported	7a	2,701	3,749
Deferred policy acquisition costs	7e	11,010	8,328
Available-for-sale investments	8	12,872	19,298
Held-to-maturity investments	8	49,045	48,640
Prepayments and other assets	10	21,511	20,035
Property and equipment	9	5,976	5,970
Intangible assets	9	900	516
Long Term deposits	5	-	30,000
Statutory deposit	11	36,000	36,000
Accrued commission income on statutory deposit		2,876	2,577
TOTAL ASSETS		459,900	435,687
LIABILITIES			
Policyholders claims payable		1,284	243
Accrued expenses and other liabilities	12	73,081	47,197
Reinsurance balances payable		22,550	12,976
Unearned premiums	7b	141,100	100,911
Unearned reinsurance commission	7c	456	1,057
Outstanding claims	7a	35,661	51,474
Claims incurred but not reported	7a	58,148	28,356
Premium deficiency reserve	7d	15,712	15,420
Other technical reserve	7d	4,795	10,940
Employees' end-of-service benefits	14	4,546	4,043
Surplus distribution payable	13	779	779
Provision for zakat and income tax	15	6,673	2,859
Accrued commission income payable to SAMA		2,876	2,577
TOTAL LIABILITIES		367,661	278,832
EQUITY			
Share capital	16	240,000	240,000
Accumulated losses		(147,503)	(85,666)
Actuarial loss on end-of-service benefits		(1,743)	(539)
Fair value reserve for available-for-sale investments		1,485	3,060
TOTAL EQUITY		92,239	156,855
TOTAL LIABILITIES AND EQUITY		459,900	435,687
Commitments and contingencies	25		

The accompanying notes 1 to 29 form an integral part of these financial statements.

Chief Financial Officer | **Board Member** | **Chief Executive Officer**

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SAR' 000	2019 SAR' 000
REVENUES			
Gross premiums written	7b	329,519	248,054
Reinsurance premiums ceded	7b	(5,361)	(10,461)
Excess of loss expenses	7b	(44,637)	(6,023)
Net premiums written		279,521	231,570
Changes in unearned premiums		(40,189)	(35,577)
Changes in reinsurers' share of unearned premiums		(2,810)	(12,323)
Net premiums earned		236,522	183,670
Reinsurance commissions	7c	1,992	1,975
Other underwriting income		10,786	16,419
NET REVENUES		249,300	202,064
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7a	(220,510)	(174,422)
Reinsurers' share of claims paid	7a	27,736	46,439
Net claims paid	7a	(192,774)	(127,983)
Changes in outstanding claims		15,813	3,617
Changes in reinsurers' share of outstanding claims		(3,878)	(9,919)
Changes in claims incurred but not reported		(29,792)	(12,580)
Changes in reinsurers' share of claims incurred but not reported		(1,048)	(3,962)
Net claims incurred	7a	(211,679)	(150,827)
Premiums deficiency reserve		(292)	447
Other technical reserves		6,145	(9,324)
Policy acquisition costs	7e	(24,841)	(17,510)
Inspection and supervision fees		(16,214)	(12,746)
TOTAL UNDERWRITING COSTS AND EXPENSES		(246,881)	(189,960)
NET UNDERWRITING INCOME		2,419	12,104
OTHER INCOME/(EXPENSES)			
Provision for doubtful debts	6	(23,180)	(2,523)
General and administrative expenses	18	(45,808)	(45,166)
Investment income		6,311	7,871
Realized gain from sale of available for sale investments	8	2,223	8
Other income		762	-
TOTAL OTHER EXPENSES, NET		(59,692)	(39,810)
Total loss for the year before zakat		(57,273)	(27,706)
Surplus attributable to the insurance operations	13	-	-
Total loss for the year attributable to the shareholders before zakat and income tax		(57,273)	(27,706)
Zakat and income tax	15	(4,564)	(9,541)
Total loss for the year attributable to the shareholders after zakat and income tax		(61,837)	(37,247)
Loss per share - basic and diluted (SAR)	17	(2.58)	(1.62)

The accompanying notes 1 to 29 form an integral part of these financial statements.

Chief Financial Officer   Board Member   Chief Executive Officer

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SAR' 000	2019 SAR' 000
Total loss for the year after zakat and income tax		(61,837)	(37,247)
Other comprehensive income/(loss):			
Items that may be reclassified to statements of income in subsequent years			
- Change in fair value of available for sale investments	8	648	2,951
- Transferred from fair value reserve to income for the year	8	(2,223)	(8)
		(1,575)	2,943
Total comprehensive loss for the year after zakat and income tax		(63,412)	(34,304)
Items that will not be reclassified to statement of income in subsequent years			
- Actuarial loss on end-of-service benefit	14	(1,204)	(539)
Items that may be reclassified to statements of income in subsequent years		-	-
Total comprehensive loss attributable to the insurance operations		(1,204)	(539)
Total comprehensive loss attributable to the shareholders after zakat and income tax		(64,616)	(34,843)

The accompanying notes 1 to 29 form an integral part of these financial statements.

Chief Financial Officer **Board Member** **Chief Executive Officer**

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SAR' 000				
		Share capital	Accumulated losses	Actuarial loss on end-of-service benefits	Fair value reserve for available-for-sale investment	Total equity
Balance at the beginning of the year		240,000	(85,666)	(539)	3,060	156,855
Comprehensive loss for the year:						
Change in fair value of available for sale investments	8	-	-	-	648	648
Transferred from fair value reserve to the income for the year	8	-	-	-	(2,223)	(2,223)
Actuarial loss on end-of-service benefit	14	-	-	(1,204)	-	(1,204)
Total loss for the year attributable to the shareholders		-	(61,837)	-	-	(61,837)
Total comprehensive loss for the year		-	(61,837)	(1,204)	(1,575)	(64,616)
		-	(61,837)	(1,204)	(1,575)	(64,616)
Balance at the end of the year		240,000	(147,503)	(1,743)	1,485	92,239

The accompanying notes 1 to 29 form an integral part of these financial statements.

Chief Financial Officer

Board Member

Chief Executive Officer

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2019 SAR' 000				
		Share capital	Accumulated losses	Actuarial loss on end-of-service benefits	Fair value reserve for available-for-sale investment	Total equity
Balance at the beginning of the year		140,000	(44,572)	-	117	95,545
Comprehensive loss for the year:						
Change in fair value of available for sale investments	8	-	-	-	2,951	2,951
Transferred from fair value reserve to the income for the year	8	-	-	-	(8)	(8)
Actuarial loss on end-of-service benefit	14	-	-	(539)	-	(539)
Total loss for the year attributable to the shareholders		-	(37,247)	-	-	(37,247)
Total comprehensive loss for the year		-	(37,247)	(539)	2,943	(34,843)
Capital increase		100,000	-		-	100,000
Transaction cost for increase in capital		-	(3,847)	-	-	(3,847)
		100,000	(41,094)	(539)	2,943	61,310
Balance at the end of the year		240,000	(85,666)	(539)	3,060	156,855

The accompanying notes 1 to 29 form an integral part of these financial statements.

Chief Financial Officer **Board Member** **Chief Executive Officer**

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
		SAR' 000	SAR' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before zakat and income tax		**(57,273)**	(27,706)
Adjustments for non-cash items:			
Depreciation and amortization	9	**1,902**	1,611
Provision for doubtful debts	6	**23,180**	2,523
Realized gain on sale of available-for-sale investments	8	**(2,223)**	(8)
Amortization of held-to-maturity investments	8	**(405)**	(1,468)
Provision for employees' end-of-service benefits	14	**1,184**	969
		23,638	3,627
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**(72,828)**	(60,563)
Reinsurers' share of unearned premiums		**2,810**	12,323
Reinsurers' share of outstanding claims		**3,878**	9,919
Reinsurers' share of claims incurred but not reported		**1,048**	3,962
Deferred policy acquisition costs		**(2,682)**	(2,932)
Prepaid expenses and other assets		**(1,476)**	14,462
Policyholders claims payable		**1,041**	(4,428)
Accrued expenses and other liabilities		**25,884**	(4,553)
Reinsurers' balances payable		**9,574**	(10,960)
Unearned premiums		**40,189**	35,577
Unearned reinsurance commission		**(601)**	173
Outstanding claims		**(15,813)**	(3,617)
Claims incurred but not reported		**29,792**	12,580
Premium deficiency reserve		**292**	(447)
Other technical reserves		**(6,145)**	9,324
		(18,672)	(13,259)
Employees' end-of-service benefits paid	14	**(1,885)**	(228)
Zakat and income tax paid	15	**(750)**	(16,198)
Net cash used in operating activities		**(21,307)**	(29,685)
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term time deposits		**75,993**	(23,643)
Additions to available for sale investments	8	**-**	(9,212)
Proceeds from sale of available for sale investments		**7,074**	1,336
Purchase of property,equipment and intangibles	9	**(2,292)**	(4,658)
Net cash from/(used in) investing activities		**80,775**	(36,177)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in statutory deposits		**-**	(15,000)
Increase in long term deposits		**30,000**	(10,000)
Proceeds from issuance of capital		**-**	100,000
Transaction cost for increase in capital		**-**	(3,847)
Net cash from financing activities		**30,000**	71,153
Net change in cash and cash equivalents		**89,468**	5,291
Cash and cash equivalents at the beginning of the year	4	**44,515**	39,224
Cash and cash equivalents at the end of the year	4	**133,983**	44,515
Supplemental non-cash information:			
Transfer from capital work in progress to property, equipment and intangibles	9	**1,773**	-
Changes in fair values of available-for-sale investments, net		**(1,575)**	2,943

The accompanying notes 1 to 29 form an integral part of these financial statements.

Chief Financial Officer | **Board Member** | **Chief Executive Officer**

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Amana Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/35 dated Jumada Al-Akher 3, 1431 H (corresponding to May 17, 2010), and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010288711 dated Jumada Al-Akher 10, 1431 H (corresponding to May 24, 2010). The Company's head office is at Salah-uddin Al-Ayubi Street P.O. Box 27986, Riyadh 11427, Kingdom of Saudi Arabia.

The objective of the Company is to engage in providing insurance services in accordance with its By-laws and the applicable regulations in the Kingdom of Saudi Arabia.

On 31 July 2003, corresponding to 2 Jumada II 1424H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). During March 2008, the Saudi Central Bank ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

The Company's by-laws were updated to comply with the new companies' regulations, issued by royal decree no.m/3 on 28/01/1437 H and this is as per the extraordinary general assembly meeting on 23/09/1438 H, corresponding June 18, 2017.

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in Kingdom of Saudi Arabia (KSA) by Saudi Organization for Chartered and Professional Accountants (SOCPA), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws.

In accordance with Article 70 of the SAMA Implementing Regulations, and as per the by-laws of the Company, the Company maintains separate accounts for both insurance operations and shareholders' operations. It distributes the net annual insurance surplus, it and when generated, as set forth in the Company's by-laws and the insurance policy in terms of cooperative insurance. The customer (insurance policy) is valid and paid to date at the time of payment of the cooperative distribution amount.

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

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (note 26). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

2 BASIS OF PREPARATION (CONTINUED)

(a) Basis of presentation and measurement (continued)

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 26 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA's implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, statements of comprehensive income and statements of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

Going concern
The accumulated losses of the Company as at 31 December 2020 are 61.46% (31 December 2019: 36%) of the Company's share capital, and as of the same date, the solvency of the Company reached 45% (31 December 2019: 137%). These events and conditions indicate a material uncertainty on the Company's ability to continue as a going concern. However, various strategic options, including capital restructuring, were considered by the Board of Directors to ensure the Company's going concern. Among such strategic options, on 15 November 2020, the Company has signed a Non-Binding Memorandum with Saudi Enaya Cooperative Insurance Co. ("Enaya") to assess the merger's feasibility subject to obtaining the required approvals. Furthermore, subsequent to the year ended dated 18 March 2021, the Company received Capital Market Authority approval after completing the regulatory requirements as per the Capital Market Law and its Implementing Regulations for the absorption of losses through capital reduction from SAR 240,000,000 to SAR 130,000,000. The reduction is subject to the Company's shareholders' approval. Based on the above, the management is satisfied that the Company will continue as a going concern in the foreseeable future.

(b) Functional and presentation currency

The financial statements have been prepared in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in SAR has been rounded off to the nearest thousand, unless otherwise stated.

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(d) Critical accounting judgments, estimates and assumptions

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

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

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

The ultimate liability arising from claims made under insurance contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuary to determine these provisions. The actuary has also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2 BASIS OF PREPARATION (CONTINUED)

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

Impairment of financial assets
The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per the 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.

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

Fair value of financial instruments
Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.
The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

Useful lives of property and equipment and intangible assets
The Company's management determines the estimated useful lives for calculating depreciation/amortization. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual values, useful lives and depreciation method annually. Future depreciation/amortization charge, if any shall be adjusted where the management believes the useful lives, residual values and depreciation method differ from previous estimates.

Premium deficiency reserve and other techincal reserves
Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future. Other technical reserves represent unallocated loss adjustment expense reserves and reinsurance accrual reserves. Unallocated loss adjustment expense reserve are based on estimates of future payments and derived from the claim department expenses, including payroll and allocation of other expenses.

Provision for zakat
Zakat provision is made and recorded at the end of each fiscal year in accordance with General Authority of Zakat and Tax (GAZT) regulations applicable in the Kingdom of Saudi Arabia. Differences in zakat assessments are recorded in the statement of income/(loss) when final zakat assessments are obtained.

Employees' end-of-service benefits
The retirement benefit obligation is determined using projected unit credit method which requires estimates to be made of the various inputs. The key estimates are the discount rate, rate of salary, mortality rate and withdrawal rate.

Deferred Tax
Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the years ended 31 December 2020 and 2019 since the Company is not certain on availability of future taxable profit in foreseeable future to utilize any tax credits.

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented. There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020 but they do not have a material effect on the Company's Financial Statements. The Company has not early adopted any standard (interpretation) or amendments that has been issued but which are not yet effective.

2 BASIS OF PREPARATION (CONTINUED)

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

Standards issued but not yet effective

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

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

iii. 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:

i. the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;

ii. and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

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

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the International Accounting Standards Board ("IASB") has completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It has decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date i.e. 1 January 2023.

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 has performed an initial impact assessment of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the final financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken an initial operational impact gap analysis and through detailed operational and financial impact assessment. Key gaps and their impact are as follows:

Impact area	Summary of impact
Financial Impact	The Company has conducted an exercise to ascertain the financial impact on reported balances of year 2018. As the Company's most of insurance contracts are short-termed and short tailed entitling for premium allocation approach (PAA) which is largely similar to current account practice, no significant impact is expected.
Data impact	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the LFRC, RI contracts held break down into risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17). Further extensive exercise is being carried out to ensure the required data is available.
IT systems impact	Detailed assessment is needed of existing systems capabilities for IFRS 17 calculations, storage and reporting and whether new systems/calculation engines should be implemented.
Process impact	The company carried out an operational impact assessment exercise to assess the operational impact of implementing IFRS 17. Since, majority of the company's contracts would be measured under the premium allocation approach, the process impact is expected to be moderate.
Impact on Reinsurance arrangements	Further assessment is needed to confirm measurement approach for reinsurance arrangements where RI gross premium ceded does not automatically qualify for PAA.
Impact on policies and control frameworks	The Company's policies and procedures need update to accommodate the changes in the Company's processes and systems related to IFRS 17 implementation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

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.

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:

a) apply a temporary exemption from implementing IFRS 9 until the earlier of
i. the effective date of a new insurance contract standard; or
ii. annual reporting periods beginning on or after January 1, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. 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

b) 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 year, additional disclosures are required.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date (continued)

The Company is eligible for temporary exemption from first time adoption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

As at December 31, 2020, the Company has total financial assets and insurance related assets amounting to SAR 427 million and SAR 157 million respectively. Financial assets and insurance related assets are not mutually exclusive in terms of classification. The financial assets consist of financial assets held at amortized cost and other financial assets.

Currently, financial assets held at amortized cost amount to SAR 414 million and mainly consist of cash and cash equivalents, short term deposits, premium and reinsurance receivables.

Other financial assets consist of available-for-sale investments amounting to SAR 13 million. The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 23. The Company's financial assets have low credit risk as at December 31, 2020.

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

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

Cash and cash equivalents
Cash and cash equivalents comprise of current accounts at banks and deposits maturing within 3 months from acquisition date.

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

Premiums receivable
Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other expenses / income - net" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 6 fall under the scope of IFRS 4 "Insurance contracts". Receivables are also analyzed as per the ageing and accordingly provision is maintained on a systematic basis.

Foreign currencies
Transactions denominated in foreign currencies are recorded in Saudi Riyals (SAR) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to SAR at the rate of exchange prevailing at the date of statement of financial position. Exchange differences are taken to the statements of insurance operations or statement of shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

Insurance contracts
Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk depends upon the probability of occurrence of an insurance event and the magnitude of its potential effect.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance contracts (continued)
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 is significantly reduced subsequently unless all rights and liabilities are extinguished or expired.

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

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Provisions, accrued expenses and other liabilities
Provisions are recognized 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. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Investments

Available-for-sale investments (AFS)
Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the statement of income under "Realized gain / (loss) on investments."

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the statement of income or statement of comprehensive income as part of the net investment income / loss.

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

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to Held-to-Maturity (HTM) is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Held as Fair Value through Statement of Income (continued)

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

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

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

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

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

Held-to-maturity

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

Investments classified as held-to-maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Company's ability to use this classification:

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

Impairment of financial assets

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

Evidence of impairment may include:

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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

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

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

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

Property and equipment

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

	Lower of useful life or lease term
Leasehold improvements	5
Computer and office equipments	4
Furniture and fittings	5
Vehicles	4

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.

Gains and losses on disposals, if any, are determined by comparing the proceeds with the carrying amount and are included in "other income'(expenses)" in the statement of income.

Capital work in progress

Capital work in progress, includes facility refurbishment and upgradation projects that are being developed for future use. When commissioned, capital work in progres will be transferred to the respective category i.e. property and equipment or intangible asset and depreciated and accounted, respectively in accordance with the Company's policy.

Intangible assets

Intangible assets are shown at historical cost less accumulated amortisation. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over 4 years.

Impairment of non-financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income under general and administrative expenses:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non routine settlements
- Net special commission expense or income

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

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

Liability adequacy test
At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If such an assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income and an unexpired risk provision is made.

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

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

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

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

Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2019 since the Company does not anticipate availability of future taxable profit in foreseeable future to utilize any tax credits. The deferred tax liability has not been recorded since there are no temporary taxable differences.

Statutory deposit
Statutory deposit represents 15% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Recognition of premium and commission revenue

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term engineering policies. Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Last three months premium at a reporting date is considered as unearned 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 increases towards the end of the tenure of the policy.

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

Insurance policyholders are charged for policy administration services and policy fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over future periods.

Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

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

Deferred policy acquisition costs

Commission paid to sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred and shown as an asset in statement of financial position. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned and charged to statement of income.

Offsetting

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

Trade date accounting

All routine purchases and sales of financial assets are initially recognized / derecognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provisions of the instrument). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

De-recognition of financial instruments

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

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Medical
- Motor
- Property & casualty
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

Operating segments have been approved by management in respect of the Company's activities, assets and liabilities and is based on current reporting to the Chief Executive Officer.

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

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

4 CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	2020			2019		
	SAR' 000			SAR' 000		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Cash at bank	35,591	17,755	53,346	21,230	23,285	44,515
Cash in hand	76	-	76	-	-	-
Deposits maturing withing 3 months from acquisition date	-	80,561	80,561	-	-	-
	35,667	98,316	133,983	21,230	23,285	44,515

All bank balances and deposits are placed with SAMA regulated local banks with sound credit ratings under Standard and Poor's and Moody's rating methodology. The deposits earn commission at an average rate of 0.78% per annum as at 31 December 2020 (2019: 3.1%).

5 DEPOSITS

a) Short Term deposits
Short-term deposits represents murabaha deposit having original maturity between 3 months and 12 months from the reporting date. Short term deposits earn profit at an average rate of 4.22% per annum (2019: 3.1% per annum). Further, these deposits have maturities upto 16 November 2021.

b) Long Term deposits
Term deposits represents murabaha deposit having original maturity of more than 12 months. As at 31 December 2020, the Company does not have long term deposits (2019 SAR 30 million at an average rate of 5.35% per annum).

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

6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

	2020	2019
Receivables comprise amounts due from the following:	SAR' 000	SAR' 000
Policyholders	56,484	30,200
Brokers and agents	76,641	39,761
Related parties (note 19)	3,746	1,211
Receivables from reinsurers	42,454	35,325
	179,325	106,497
Less: provision for doubtful receivables	(50,118)	(26,938)
Premiums and reinsurers' receivable – net	129,207	79,559

The movement in the provision for doubtful receivables is as follows:	2020	2019
	SAR' 000	SAR' 000
Beginning balance	26,938	24,415
Charge made during the year	23,180	2,523
Ending balance	50,118	26,938

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

		Past due but not impaired			Past due and impaired		
	Total	Less than 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
				SAR' 000			
2020	179,325	50,703	9,979	11,813	31,775	20,067	54,988
2019	106,497	3,984	16,506	5,783	32,820	18,907	28,497

The five largest customers accounts for 20% of the receivable as at 31 December 2020 (2019: 24%).

7 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED REINSURANCE COMMISSION AND DEFERRED POLICY

a) Outstanding claims

	2020			2019		
	SAR' 000			SAR' 000		
	Gross	RI share	Net	Gross	RI share	Net
Outstanding claims at end of the year	35,661	(11,763)	23,898	51,474	(15,641)	35,833
Less: realizable value of salvage and subrogation at end of the year	-	-	-	-	-	-
Outstanding claims at end of the year	35,661	(11,763)	23,898	51,474	(15,641)	35,833
Claims incurred but not reported at end of the year	58,148	(2,701)	55,447	28,356	(3,749)	24,607
	93,809	(14,464)	79,345	79,830	(19,390)	60,440
Claims paid during the year	220,510	(27,736)	192,774	174,422	(46,439)	127,983
Outstanding claims at beginning of the year	(51,474)	15,641	(35,833)	(55,091)	25,560	(29,531)
Claims incurred but not reported at beginning of the year	(28,356)	3,749	(24,607)	(15,776)	7,711	(8,065)
	(79,830)	19,390	(60,440)	(70,867)	33,271	(37,596)
Claims incurred during the year	234,489	(22,810)	211,679	183,385	(32,558)	150,827

b) Unearned premiums

	2020			2019		
	SAR' 000			SAR' 000		
	Gross	RI share	Net	Gross	RI share	Net
Unearned premiums at beginning of the year	100,911	(4,866)	96,045	65,334	(17,189)	48,145
Premiums written during the year	329,519	(5,361)	324,158	248,054	(10,461)	237,593
Excess of loss expenses during the year	-	(44,637)	(44,637)	-	(6,023)	(6,023)
Premiums earned during the year	(289,330)	52,808	(236,522)	(212,477)	28,807	(183,670)
Unearned premiums at end of the year	141,100	(2,056)	139,044	100,911	(4,866)	96,045

c) Unearned reinsurance commission

	2020	2019
	SAR' 000	SAR' 000
Beginning of the year	1,057	884
Commission received during the year	1,391	2,148
Commission earned during the year	(1,992)	(1,975)
End of the year	456	1,057

7 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED REINSURANCE COMMISSION AND DEFERRED POLICY ACQUISITION COSTS (CONTINUED)

d) Other technical reserves

	2020	2019
	SAR' 000	SAR' 000
Premium deficiency reserve	15,712	15,420
Other reserves	4,795	10,940
	20,507	26,360

e) Movement in deferred policy acquisition costs

	2020	2019
Beginning of the year	8,328	5,396
Incurred during the year	27,523	20,442
Amortized during the year	(24,841)	(17,510)
End of the year	11,010	8,328

8 INVESTMENTS

Investments are classified as follows:

	2020			2019		
	SAR' 000			SAR' 000		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Available-for-sale investments	1,923	10,949	12,872	1,923	17,375	19,298
Held-to-maturity investments	-	49,045	49,045	-	48,640	48,640
	1,923	59,994	61,917	1,923	66,015	67,938

8.1 Available-for-sale investment in insurance operation represents SR1.9million with respect to the Company's shareholding in Najm for Insurance Services Company ("Najm") which represents a 3.85% capital holding in Najm.

8.2 Investments for shareholders' operations comprised as follows:

	2020	2019
	SAR' 000	SAR' 000
Available-for-sale investments - Equity instruments (Domestic)	10,949	17,375
Held-to-maturity investments - Debt instruments (Domestic)	44,035	43,587
Held-to-maturity investments - Debt instruments (International)	5,010	5,053
	59,994	66,015

8.3 The Held-to-maturity investment represents sukuks earning average profit at a rate of 3.40% per annum (2019: 3.45% per annum) having maturities upto 20 April 2027.

The movements in available-for-sale investments for shareholders' operations are as follows:

	2020	2019
	SAR' 000	SAR' 000
Opening balance	17,375	6,548
Additions	-	9,212
Disposals at cost	(4,851)	(1,328)
Change in fair value of available-for-sale investments	648	2,951
Transferred from fair value reserve to income for the year	(2,223)	(8)
Closing balance	10,949	17,375

The movements in held to maturity investments for shareholders' operations are as follows:

	2020	2019
Opening balance	48,640	47,172
Additions	-	-
Amortization	405	1,468
Closing balance	49,045	48,640

There was no movement in the investments pertaining to insurance operations.

9 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	2020 SAR' 000						
	Leasehold improvements	*Furniture and fittings*	*Computer and office equipments*	*Motor Vehicles*	*Capital work in progress*	*Total property and equipment*	*Intangible assets*
Cost							
1 January	4,217	1,832	5,290	219	3,192	14,750	5,367
Additions	473	321	626	-	370	1,790	502
Transfer	1,105	-	410	-	(1,773)	(258)	258
31 December	5,795	2,153	6,326	219	1,789	16,282	6,127
Accumulated depreciation/amortisation							
1 January	3,732	1,347	3,503	198	-	8,780	4,851
Charge for the year	507	195	803	21	-	1,526	376
31 December	4,239	1,542	4,306	219	-	10,306	5,227
Net book value:							
31 December	1,556	611	2,020	-	1,789	5,976	900

	2019 SAR' 000						
	Leasehold improvements	*Furniture and fittings*	*Computer and office equipments*	*Motor Vehicles*	*Capital work in progress*	*Total property and equipment*	*Intangible assets*
Cost							
1 January	3,990	1,429	3,940	219	579	10,157	5,302
Additions	227	403	1,350	-	2,613	4,593	65
31 December	4,217	1,832	5,290	219	3,192	14,750	5,367
Accumulated depreciation/amortisation							
1 January	3,409	1,207	2,836	143	-	7,595	4,425
Charge for the year	323	140	667	55	-	1,185	426
31 December	3,732	1,347	3,503	198	-	8,780	4,851
Net book value:							
31 December	485	485	1,787	21	3,192	5,970	516

The depreciation/amortisation charge for the year is included in general and administrative expenses in the statement of income (note 18).

Capital work in progress represents cost incurred for IT projects and office capital expenditure.

10 PREPAYMENTS AND OTHER ASSETS

	2020	2019
	SAR' 000	SAR' 000
Accrued Manafeth income	5,999	3,069
Deferred medical claims review fees	4,621	3,337
Deferred CCHI fees	1,208	916
Prepaid medical insurance premiums	1,102	961
Prepaid excess of loss expenses	872	6,259
Deferred SAMA fees	705	490
Employees' receivables	190	111
Prepaid rent	315	389
Accrued interests	84	2,430
Others	6,415	2,073
	21,511	20,035

11 STATUTORY DEPOSIT

Statutory deposit represents 15% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies implemented in the Kingdom of Saudi Arabia. The statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit is placed with a counterparty having investment grade credit rating. Return on statutory deposit is shown as an asset and liability in the statement of financial position.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	2020	2019
	SAR' 000	SAR' 000
Medical service provider's payables	21,970	20,816
Accrued commission	12,238	8,010
Unallocated receipts	19,330	771
Accrual against stale cheques	7,529	4,416
Provision for reinsurance withholding tax	2,270	1,682
Accrued employees' benefits	1,768	2,526
Provision for value added tax	1,107	882
Inspection and supervision fees	1,566	864
Accrued BoD allowances	1,563	1,451
Provision for bonuses	-	1,000
Others	3,740	4,779
	73,081	47,197

13 SURPLUS DISTRIBUTION PAYABLE

The movement in Surplus distribution payable during the year was as follows:

	2020	2019
	SAR' 000	SAR' 000
Opening surplus distribution payable at the beginning of the year	779	779
Total income attributed to the insurance operations during the year	-	-
Surplus paid to policy holders	-	-
Closing surplus distribution payable at the end of the year	779	779

14 EMPLOYEES' END-OF-SERVICE BENEFITS

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

	2020	2019
	SAR' 000	SAR' 000
Present value of defined benefit obligation	4,546	4,043
Movement of defined benefit obligation		
Opening balance	4,043	2,763
Charge to statement of income		
Current service cost	1,119	881
Past service cost	65	88
	1,184	969
Charge to statement of comprehensive income		
Actuarial loss on employees' end-of-service benefits	1,204	539
Payment of benefits during the year	(1,885)	(228)
Closing balance	4,546	4,043

	2020	2019
Principal actuarial assumptions		
Valuation discount rate	1.0%	2.1%
Expected rate of increase in salary level across different age bands	2.0%	2.1%
Withdrawal rate	Moderate	High
Mortality rate (average base rate)	0.10%	0.14%
Duration of the liability (in years)	5.56	4.05

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

	2020	2019
	SAR' 000	SAR' 000
Valuation discount rate		
- Increase by 1%	4,308	3,887
- Decrease by 1%	4,813	4,214
Expected rate of increase in salary level across different age bands		
- Increase by 1%	4,831	4,233
- Decrease by 1%	4,286	3,866
Mortality rate		
- 1 year mortality rate set back	4,546	4,043
- 1 year mortality rate set forward	4,548	4,044
Withdrawl rate		
- Increase by 10%	4,435	3,947
- Decrease by 10%	4,673	4,150

15 PROVISION FOR ZAKAT AND INCOME TAX

a) Charge for the year

The zakat and income tax payable by the Company has been calculated in accordance with the zakat regulations in Kingdom of Saudi Arabia.

The zakat and income tax provision for the year is based on the following:

	2020 SAR' 000	2019 SAR' 000
Share capital	240,000	140,000
Accumulated deficit	(85,666)	(44,572)
Loss before zakat, as adjusted	(32,434)	(21,810)
Provisions	29,414	26,950
Property and equipment, intangibles and investments	(11,387)	(25,784)
Other additions /deductions	(107,695)	(43,549)
Estimated zakat base	32,232	31,235
Saudi Shareholders' share 98.98% (2019: 98.98%)	31,905	30,918
Zakat (2.5%)	822	797
Foreign Shareholders' share from profit or (loss) adjusted 1.02% (2019: 1.02%).	(331)	(222)
Income tax (20%)	-	-
Total zakat and income tax	822	797

b) Zakat and income tax payable

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

	2020 SAR' 000	2019 SAR' 000
At beginning of the year	2,859	9,516
Charge for the year	822	797
Prior year charge	3,742	8,744
	4,564	9,541
Paid during the year	(750)	(16,198)
At end of the year	6,673	2,859

c) Status of assessments

The Company has filed its zakat return to General Authority for Zakat and Tax ("GAZT") till the year 2019. All the assessments upto the year 2016 have been settled with GAZT and a final clearance certificate has been obtained. During the year, GAZT issued zakat assessment for the years 2017 and 2018 amounting to 6.2 million. The Company has filed objection against the assessment and believes that the liability can be reduced to 3.7 million with a very high probability. On May 4, 2020, the Company has also received assessments along with penalties in respect of Value Added Tax ("VAT") for the years 2018 and 2019 amounting to 1.6 million. The Company objected to the peanlties which have been reversed by GAZT and are under process for refund.

16 SHARE CAPITAL

The share capital of the Company as of 31 December 2020 is SAR 240 million divided into 24 million shares of SAR 10 each, (31 December 2019: SAR 140 million divided into 14 million shares of SAR 10 each).Shareholding structure of the Company is as below:

	2020		2019	
	Authorised, issued and paid up		Authorised, issued and paid up	
	No. of Shares	SAR'000	No. of Shares	SAR'000
Amana Gulf Insurance Co.	4,408,800	44,088	4,408,800	44,088
Others	19,591,200	195,912	19,591,200	195,912
	24,000,000	240,000	24,000,000	240,000

The Company subsequent to the year ended has secured CMA approval to absorb/losses through its share capital. Please refer subsequent events note (note 28).
The purpose of reducing share capital is to increase the solvency and improve the Company's financial position.

17 LOSS PER SHARE - BASIC AND DILUTED

Basic and diluted loss per share for the year have been calculated by dividing the net loss for the year by the weighted average numbers of shares in issue through out the year. The weighted average number of shares for the year 2019 has been adjusted due to right issue of 10 million and has been calculated using an adjustment factor of 1.23. Adjustment factor is the fair value per share immediately before the exercise of rights which is SAR 18.38 per share on 24 February 2019 on the last day of trading prior to the issue of rights issue and theoretical ex-rights fair value which is SAR 14.89 per share.

	2020	2019
	SAR' 000	SAR' 000
Loss for the year	(61,837)	(37,247)

As at December 31, 2020 and 2019, the weighted average numbers of shares is calculated as follows:

	2020	2019
	In 000's	In 000's
Weighted average number of shares outstanding before right issue	24,000	14,000
Effects of right issued	-	8,922
Weighted average number of shares outstanding after right issue	24,000	22,922
Loss per share- basic and diluted	(2.58)	(1.62)

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
	SAR' 000	SAR' 000
Employees' costs and salaries	28,061	29,341
Consultant and professional fees	2,160	1,488
Rent	1,997	2,407
Programs license expenses	1,941	1,405
Depreciation (note 9)	1,526	1,185
Communication expenses	1,475	428
Medical expenses	1,303	1,250
Allowances for BOD and related committee members	1,216	1,555
Employees' End-Of-Service Benefits (note 14)	1,184	969
Government expenses	1,057	947
Advertisement promotion and printing	747	1,604
Amortization (note 9)	376	426
Withholding tax	247	424
Bank charges	229	297
Travel expenses	227	444
Legal cases expenses	206	20
Electric Expenses	164	143
Others	1,692	833
	45,808	45,166

19 RELATED PARTY TRANSACTIONS AND BALANCES

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

DUE FROM RELATED PARTIES	*Amounts of transactions*		*Balances as at*	
	2020	2019	2020	2019
	SAR'000	SAR'000	SAR'000	SAR'000
Entities controlled, jointly controlled or significantly influenced by related parties				
El Seif companies group				
- Insurance premium written	27,381	34,595	3,304	755
- Paid claims	15,977	17,021	-	-
	43,358	51,616	3,304	755
Al Durra Al Raeda Co				
- Insurance premium written	98	-	71	-
- Paid claims	4	-	-	-
	102	-	71	-
Naif Al Sudairy				
- Insurance premium written	13	-	15	-
- Paid claims	-	-	-	-
	13	-	15	-
Abdulrahman Al Sakran				
- Insurance premium written	16	-	-	-
- Paid claims	37	-	-	-
	53	-	-	-
El Tukhy companies group				
- Insurance premium written	-	7	356	456
- Paid claims	-	182	-	-
	-	189	356	456
Globe-Med				
- volume rebate	-	-	7,500	9,440
	-	-	7,500	9,440
Total	43,526	51,805	11,246	10,651
Less: provision for doubtful receivables			(304)	(408)
Due from related parties, net			10,942	10,243

The movement in the provision for doubtful receivables regarding related parties was as following:

	2020	2019
	SAR' 000	SAR' 000
At the beginning of the year	408	535
Reversal during the year	(104)	(127)
At the end of the year	304	408

DUE TO RELATED PARTIES	*Amounts of transactions*		*Balances as at*	
	2020	2019	2020	2019
	SAR'000	SAR'000	SAR'000	SAR'000
Board of Directors & related committee				
Bonus and other allowances	1,211	1,664	1,563	1,451
Globe-Med (Group entity)				
Administration fees for handling medical claims and others	11,384	8,997	356	2,325
	12,595	10,661	1,919	3,776

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

The compensation of key management personnel during the year is as follows:

	2020	2019
	SAR' 000	SAR' 000
Salaries and other allowances	4,003	4,541
End-of-service benefits	199	189
	4,202	4,730

20 CLAIMS DEVELOPMENT TABLE

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

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

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

2020

Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
					SAR'000				
Estimate of ultimate claims cost gross of reinsurance:									
At end of accident year	**84,580**	**101,734**	**280,390**	**250,402**	**79,549**	**80,907**	**198,298**	**247,147**	**247,147**
One year later	**50,510**	**91,537**	**293,830**	**234,970**	**64,855**	**78,237**	**200,231**		**200,231**
Two years later	**50,498**	**315,478**	**289,781**	**186,202**	**60,052**	**77,721**			**77,721**
Three years later	**102,164**	**317,842**	**286,106**	**181,436**	**58,215**	**-**			**58,215**
Four years later	**89,127**	**319,073**	**284,814**	**178,429**	**-**	**-**			**178,429**
Five years later	**89,432**	**315,204**	**281,017**	**-**	**-**	**-**			**281,017**
Six years later	**89,432**	**309,529**	**-**	**-**	**-**	**-**			**309,529**
Seven years later	**89,432**	**-**	**-**	**-**	**-**	**-**			**89,432**
Current estimate of cumulative claims	**89,432**	**309,529**	**281,017**	**178,429**	**58,215**	**77,721**	**200,231**	**247,147**	**1,441,721**
Cumulative payments to date	**(89,432)**	**(307,868)**	**(280,400)**	**(177,701)**	**(57,334)**	**(77,147)**	**(197,819)**	**(160,211)**	**(1,347,912)**
Liability recognized in statement of financial position	**-**	**1,661**	**617**	**728**	**881**	**574**	**2,412**	**86,936**	**93,809**

2019

Accident year	2011	2012	2013	2014	2015	2016	2017	2018	Total
					SAR'000				
Estimate of ultimate claims cost gross of reinsurance:									
At end of accident year	97,334	84,580	101,734	280,390	250,402	79,549	80,907	198,300	198,300
One year later	77,609	50,510	91,537	293,830	234,970	64,855	78,237	-	78,237
Two years later	78,543	50,498	315,478	289,781	186,202	60,052	-	-	60,052
Three years later	78,462	102,164	317,842	286,106	181,436	-	-	-	181,436
Four years later	50,848	89,127	319,073	284,814	-	-	-	-	284,814
Five years later	50,409	89,432	315,204	-	-	-	-	-	315,204
Six years later	50,540	89,432	-	-	-	-	-	-	89,432
Seven years later	50,624	-	-	-	-	-	-	-	50,624
Current estimate of cumulative claims	50,624	89,432	315,204	284,814	181,436	60,052	78,237	198,300	1,258,099
Cumulative payments to date	(50,540)	(89,432)	(307,945)	(280,368)	(176,855)	(57,393)	(76,077)	(139,659)	(1,178,269)
Liability recognized in statement of financial position	84	-	7,259	4,446	4,581	2,659	2,160	58,641	79,830

20 CLAIMS DEVELOPMENT TABLE (CONTINUED)

2020

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	Total
					SAR'000				
Estimate of ultimate claims cost net of reinsurance:									
At end of accident year	49,297	50,359	218,861	167,765	39,580	43,983	163,694	235,437	235,437
One year later	38,264	49,013	197,413	159,010	32,060	43,587	175,872		175,872
Two years later	38,248	253,648	196,496	151,491	30,332	43,138			43,138
Three years later	60,529	258,783	194,237	148,381	29,572	-			29,572
Four years later	48,442	257,828	194,544	147,130	-	-			147,130
Five years later	48,704	256,853	191,104	-	-	-			191,104
Six years later	48,704	250,380	-	-	-	-			250,380
Seven years later	48,704	-	-	-	-	-			48,704
Current estimate of cumulative claims	48,704	250,380	191,104	147,130	29,572	43,138	175,872	235,437	1,121,337
Cumulative payments to date	(48,704)	(249,653)	(190,777)	(146,858)	(29,252)	(42,736)	(173,810)	(160,202)	(1,041,992)
Liability recognized in statement of financial position	-	727	327	272	320	402	2,062	75,235	79,345

2019

Accident year	2011	2012	2013	2014	2015	2016	2017	2018	Total
					SAR'000				
Estimate of ultimate claims cost net of reinsurance:									
At end of accident year	37,325	49,297	50,359	218,861	167,765	39,580	43,983	163,693	163,693
One year later	25,993	38,264	49,013	197,413	159,010	32,060	43,587	-	43,587
Two years later	26,428	38,248	253,648	196,496	151,491	30,332	-	-	30,332
Three years later	26,349	60,529	258,783	194,237	148,382	-	-	-	148,382
Four years later	26,855	48,442	257,828	194,544	-	-	-	-	194,544
Five years later	26,534	48,704	256,853	-	-	-	-	-	256,853
Six years later	26,661	48,704	-	-	-	-	-	-	48,704
Seven years later	26,661	-	-	-	-	-	-	-	26,661
Current estimate of cumulative claims	26,661	48,704	256,853	194,544	148,382	30,332	43,587	163,693	912,756
Cumulative payments to date	(26,661)	(48,704)	(249,752)	(190,803)	(146,522)	(29,276)	(42,210)	(118,388)	(852,316)
Liability recognized in statement of financial position	-	-	7,101	3,741	1,860	1,056	1,377	45,305	60,440

21 SEGMENT INFORMATION

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

Segment results do not include general and administrative expenses, allowance for doubtful debts. Accordingly, they are included in unallocated expenses or income.

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

	2020						
	SAR' 000						
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Unallocated**	**Total - Insurance operations**	**Shareholders' operations**	**Total**
Revenues							
Gross premiums written							
- Corporate enterprises	74,290	7,973	6,625	-	88,888	-	88,888
- Medium enterprises	44,496	2,321	955	-	47,772	-	47,772
- Small enterprises	43,789	4,351	544	-	48,684	-	48,684
- Very Small enterprises	70,856	5,203	498	-	76,557	-	76,557
- Individual	57,768	9,850	-	-	67,618	-	67,618
	291,199	29,698	8,622	-	329,519	-	329,519
Reinsurance premiums ceded							
- Local	-	-	(124)	-	(124)	-	(124)
- International (includes premium ceded through local broker)	904	-	(6,141)	-	(5,237)	-	(5,237)
	904	-	(6,265)	-	(5,361)	-	(5,361)
Excess of loss expenses							
- Local	(1,710)	(94)	(310)	-	(2,114)	-	(2,114)
- International	(41,405)	(945)	(173)	-	(42,523)	-	(42,523)
	(43,115)	(1,039)	(483)	-	(44,637)	-	(44,637)
Net premiums written	248,988	28,659	1,874	-	279,521	-	279,521

21 SEGMENT INFORMATION (CONTINUED)

	2020 SAR' 000						
	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Changes in unearned premiums - net	(29,907)	(13,902)	810	-	(42,999)	-	(42,999)
Net premiums earned	219,081	14,757	2,684	-	236,522	-	236,522
Reinsurance commissions	-	-	1,992	-	1,992	-	1,992
Other underwriting income	8,375	390	2,021	-	10,786	-	10,786
Net revenues	227,456	15,147	6,697	-	249,300	-	249,300
Underwriting costs and expenses							
Gross claims paid	(212,562)	(7,719)	(229)	-	(220,510)	-	(220,510)
Reinsurers' share of claims paid	26,930	570	236	-	27,736	-	27,736
Net claims paid	(185,632)	(7,149)	7	-	(192,774)	-	(192,774)
Changes in outstanding claims - net	5,837	6,024	74	-	11,935	-	11,935
Changes in claims incurred but not reported - net	(29,177)	(1,028)	(635)	-	(30,840)	-	(30,840)
Net claims incurred	(208,972)	(2,153)	(554)	-	(211,679)	-	(211,679)
Premiums deficiency reserve	1,400	(1,790)	98	-	(292)	-	(292)
Other technical reserves	5,618	302	225	-	6,145	-	6,145
Policy acquisition costs	(21,821)	(1,590)	(1,430)	-	(24,841)	-	(24,841)
Inspection and supervision fees	(15,345)	(776)	(93)	-	(16,214)	-	(16,214)
Total underwriting costs and expenses	(239,120)	(6,007)	(1,754)	-	(246,881)	-	(246,881)
Net underwriting (loss)/income	(11,664)	9,140	4,943	-	2,419	-	2,419

21 SEGMENT INFORMATION (CONTINUED)

	2020 SAR' 000						
	Medical	**Motor**	**Property & casualty**	**Unallocated**	**Total - Insurance operations**	**Shareholders' operations**	**Total**
Other operating income / (expenses)							
Provision for doubtful debts	-	-	-	(23,180)	(23,180)	-	(23,180)
General and administrative expenses	-	-	-	(44,253)	(44,253)	(1,555)	(45,808)
Dividends and investment income	-	-	-	-	-	6,311	6,311
Realized gain from sale of available for sale investments	-	-	-	-	-	2,223	2,223
Other income	-	-	-	762	762	-	762
Total other income expenses, net	-	-	-	(66,671)	(66,671)	6,979	(59,692)
Total (loss) / income for the year attributable to the shareholders before zakat and income tax	(11,664)	9,140	4,943	(66,671)	(64,252)	6,979	(57,273)
Zakat and income tax	-	-	-	-	-	(4,564)	(4,564)
Total loss / income for the year attributable to the shareholders after zakat and income tax	(11,664)	9,140	4,943	(66,671)	(64,252)	2,415	(61,837)

	2019 SAR' 000						
Operating segment	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Revenues							
Gross premiums written							
- Corporate enterprises	94,255	5,962	11,515	-	111,732	-	111,732
- Medium enterprises	38,070	2,483	849	-	41,402	-	41,402
- Small enterprises	21,897	1,047	723	-	23,667	-	23,667
- Very Small enterprises	70,214	45	96	-	70,355	-	70,355
- Individual	-	898	-	-	898	-	898
	224,436	10,435	13,183	-	248,054	-	248,054
Reinsurance premiums ceded							
- Local	-	-	(1,643)	-	(1,643)	-	(1,643)
- International (includes premium ceded through local broker)	(1,260)	-	(7,558)	-	(8,818)	-	(8,818)
	(1,260)	-	(9,201)	-	(10,461)	-	(10,461)
Excess of loss expenses							
- Local	-	(253)	(98)	-	(351)	-	(351)
- International	(4,716)	(776)	(180)	-	(5,672)	-	(5,672)
	(4,716)	(1,029)	(278)	-	(6,023)	-	(6,023)
Net premiums written	218,460	9,406	3,704	-	231,570	-	231,570

21 SEGMENT INFORMATION (CONTINUED)

	2019 SAR'000						
	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Changes in unearned premiums - net	(49,271)	919	452	-	(47,900)	-	(47,900)
Net premiums earned	169,189	10,325	4,156	-	183,670	-	183,670
Reinsurance commissions	-	-	1,975	-	1,975	-	1,975
Other underwriting income	12,344	2,789	1,286	-	16,419	-	16,419
Total revenues	181,533	13,114	7,417	-	202,064	-	202,064
Underwriting costs and expenses							
Gross claims paid	(161,373)	(13,194)	145	-	(174,422)	-	(174,422)
Reinsurers' share of claims paid	46,555	(640)	524	-	46,439	-	46,439
Net claims paid	(114,818)	(13,834)	669	-	(127,983)	-	(127,983)
Changes in outstanding claims - net	(12,730)	6,321	107	-	(6,302)	-	(6,302)
Changes in claims incurred but not reported - net	(17,714)	1,212	(40)	-	(16,542)	-	(16,542)
Net claims incurred	(145,262)	(6,301)	736	-	(150,827)	-	(150,827)
Premiums deficiency reserve	(368)	(1,028)	1,843	-	447	-	447
Other technical reserves	(9,376)	43	9	-	(9,324)	-	(9,324)
Policy acquisition costs	(15,570)	(789)	(1,151)	-	(17,510)	-	(17,510)
Other underwriting expenses	(11,289)	(585)	(872)	-	(12,746)	-	(12,746)
Total underwriting costs and expenses	(181,865)	(8,660)	565	-	(189,960)	-	(189,960)
Net underwriting (loss)/income	(332)	4,454	7,982	-	12,104	-	12,104
Other operating income / (expenses)							
Reversal for doubtful debts	-	-	-	(2,523)	(2,523)	-	(2,523)
General and administrative expenses	-	-	-	(43,397)	(43,397)	(1,769)	(45,166)
Dividends and commission income	-	-	-	84	84	7,787	7,871
Realized loss from sale of available for sale investments	-	-	-	-	-	8	8
Total other operating income expenses	-	-	-	(45,836)	(45,836)	6,026	(39,810)
Total (loss)/income for the period attributable to the shareholders before zakat and income tax	(332)	4,454	7,982	(45,836)	(33,732)	6,026	(27,706)
Zakat and income tax	-	-	-	-	-	(9,541)	(9,541)
Total (loss)/income for the period attributable to the shareholders after zakat and income tax	(332)	4,454	7,982	(45,836)	(33,732)	(3,515)	(37,247)

21 SEGMENT INFORMATION (CONTINUED)

	2020 SAR' 000						
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Unallocated**	**Total - Insurance operations**	**Shareholders' operations**	**Total**
Assets							
Cash and cash equivalents	-	-	-	35,667	35,667	98,316	133,983
Premiums and reinsurers' receivable - net	84,247	16,332	3,831	24,797	129,207	-	129,207
Reinsurers' share of unearned premiums	-	-	2,056	-	2,056	-	2,056
Reinsurers' share of outstanding claims	9,944	1,658	161	-	11,763	-	11,763
Reinsurers' share of claims incurred but not reported	43	242	2,416	-	2,701	-	2,701
Deferred policy acquisition costs	9,649	1,123	238	-	11,010	-	11,010
Investments	-	-	-	1,923	1,923	59,994	61,917
Unallocated assets	-	-	-	28,305	28,305	78,958	107,263
Total assets	103,883	19,355	8,702	90,692	222,632	237,268	459,900
Liabilities							
Policyholders claims payable	412	-	872	-	1,284	-	1,284
Reinsurers' balances payable	-	-	-	22,550	22,550	-	22,550
Unearned premiums	120,771	17,727	2,602	-	141,100	-	141,100
Unearned reinsurance commission	-	-	456	-	456	-	456
Outstanding claims	28,907	6,543	211	-	35,661	-	35,661
Claims incurred but not reported	51,286	3,667	3,195	-	58,148	-	58,148
Premium deficiency reserve	12,163	3,549	-	-	15,712	-	15,712
Other technical reserve	4,355	255	185	-	4,795	-	4,795
Unallocated liabilities	-	-	-	76,232	76,232	11,723	87,955
Total liabilities	217,894	31,741	7,521	98,782	355,938	11,723	367,661

21 SEGMENT INFORMATION (CONTINUED)

	2019						
	SAR' 000						
Operating segment	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Assets							
Cash and cash equivalents	-	-	-	21,230	21,230	23,285	44,515
Premiums and reinsurers' receivable - net	39,433	4,194	1,516	34,416	79,559	-	79,559
Reinsurers' share of unearned premiums	-	-	4,866	-	4,866	-	4,866
Reinsurers' share of outstanding claims	5,649	9,267	725	-	15,641	-	15,641
Reinsurers' share of claims incurred but not reported	1,759	264	1,726	-	3,749	-	3,749
Deferred policy acquisition costs	7,321	341	666	-	8,328	-	8,328
Investments	-	-	-	1,923	1,923	66,015	67,938
Unallocated assets	-	-	-	23,823	23,823	187,268	211,091
Total assets	54,162	14,066	9,499	81,392	159,119	276,568	435,687
Liabilities							
Policyholders claims payable	343	(1,287)	1,187	-	243	-	243
Reinsurers' balances payable	-	-	-	12,976	12,976	-	12,976
Unearned premiums	90,864	3,825	6,222	-	100,911	-	100,911
Unearned reinsurance commission	-	-	1,057	-	1,057	-	1,057
Outstanding claims	30,449	20,176	849	-	51,474	-	51,474
Claims incurred but not reported	23,825	2,661	1,870	-	28,356	-	28,356
Premium deficiency reserve	13,563	1,759	98	-	15,420	-	15,420
Other technical reserves	9,973	557	410	-	10,940	-	10,940
Unallocated liabilities	-	-	-	49,596	49,596	7,859	57,455
Total liabilities	169,017	27,691	11,693	62,572	270,973	7,859	278,832

22 CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the SAMA's capital requirements 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 shareholders comprising paid capital and accumulated deficit.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Regulations detailing the solvency margin required to be maintained. According to the article, 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

23 RISK MANAGEMENT

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

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

Risk management structure
Organizational structure is established within the Company in order to identify, assess, monitor and control risks.

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

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

Risk Management and Audit committees
Risk management processes throughout the Company examine both the adequacy of the procedures and the Company's compliance with such procedures. The risk and internal audit departments discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the risk management and audit committees.

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

Insurance risk
The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim, The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities, This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

23 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)
Significant portion of reinsurance business ceded is placed on excess of loss treaty. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

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

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

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

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact net underwriting income/(loss) as follows:

Impact of change in claim ratio by + / - 10%

	2020	2019
	SAR'000	SAR'000
Medical	**21,908**	16,919
Motor	**1,476**	1,033
Property & casualty	**268**	416

23 RISK MANAGEMENT (CONTINUED)

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

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

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

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

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the Local Insurance Regulators.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre- set by the Company's Board of Directors before approving them for exchange of reinsurance business. As at 31 December 2020, one major reinsurer's balance comprise of 52% of reinsurance balance (31 December 2019: 50%).

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

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

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations.

Commission rate risk
The Company places deposits that are subject to commission rate risk, with the exception of restricted deposits which are required to be maintained in accordance with SAMA regulations on which the Company does not earn any commission. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates.

An increase or decrease of 100 basis points in interest yields would result in a change in the loss or gain for the year by SAR 49,500 (2019: SAR 70,000).

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2020 and 2019 are as follows:

	Commission bearing			Non-commission bearing	Total
Insurance Operations	**Less than 1 year**	**1 to 5 years**	**Over 5 years**		
	SAR'000	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**
2020	-	-	-	1,923	1,923
2019	-	-	-	1,923	1,923

23 RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Commission rate risk (continued)

Shareholders Operations	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
2020	120,561	36,615	12,430	10,949	180,555
2019	115,993	66,259	12,381	17,375	212,008

Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments 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's investments amounting to SAR 10.9 million (2019: SAR 17.4 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company's total comprehensive loss would be as follows:

	Fair Value change	Effect on company's loss (SAR' 000)
2020	+/- 10%	1,095
2019	+/- 10%	1,737

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2020 and 2019. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognized, 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 with respect to credit risk arising from other financial assets, is restricted to commercial banks and counterparties having strong balance sheets and credit ratings.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is not broadly diversified however, transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

23 RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

	Note	2020 SAR' 000 Insurance Operations	2020 SAR' 000 Shareholders' Operations
Cash and cash equivalents	4	35,667	98,316
Short Term deposits	5	-	40,000
Premiums and reinsurers' receivable - net	6	129,207	-
Investments net of quoted equity investments	8	1,923	49,045
Long Term deposits	5	-	-
Statutory deposit	11	-	36,000
Reinsurers' share of outstanding claims	7a	11,763	-
		178,560	223,361

	Note	2019 SAR' 000 Insurance Operations	2019 SAR' 000 Shareholders' Operations
Cash and cash equivalents	4	21,230	23,285
Short term deposits	5	-	115,993
Premiums and reinsurers' receivable - net	6	79,559	-
Investments net of quoted equity investments	8	1,923	48,640
Long term deposits	5	-	30,000
Statutory deposit	11	-	36,000
Reinsurers' share of outstanding claims	7a	15,641	-
		118,353	253,918

Credit risk exposure investments

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the management's best estimate. Investment grade is considered to be the highest possible rating.

	Note	2020 SAR'000	2019 SAR'000	2020 SAR'000	2019 SAR'000
		Investment grade		Non investment grade	
Cash and cash equivalents	4	133,983	44,515	-	-
Short Term deposits	5	40,000	115,993	-	-
Premiums and reinsurers' receivable - net	6	-	-	129,207	79,559
Reinsurers' share of outstanding claims	7a	-	-	11,763	15,641
Available-for-sale investments	8	-	-	12,872	19,298
Held-to-maturity investments	8	49,045	48,640	-	-
Long Term deposits	5	-	30,000	-	-
Statutory deposit	11	36,000	36,000	-	-
		259,028	275,148	153,842	114,498

23 RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Maturity Profiles

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

		2020			2019		
		SAR' 000			SAR' 000		
	Note	**Less than one year**	**More than one year**	**Total**	Less than one year	More than one year	Total
ASSETS							
Cash and cash equivalents	4	**133,983**	**-**	**133,983**	44,515	-	44,515
Short Term deposits	5	**40,000**	**-**	**40,000**	115,993	-	115,993
Premiums and reinsurers' receivable - net	6	**129,207**	**-**	**129,207**	79,559	-	79,559
Reinsurers' share of unearned premiums	7b	**2,056**	**-**	**2,056**	4,866	-	4,866
Reinsurers' share of outstanding claims	7a	**11,763**	**-**	**11,763**	15,641	-	15,641
Reinsurers' share of claims incurred but not reported	7a	**2,701**	**-**	**2,701**	3,749	-	3,749
Deferred policy acquisition costs	7e	**11,010**	**-**	**11,010**	8,328	-	8,328
Available-for-sale investments	8	**-**	**12,872**	**12,872**	-	19,298	19,298
Held-to-maturity investments	8	**-**	**49,045**	**49,045**	-	48,640	48,640
Prepayments and other assets	10	**21,511**	**-**	**21,511**	20,035	-	20,035
Property and equipment	9	**-**	**5,976**	**5,976**	-	5,970	5,970
Intangible assets	9	**-**	**900**	**900**	-	516	516
Long Term deposits	5	**-**	**-**	**-**	-	30,000	30,000
Statutory deposit	11	**-**	**36,000**	**36,000**	-	36,000	36,000
Accrued commission income on statutory deposit		**-**	**2,876**	**2,876**	-	2,577	2,577
		352,231	**107,669**	**459,900**	292,686	143,001	435,687

23 RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity Profiles (continued)

	Note	2020 SAR' 000 Less than one year	2020 SAR' 000 More than one year	2020 SAR' 000 Total	2019 SAR' 000 Less than one year	2019 SAR' 000 More than one year	2019 SAR' 000 Total
LIABILITIES							
Policyholders claims payable		1,284	-	1,284	243	-	243
Accrued expenses and other liabilities	12	73,081	-	73,081	47,197	-	47,197
Reinsurance balances payable		22,550	-	22,550	12,976	-	12,976
Unearned premiums	7b	141,100	-	141,100	100,911	-	100,911
Unearned reinsurance commission	7c	456	-	456	1,057	-	1,057
Outstanding claims	7a	35,661	-	35,661	51,474	-	51,474
Claims incurred but not reported	7a	58,148	-	58,148	28,356	-	28,356
Premium deficiency reserve	7d	15,712	-	15,712	15,420	-	15,420
Other technical reserve	7d	4,795	-	4,795	10,940	-	10,940
Employees' end-of-service benefits	14	-	4,546	4,546	-	4,043	4,043
Surplus distribution payable	13	779	-	779	779	-	779
Provision for zakat and income tax	15	6,673	-	6,673	2,859	-	2,859
Accrued commission income payable to SAMA			2,876	2,876	-	2,577	2,577
		360,239	7,422	367,661	272,212	6,620	278,832
Total liquidity gap		(8,008)	100,247	92,239	20,474	136,381	156,855

The assets with maturity less than one year are expected to realize as follows:

- Accrued investment income is expected to be realized within 12 months from statement of financial position's date.
- Murabaha deposits are expected to be matured / settled within 2 month to 11 months (less than one year) from the statement of financial position date.
- Reinsurers share of outstanding claims majorly pertain to medical and motor businesses and are generally realized within 3 to 6 months based on settlement of balances with reinsurers.

- Cash and bank balances are available on demand.

The liabilities with maturity less than one year are expected to settle as follows:

- Majority of gross outstanding claims are expected to settle within 3 months in accordance with statutory timelines for payment. All other policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report.
- Reinsurers' balances payable are settled on a net basis as per terms of reinsurance agreements.
- The policyholders claims payable, accrued expenses and other liabilities are expected to settle within a period of 12 months from the period end date.

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

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

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

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

24 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

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

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

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

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) *Carrying amounts and fair value*

The following table summarizes the fair values of financial assets as at 31 December 2020 and 2019 by level of the fair value hierarchy.

a) Carrying amounts and fairvalue

Insurance operations	**As at 31 December 2020 (SAR' 000)**				
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale investments					
Shares	**1,923**	**-**	**-**	**1,923**	**1,923**
	1,923	**-**	**-**	**1,923**	**1,923**

	As at 31 December 2019 (SAR' 000)				
	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments					
Shares	1,923	-	-	1,923	1,923
	1,923	-	-	1,923	1,923

Shareholders' operations	**As at 31 December 2020 (SAR' 000)**				
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale investments					
Shares and REIT	**10,949**	**10,949**	**-**	**-**	**10,949**
	10,949	**10,949**	**-**	**-**	**10,949**

	As at 31 December 2019 (SAR' 000)				
	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments					
Shares and REIT	17,375	17,375	-	-	17,375
	17,375	17,375	-	-	17,375

There were no transfers between levels during the year ended 31 December 2020 and 31 December 2019.

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

b) Measurement of fair value

Available-for-sale investment level 3 represents unquoted securities amounted to SR 1.9 million in respect of the Company's share in the capital of Najm. As at 31 December 2020 and 31 December 2019, the investment has not been measured at fair value in the absence of active market or other means of measuring their fair value reliably. However, the management believes that there is no major difference between the carrying value and fair value of the investment.

25 COMMITMENTS AND CONTINGENCIES

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

	2020	2019
	SAR' 000	SAR' 000
Capital work in progress	**3,829**	3,447
	3,829	3,447

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

26 SUPPLEMENTARY INFORMATION

26.1 Statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	2020	2019	**2020**	2019	**2020**	2019
	SAR' 000	SAR' 000	**SAR' 000**	SAR' 000	**SAR' 000**	SAR' 000
ASSETS						
Cash and cash equivalents	**35,667**	21,230	**98,316**	23,285	**133,983**	44,515
Short Term deposits	**-**	-	**40,000**	115,993	**40,000**	115,993
Premiums and reinsurers' receivable - net	**129,207**	79,559	**-**	-	**129,207**	79,559
Reinsurers' share of unearned premiums	**2,056**	4,866	**-**	-	**2,056**	4,866
Reinsurers' share of outstanding claims	**11,763**	15,641	**-**	-	**11,763**	15,641
Reinsurers' share of claims incurred but not reported	**2,701**	3,749	**-**	-	**2,701**	3,749
Deferred policy acquisition costs	**11,010**	8,328	**-**	-	**11,010**	8,328
Available-for-sale investments	**1,923**	1,923	**10,949**	17,375	**12,872**	19,298
Held-to-maturity investments	**-**	-	**49,045**	48,640	**49,045**	48,640
Due from shareholders' operations	**131,563**	111,315	**-**	-	**131,563**	111,315
Prepayments and other assets	**21,429**	17,337	**82**	2,698	**21,511**	20,035
Property and equipment	**5,976**	5,970	**-**	-	**5,976**	5,970
Intangible assets	**900**	516	**-**	-	**900**	516
Long Term deposits	**-**	-	**-**	30,000	**-**	30,000
Statutory deposit	**-**	-	**36,000**	36,000	**36,000**	36,000
Accrued commission income on statutory deposit	**-**	-	**2,876**	2,577	**2,876**	2,577
TOTAL ASSETS	**354,195**	270,434	**237,268**	276,568	**591,463**	547,002

26 SUPPLEMENTARY INFORMATION (CONTINUED)

26.1 Statement of financial position (continued)

	2020	2019	2020	2019	2020	2019
	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000
	Insurance Operations		Shareholders' Operations		Total	
LIABILITIES						
Policyholders claims payable	1,284	243	-	-	1,284	243
Accrued expenses and other liabilities	70,907	44,774	2,174	2,423	73,081	47,197
Reinsurance balances payable	22,550	12,976	-	-	22,550	12,976
Unearned premiums	141,100	100,911	-	-	141,100	100,911
Unearned reinsurance commission	456	1,057	-	-	456	1,057
Outstanding claims	35,661	51,474	-	-	35,661	51,474
Claims incurred but not reported	58,148	28,356	-	-	58,148	28,356
Premium deficiency reserve	15,712	15,420	-	-	15,712	15,420
Other technical reserve	4,795	10,940	-	-	4,795	10,940
Due to insurance operation	-	-	131,563	111,315	131,563	111,315
Employees' end-of-service benefits	4,546	4,043	-	-	4,546	4,043
Surplus distribution payable	779	779	-	-	779	779
Provision for zakat and income tax	-	-	6,673	2,859	6,673	2,859
Accrued commission income payable to SAMA	-	-	2,876	2,577	2,876	2,577
TOTAL LIABILITIES	355,938	270,973	143,286	119,174	499,224	390,147
EQUITY						
Share capital	-	-	240,000	240,000	240,000	240,000
Accumulated losses	-	-	(147,503)	(85,666)	(147,503)	(85,666)
Actuarial loss on end-of-service benefits	(1,743)	(539)	-	-	(1,743)	(539)
Fair value reserve for available-for-sale investments	-	-	1,485	3,060	1,485	3,060
TOTAL EQUITY	(1,743)	(539)	93,982	157,394	92,239	156,855
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	354,195	270,434	237,268	276,568	591,463	547,002

26 SUPPLEMENTARY INFORMATION (CONTINUED)

26.2 Statement of income

	2020	2019	2020	2019	2020	2019
	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000
	Insurance Operations		Shareholders' Operations		Total	
REVENUES						
Gross premiums written	**329,519**	248,054	-	-	**329,519**	248,054
Reinsurance premiums ceded			-			
- Local	**(124)**	(1,643)	-	-	**(124)**	(1,643)
- Foreign	**(5,237)**	(8,818)	-	-	**(5,237)**	(8,818)
	(5,361)	(10,461)	-	-	**(5,361)**	(10,461)
Excess of loss expenses						
- Local	**(2,114)**	(351)	-	-	**(2,114)**	(351)
- International	**(42,523)**	(5,672)	-	-	**(42,523)**	(5,672)
	(44,637)	(6,023)	-	-	**(44,637)**	(6,023)
Net premiums written	**279,521**	231,570	-	-	**279,521**	231,570
Changes in unearned premiums	**(40,189)**	(35,577)	-	-	**(40,189)**	(35,577)
Changes in reinsurers' share of unearned premiums	**(2,810)**	(12,323)	-	-	**(2,810)**	(12,323)
Net premiums earned	**236,522**	183,670	-	-	**236,522**	183,670
Reinsurance commissions	**1,992**	1,975	-	-	**1,992**	1,975
Other underwriting income	**10,786**	16,419	-	-	**10,786**	16,419
NET REVENUES	**249,300**	202,064	-	-	**249,300**	202,064
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(220,510)**	(174,422)	-	-	**(220,510)**	(174,422)
Reinsurers' share of claims paid	**27,736**	46,439	-	-	**27,736**	46,439
Net claims paid	**(192,774)**	(127,983)	-	-	**(192,774)**	(127,983)
Changes in outstanding claims	**15,813**	3,617	-	-	**15,813**	3,617
Changes in reinsurers' share of outstanding claims	**(3,878)**	(9,919)	-	-	**(3,878)**	(9,919)
Changes in claims incurred but not reported	**(29,792)**	(12,580)	-	-	**(29,792)**	(12,580)
Changes in reinsurers' share of claims incurred but not reported	**(1,048)**	(3,962)	-	-	**(1,048)**	(3,962)
Net claims incurred	**(211,679)**	(150,827)	-	-	**(211,679)**	(150,827)
Change in premiums deficiency reserve	**(292)**	447	-	-	**(292)**	447
Change in other technical reserves	**6,145**	(9,324)	-	-	**6,145**	(9,324)
Policy acquisition costs	**(24,841)**	(17,510)	-	-	**(24,841)**	(17,510)
Inspection and supervision fees	**(16,214)**	(12,746)	-	-	**(16,214)**	(12,746)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(246,881)**	(189,960)	-	-	**(246,881)**	(189,960)
NET UNDERWRITING INCOME	**2,419**	12,104	-	-	**2,419**	12,104

26 SUPPLEMENTARY INFORMATION (CONTINUED)

26.2 Statement of income (continued)

	2020	2019	2020	2019	2020	2019
	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000
	Insurance Operations		Shareholders' Operations		Total	
NET UNDERWRITING INCOME	**2,419**	12,104	-	-	**2,419**	12,104
OTHER INCOME/(EXPENSES)						
Reversal for doubtful debts	**(23,180)**	(2,523)	-	-	**(23,180)**	(2,523)
General and administrative expenses	**(44,253)**	(43,397)	**(1,555)**	(1,769)	**(45,808)**	(45,166)
Dividends and commission income	-	84	**6,311**	7,787	**6,311**	7,871
Realized gain/(loss) from sale of available for sale investments	-	-	**2,223**	8	**2,223**	8
Other income	**762**	-	-	-	**762**	-
TOTAL OTHER (EXPENSES)/INCOME	**(66,671)**	(45,836)	**6,979**	6,026	**(59,692)**	(39,810)
Total (loss)/income for the year	**(64,252)**	(33,732)	**6,979**	6,026	**(57,273)**	(27,706)
Total loss for the year attributable to the shareholders before zakat and income tax	**64,252**	33,732	**(64,252)**	(33,732)	-	-
Total loss for the year attributable to the shareholders before zakat and income tax	-	-	**(57,273)**	(27,706)	**(57,273)**	(27,706)
Zakat and income tax	-	-	**(4,564)**	(9,541)	**(4,564)**	(9,541)
Total loss for the year attributable to the shareholders after zakat and income tax	-	-	**(61,837)**	(37,247)	**(61,837)**	(37,247)

26 SUPPLEMENTARY INFORMATION (CONTINUED)

26.3 Statement of comprehensive income

	Note	2020 SAR' 000	2019 SAR' 000	2020 SAR' 000	2019 SAR' 000	2020 SAR' 000	2019 SAR' 000
		Insurance Operations		Shareholders' Operations		Total	
Total loss for the year after zakat and income tax		-	-	(61,837)	(37,247)	(61,837)	(37,247)
Other comprehensive income / (loss) :							
Items that will not be reclassified to statement of income in subsequent years							
- Actuarial loss on end-of-service benefit	14	-	-	(1,204)	(539)	(1,204)	(539)
Items that may be reclassified to statement of insurance operations' surplus in subsequent years							
- Change in fair value of available for sale investments		-	-	648	2,951	648	2,951
- Transferred from fair value reserve to income for the year		-	-	(2,223)	(8)	(2,223)	(8)
	0	-	-	(1,575)	2,943	(1,575)	2,943
Total comprehensive loss for the year		-	-	(64,616)	(34,843)	(64,616)	(34,843)

26 SUPPLEMENTARY INFORMATION (CONTINUED)

26.4 Statement of cash flows

	Note	Insurance Operations 2020 SAR' 000	Insurance Operations 2019 SAR' 000	Shareholders' Operations 2020 SAR' 000	Shareholders' Operations 2019 SAR' 000	Total 2020 SAR' 000	Total 2019 SAR' 000
CASH FLOWS FROM OPERATING ACTIVITIES							
Total loss for the year before zakat and income tax		-	-	(57,273)	(27,706)	(57,273)	(27,706)
Adjustments for non-cash items:							
Depreciation and amortization	9	1,902	1,611	-	-	1,902	1,611
Provision for doubtful debts	6	23,180	2,523	-	-	23,180	2,523
Realized gain on sale of available-for-sale investments	8	-	-	(2,223)	(8)	(2,223)	(8)
Amortization of held-to-maturity investments		-	-	(405)	(1,468)	(405)	(1,468)
Provision for employees' end-of-service benefits	14	1,184	969	-	-	1,184	969
		26,266	5,103	(2,628)	(1,476)	23,638	3,627
Changes in operating assets and liabilities:							
Premiums and reinsurers' receivable		(72,828)	(60,563)	-	-	(72,828)	(60,563)
Reinsurers' share of unearned premiums		2,810	12,323	-	-	2,810	12,323
Reinsurers' share of outstanding claims		3,878	9,919	-	-	3,878	9,919
Reinsurers' share of claims incurred but not reported		1,048	3,962	-	-	1,048	3,962
Deferred policy acquisition costs		(2,682)	(2,932)	-	-	(2,682)	(2,932)
Prepaid expenses and other assets		(4,092)	1,070	2,616	13,392	(1,476)	14,462
Policyholders claims payable		1,041	(4,428)	-	-	1,041	(4,428)
Accrued expenses and other liabilities		26,133	(2,362)	(249)	(2,191)	25,884	(4,553)
Reinsurers' balances payable		9,574	(10,960)	-	-	9,574	(10,960)
Unearned premiums		40,189	35,577	-	-	40,189	35,577
Unearned reinsurance commission		(601)	173	-	-	(601)	173
Outstanding claims		(15,813)	(3,617)	-	-	(15,813)	(3,617)
Claims incurred but not reported		29,792	12,580	-	-	29,792	12,580
Premium deficiency reserve		292	(447)	-	-	292	(447)
Other technical reserves		(6,145)	9,324	-	-	(6,145)	9,324
		38,862	4,722	(57,534)	(17,981)	(18,672)	(13,259)
Employees' end-of-service benefits paid	14	(1,885)	(228)	-	-	(1,885)	(228)
Zakat and income tax paid	15	-	-	(750)	(16,198)	(750)	(16,198)
Net cash used in operating activities		36,977	4,494	(58,284)	(34,179)	(21,307)	(29,685)

26 SUPPLEMENTARY INFORMATION (CONTINUED)

26.4 Statement of cash flows (continued)

	Note	2020 SAR' 000	2019 SAR' 000	2020 SAR' 000	2019 SAR' 000	2020 SAR' 000	2019 SAR' 000
		Insurance Operations		Shareholders' Operations		Total	
CASH FLOWS FROM INVESTING ACTIVITIES							
Short term time deposits		-	-	75,993	(23,643)	75,993	(23,643)
Additions to available for sale investments	8	-	-	-	(9,212)	-	(9,212)
Proceeds from sale of available for sale investments		-	-	7,074	1,336	7,074	1,336
Purchase of held to maturity investments	8	-	-	-	-	-	-
Purchase of property,equipment and intangibles	9	(2,292)	(4,658)	-	-	(2,292)	(4,658)
Net cash from/(used in) investing activities		(2,292)	(4,658)	83,067	(31,519)	80,775	(36,177)
CASH FLOWS FROM FINANCING ACTIVITY							
Due from / (to) shareholders' operations		(20,248)	(4,541)	20,248	4,541	-	-
Increase in statutory deposits		-	-	-	(15,000)	-	(15,000)
Increase in long term deposits		-	-	30,000	(10,000)	30,000	(10,000)
Proceeds from issuance of capital	0	-	-	-	100,000	-	100,000
Transaction cost for increase in capital	0	-	-	-	(3,847)	-	(3,847)
Net cash from financing activities		(20,248)	(4,541)	50,248	75,694	30,000	71,153
Net change in cash and cash equivalents		14,437	(4,705)	75,031	9,996	89,468	5,291
Cash and cash equivalents at the beginning of the year		21,230	25,935	23,285	13,289	44,515	39,224
Cash and cash equivalents at the end of the year		35,667	21,230	98,316	23,285	133,983	44,515

27 COMPARATIVE FIGURES

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

28 EVENTS AFTER THE REPORTING DATE

Subsequent to the year ended dated 18 March 2021, the Company received CMA's approval after completing the regulatory requirements as per the Capital Market Law and its Implementing Regulations for the absorption of losses through capital reduction from SAR 240,000,000 to SAR 130,000,000, thus reducing the number of shares from 24,000,000 to 13,000,000. The reduction is subject to the Company's shareholders' approval.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 24 March 2021 (corresponding to 11 Sha'ban 1442H).