

ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
A SAUDI JOINT STOCK COMPANY

INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

INDEX	PAGE
Company Details	2
Independent Auditors' Report On Review Of Interim Condensed Financial Information	3
Unaudited Interim Condensed Financial Statements	
Statement of Financial Position	4
Statement of Income	5
Statement of Comprehensive Income	6
Statement of Changes in Shareholders' Equity	7
Statement of Cash Flows	8 – 9
Notes to the Financial Statements	10 – 61

COMPANY DETAILS

Chairman

HH Prince Naif Bin Sultan Bin Saud Al Kabeer

Vice Chairman

Mr. Sameer Al Wazzan

Board of Directors

HH Prince Naif Bin Sultan Bin Saud Al Kabeer

Mr. Sameer Al Wazzan

Mr. Abdallah Al Obeikan

Mr. Turki Al Mutawa

Mr. Mohammed Bin Ali

Mr. Raed Al Saif

Chief Executive Officer

Mr. Basem Odeh

Board Secretary

Mr. Abdulaziz Bin Saeed

Head Office

5th Floor, Cercon Building No. 15

Olaya Street

PO Box 61352

Riyadh 11565

Saudi Arabia

Telephone

+ 966 11 250 5400

Fax

+ 966 11 463 1294

Website

www.arabianshield.com

Commercial Registration

CR No. 1010234323

Principal Bankers

The Saudi British Bank (SABB)

Riyadh, Saudi Arabia

Auditors

Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants

Member Crowe Global

Riyadh, Saudi Arabia

PKF Al-Bassam & Co.

Allied Accountants

Riyadh, Saudi Arabia

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Arabian Shield Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company") as at 30 June 2020 and the related interim condensed statements of income and comprehensive income for the three and six month periods then ended and changes in equity and cash flows for the six month period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia



Abdullah M. Al Azem
Certified Public Accountant
License No. 335



For Al-Bassam & Co.

P. O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia



Ibrahim A. Al Bassam
Certified Public Accountant
License No. 335



16 August 2020
26 Dhu'l-Hijjah 1441H

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	30 Jun 2020	Audited 31 Dec 2019
ASSETS			
Cash and cash equivalents	6	453,641	403,376
Short term fixed income deposits	7	40,000	40,000
Premiums and reinsurers' receivable – net	9	61,223	97,255
Reinsurers' share of unearned gross premiums	19	91,856	36,440
Reinsurers' share of outstanding gross claims	22	76,894	89,304
Reinsurers' share of gross claims incurred but not reported	22	67,634	73,250
Deferred excess of loss expenses	10	1,073	0
Deferred policy acquisition costs	10	6,037	7,901
Deferred third party administrator expenses	10	2,898	2,494
Deferred withholding tax	10	4,431	1,766
Deferred regulators' levies	10	2,336	1,991
Investments	11	224,023	234,134
Due from related parties – net	9	50,906	7,470
Prepaid expenses and other assets		26,708	21,773
Property and equipment – net	13	3,042	3,507
Intangible assets – net	14	9,237	8,451
Goodwill	15	46,794	46,794
Statutory deposit	8	30,000	30,000
Accrued income on statutory deposit	8	2,955	2,727
TOTAL ASSETS		1,201,688	1,108,633
LIABILITIES			
Accrued and other liabilities		46,419	49,452
Reinsurers' balances payable	17	42,425	15,108
Unearned gross premiums	19	238,758	167,379
Unearned reinsurance commission	21	15,701	7,353
Outstanding gross claims	22	126,732	141,054
Gross claims incurred but not reported	22	182,379	178,325
Premium deficiency reserve	22	7,600	2,000
Other technical reserves	22	9,000	9,000
Due to related parties	30	316	19,309
Accounts payable	16	28,740	25,506
Withholding tax provision	10	11,684	8,857
Regulators' levies provision	10	691	1,761
End-of-service indemnities		8,095	8,435
Policyholders' surplus distribution payable	28	2,843	2,697
Zakat	24	37,503	31,059
Income tax	24	709	952
Accrued commission income payable to SAMA	8	2,955	2,727
TOTAL LIABILITIES		762,550	670,974
SHAREHOLDERS' EQUITY			
Share capital	25	300,000	300,000
Statutory reserve	26	34,535	34,535
Retained earnings / (accumulated losses)		108,728	98,138
Fair value reserve gain / (loss) on investments	11	(4,125)	4,986
TOTAL SHAREHOLDERS' EQUITY		439,138	437,659
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,201,688	1,108,633

COMMITMENTS AND CONTINGENCIES

34

The accompanying Notes 1 to 38 form an integral part of these unaudited interim condensed Financial Statements.

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF INCOME

	Notes	Three months to		Year to date to	
		30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
REVENUES					
Gross premiums written	18	72,951	96,001	330,716	342,671
Reinsurance premiums ceded – local		(3,544)	(2,709)	(12,787)	(11,114)
Reinsurance premiums ceded – foreign		(25,553)	(36,458)	(127,035)	(122,726)
Excess of loss expenses	18	(537)	(498)	(1,073)	(996)
Net premiums written	18	43,317	56,336	189,821	207,835
Change in unearned gross premiums	19	52,920	66,606	(71,379)	(26,333)
Change in reinsurers' share of unearned gross premiums	19	(11,362)	(8,337)	55,416	43,420
Net premiums earned	18	84,875	114,605	173,858	224,922
Reinsurance commissions	20	7,863	9,615	16,084	19,455
Other underwriting income		322	1,875	4,672	6,389
TOTAL REVENUES		93,060	126,095	194,614	250,766
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(43,706)	(173,877)	(133,680)	(248,225)
Expenses incurred related to claims		0	0	0	0
Reinsurers' share of claims paid		10,323	11,281	22,120	25,653
Net claims paid		(33,383)	(162,596)	(111,560)	(222,572)
Change in outstanding gross claims		6,251	62,645	14,322	5,088
Change in reinsurers' share of outstanding gross claims		(10,844)	5,024	(12,410)	12,360
Change in gross IBNR		(11,366)	(9,653)	(4,054)	4,365
Change in reinsurers' share of gross IBNR		(1,999)	648	(5,616)	(5,352)
Net claims incurred		(51,341)	(103,932)	(119,318)	(206,111)
Premium deficiency reserve		(5,600)	5,500	(5,600)	400
Other technical reserves		0	0	0	925
Policy acquisition costs	10	(3,680)	(5,318)	(8,013)	(10,495)
Third party administrator expenses	10	(1,772)	(2,023)	(3,710)	(3,645)
Withholding tax	10	(1,733)	(2,176)	(3,330)	(3,714)
Regulators' levies	10	(1,324)	(1,821)	(2,711)	(3,548)
Other underwriting expenses		(929)	(2,348)	(2,418)	(2,565)
TOTAL UNDERWRITING COSTS AND EXPENSES		(66,379)	(112,118)	(145,100)	(228,753)
NET UNDERWRITING INCOME / (LOSS)		26,681	13,977	49,514	22,013
OTHER OPERATING INCOME / (EXPENSE)					
(Allowance for) / Reversal of doubtful debts		(6,425)	(500)	(9,930)	(200)
General and administrative expenses		(13,984)	(13,204)	(27,732)	(26,544)
Depreciation and amortisation		(702)	(674)	(1,202)	(1,300)
Commission income on deposits		1,381	3,417	3,681	6,969
Commission income on sukuk		1,070	1,082	2,148	2,206
Dividend income		724	645	1,725	1,299
Realised gains / (losses) on investments	11	0	1	0	4,059
TOTAL OTHER OPERATING INCOME / (EXPENSES)		(17,936)	(9,233)	(31,310)	(13,511)
INCOME / (LOSS) BEFORE ZAKAT AND INCOME TAX		8,745	4,744	18,204	8,502
Attributable to Insurance Operations	1	(715)	0	(1,412)	0
SHAREHOLDERS' INCOME / (LOSS) BEFORE ZAKAT AND INCOME TAX		8,030	4,744	16,792	8,502
Zakat charge		(3,155)	(2,629)	(5,697)	(5,017)
Income tax charge		(225)	(82)	(505)	(194)
SHAREHOLDERS' INCOME / (LOSS) AFTER ZAKAT AND INCOME TAX		4,650	2,033	10,590	3,291
Basic and diluted SAR earnings per share	27	0.16	0.07	0.35	0.11

The accompanying Notes 1 to 38 form an integral part of these unaudited interim condensed Financial Statements.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months to 30 Jun 2020	30 Jun 2019	Year to date to 30 Jun 2020	30 Jun 2019
Shareholders' income / (loss) after zakat and income tax		4,650	2,033	10,590	3,291
Other comprehensive income / (loss)					
<i>Items that are or may be reclassified to statements of income in subsequent periods:</i>					
Available for sale investments:					
Net change in fair value of investments		(3,381)	1,659	(9,111)	5,168
Realised gains / (losses) transferred to statement of income	11	0	(1)	0	(4,059)
Net change in unrealised fair value of investments		(3,381)	1,658	(9,111)	1,109
COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		1,269	3,691	1,479	4,400

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year to Date to 30 Jun 2020	Notes	Share Capital	Statutory Reserve	Retained Earnings / (Accumulated Losses)	Fair Value Reserve gain/(loss) on investments	Total Equity
Balance at start of year		300,000	34,535	98,138	4,986	437,659
Shareholders' income / (loss) after zakat and income tax				10,590		10,590
Net change in fair value of investments	11				(9,111)	(9,111)
Realised gains / (losses) transferred to statement of income	11				0	0
Net change in unrealised fair value of investments					(9,111)	(9,111)
Comprehensive income / (loss) for the period				10,590	(9,111)	1,479
Transfer to statutory reserve				0	0	0
Balance at end of period		300,000	34,535	108,728	(4,125)	439,138

Year to Date to 30 Jun 2019	Notes	Share Capital	Statutory Reserve	Retained Earnings / (Accumulated Losses)	Fair Value Reserve gain/(loss) on investments	Total Equity
Balance at start of year		300,000	33,082	92,327	2,276	427,685
Shareholders' income / (loss) after zakat and income tax				3,291		3,291
Net change in fair value of investments	11				5,168	5,168
Realised gains / (losses) transferred to statement of income	11				(4,059)	(4,059)
Net change in unrealised fair value of investments					1,109	1,109
Comprehensive income / (loss) for the period				3,291	1,109	4,400
Transfer to statutory reserve			0	0		0
Balance at end of period		300,000	33,082	95,618	3,385	432,085

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS

Notes	Year to date to	
	30 Jun 2020	30 Jun 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Shareholders' income / (loss) after zakat and income tax	10,590	3,291
Adjustments for non-cash items:		
Depreciation of property and equipment	893	787
Amortisation of intangible assets	309	513
(Gain) / loss on disposal of property and equipment	(15)	0
Allowance for / (reversal of) doubtful debts	9,930	200
Provision for withholding tax	5,995	5,834
Provision for regulators' levies	3,056	3,421
Provision for end-of-service indemnities	974	951
Zakat charge	5,697	5,017
Income tax charge	505	194
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	31,302	17,351
Reinsurers' share of unearned gross premiums	19 (55,416)	(43,420)
Reinsurers' share of outstanding gross claims	23 12,410	(12,360)
Reinsurers' share of gross claims incurred but not reported	23 5,616	5,352
Deferred excess of loss expenses	(1,073)	(996)
Deferred policy acquisition costs	1,864	690
Deferred third party administrator expenses	(404)	(1,008)
Deferred withholding tax	(2,665)	(2,120)
Deferred regulators' levies	(345)	127
Due from related parties	(48,636)	(626)
Prepaid expenses and other assets	(4,935)	(4,524)
Accounts payable	5,104	2,158
Policy acquisition cost payable	(1,506)	(454)
Third party administrator payable	(364)	648
Policyholders' surplus	1,412	0
Accrued and other liabilities	(3,033)	(5,834)
Reinsurers' balances payable	27,317	23,412
Unearned gross premiums	19 71,379	26,333
Unearned reinsurance commission	21 8,348	7,421
Outstanding gross claims	23 (14,322)	(5,088)
Gross claims incurred but not reported	23 4,054	(4,365)
Premium deficiency reserve	23 5,600	(400)
Other technical reserves	23 0	(925)
Due to related parties	(18,993)	(15,076)
Payments:		
End-of-service indemnities paid	(1,314)	(1,749)
Withholding tax paid	(3,168)	(4,650)
Regulators' levies paid	(4,126)	(3,961)
Surplus paid to policyholders	(1,266)	0
Zakat paid	747	(6,118)
Income tax paid	(748)	747
Net cash generated from / (used in) operating activities	50,773	(9,227)

The accompanying Notes 1 to 38 form an integral part of these unaudited interim condensed Financial Statements.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS (Continued)

	Notes	Year to date to 30 Jun 2020	30 Jun 2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of investments	11	(10,000)	(50,000)
Proceeds from disposal of investments	11	11,000	39,890
Realised gain on disposal of investments	11	0	(4,059)
Additions of property and equipment		(871)	(8)
Proceeds from disposal of property and equipment		458	0
Additions of intangible assets		(1,095)	(570)
Net cash generated from / (used in) investing activities		(508)	(14,747)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from / (used in) financing activities		0	0
Net change in cash and cash equivalents		50,265	(23,974)
Cash and cash equivalents at start of year		403,376	430,566
Cash and cash equivalents at end of period		453,641	406,592
NON-CASH INFORMATION			
Net change in unrealised fair value of investments	11	(9,111)	1,109

1. GENERAL

The insurance industry in Saudi Arabia is regulated by the Law on Supervision of Cooperative Insurance Companies ("Cooperative Insurance Law") together with the Implementing Regulations ("Implementing Regulations") promulgated by Royal Decree No. M32 dated 22 Jumad Thani 1424 corresponding to 21 August 2003. Supervision is under the auspices of the Saudi Arabian Monetary Authority ("SAMA" or "Regulator").

Arabian Shield Cooperative Insurance Company ("Company") is a Saudi Joint Stock Company incorporated in Riyadh, Saudi Arabia through Ministerial Resolution issued on 19 May 2007 with Commercial Registration No. 1010234323 issued on 13 June 2007 following on from Royal Decree No. M60 dated 18 Ramadan 1427 corresponding to 11 October 2006. The Commercial Registration Certificate was amended with effect from 24 July 2018 to reflect the increase in share capital following the bonus share issue. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 June 2007. The registered address of the head office is as follows: 5th Floor, Cercon Building No. 15, Olaya Street, PO Box 61352, Riyadh 11565, Saudi Arabia.

The principal activities for which the Company was licensed were the conducting of insurance and reinsurance business in general and medical classes in Saudi Arabia in accordance with License No. TMN/6/20079 issued on 11 September 2007 by SAMA and the License was renewed for three year periods on 10 August 2010, 07 July 2013, 03 June 2016 and 28 January 2020. SAMA gave approval to the Company to conduct business in the protection and savings class on 26 April 2018. At the Company's request, SAMA approved an amendment to the License to exclude reinsurance business with effect from 30 September 2013.

As per the Articles of Association ("Articles"), the Company may undertake all activities required to transact cooperative insurance operations and related activities and to invest its funds. Its principal lines of business include motor, medical, marine, property, engineering, casualty and protection and savings.

In accordance with the Implementing Regulations, within six months from the date of publication of the annual financial statements each year, the Board of Directors approve the distribution of the surplus from insurance operations as follows:

- The shareholders of the Company receive 90% of the surplus from insurance operations including any surplus from investment activities of the policyholders' invested funds and the policyholders retain the remaining 10%.
- Any deficit arising on insurance operations is transferred to shareholders' operations in full.

The Company and its shareholders own and retain custody of all net assets related to both insurance operations and shareholders' operations and funds are allocated to insurance operations as required.

The fiscal year of the Company runs from 1 January to 31 December.

Cooperative insurance operations commenced with effect from 1 January 2009 following acquisition of the insurance portfolio and related business, assets and liabilities from Arabian Shield Insurance Company EC.

The Ministry of Commerce and Investment implemented the new companies' regulations with effect from 25 Rajab 1437H corresponding to 02 May 2016 ("Effective Date") promulgated by Royal Decree No. M3 dated 28 Muharram 1437H corresponding to 10 November 2015 ("Companies' Regulations"). The Companies' Regulations replace the companies' regulations promulgated by Royal Decree No. M6 dated 22 Rabi Al Awwal 1385H corresponding to 20 July 1965 and supersede all provisions that are inconsistent therewith.

Companies existing at the Effective Date shall make all necessary amendments to their Articles to ensure compliance with the Companies' Regulations within a period of one year from the Effective Date. As of the date of approval of these financial statements the Company has completed all necessary amendments and is in full compliance with the Companies' Regulations.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements for the three and six month periods ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA").

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, therefore, these should be read in conjunction with the Company's annual audited financial statements as at and for the year ended 31 December 2019.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**IFRS 17: Insurance Contracts****Overview**

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

The new standard applies to insurance contracts issued and to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts.

It requires separating the following components from insurance contracts:

Embedded derivatives if they meet certain specified criteria; and

Distinct investment components; and

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 three different measurement models:

1. The General Measurement Model (GMM) is based on the following “building blocks”:

a) The Fulfilment Cash Flows (FCF) which comprise:

A probability-weighted estimate of future cash flows; and

An adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with the future cash flows; and

A risk adjustment for non-financial risk.

b) The Contractual Service Margin (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 and any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is re-measured to be the sum of:
The liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
Liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

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

2. The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently.

For these contracts, in addition to the adjustment under GMM, the CSM is also adjusted for:

The entity’s share of the changes in the fair value of underlying items; and

The effect of changes in the time value of money and in financial risks not relating to the underlying items.

3. The Premium Allocation Approach (PAA), a simplified approach, is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less.

The liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows.

The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid / received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft in June 2019 - Amendments to IFRS 17 proposing certain amendments to IFRS 17 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

ALL AMOUNTS IN SAR '000

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently 01 January 2021. Under this exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 01 January 2022. This was a deferral of 1 year compared to the previous date of 01 January 2021. Further, on 17 March 2020, The International Accounting Standards Board (IASB) completed its discussions on the amendments to IFRS 17 and decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 01 January 2023.

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 01 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 expect the new standard will result in a change to the accounting policies for insurance contracts, reinsurance contracts and to any investment contracts with discretionary participating features together with amendments to presentation and disclosures.

Impact

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

Impact Area	Summary of Impact
Financial Impact (valuation of liabilities, income statement, balance sheet, solvency capital)	The Company had performed the Financial Impact Assessment in order to assess the financial impact of implementing IFRS 17 and this work was completed on 30 April 2020.
Data Impact	<p>The initial assessment of products offered by the Company concluded that all products qualify to be measured using the simplified approach (Premium Allocation Approach). However, the final sign-off from the Company's auditors on this assessment needs to be completed.</p> <p>Based on the measurement model adopted the Company believes that the impact of data is not significant and the Company will be able to manage the data requirements accordingly.</p> <p>Further, the Company is currently going through the process of migrating to a new core insurance platform and believes that a more extensive set of data elements will be available in the new platform.</p>
IT Systems Impact	<p>The Company is currently in the process of migrating its core insurance IT system to a new platform that is expected to be completed during the current year. A plan has been agreed with the new IT vendor on incorporating the changes required under IFRS 17 into the new platform.</p> <p>In addition, currently, the Company is exploring various options available relating to the procurement of an IT solution to manage actuarial processes in consultation with the advisor appointed for assisting in IFRS 17 implementation along with the appointed actuary of the Company.</p>
Process Impact	<p>The process impact has been assessed and documented during the gap assessment process covering actuarial valuation, accounting processes, disclosures and other relevant matters.</p> <p>An implementation plan has been agreed between the Company and the advisor appointed for assisting the Company in IFRS 17 implementation, to remediate all process impacts identified during the gap assessment process.</p>
Impact on RI Arrangements	As per the initial assessment performed by the Company of reinsurance agreements held, all reinsurance contracts qualify to be measured using the simplified approach (Premium Allocation Approach). The final sign-off from the Company's auditors on this assessment needs to be completed.
Impact on Policies & Control Frameworks	The Company has appointed an advisor to assist in updating and incorporating the changes required in the policies, procedures and internal control frameworks based on IFRS 17.
Other areas impacted	None

IFRS 9: Financial Instruments (including amendments to IFRS 4, Insurance Contracts)**Overview**

This standard was published on 24 July 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, at fair value through other comprehensive income or at fair value through profit or loss.

A financial asset is measured at amortized cost if both of the following conditions are met:

The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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").

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

The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale; and

The contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss.

Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

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

Additionally, for financial liabilities that are designated as 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 01 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard IFRS 17 – Insurance Contracts becomes effective.

The amendments introduce two alternative options as follows:

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of:
The effective date of a new insurance contract standard; or
Annual reporting periods beginning on or after 01 January 2021 (The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 01 January 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.

2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur

before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

To date the Company has performed a preliminary assessment which reviewed two factors as follows:

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

The total carrying amount of the Company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities.

Based on this preliminary assessment the Company determined that it is eligible for the temporary exemption.

Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are set out in the impact assessment below.

Impact assessment

At 30 June 2020, the Company's total financial assets and total insurance related assets amount to 1,035,057 and 243,494 respectively. Financial assets and insurance related assets are not necessarily mutually exclusive in terms of classification. The total financial assets are composed of financial assets held at amortized cost and other financial assets.

Financial assets held at amortized cost amount to 809,961 and consist of cash and cash equivalents, short-term fixed deposits, premium and reinsurance receivables and other receivables.

Other financial assets amount to 224,023 and consist of available for sale investments. The Company may use the FVOCI classification for these other financial assets based on the business model of the Company for debt securities and the strategic nature of equity investments. The Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Notes 32 and 33 relate to credit risk exposure, concentration of credit risk and credit quality of financial assets. The Company's financial assets at 30 June 2020 have low credit risk.

The foregoing is based on a preliminary high-level impact assessment of IFRS 9 based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being available in the future.

The Company expects some impacts from implementing IFRS 9, however it is not possible to provide a reasonable estimate of these impacts until the Company has performed a detailed review.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and risk management policy used in the preparation of the unaudited interim condensed financial statements for the period ended 30 June 2020 are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2019.

5. SIGNIFICANT ACCOUNTING POLICIES**a) Basis of Preparation**

The accounting policies, estimates and assumptions used in the preparation of the unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019 and no new or amended accounting policies or accounting standards were adopted by the Company during 2020 to date.

The interim results should be read in conjunction with the annual results for the year ended 31 December 2019 as interim results do not necessarily include all the information and disclosures required in annual results.

The Company believes that all matters are fairly reflected for the periods presented, nevertheless the interim results may not necessarily be indicative of the annual results for the year ending 31 December 2020.

Financial statements are prepared under the going concern convention using the accrual basis of accounting. The historical cost convention is followed except for the measurement at fair value of available for sale investments - see Note 5(r).

Financial assets and financial liabilities are offset and the net amount reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset unless required or permitted by an accounting standard or interpretation as specifically disclosed in the accounting policies.

Presentation is in Saudi Riyals, the functional currency of the Company. All amounts are derived from Arabic and English computerised accounting records and except where otherwise indicated are rounded to thousands using the standard rounding convention.

The statement of financial position is presented in order of liquidity but is not presented using a current / non-current classification. The table below identifies current and non-current assets and liabilities.

Assets:**Current**

- Cash and cash equivalents
- Short term fixed income deposits
- Premiums and reinsurers' receivable – net
- Reinsurers' share of unearned gross premiums
- Reinsurers' share of outstanding gross claims
- Reinsurers' share of gross claims incurred but not reported
- Deferred excess of loss expenses
- Deferred policy acquisition costs
- Deferred third party administrator expenses
- Deferred withholding tax
- Deferred regulators' levies
- Investments
- Due from related parties – net
- Prepaid expenses and other assets

Non-current

- Property and equipment – net
- Intangible assets – net
- Goodwill
- Statutory deposit
- Accrued income on statutory deposit

Liabilities:

- Accrued and other liabilities
- Reinsurers' balances payable
- Unearned gross premiums
- Unearned reinsurance commission
- Outstanding gross claims
- Gross claims incurred but not reported
- Premium deficiency reserve
- Other technical reserves
- Due to related parties
- Accounts payable
- Withholding tax provision
- Regulators' levies provision
- Policyholders' surplus distribution payable
- Zakat
- Income tax
- End-of-service indemnities
- Accrued commission income payable to SAMA

As required by the Implementing Regulations, the Company maintains separate books of account for insurance operations and shareholders' operations and presents the financial information accordingly. 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 by management and approved by the Board of Directors.

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

The unaudited interim condensed statement of financial position and statements of income, comprehensive income and cash flows of insurance operations and shareholders' operations presented in Note 38 on pages 55 to 61 of the financial statements have been provided as supplementary financial information to comply with the Implementing Regulations which require the clear segregation of the assets, liabilities, income and expenses of insurance operations and shareholders' operations.

Accordingly, the unaudited interim condensed statement of financial position and statements of income, comprehensive income and cash flows of insurance operations and shareholders' operations presented in Note 38 on pages 55 to 61 of the financial statements reflect the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

The inclusion of separate information of insurance operations and shareholders' operations in the unaudited interim condensed statement of financial position and statements of income, comprehensive income and cash flows as well as certain relevant notes to the financial statements represent supplementary information required by the Implementing Regulations but not required by IFRS.

b) Critical accounting judgments, estimates and assumptions

The preparation of unaudited interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets and liabilities, contingent assets and liabilities, resultant provisions, changes in fair value and the reported amounts of income and expense.

These judgments and estimates are based on the Company's best knowledge of current events and actions and are continually evaluated and updated, however future events could result in outcomes requiring material adjustments to the reported amounts.

In preparing the unaudited interim condensed financial statements significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual audited financial statements for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details please see Note 35 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

The following judgments and estimates have the most significant effect on the amounts recognised.

Impairment losses on receivables

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

Insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies IBNR claims form a significant part of the liability. The primary technique adopted by the Company in estimating the cost of reported and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends.

Historical claims development is analyzed by underwriting year, accident year and further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected to reflect their future expected development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or other factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

In addition a range of technical methods are used by the Company's actuaries to independently assess and critically review the estimates made by the Company.

Prior claims estimates are continually reviewed and adjusted as claims develop.

Insurance contract liabilities are not discounted for the time value of money as substantially all claims are expected to be paid within one year of the reporting date. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Impairment of financial instruments

Financial instruments are considered impaired when it is determined there has been a significant or prolonged decline in fair value relative to cost. This determination requires judgement. In making this judgement factors are considered such as normal share price volatility, financial status of the investee including cash flow and sector and technology status and development.

Fair value of financial instruments

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined is calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

c) Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

d) Currencies

Exchange rates prevailing at the date of transactions are used to translate transactions denominated in foreign currencies to Saudi Riyals.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Resulting gains or losses, both realised and unrealised, are recognised as income or expense.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of the initial transaction and are not subsequently restated.

e) Trade date accounting

All purchases and sales of financial instruments are accounted for at trade date being the date the Company commits to purchase or sell.

f) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provided amount to be recovered, the recovery is recognised only when it is believed to be certain.

g) Fair value of financial instruments

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined is calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

h) Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial instrument or a group of financial instruments is impaired.

An impairment exists if one or more events that has occurred since the initial recognition of the instrument has an impact on the estimated future cash flows of the instrument or the group of instruments 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 instrument 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 instruments since the initial recognition of those instruments, although the decrease cannot yet be identified with the individual financial instruments in the

Company. This could include 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.

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

- For instruments carried at fair value impairment arises to the extent significant or prolonged decline in fair value has occurred.
- For instruments carried at amortized cost impairment arises to the extent discounted estimated future cash flows are significantly less than amortized cost.

For debt instruments classified as available for sale 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. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit events occurring after the impairment loss was recognised the impairment loss is reversed.

The determination of what is significant or prolonged requires judgement. In making this judgement a period of 12 months or longer is considered to be prolonged and decline of 30% from original cost is considered to be significant.

The Company considers factors such as market's assessment of creditworthiness as reflected in bond yields, rating agencies' assessment, country's ability to access capital markets 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.

For equity investments held as available for sale, a significant or prolonged decline in fair value below its carrying costs represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the investment 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 realised gain / (loss) on available for sale investments.

i) 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 annually or earlier if events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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-generating units and cash flows.

j) Derecognition of financial instruments

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

k) Recognition of premium and commission income

Gross Premiums and Gross Commission Income are recognised as revenue when the insurance policy is issued.

Ceded Premiums are deducted from Gross Premiums to arrive at Net Premiums.

Gross and Ceded Premiums and Gross Commission Income which relate to cover periods beyond the end of a financial period are calculated by the Company and reported as Unearned using the following methods:

Marine cargo risks:

Last three months actual period of cover preceding the reporting date.

Engineering construction risks with period of cover greater than one year:

Linearly increasing sums at risk applied to actual period of cover.

All other risks:

Pro-rata to actual period of cover.

l) Deferred Costs

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

ALL AMOUNTS IN SAR '000

Certain costs are deferred on initial recognition and subsequently expensed in direct proportion to income recognition of the underlying premiums to which they relate.

The costs subject to this policy are:

- Policy acquisition costs payable to insurance companies, brokers, agents and employees arising from the writing or renewing of insurance contracts.
- Withholding taxes levied on foreign payments.
- Regulators' levies.
- Excess of loss expenses.
- Third party administrator expenses arising from processing of medical claims

Impairment reviews are conducted regularly and any impairment loss is reflected in the statement of income.

m) Insurance and reinsurance contracts

Insurance contracts are those contracts where the insurer has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Once a contract has been classified as an insurance contract it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly in this period.

Reinsurance contracts, by which the Company cedes insurance risks to reinsurers, are entered into by the Company in the normal course of business.

Under such contracts the Company agrees to cede part of the underlying premium to the reinsurer and the reinsurer agrees to pay commission on the ceded premium to the Company and to compensate the Company for losses arising on the underlying insurance contract.

Amounts recoverable from or due to reinsurers are recognised in the statement of financial position and the statement of income consistently with the treatment of amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Reinsurance assets and liabilities are derecognised when the contractual rights expire or when the contract is transferred to another party.

Reinsurance contracts do not relieve the Company from its obligations to policyholders.

n) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

o) Events after the reporting date

Adjustments are made to reflect the impact of events occurring between the reporting and publishing dates provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed but no adjustment is made for their impact.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank current accounts and deposits (including short term highly liquid investments) with original maturities of three months or less.

q) Fixed income deposits

Short term fixed income deposits are deposits maturing after 3 and before 12 months from the deposit placement date.

Long term fixed income deposits are deposits maturing more than 12 months from the deposit placement date.

r) Investments

The Company does not invest in derivatives.

At initial recognition the Company classifies its non derivative investments into three categories depending on the purpose for which the investments were acquired or originated - held to maturity, fair value through income statement and available for sale.

At the current reporting date all investments are classified by the Company as available for sale.

Distributions of income for all three classifications are recognised when the right to receive the income is established. The income is reported in the statements of income.

Investments are derecognised when the right to receive cash flows and/or substantially all risks and rewards of ownership have expired or been transferred.

Held to maturity

Investments classified as held to maturity are those with fixed or determinable income and fixed maturities which the Company has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at amortised cost using the effective interest rate method.

Valuation impairments are reported in the statements of income.

Valuation gains are reported in the statements of income only to the extent of cumulative impairments previously recognised.

Realised gains and losses arising on derecognition are reported in the statements of income.

Fair value through income statement

Investments classified as fair value through income statement are those acquired with the intention of trading in the near term.

These investments are initially recognised at fair value with any related transaction costs directly attributable to the acquisition charged to the statements of income on acquisition.

At each reporting date they are remeasured at fair value with the resulting unrealised gains or losses and any impairment charges reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Available for sale

Investments classified as available for sale are those which are not classified as held to maturity or as fair value through income statement and are acquired with the primary intention of holding for an indefinite period of time but which may require to be traded sooner in response to a need for liquidity or as a result of market changes.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at fair value unless they do not have a quoted market price or there is no other appropriate method from which to derive reliable fair value in which case they remain stated at cost less any impairment.

Unrealised gains and losses arising from a remeasurement at fair value are reported in other comprehensive income and cumulatively held in a separate equity reserve unless the investment is impaired.

On derecognition of unimpaired investments the cumulative unrealised gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income. Realised gains and losses arising on derecognition are reported in the statements of income.

On impairment of investments the impairment charges are reported in the statements of income and the cumulative unrealised gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Reclassification of available for sale investments

The Company evaluates whether the ability and intention to sell available for sale investments in the near future is still appropriate. If due to inactive markets the Company is unable to trade such investments it may elect to reclassify if it has the ability and intention to hold the investments for the foreseeable future or until maturity.

Reclassification to loans and receivables is permitted when the investments meet the definition of loans and receivables and the Company has the intention and ability to hold the investments for the foreseeable future or until maturity. Reclassification to held to maturity is permitted only when the Company has the ability and intention to hold the investment until maturity.

For an investment reclassified out of 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 investment that has been recognised in equity is amortised to the statement of income over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the investment using the effective interest rate method.

If the investment is subsequently determined to be impaired the amount recorded in equity is reclassified to the statement of income.

s) Premiums and reinsurers' receivables

Premiums receivables are stated at gross written premiums receivable from insurance contracts less an allowance for any uncollectible amounts. Premiums and reinsurer receivables are initially recognised at inception of the related insurance contract measured at the fair value of the consideration receivable. The carrying value of receivables is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable the impairment loss is recognised 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 cash flows attributable to the balance are passed through an independent third party. Receivables disclosed in Note 9 fall under the scope of IFRS 4 - Insurance Contracts.

The Implementing Regulations define the basis for the provision for doubtful receivables based on ageing of receivables from date of inception of insurance contracts regardless of any credit terms granted to the insured or reinsurer.

t) Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Replacement or major refurbishment costs are capitalised when incurred if it is probable that future economic benefits resulting from incurring the cost will arise and the cost can be measured reliably. All other repair and maintenance costs are charged to the statement of income as they are incurred.

Depreciation is provided on a straight line basis over the useful lives of the assets at the following rates:

Fixed assets	Useful life in years
Leasehold fixtures	10
Office furniture	10
Office equipment	10
Motor vehicles	4
IT equipment	4

Intangible Assets	Useful life in years
IT systems	4

The assets' residual values and remaining useful lives are continually reviewed and adjusted if appropriate.

Impairment losses are recognised as an expense.

An item of property, equipment or an intangible asset is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised as income or expense.

Capital work-in-progress includes tangible and intangible assets being developed for future use and are not depreciated. When the assets are commissioned the work-in-progress amount is transferred to the respective asset categories and thereafter depreciated as set out above with effect from the commissioning date.

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

u) Leases

The Company recognises right-of-use assets representing the right to use the underlying leased asset and a lease liability representing the obligation to make lease payments.

Assets and liabilities arising from a lease are initially measured on a present value basis using the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

There are optional exemptions for short-term leases and leases of low-value items. Short-term leases are leases with a lease term of 12 months or less.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the unaudited interim condensed statement of income.

v) Goodwill

Goodwill is initially recognised at cost and is not amortised but subsequent to initial recognition is tested for impairment annually and carried at cost less accumulated impairment losses.

Impairment is determined by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount is less than their carrying amount, an impairment loss is recognised.

Impairment losses are not reversed in subsequent periods.

w) Claims

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

In addition to amounts already paid, claims include estimated provisions determined from loss reports for claims reported but not settled together with provisions based on the Company's judgement and prior experience for claims incurred but not reported (IBNR).

Any differences crystalizing between the provisions at the reporting date and subsequent settlements or adjustments to those provisions are recognised in the statement of income as income or expense as appropriate.

The Company does not discount its liability for unpaid claims as substantially all reported claims are expected to be paid within one year from occurrence.

While the Company believes that the estimated provisions are adequate, nevertheless, the ultimate liability of the outstanding claims may be in excess of or less than the provided amounts.

Some insurance contracts permit the Company to subsequently sell assets acquired in settling a claim usually damaged or salvaged goods and the Company may also have rights to pursue third parties for payment of some or all claim costs. Estimates of salvage and subrogation recoveries are included in the measurement of outstanding claims.

x) Liability adequacy test

At each reporting date the Company assesses whether there is any overall excess of expected claims over unearned premiums net of deferred acquisition costs. This calculation uses current estimates of future contractual cash flows after taking account of the return expected to arise on assets relating to the relevant insurance technical provisions. If that assessment shows that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the entire deficiency is immediately recognized and a provision created.

y) Provision for end of service indemnities

Benefits payable to Company employees at the end of their service are provided for in accordance with the labour laws of Saudi Arabia.

The cost of this benefit for each employee is charged over their period of employment and provisions are continually re-assessed and adjusted on the basis of current salary, related benefits and completed service.

On cessation of employment, the entitlement will be paid based upon the employees' final salary, related benefits and length of service.

Interim payments may be approved at the Company's discretion for employees with service in excess of 10 years.

The Company has calculated end of service liability in accordance with IAS 19.

No material difference arises between this amount and the liability calculated in accordance with the Labour Laws of the Kingdom of Saudi Arabia and accordingly no adjustment was required to the financial statements.

z) Dividend distribution

Dividend distribution is recognized as a liability in the period in which the dividend is approved by the shareholders.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	30 Jun 2020	Audited 31 Dec 2019
Insurance operations		
Bank balances and cash	62,737	56,164
Deposits maturing within 3 months from the acquisition date	202,617	160,445
Total	265,354	216,609
Shareholders' operations		
Bank balances and cash	5,199	5,199
Deposits maturing within 3 months from the acquisition date	183,088	181,568
Total	188,287	186,767
Combined balances		
Bank balances and cash	67,936	61,363
Deposits maturing within 3 months from the acquisition date	385,705	342,013
Total	453,641	403,376

All bank balances and deposits are placed with SAMA regulated local banks.

7. SHORT TERM FIXED INCOME DEPOSITS

Short term fixed income deposits maturing after 3 and before 12 months from the deposit placement date are as follows:

	30 Jun 2020	Audited 31 Dec 2019
Insurance operations	40,000	40,000
Shareholders' operations	0	0
Total	40,000	40,000

All bank balances and deposits are placed with SAMA regulated local banks.

8. STATUTORY DEPOSIT

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The Company maintains a deposit of SAR 30,000,000 (31 December 2019: SAR 30,000,000) in a deposit account at The Saudi British Bank. This deposit was increased during 2018 by SAR 10,000,000 following the bonus share issue detailed in Note 25. This deposit cannot be withdrawn without SAMA's consent and the Company does not earn commission from the deposit.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

9. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivable comprise amounts due from the following:

	30 Jun 2020	Audited 31 Dec 2019
Non related parties		
Policyholders	47,715	40,752
Brokers and agents	21,101	50,028
Receivables from reinsurers	2,757	12,095
Premiums and reinsurers' receivable – gross	71,573	102,875
Provision for doubtful receivables	(10,350)	(5,620)
Premiums and reinsurers' receivable – net	61,223	97,255
Related parties		
Policyholders	57,606	8,970
Provision for doubtful receivables	(6,700)	(1,500)
Due from related parties – net	50,906	7,470
Movement in the combined provision		
Balance at start of year	7,120	18,100
Provided / (Reversal)	9,930	(10,980)
Written off	0	0
Balance at end of period	17,050	7,120

Ageing of receivables:

	Not Due or Impaired	Due but not impaired			Due and age impaired		Total
		0 - 30 Days	31 - 90 Days	91 - 180 Days	181 - 365 Days	> 365 Days	
30 Jun 2020							
Non related parties							
Policyholders	14,882	12,123	9,743	8,704	797	1,466	47,715
Brokers and agents	1,129	7,526	4,480	5,780	1,971	215	21,101
Reinsurers	0	1,641	(19)	45	884	206	2,757
Total	16,011	21,290	14,204	14,529	3,652	1,887	71,573
Related parties	48,611	216	3,258	4,730	594	197	57,606
31 Dec 2019 – Audited							
Non related parties							
Policyholders	20,966	7,845	5,532	1,773	2,972	1,664	40,752
Brokers and agents	38,885	5,813	4,639	682	179	(170)	50,028
Reinsurers	0	7,952	348	3,978	(388)	205	12,095
Total	59,851	21,610	10,519	6,433	2,763	1,699	102,875
Related Parties	5,697	382	1,660	1,239	(10)	2	8,970

The Company only enters into insurance and reinsurance contracts with recognised credit worthy parties. All customers wishing to trade on credit terms are subject to credit verification procedures. All receivables are continuously monitored to minimise exposure to bad debts. The five largest receivables at 30 June 2020 account for 47% of the total (31 December 2019: 64%).

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

10. DEFERRED COSTS

	Excess of Loss	Policy Acquisition	Third Party Administrator	Withholding Tax	Regulators' Levies
Payable					
Balance 31 Dec 2018	0	3,960	148	12,227	1,470
Provided	1,991	21,431	7,786	6,516	5,750
Paid	(1,991)	(21,348)	(7,390)	(9,886)	(5,459)
Balance 31 Dec 2019 – Audited	0	4,043	544	8,857	1,761
Balance 31 Dec 2019	0	4,043	544	8,857	1,761
Provided	2,146	6,149	4,114	5,995	3,056
Paid	(1,073)	(7,655)	(4,478)	(3,168)	(4,126)
Balance 30 Jun 2020	1,073	2,537	180	11,684	691
Deferral					
Balance 31 Dec 2018	0	7,307	2,476	1,584	2,829
Provided	1,991	21,431	7,786	6,516	5,750
Incurred	(1,991)	(20,837)	(7,768)	(6,334)	(6,588)
Balance 31 Dec 2019 – Audited	0	7,901	2,494	1,766	1,991
Balance 31 Dec 2019	0	7,901	2,494	1,766	1,991
Provided	2,146	6,149	4,114	5,995	3,056
Incurred	(1,073)	(8,013)	(3,710)	(3,330)	(2,711)
Balance 30 Jun 2020	1,073	6,037	2,898	4,431	2,336

	Three Months to		Year to Date to	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Net charge incurred				
Excess of Loss				
Provided	1	1	2,146	1,992
Opening deferral reversal	1,609	1,493	0	0
Closing deferral	(1,073)	(996)	(1,073)	(996)
Incurred	537	498	1,073	996
Policy Acquisition				
Provided	2,684	4,871	6,149	9,805
Opening deferral reversal	7,033	7,064	7,901	7,307
Closing deferral	(6,037)	(6,617)	(6,037)	(6,617)
Incurred	3,680	5,318	8,013	10,495
Third Party Administrator				
Provided	895	1,146	4,114	4,653
Opening deferral reversal	3,775	4,361	2,494	2,476
Closing deferral	(2,898)	(3,484)	(2,898)	(3,484)
Incurred	1,772	2,023	3,710	3,645
Withholding Tax				
Provided	1,142	1,793	5,995	5,834
Opening deferral reversal	5,022	4,087	1,766	1,584
Closing deferral	(4,431)	(3,704)	(4,431)	(3,704)
Incurred	1,733	2,176	3,330	3,714
Regulators' Levies				
Provided	690	930	3,056	3,421
Opening deferral reversal	2,970	3,593	1,991	2,829
Closing deferral	(2,336)	(2,702)	(2,336)	(2,702)
Incurred	1,324	1,821	2,711	3,548

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

11. INVESTMENTS

There are no investments for insurance operations at 30 June 2020 (31 December 2019: None).

All investments shown below are for shareholders' operations.

Classification of investment balances	30 Jun 2020	30 Jun 2019	Audited 31 Dec 2019
Available for sale	224,023	214,179	234,134
Total investments	224,023	214,179	234,134

Movement in investments	30 Jun 2020	30 Jun 2019	Audited 31 Dec 2019
Investments at cost	229,148	196,625	196,625
Cumulative unrealised gains / (losses)	4,986	2,276	2,276
Total balance at start	234,134	198,901	198,901

Purchases at cost	10,000	50,000	111,354
Disposals at cost	(11,000)	(35,831)	(78,831)
Net movement at cost	(1,000)	14,169	32,523

Net change in fair value of investments	(9,111)	5,168	10,632
Net realised amounts transferred to statement of income	0	(4,059)	(7,922)
Net change in unrealised fair value of investments	(9,111)	1,109	2,710

Impairment of investments	0	0	0
----------------------------------	----------	----------	----------

Investments at cost	228,148	210,794	229,148
Cumulative unrealised gains / (losses)	(4,125)	3,385	4,986
Total balance at end	224,023	214,179	234,134

Realised gains / (losses) to statement of income	Three Months to 30 Jun 2020	Year to Date to 30 Jun 2020	Three Months to 30 Jun 2019	Year to Date to 30 Jun 2019	Audited Full Year to 31 Dec 2019
Proceeds from disposal of investments	9,083	11,000	1,084	39,890	86,753
Costs of investments sold	(9,083)	(11,000)	(1,083)	(35,831)	(78,831)
Realised gains / (losses)	0	0	1	4,059	7,922

All numbers in this paragraph are stated in Saudi Riyals whole numbers and are not rounded to thousands. An investment of SAR 3,000,000 in a Sukuk issued by an entity controlled or significantly influenced by a related party was redeemed in full on 07 March 2019. This investment generated an income for the six month period ended 30 June 2020 of Nil (six month period ended 30 June 2019: 25,179).

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

12. FAIR VALUES OF FINANCIAL INSTRUMENTS**Determination of fair value**

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants at the measurement date.

Underlying the definition of fair value is a presumption that the enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms and 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 advantageous accessible market for the asset or liability.

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined, they are calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

Fair value hierarchy

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

- Level 1: Quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

Carrying amounts and fair values

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

No financial instruments measured at fair value exist for insurance operations at 30 June 2020 (31 December 2019: None).

Available for sale investments are the only financial instruments measured at fair value for shareholders' operations.

Available for Sale Investments	Level 1	Level 2	Level 3	Carrying Value
Mutual funds	115,723	0	0	115,723
Sukuk	0	94,846	0	94,846
Equities	11,531	0	1,923	13,454
Total 30 Jun 2020	127,254	94,846	1,923	224,023
Mutual funds	105,910	0	0	105,910
Sukuk	0	106,346	0	106,346
Equities	0	0	1,923	1,923
Total 30 Jun 2019	105,910	106,346	1,923	214,179
Mutual funds	115,525	0	0	115,525
Sukuk	0	104,179	0	104,179
Equities	12,507	0	1,923	14,430
Total 31 Dec 2019 – Audited	128,032	104,179	1,923	234,134

There were no transfers or reclassifications between or within levels during the six month period ended 30 June 2020 (year ended 31 December 2019: None).

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Measurement of fair values for above level categories

- The Level 1 mutual funds are valued based on quoted market price.
- Fair values for the Level 2 sukuk holdings are determined based on broker quotes.
- The Level 3 unquoted equity investment represents the Company's holding in Najm for Insurance Services ("Najm"), a service provider to the motor insurance industry in Saudi Arabia. Najm is jointly owned by the insurance companies participating in motor class. Carrying value is currently reflected at historical cost. The annual financial statements of Najm are examined and analysed to assess any need for impairment.

The analysis of available for sale investments held at fair value is shown in Note 11.

13. PROPERTY AND EQUIPMENT – NET

	Leasehold Fixtures	Office Furniture	Office Equipment	Motor Vehicles	IT Equipment	Capital Work in Progress	Total
Cost							
Balance 31 Dec 2018	5,294	1,504	3,353	235	7,614	442	18,442
Additions	0	0	0	0	18	61	79
Disposals	0	0	0	0	0	77	77
Balance 31 Dec 2019 – Audited	5,294	1,504	3,353	235	7,632	580	18,598
Balance 31 Dec 2019	5,294	1,504	3,353	235	7,632	580	18,598
Additions	0	0	8	0	863	0	871
Disposals	0	0	0	(62)	(4)	(442)	(508)
Balance 30 Jun 2020	5,294	1,504	3,361	173	8,491	138	18,961
Depreciation							
Balance 31 Dec 2018	3,603	1,138	2,905	180	6,021	0	13,847
Additions	372	138	86	23	625	0	1,244
Disposals	0	0	0	0	0	0	0
Balance 31 Dec 2019 – Audited	3,975	1,276	2,991	203	6,646	0	15,091
Balance 31 Dec 2019	3,975	1,276	2,991	203	6,646	0	15,091
Additions	220	65	103	12	493	0	893
Disposals	0	0	0	(62)	(3)	0	(65)
Balance 30 Jun 2020	4,195	1,341	3,094	153	7,136	0	15,919
Net Book Value 31 Dec 2019 – Audited	1,319	228	362	32	986	580	3,507
Net Book Value 30 Jun 2020	1,099	163	267	20	1,355	138	3,042

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

14. INTANGIBLE ASSETS – NET

	IT Systems	Capital Work in Progress					Total
Cost							
Balance 31 Dec 2018	13,120	5,815					18,935
Additions	434	1,294					1,728
Disposals	(77)	0					(77)
Balance 31 Dec 2019 – Audited	13,477	7,109					20,586
Balance 31 Dec 2019	13,477	7,109					20,586
Additions	160	935					1,095
Disposals	0	0					0
Balance 30 Jun 2020	13,637	8,044					21,681
Depreciation							
Balance 31 Dec 2018	11,378	0					11,378
Additions	757	0					757
Disposals	0	0					0
Balance 31 Dec 2019 – Audited	12,135	0					12,135
Balance 31 Dec 2019	12,135	0					12,135
Additions	309	0					309
Disposals	0	0					0
Balance 30 Jun 2020	12,444	0					12,444
Net Book Value 31 Dec 2019 – Audited	1,342	7,109					8,451
Net Book Value 30 Jun 2020	1,193	8,044					9,237

15. PURCHASE OF INSURANCE PORTFOLIO AND RELATED BUSINESS, ASSETS AND LIABILITIES OF ARABIAN SHIELD INSURANCE COMPANY EC

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 01 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of SAR 49,100,000.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to SAR 20,825,600 as per the audited financial statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to SAR 69,925,600.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by SAR 2,306,137 to SAR 46,793,863. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from SAR 69,925,600 to SAR 67,619,463 which has been fully paid with no further amounts owing.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

16. ACCOUNTS PAYABLE

	30 Jun 2020	Audited 31 Dec 2019
Policy acquisition costs payable	2,537	4,043
Third party administrator payable	180	544
Other accounts payable	26,023	20,919
Total	28,740	25,506

17. REINSURERS' BALANCES PAYABLE

	30 Jun 2020	Audited 31 Dec 2019
Excess of Loss contracts	1,073	0
Other contracts	41,352	15,108
Total	42,425	15,108

18. ANALYSIS OF WRITTEN AND EARNED PREMIUMS

Written premiums	Three Months to 30 Jun 2020	Year to Date to 30 Jun 2020	Three Months to 30 Jun 2019	Year to Date to 30 Jun 2019	Audited Full Year to 31 Dec 2019
Gross premiums written	72,951	330,716	96,001	342,671	543,717
Ceded premiums written	(29,097)	(139,822)	(39,167)	(133,840)	(183,752)
Net	43,854	190,894	56,834	208,831	359,965
Excess of loss expenses incurred	(537)	(1,073)	(498)	(996)	(1,991)
Net premiums written	43,317	189,821	56,336	207,835	357,974

Earned premiums	Three Months to 30 Jun 2020	Year to Date to 30 Jun 2020	Three Months to 30 Jun 2019	Year to Date to 30 Jun 2019	Audited Full Year to 31 Dec 2019
Gross premiums earned	125,871	259,337	162,607	316,338	597,380
Ceded premiums earned	(40,459)	(84,406)	(47,504)	(90,420)	(180,701)
Net	85,412	174,931	115,103	225,918	416,679
Excess of loss expenses incurred	(537)	(1,073)	(498)	(996)	(1,991)
Net premiums earned	84,875	173,858	114,605	224,922	414,688

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

19. MOVEMENT IN UNEARNED PREMIUMS

	Gross	Reinsurance	Net
Three Months to 30 Jun 2020			
Balance at start of period	291,678	(103,218)	188,460
Premium written during period	72,951	(29,634)	43,317
Premium earned during period	(125,871)	40,996	(84,875)
Balance at end of period	238,758	(91,856)	146,902
Change in unearned premiums	(52,920)	11,362	(41,558)
Year to Date to 30 Jun 2020			
Balance at start of year	167,379	(36,440)	130,939
Premium written during period	330,716	(140,895)	189,821
Premium earned during period	(259,337)	85,479	(173,858)
Balance at end of period	238,758	(91,856)	146,902
Change in unearned premiums	71,379	(55,416)	15,963
Three Months to 30 Jun 2019			
Balance at start of period	313,981	(85,146)	228,835
Premium written during period	96,001	(39,665)	56,336
Premium earned during period	(162,607)	48,002	(114,605)
Balance at end of period	247,375	(76,809)	170,566
Change in unearned premiums	(66,606)	8,337	(58,269)
Year to Date to 30 Jun 2019			
Balance at start of year	221,042	(33,389)	187,653
Premium written during period	342,671	(134,836)	207,835
Premium earned during period	(316,338)	91,416	(224,922)
Balance at end of period	247,375	(76,809)	170,566
Change in unearned premiums	26,333	(43,420)	(17,087)
Full Year ended 31 Dec 2019 – Audited			
Balance at start of year	221,042	(33,389)	187,653
Premium written during year	543,717	(185,743)	357,974
Premium earned during year	(597,380)	182,692	(414,688)
Balance at end of year	167,379	(36,440)	130,939
Change in unearned premiums	(53,663)	(3,051)	(56,714)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

20. ANALYSIS OF WRITTEN AND EARNED REINSURANCE COMMISSION

Written commission	Three Months to 30 Jun 2020	Year to Date to 30 Jun 2020	Three Months to 30 Jun 2019	Year to Date to 30 Jun 2019	Audited Full Year to 31 Dec 2019
Standard commission written	5,983	22,678	8,263	25,327	36,527
Profit commission written	1,229	1,754	284	1,549	2,013
Total commission written	7,212	24,432	8,547	26,876	38,540
Earned commission	Three Months to 30 Jun 2020	Year to Date to 30 Jun 2020	Three Months to 30 Jun 2019	Year to Date to 30 Jun 2019	Full Year to 31 Dec 2019
Standard commission earned	6,634	14,330	9,331	17,906	36,021
Profit commission earned	1,229	1,754	284	1,549	2,013
Total commission earned	7,863	16,084	9,615	19,455	38,034

21. MOVEMENT IN UNEARNED REINSURANCE COMMISSION

	Standard Commission	Profit Commission	Total Commission
Three Months to 30 Jun 2020			
Balance at start of period	16,352	0	16,352
Commission written during period	5,983	1,229	7,212
Commission earned during period	(6,634)	(1,229)	(7,863)
Balance at end of period	15,701	0	15,701
Change in unearned commission	(651)	0	(651)
Year to Date to 30 Jun 2020			
Balance at start of year	7,353	0	7,353
Commission written during period	22,678	1,754	24,432
Commission earned during period	(14,330)	(1,754)	(16,084)
Balance at end of period	15,701	0	15,701
Change in unearned commission	8,348	0	8,348
Three Months to 30 Jun 2019			
Balance at start of period	15,336	0	15,336
Commission written during period	8,263	284	8,547
Commission earned during period	(9,331)	(284)	(9,615)
Balance at end of period	14,268	0	14,268
Change in unearned commission	(1,068)	0	(1,068)
Year to Date to 30 Jun 2019			
Balance at start of year	6,847	0	6,847
Commission written during period	25,327	1,549	26,876
Commission earned during period	(17,906)	(1,549)	(19,455)
Balance at end of period	14,268	0	14,268
Change in unearned commission	7,421	0	7,421
Full Year ended 31 Dec 2019 – Audited			
Balance at start of year	6,847	0	6,847
Commission written during year	36,527	2,013	38,540
Commission earned during year	(36,021)	(2,013)	(38,034)
Balance at end of year	7,353	0	7,353
Change in unearned commission	506	0	506

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

22. NET OUTSTANDING CLAIMS AND TECHNICAL RESERVES

	30 Jun 2020	30 Jun 2019	Audited 31 Dec 2019
Outstanding gross claims	126,732	168,481	141,054
Less realisable value of salvage and subrogation	0	0	0
Sub Total	126,732	168,481	141,054
Gross claims incurred but not reported	182,379	189,915	178,325
Premium deficiency reserve	7,600	4,500	2,000
Other technical reserves	9,000	9,000	9,000
Outstanding gross claims and technical reserves	325,711	371,896	330,379
Less reinsurers' share of outstanding gross claims	(76,894)	(83,751)	(89,304)
Less reinsurers' share of gross claims incurred but not reported	(67,634)	(76,396)	(73,250)
Outstanding claims and technical reserves, net	181,183	211,749	167,825

23. MOVEMENT IN OUTSTANDING CLAIMS AND TECHNICAL RESERVES

Year to Date to 30 Jun 2020	Gross	Reinsurers	Net
Outstanding claims	141,054	(89,304)	51,750
IBNR reserve	178,325	(73,250)	105,075
Premium deficiency reserve	2,000	0	2,000
Other technical reserves	9,000	0	9,000
Total at start of year	330,379	(162,554)	167,825
Provided claims	119,358	(9,710)	109,648
Provided IBNR reserve	4,054	5,616	9,670
Provided premium deficiency reserve	5,600	0	5,600
Provided other technical reserves	0	0	0
Total provided during the period	129,012	(4,094)	124,918
Paid claims during the period	(133,680)	22,120	(111,560)
Outstanding claims	126,732	(76,894)	49,838
Outstanding IBNR reserve	182,379	(67,634)	114,745
Outstanding premium deficiency reserve	7,600	0	7,600
Outstanding other technical reserves	9,000	0	9,000
Total at end of period	325,711	(144,528)	181,183
Change in outstanding claims	(14,322)	12,410	(1,912)
Change in IBNR reserve	4,054	5,616	9,670
Change in premium deficiency reserve	5,600	0	5,600
Change in other technical reserves	0	0	0

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Year to Date to 30 Jun 2019	Gross	Reinsurers	Net
Outstanding claims	173,569	(71,391)	102,178
IBNR reserve	194,280	(81,748)	112,532
Premium deficiency reserve	4,900	0	4,900
Other technical reserves	9,925	0	9,925
Total at start of year	382,674	(153,139)	229,535
Provided claims	243,137	(38,013)	205,124
Provided IBNR reserve	(4,365)	5,352	987
Provided premium deficiency reserve	(400)	0	(400)
Provided other technical reserves	(925)	0	(925)
Total provided during the period	237,447	(32,661)	204,786
Paid claims during the period	(248,225)	25,653	(222,572)
Outstanding claims	168,481	(83,751)	84,730
Outstanding IBNR reserve	189,915	(76,396)	113,519
Outstanding premium deficiency reserve	4,500	0	4,500
Outstanding other technical reserves	9,000	0	9,000
Total at end of period	371,896	(160,147)	211,749
Change in outstanding claims	(5,088)	(12,360)	(17,448)
Change in IBNR reserve	(4,365)	5,352	987
Change in premium deficiency reserve	(400)	0	(400)
Change in other technical reserves	(925)	0	(925)
Full Year to 31 Dec 2019 – Audited	Gross	Reinsurers	Net
Outstanding claims	173,569	(71,391)	102,178
IBNR reserve	194,280	(81,748)	112,532
Premium deficiency reserve	4,900	0	4,900
Other technical reserves	9,925	0	9,925
Total at start of year	382,674	(153,139)	229,535
Provided claims	469,657	(78,611)	391,046
Provided IBNR reserve	(15,955)	8,498	(7,457)
Provided premium deficiency reserve	(2,900)	0	(2,900)
Provided other technical reserves	(925)	0	(925)
Total provided during the year	449,877	(70,113)	379,764
Paid claims during the year	(502,172)	60,698	(441,474)
Outstanding claims	141,054	(89,304)	51,750
Outstanding IBNR reserve	178,325	(73,250)	105,075
Outstanding premium deficiency reserve	2,000	0	2,000
Outstanding other technical reserves	9,000	0	9,000
Total at end of year	330,379	(162,554)	167,825
Change in outstanding claims	(32,515)	(17,913)	(50,428)
Change in IBNR reserve	(15,955)	8,498	(7,457)
Change in premium deficiency reserve	(2,900)	0	(2,900)
Change in other technical reserves	(925)	0	(925)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

24. PROVISION FOR ZAKAT AND INCOME TAX

Zakat and income tax have been provided for in accordance with regulations currently in force in Saudi Arabia.

The temporary and permanent differences between financial and adjusted taxable results are mainly due to adjustments to depreciation, provisions and other items in accordance with the income tax regulations. Deferred tax arising out of these differences is not significant and accordingly was not provided for.

Zakat is calculated on Saudi shareholders' share of adjusted equity subject to a minimum base equal to the relevant share of adjusted net profit. Foreign shareholders are subject to income tax calculated on the relevant share of adjusted net profit.

	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>
<u>Percentages applicable to zakat and income tax</u>		
Shareholding percentage subject to zakat	92%	92%
Shareholding percentage subject to income tax	8%	8%
 <u>Movement on zakat account</u>		
Balance 31 Dec 2018		26,511
Provided		9,513
Paid		(4,965)
Balance 31 Dec 2019		31,059
 Balance 31 Dec 2019		31,059
Provided		5,697
Paid		747
Balance 30 Jun 2020		37,503
 <u>Movement on income tax account</u>		
Balance 31 Dec 2018		1,969
Provided		164
Paid		(1,181)
Balance 31 Dec 2019		952
 Balance 31 Dec 2019		952
Provided		505
Paid		(748)
Balance 30 Jun 2020		709

Status of assessments

The Company has filed zakat and income tax returns for the period from incorporation to 31 December 2008 and for each of the years ended 31 December 2009 to 31 December 2018. The return for the year ended 31 December 2019 will be filed before 29 July 2020.

The returns filed covering periods to 31 December 2014 have been agreed and finalised with GZAT and zakat and income tax liabilities arising thereon have been discharged in full. Final assessments are awaited for the remaining outstanding years.

25. SHARE CAPITAL

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The authorised, issued and fully paid share capital of the Company is SAR 300,000,000 (31 December 2019: SAR 300,000,000) consisting of 30,000,000 (31 December 2019: 30,000,000) shares each with a nominal value of 10 Saudi Riyals.

The Board of Directors resolved in their meeting held on 15 February 2018 to increase the share capital subject to receiving the required approvals of the relevant authorities and thereafter the approval of shareholders.

The resolution provided for a share capital increase from SAR 200,000,000 to SAR 300,000,000 by issuing one bonus share for every two shares held thereby increasing the number of shares in issue from 20,000,000 shares to 30,000,000 shares with the additional SAR 100,000,000 share capital generated by capitalising SAR 80,000,000 from retained earnings and SAR 20,000,000 from statutory reserve.

Approval was received from the Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA) on 01 March 2018 and 15 March 2018 respectively. Approval from shareholders was obtained in the extraordinary general assembly meeting held on 21 May 2018 and the bonus shares were issued on 22 May 2018.

The total transaction costs relating to the bonus share issue amounted to SAR 76,991.

The Commercial Registration Certificate was amended with effect from 24 July 2018 to reflect the increase in share capital following the bonus share issue.

The shareholders of the Company are subject to zakat and income tax.

26. STATUTORY RESERVE

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

In compliance with the Cooperative Insurance Law, the Implementing Regulations and the Articles, 20% of shareholders' net profit (as defined below) is transferred to statutory reserve at the end of each financial year until the statutory reserve amounts to 100% of the paid capital.

At 31 December 2019 Statutory Reserve represents 20% of shareholders' net profit (as defined below) earned from incorporation to 31 December 2019 (2018: 20% of shareholders' net profit earned from incorporation to 31 December 2018).

In calculating Statutory Reserve, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

The Statutory Reserve is not available for distribution but it may be converted to share capital in funding a bonus share issue.

The Statutory Reserve calculated on the above basis was reduced by SAR 20,000,000 on 22 May 2018 as a result of the issue of bonus shares on that date.

Transfer to Statutory Reserve in respect of the year ending 31 December 2020 will be determined at 31 December 2020 and no transfer has been made in the six month period ended 30 June 2020 (six month period ended 30 June 2019: Nil).

27. EARNINGS PER SHARE

Earnings per share is calculated by dividing shareholders' net profit (as defined below) by the weighted average number of issued shares during the period.

In calculating earnings per share, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

As there are no dilutive effects, basic and diluted SAR earnings per share are the same.

Earnings per share is calculated based on the revised number of shares in issue following the bonus share issue on 22 May 2018.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

28. POLICYHOLDERS' SURPLUS DISTRIBUTION PAYABLE

Balance 31 Dec 2018	2,697
Surplus earned during year	0
Paid during year	0
Balance 31 Dec 2019 – Audited	2,697
Balance 31 Dec 2019 – Audited	2,697
Surplus earned during period	1,412
Paid during period	(1,266)
Balance 30 Jun 2020	2,843

29. CAPITAL MANAGEMENT

All numbers in this Note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

Objectives are set by the Company to optimise the structure and sources of capital and maintain healthy capital ratios to support its business objectives and consistently maximise returns to shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximising the return to stakeholders. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, statutory reserves, retained earnings and fair value reserve on investments.

The Implementing Regulations detail a minimum solvency margin requirement calculated as the highest of the following:

- Minimum net assets of SAR 100,000,000 – calculated after adjusting for admissibility factors
- Premium solvency margin calculation
- Claims solvency margin calculation

The Company is in compliance with all externally imposed capital requirements. The capital structure of the Company as shown in the statement of financial position as at 30 June 2020 totals SAR 439,138,000 consisting of paid-up share capital SAR 300,000,000, statutory reserves SAR 34,535,000, retained earnings SAR 108,728,000 and fair value loss on investments (SAR 4,125,000) (at 31 December 2019 totals SAR 437,659,000 consisting of paid-up share capital SAR 300,000,000, statutory reserves SAR 34,535,000, retained earnings SAR 98,138,000 and fair value reserve on investments SAR 4,986,000).

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

30. RELATED PARTY TRANSACTIONS AND BALANCES

All numbers in this page are stated in Saudi Riyal whole numbers and are not rounded to thousands.

Definitions and explanations

Related parties represent shareholders, both individual and corporate, directors, members of the audit, executive, investment, risk and nomination and remuneration committees, the board secretary, key executives and entities controlled (including jointly controlled) or significantly influenced by such parties. The immediate families of the above are related parties.

Key Executives, in the context of defining Related Parties, for the six month period ended 30 June 2020 means the following five people (six month period ended 30 June 2019: six people) – the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the three other executives (six month period ended 30 June 2019: four other executives) who earned the highest remuneration.

All transactions with related parties are made on an arm's length basis and no conflicts or potential conflicts of interest were identified during the six month period ended 30 June 2020 (six month period ended 30 June 2019: None). Amounts due to related parties do not include amounts provided for outstanding claims under processing or IBNR. Balances due to or from related parties are unsecured, interest free and are settled in cash and no guarantees have been made or received in relation to any related party transaction or balance.

An impairment assessment is undertaken examining the financial position of and the market in which each related party operates. For the six month period ended 30 June 2020, the Company has not recorded any impairment of receivables relating to amounts due from related parties (six month period ended 30 June 2019: Nil).

Transactions with related parties are in respect of purchase of insurance portfolio and related business, investments, remuneration and annual insurance contracts.

Purchase from a related party of insurance portfolio and related business

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 1 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of 49,100,000.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to 20,825,600 as per the audited financial statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to 69,925,600.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by 2,306,137 to 46,793,863. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from 69,925,600 to 67,619,463 which has been fully paid with no further amounts owing.

Investment in a related party

An investment of SAR 3,000,000 in a Sukuk Issued by an entity controlled or significantly influenced by a related party was redeemed in full on 07 March 2019. This investment generated an income for the six month period ended 30 June 2020 of Nil (six month period ended 30 June 2019: 25,179).

Remuneration of Board of Directors and Committee Members for year ended 31 December 2019

A provision amounting to 1,140,000 was made in the financial statements for year ended 31 December 2019 in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees and approval to pay up to this amount was granted at the Annual General Assembly held on 30 June 2020.

Remuneration of Board Secretary for year ended 31 December 2019

A provision amounting to 60,000 was made in the financial statements for year ended 31 December 2019, in respect of remuneration for the Board Secretary and approval to pay up to this amount was granted at the Annual General Assembly held on 30 June 2020.

Remuneration of Board of Directors and Committee Members for the six month period ended 30 June 2020

A provision amounting to 875,000 was made in the financial statements for the six month period ended 30 June 2020 (six month period ended 30 June 2019: 600,000) in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees. The full year provision for 2020 will be determined at 31 December 2020 following which approval for payment shall be sought.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Salaries and Allowances of Key Executives

Salaries and Allowances encompass all elements of compensation including provision for end of service benefit.

Salaries and Allowances	Three Months to		Year to Date to	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Provided and paid for key executives	1,259	1,868	3,363	3,673

Transactions with and amounts due to and from related parties

Transactions with related parties	Three Months to		Year to Date to	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Gross written premiums from related parties				
Shareholders	(80)	(3)	122	291
Directors	0	0	0	0
Committees, board secretary and key executives	(2)	0	15	(1)
Entities controlled or significantly influenced	27,426	30,799	195,002	177,472
Ceded written premiums to related parties				
Entities controlled or significantly influenced	1	4,150	31	4,126
Commissions from related parties				
Entities controlled or significantly influenced	0	402	6	421
Commissions to related parties				
Entities controlled or significantly influenced	(1)	0	(1)	10
Gross claims incurred by related parties				
Shareholders	14	28	14	57
Directors	0	0	0	0
Committees, board secretary and key executives	0	0	0	0
Entities controlled or significantly influenced	12,713	57,056	41,917	126,312
Ceded claims incurred to related parties				
Entities controlled or significantly influenced	0	0	0	0

Amounts due to and from related parties	30 Jun 2020	31 Dec 2019
Amounts due from related parties		
Shareholders	0	0
Directors	0	0
Committees, board secretary and key executives	0	0
Entities controlled or significantly influenced	57,606	8,970
Provision	(6,700)	(1,500)
Total due from related parties, net	50,906	7,470
Amounts due to related parties		
Shareholders	0	169
Committees, board secretary and key executives	0	0
Entities controlled or significantly influenced	316	19,140
Total due to related parties	316	19,309

31. SEGMENT REPORTING

Segment reporting is not undertaken for shareholders' operations, assets and liabilities.

Insurance operations - geographic segments:

The Company has since incorporation operated primarily in Saudi Arabia.

Insurance operations - operating segments:

Operating segments are identified on the basis of internal reports concerning components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to segments and assess performance.

Transactions between operating segments are on normal commercial terms and conditions.

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of income.

There have been no changes to the basis of segmentation or the measurement basis for segment profits or losses since 31 December 2019.

Unallocated assets not subject to segmentation are cash and cash equivalents, short term fixed income deposits, premiums and reinsurers' receivable – net, investments, due from related parties – net, prepaid expenses and other assets, property and equipment – net, intangible assets – net, goodwill, statutory deposits and accrued income on statutory deposits.

Unallocated liabilities not subject to segmentation are accrued and other liabilities, due to related parties, accounts payable, withholding tax provision, regulators' levies provision, end-of-service indemnities, policyholders' surplus distribution payable, zakat, income tax and accrued commission income payable to SAMA.

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

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 30 June 2020 and 31 December 2019 and for its total revenues, expenses and net income for the three and six month periods ended 30 June 2020 and 30 June 2019 respectively are as follows:

Operating segments 30 Jun 2020	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	30,575	0	48,717	12,564	91,856	0	91,856
Reinsurers' share of outstanding gross claims	19,915	0	28,051	28,928	76,894	0	76,894
Reinsurers' share of gross claims incurred but not reported	48,900	0	8,734	10,000	67,634	0	67,634
Deferred excess of loss expenses	449	0	624	0	1,073	0	1,073
Deferred policy acquisition costs	1,473	1,961	1,666	937	6,037	0	6,037
Deferred third party administrator expenses	0	2,898	0	0	2,898	0	2,898
Deferred withholding tax	1,529	0	2,273	629	4,431	0	4,431
Deferred regulators' levies	257	1,738	269	72	2,336	0	2,336
Total allocated assets	103,098	6,597	90,334	53,130	253,159	0	253,159
Unallocated assets:							
Cash and cash equivalents					265,354	188,287	453,641
Short term fixed income deposits					40,000	0	40,000
Premiums and reinsurers' receivable – net					61,223	0	61,223
Investments					0	224,023	224,023
Due from related parties – net					50,906	0	50,906
Prepaid expenses and other assets					18,873	7,835	26,708
Property and equipment – net					3,042	0	3,042
Intangible assets – net					9,237	0	9,237
Goodwill					0	46,794	46,794
Statutory deposit					0	30,000	30,000
Accrued income and statutory deposit					0	2,955	2,955
Total unallocated assets					448,635	499,894	948,529
TOTAL ASSETS					701,794	499,894	1,201,688
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	12,014	0	21,509	8,902	42,425	0	42,425
Unearned gross premiums	51,340	115,870	57,100	14,448	238,758	0	238,758
Unearned reinsurance commission	5,862	0	7,812	2,027	15,701	0	15,701
Outstanding gross claims	34,853	26,453	34,930	30,496	126,732	0	126,732
Gross claims incurred but not reported	97,800	61,500	12,579	10,500	182,379	0	182,379
Premium deficiency reserve	0	7,600	0	0	7,600	0	7,600
Other technical reserves	3,450	3,580	1,350	620	9,000	0	9,000
Total allocated liabilities	205,319	215,003	135,280	66,993	622,595	0	622,595
Unallocated liabilities:							
Accrued and other liabilities					43,266	3,153	46,419
Due to related parties					316	0	316
Accounts payable					28,740	0	28,740
Withholding tax provision					11,684	0	11,684
Regulators' levies provision					691	0	691
End-of-service indemnities					8,095	0	8,095
Policyholders' surplus distribution payable					2,843	0	2,843
Zakat					0	37,503	37,503
Income tax					0	709	709
Accrued commission income payable to SAMA					0	2,955	2,955
Total unallocated liabilities					95,635	44,320	139,955
TOTAL LIABILITIES					718,230	44,320	762,550

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Operating segments 31 Dec 2019	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	16,381	0	15,271	4,788	36,440	0	36,440
Reinsurers' share of outstanding gross claims	18,158	0	40,300	30,846	89,304	0	89,304
Reinsurers' share of gross claims incurred but not reported	52,500	0	10,680	10,070	73,250	0	73,250
Deferred excess of loss expenses	0	0	0	0	0	0	0
Deferred policy acquisition costs	1,376	4,604	1,459	462	7,901	0	7,901
Deferred third party administrator expenses	0	2,494	0	0	2,494	0	2,494
Deferred withholding tax	818	0	710	238	1,766	0	1,766
Deferred regulators' levies	137	1,739	89	26	1,991	0	1,991
Total allocated assets	89,370	8,837	68,509	46,430	213,146	0	213,146
Unallocated assets:							
Cash and cash equivalents					216,609	186,767	403,376
Short term fixed income deposits					40,000	0	40,000
Premiums and reinsurers' receivable – net					97,255	0	97,255
Investments					0	234,134	234,134
Due from related parties – net					7,470	0	7,470
Prepaid expenses and other assets					18,740	3,033	21,773
Property and equipment – net					3,507	0	3,507
Intangible assets – net					8,451	0	8,451
Goodwill					0	46,794	46,794
Statutory deposit					0	30,000	30,000
Accrued income and statutory deposit					0	2,727	2,727
Total unallocated assets					392,032	503,455	895,487
TOTAL ASSETS					605,178	503,455	1,108,633
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	3,524	0	4,735	6,849	15,108	0	15,108
Unearned gross premiums	27,426	115,929	18,741	5,283	167,379	0	167,379
Unearned reinsurance commission	3,141	0	3,358	854	7,353	0	7,353
Outstanding gross claims	33,859	26,428	48,321	32,446	141,054	0	141,054
Gross claims incurred but not reported	105,000	48,000	14,725	10,600	178,325	0	178,325
Premium deficiency reserve	0	2,000	0	0	2,000	0	2,000
Other technical reserves	3,450	3,580	1,350	620	9,000	0	9,000
Total allocated liabilities	176,400	195,937	91,230	56,652	520,219	0	520,219
Unallocated liabilities:							
Accrued and other liabilities					47,187	2,265	49,452
Due to related parties					19,309	0	19,309
Accounts payable					25,506	0	25,506
Withholding tax provision					8,857	0	8,857
Regulators' levies provision					1,761	0	1,761
End-of-service indemnities					8,435	0	8,435
Policyholders' surplus distribution payable					2,697	0	2,697
Zakat					0	31,059	31,059
Income tax					0	952	952
Accrued commission income payable to SAMA					0	2,727	2,727
Total unallocated liabilities					113,752	37,003	150,755
TOTAL LIABILITIES					633,971	37,003	670,974

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Operating segments For the three month period ended 30 Jun 2020	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	11,375	3,498	274	0	15,147
• Very small corporate entities	426	1,447	129	0	2,002
• Small corporate entities	1,794	101	788	0	2,683
• Medium corporate entities	964	592	633	0	2,189
• Large corporate entities	1,814	28,764	15,436	4,916	50,930
Gross premiums written – total	16,373	34,402	17,260	4,916	72,951
Reinsurance premiums ceded – local	(1,626)	0	(1,917)	(1)	(3,544)
Reinsurance premiums ceded – foreign	(8,119)	0	(12,852)	(4,582)	(25,553)
Excess of loss expenses	(225)	0	(312)	0	(537)
Net premiums written	6,403	34,402	2,179	333	43,317
Change in unearned gross premiums	6,147	36,605	6,898	3,270	52,920
Change in reinsurers' share of unearned gross premiums	(3,677)	0	(5,097)	(2,588)	(11,362)
Net premiums earned	8,873	71,007	3,980	1,015	84,875
Reinsurance commissions	2,573	0	4,109	1,181	7,863
Other underwriting income	86	236	0	0	322
TOTAL REVENUES	11,532	71,243	8,089	2,196	93,060
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(8,388)	(29,489)	(1,314)	(4,515)	(43,706)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	4,859	0	1,214	4,250	10,323
Net claims paid	(3,529)	(29,489)	(100)	(265)	(33,383)
Change in outstanding gross claims	(393)	(7,069)	13,596	117	6,251
Change in reinsurers' share of outstanding gross claims	1,495	0	(12,249)	(90)	(10,844)
Change in gross IBNR	0	(13,611)	2,245	0	(11,366)
Change in reinsurers' share of gross IBNR	0	0	(1,999)	0	(1,999)
Net claims incurred	(2,427)	(50,169)	1,493	(238)	(51,341)
Premium deficiency reserve	0	(5,600)	0	0	(5,600)
Other technical reserves	0	0	0	0	0
Policy acquisition costs	(735)	(1,675)	(704)	(566)	(3,680)
Third party administrator expenses	(10)	(1,762)	0	0	(1,772)
Withholding tax	(600)	0	(774)	(359)	(1,733)
Regulators' levies	(104)	(1,065)	(114)	(41)	(1,324)
Other underwriting expenses	(522)	(219)	(45)	(143)	(929)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,398)	(60,490)	(144)	(1,347)	(66,379)
NET UNDERWRITING INCOME / (LOSS)	7,134	10,753	7,945	849	26,681
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(1,103)	(3,631)	(1,231)	(460)	(6,425)
General and administrative expenses	(4,648)	(3,983)	(3,320)	(1,328)	(13,279)
Depreciation and amortisation	(246)	(210)	(176)	(70)	(702)
Commission income on deposits	304	261	218	87	870
Commission income on sukuk	0	0	0	0	0
Dividend income	0	0	0	0	0
Realised gain / (loss) on investments	0	0	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(5,693)	(7,563)	(4,509)	(1,771)	(19,536)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	1,441	3,190	3,436	(922)	7,145
Absorption of deficit by / transfer of surplus to Shareholders' Operations	(1,297)	(2,871)	(3,092)	830	(6,430)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	144	319	344	(92)	715

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Operating segments For the year to date to 30 Jun 2020	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	36,290	6,715	1,243	0	44,248
• Very small corporate entities	523	2,800	193	0	3,516
• Small corporate entities	2,711	2,122	1,474	0	6,307
• Medium corporate entities	2,280	1,449	1,472	0	5,201
• Large corporate entities	24,718	133,656	83,513	29,557	271,444
Gross premiums written – total	66,522	146,742	87,895	29,557	330,716
Reinsurance premiums ceded – local	(6,573)	0	(6,301)	87	(12,787)
Reinsurance premiums ceded – foreign	(33,044)	0	(67,995)	(25,996)	(127,035)
Excess of loss expenses	(449)	0	(624)	0	(1,073)
Net premiums written	26,456	146,742	12,975	3,648	189,821
Change in unearned gross premiums	(23,914)	59	(38,359)	(9,165)	(71,379)
Change in reinsurers' share of unearned gross premiums	14,194	0	33,446	7,776	55,416
Net premiums earned	16,736	146,801	8,062	2,259	173,858
Reinsurance commissions	4,875	0	7,806	3,403	16,084
Other underwriting income	2,796	1,876	0	0	4,672
TOTAL REVENUES	24,407	148,677	15,868	5,662	194,614
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(19,129)	(102,987)	(1,636)	(9,928)	(133,680)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	11,287	0	1,506	9,327	22,120
Net claims paid	(7,842)	(102,987)	(130)	(601)	(111,560)
Change in outstanding gross claims	(995)	(25)	13,392	1,950	14,322
Change in reinsurers' share of outstanding gross claims	1,758	0	(12,250)	(1,918)	(12,410)
Change in gross IBNR	7,200	(13,500)	2,146	100	(4,054)
Change in reinsurers' share of gross IBNR	(3,600)	0	(1,946)	(70)	(5,616)
Net claims incurred	(3,479)	(116,512)	1,212	(539)	(119,318)
Premium deficiency reserve	0	(5,600)	0	0	(5,600)
Other technical reserves	0	0	0	0	0
Policy acquisition costs	(1,480)	(3,437)	(1,379)	(1,717)	(8,013)
Third party administrator expenses	(78)	(3,632)	0	0	(3,710)
Withholding tax	(962)	0	(1,460)	(908)	(3,330)
Regulators' levies	(180)	(2,202)	(227)	(102)	(2,711)
Other underwriting expenses	(1,492)	(440)	(180)	(306)	(2,418)
TOTAL UNDERWRITING COSTS AND EXPENSES	(7,671)	(131,823)	(2,034)	(3,572)	(145,100)
NET UNDERWRITING INCOME / (LOSS)	16,736	16,854	13,834	2,090	49,514
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(1,631)	(5,621)	(1,897)	(781)	(9,930)
General and administrative expenses	(9,232)	(7,912)	(6,594)	(2,638)	(26,376)
Depreciation and amortisation	(421)	(360)	(301)	(120)	(1,202)
Commission income on deposits	737	632	527	210	2,106
Commission income on sukuk	0	0	0	0	0
Dividend income	0	0	0	0	0
Realised gain / (loss) on investments	0	0	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(10,547)	(13,261)	(8,265)	(3,329)	(35,402)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	6,189	3,593	5,569	(1,239)	14,112
Absorption of deficit by / transfer of surplus to Shareholders' Operations	(5,569)	(3,234)	(5,012)	1,115	(12,700)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	620	359	557	(124)	1,412

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Operating segments For the three month period ended 30 Jun 2019	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	6,879	7,111	1,629	0	15,619
• Very small corporate entities	172	1,421	311	0	1,904
• Small corporate entities	1,838	4,518	5,981	0	12,337
• Medium corporate entities	2,891	3,037	3,199	159	9,286
• Large corporate entities	1,252	30,311	11,722	13,570	56,855
Gross premiums written – total	13,032	46,398	22,842	13,729	96,001
Reinsurance premiums ceded – local	(1,305)	0	(1,401)	(3)	(2,709)
Reinsurance premiums ceded – foreign	(6,504)	0	(17,437)	(12,517)	(36,458)
Excess of loss expenses	(198)	0	(300)	0	(498)
Net premiums written	5,025	46,398	3,704	1,209	56,336
Change in unearned gross premiums	5,861	56,118	3,203	1,424	66,606
Change in reinsurers' share of unearned gross premiums	(3,500)	0	(3,319)	(1,518)	(8,337)
Net premiums earned	7,386	102,516	3,588	1,115	114,605
Reinsurance commissions	2,062	0	4,379	3,174	9,615
Other underwriting income	0	1,875	0	0	1,875
TOTAL REVENUES	9,448	104,391	7,967	4,289	126,095
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(11,751)	(156,938)	(870)	(4,318)	(173,877)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	6,735	0	413	4,133	11,281
Net claims paid	(5,016)	(156,938)	(457)	(185)	(162,596)
Change in outstanding gross claims	5,712	63,656	(123)	(6,600)	62,645
Change in reinsurers' share of outstanding gross claims	(958)	0	(291)	6,273	5,024
Change in gross IBNR	0	(8,968)	(685)	0	(9,653)
Change in reinsurers' share of gross IBNR	0	0	648	0	648
Net claims incurred	(262)	(102,250)	(908)	(512)	(103,932)
Premium deficiency reserve	0	5,500	0	0	5,500
Other technical reserves	0	0	0	0	0
Policy acquisition costs	(546)	(2,174)	(918)	(1,680)	(5,318)
Third party administrator expenses	0	(2,023)	0	0	(2,023)
Withholding tax	(509)	0	(974)	(693)	(2,176)
Regulators' levies	(88)	(1,537)	(121)	(75)	(1,821)
Other underwriting expenses	(1,624)	(346)	(256)	(122)	(2,348)
TOTAL UNDERWRITING COSTS AND EXPENSES	(3,029)	(102,830)	(3,177)	(3,082)	(112,118)
NET UNDERWRITING INCOME / (LOSS)	6,419	1,561	4,790	1,207	13,977
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(175)	(150)	(125)	(50)	(500)
General and administrative expenses	(4,425)	(3,793)	(3,161)	(1,264)	(12,643)
Depreciation and amortisation	(236)	(202)	(169)	(67)	(674)
Commission income on deposits	697	597	498	198	1,990
Commission income on sukuk	0	0	0	0	0
Dividend income	0	0	0	0	0
Realised gain / (loss) on investments	0	0	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(4,139)	(3,548)	(2,957)	(1,183)	(11,827)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	2,280	(1,987)	1,833	24	2,150
Absorption of deficit by / transfer of surplus to Shareholders' Operations	(2,280)	1,987	(1,833)	(24)	(2,150)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	0	0	0	0	0

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Operating segments For the year to date to 30 Jun 2019	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	15,084	10,268	2,624	0	27,976
• Very small corporate entities	567	3,682	574	0	4,823
• Small corporate entities	4,754	8,982	8,437	0	22,173
• Medium corporate entities	3,860	5,960	3,408	159	13,387
• Large corporate entities	21,134	147,447	68,829	36,902	274,312
Gross premiums written – total	45,399	176,339	83,872	37,061	342,671
Reinsurance premiums ceded – local	(4,522)	0	(6,400)	(192)	(11,114)
Reinsurance premiums ceded – foreign	(22,686)	0	(66,475)	(33,565)	(122,726)
Excess of loss expenses	(396)	0	(600)	0	(996)
Net premiums written	17,795	176,339	10,397	3,304	207,835
Change in unearned gross premiums	(6,992)	25,355	(36,396)	(8,300)	(26,333)
Change in reinsurers' share of unearned gross premiums	4,222	0	32,238	6,960	43,420
Net premiums earned	15,025	201,694	6,239	1,964	224,922
Reinsurance commissions	4,032	0	9,189	6,234	19,455
Other underwriting income	3,440	2,949	0	0	6,389
TOTAL REVENUES	22,497	204,643	15,428	8,198	250,766
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(27,760)	(209,387)	(1,393)	(9,685)	(248,225)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	15,546	0	877	9,230	25,653
Net claims paid	(12,214)	(209,387)	(516)	(455)	(222,572)
Change in outstanding gross claims	3,289	14,621	(4,797)	(8,025)	5,088
Change in reinsurers' share of outstanding gross claims	783	0	3,935	7,642	12,360
Change in gross IBNR	12,000	(6,950)	(685)	0	4,365
Change in reinsurers' share of gross IBNR	(6,000)	0	648	0	(5,352)
Net claims incurred	(2,142)	(201,716)	(1,415)	(838)	(206,111)
Premium deficiency reserve	0	400	0	0	400
Other technical reserves	925	0	0	0	925
Policy acquisition costs	(1,005)	(4,480)	(1,633)	(3,377)	(10,495)
Third party administrator expenses	0	(3,645)	0	0	(3,645)
Withholding tax	(941)	0	(1,446)	(1,327)	(3,714)
Regulators' levies	(169)	(3,025)	(211)	(143)	(3,548)
Other underwriting expenses	(1,591)	(422)	(350)	(202)	(2,565)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,923)	(212,888)	(5,055)	(5,887)	(228,753)
NET UNDERWRITING INCOME / (LOSS)	17,574	(8,245)	10,373	2,311	22,013
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(70)	(60)	(50)	(20)	(200)
General and administrative expenses	(8,912)	(7,639)	(6,366)	(2,547)	(25,464)
Depreciation and amortisation	(455)	(390)	(325)	(130)	(1,300)
Commission income on deposits	1,426	1,223	1,019	407	4,075
Commission income on sukuk	0	0	0	0	0
Dividend income	0	0	0	0	0
Realised gain / (loss) on investments	0	0	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(8,011)	(6,866)	(5,722)	(2,290)	(22,889)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	9,563	(15,111)	4,651	21	(876)
Absorption of deficit by / transfer of surplus to Shareholders' Operations	(9,563)	15,111	(4,651)	(21)	876
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	0	0	0	0	0

32. RISK MANAGEMENT**Risk Governance**

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic targets approved by the Board of Directors.

Risk management structure

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

Board of Directors

The apex of risk governance is the centralised oversight of 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.

Risks faced by the Company

The Company is exposed to insurance, reinsurance, credit, currency, interest rate, liquidity, regulatory framework, geographical concentration, investment market price and other operational risks. The way these risks are mitigated are summarised below.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur if the frequency, severity or absolute amounts of claims are more than expected.

Insurance risk is monitored regularly by the Company to establish if the levels are within the projected frequency bands.

The insurance risks arising from insurance contracts are concentrated in Saudi Arabia.

Insurance risk is influenced by the frequency, severity and absolute amounts of claims. Careful evaluation of risks through implementation of underwriting strategy, together with the use of reinsurance, reduce risk.

The Company underwrites mainly property, accident, motor, medical, marine and group protection and savings risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This diversification and short term nature mitigates risk.

Property and Accident

For property contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties, contents insured and profits of the underlying businesses. The cost of rebuilding properties, replacing contents and the time taken to restart operations following business interruptions are the main factors that influence the level of claims.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Medical

For medical contracts the main risks are medical expenses incurred for treatment and illness.

Marine

For marine contracts the main risks are loss or damage to craft and accidents resulting in total or partial loss of cargo.

Protection and Savings

The Company writes Protection and Savings Policies and also writes Group Life including Group Credit Life and PHI policies which are categorised as Protection and Savings notwithstanding the absence of savings elements.

The main risks for Protections and Savings Policies are morbidity and mortality of the insured.

In group policies the main risks are mortality and morbidity of the insured compounded due to the concentration of lives. The Company engages in various levels of underwriting including declaration of health, medical questionnaire, reports from specialists and medical tests when required. Group size, the nature of activity carried out by the group, geographic mix and cultural background are all analysed.

The business is protected by extensive reinsurance cover with low retention which affords protection from adverse experience, single large losses, multiple claims and concentrations of risk.

Sources of uncertainty in estimation of future claim payments

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

Process used to decide on assumptions

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

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

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

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

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

Sensitivity Analysis

The amount of the provision for outstanding claims, net including IBNR is sensitive to the basis for making judgements and estimates as outlined in Note 5(b). The net underwriting result set out in the statement of insurance operations will be directly impacted by the amount that the provision for outstanding claims, net including IBNR is understated or overstated as a result of this process.

The impact on net income which would result from an increase or decrease of 5% in net incurred claims with all other assumptions held constant is shown below.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

Net Claims Incurred Increase / Decrease	% Change	Impact on Net Income			
		Three months to		Year to date to	
		30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Motor	+5%	(121)	(13)	(174)	(107)
Medical	+5%	(2,508)	(5,113)	(5,826)	(10,086)
Property and Casualty	+5%	75	(45)	61	(71)
Protection and Savings	+5%	(12)	(26)	(27)	(42)
Total		(2,566)	(5,197)	(5,966)	(10,306)
Motor	-5%	121	13	174	107
Medical	-5%	2,508	5,113	5,826	10,086
Property and Casualty	-5%	(75)	45	(61)	71
Protection and Savings	-5%	12	26	27	42
Total		2,566	5,197	5,966	10,306

b) Reinsurance risk

The Company effects reinsurance with other parties in the normal course of business in order to minimise its financial exposure to potential losses arising from large insurance claims. The reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

To minimise 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 parameters such as minimum acceptable credit rating, reputation and past performance. Local companies who do not carry a formal credit rating are accepted to a limited degree provided they are registered with and approved by local Regulators.

Although the Company has reinsurance arrangements it is not relieved of its direct obligations to its policyholders in the event that a reinsurer failed to meet its obligations.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum exposure of the Company to credit risk if a default was made by the counter party is equal to the carrying amount of these financial instruments.

The Company seeks to limit credit risk with respect to customers by constant monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to agents and brokers by, on a selective basis, setting credit limits, maintenance of cash deposits with the Company and monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to bank time deposits by only dealing with reputable banks and by generally placing deposits for periods of not more than twelve months.

To minimise its exposure to significant losses from reinsurer insolvencies, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.

The amounts due from reinsurers are contractually due within a maximum sixty days from end of quarter in which the payment is made for claims under treaty reinsurance and treaty retention excess of loss reinsurance and ninety days for claims under facultative reinsurance.

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

	30 Jun 2020	31 Dec 2019
Premiums and reinsurers' receivable – gross	71,573	102,875
Due from related parties – gross	57,606	8,970
Reinsurers' share of outstanding gross claims	76,894	89,304
Total	206,073	201,149

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company primarily transacts in Saudi Riyals and at any time balances held in other currencies are of immaterial amounts only and therefore the Company believes that there is minimal risk of significant losses due to exchange rate fluctuations.

e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

Deposits are generally placed for periods not exceeding twelve months.

An annualized increase or decrease of 1% in interest yields would have an impact on annual profits of 4,257 (six month period ended 30 June 2019: impact on annual profits of 4,341).

The commission and non-commission bearing deposits and investments of the Company and their maturities at 30 June 2020 and 31 December 2019 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
Insurance operations				
30 Jun 2020	242,617	0	0	242,617
31 Dec 2019	200,445	0	0	200,445
Shareholders' operations				
30 Jun 2020	183,088	0	224,023	407,111
31 Dec 2019	181,568	0	234,134	415,702

f) 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 the Company has ensured that sufficient liquid funds are available to meet any commitments as they arise.

g) Regulatory framework risk

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

h) Geographical concentration of risks

The Company's insurance policies primarily relate to risks covered in Saudi Arabia.

i) Investment market price risks

Investment market 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 224,023 (31 December 2019: 234,134) 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 annual profit would be as follows:

	Fair value % change	Effect on Company's profit
30 Jun 2020	- 10%	(22,402)
30 Jun 2020	+10%	22,402
31 Dec 2019	- 10%	(23,413)
31 Dec 2019	+10%	23,413

The sensitivity analysis presented is based upon the portfolio position at 30 June 2020 and 31 December 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.

j) Other operational risks

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 (already noted above) such as those arising from legal and regulatory requirements and generally accepted standards of 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 objective of generating returns for investors and security for policyholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors who encompass 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;
- Ethical and business standards;
- Risk mitigation policies and procedures; and
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.

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

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

33. MATURITY PROFILE

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

The following assets and liabilities in the statement of financial position are excluded from the table below either because they are classified as non-financial assets or non-financial liabilities or because they are not represented by underlying contractual obligations – reinsurers' share of unearned gross premiums, deferred costs, property and equipment – net, intangible assets – net, goodwill, unearned gross premiums, unearned reinsurance commission, premium deficiency reserve, other technical reserves and policyholders' surplus distribution payable.

Items subject to notice are treated as if notice were given immediately.

	Up to one year	More than one year	Total
31 Dec 2019			
Financial Assets			
Cash and cash equivalents	403,376		403,376
Short term fixed income deposits	40,000		40,000
Premiums and reinsurers' receivable - net	97,255		97,255
Reinsurers' share of outstanding gross claims	89,304		89,304
Reinsurers' share of gross claims incurred but not reported	73,250		73,250
Investments	234,134		234,134
Due from related parties – net	7,470		7,470
Prepaid expenses and other assets	21,773		21,773
Statutory deposit	0	30,000	30,000
Accrued income on statutory deposit	0	2,727	2,727
Total	966,562	32,727	999,289
Financial Liabilities			
Accrued and other liabilities	49,452		49,452
Reinsurers' balances payable	15,108		15,108
Outstanding gross claims	141,054		141,054
Gross claims incurred but not reported	178,325		178,325
Due to related parties	19,309		19,309
Accounts payable	25,506		25,506
Withholding tax provision	8,857		8,857
Regulators' levies provision	1,761		1,761
End-of-service indemnities	0	8,435	8,435
Zakat	31,059		31,059
Income tax	952		952
Accrued commission income payable to SAMA	0	2,727	2,727
Total	471,383	11,162	482,545

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

	Up to one year	More than one year	Total
30 Jun 2020			
Financial Assets			
Cash and cash equivalents	453,641		453,641
Short term fixed income deposits	40,000		40,000
Premiums and reinsurers' receivable - net	61,223		61,223
Reinsurers' share of outstanding gross claims	76,894		76,894
Reinsurers' share of gross claims incurred but not reported	67,634		67,634
Investments	224,023		224,023
Due from related parties -- net	50,906		50,906
Prepaid expenses and other assets	26,708		26,708
Statutory deposit	0	30,000	30,000
Accrued income on statutory deposit	0	2,955	2,955
Total	1,001,029	32,955	1,033,984
Financial Liabilities			
Accrued and other liabilities	46,419		46,419
Reinsurers' balances payable	42,425		42,425
Outstanding gross claims	126,732		126,732
Gross claims incurred but not reported	182,379		182,379
Due to related parties	316		316
Accounts payable	28,740		28,740
Withholding tax provision	11,684		11,684
Regulators' levies provision	691		691
End-of-service indemnities	0	8,095	8,095
Zakat	37,503		37,503
Income tax	709		709
Accrued commission income payable to SAMA	0	2,955	2,955
Total	477,598	11,050	488,648

34. COMMITMENTS AND CONTINGENCIES

At 30 June 2020 Letters of Guarantee were outstanding in favour of various beneficiaries as follows:

	30 Jun 2020	31 Dec 2019
Medical provider	1,000	1,000
Group medical insurance policy – Request for proposal	1,700	2,666
Capital commitments for systems software	2,046	1,841
Total	4,746	5,507

The Company is subject to legal proceedings in the ordinary course of business.

At 30 June 2020 there were no other commitments, contingencies or outstanding legal proceedings or disputes of a material nature.

35. IMPACT OF COVID-19

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

- the health and safety of its employees and the wider community where it is operating
- the continuity of its business throughout the Kingdom is protected and kept intact.

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at 30 June 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SAR 5.8 M (31 December 2019: Nil ; 31 March 2020: Nil) as a premium deficiency reserve.

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months period.

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy. There is no significant impact of two month extension in earned premium as of 30 June 2020 as no material amounts of premium have been written during the one month period.

Financial assets

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three and six-month periods ended 30 June 2020. The Company's management continues to monitor the situation closely.

36. COMPARATIVE FIGURES

Certain prior period amounts or balances may have been reclassified to conform with the current presentation.

37. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved by the Board of Directors on 28 July 2020.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

38. SUPPLEMENTARY INFORMATION

UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION	30 Jun 2020			31 Dec 2019		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
ASSETS						
Cash and cash equivalents	265,354	188,287	453,641	216,609	186,767	403,376
Short term fixed income deposits	40,000	0	40,000	40,000	0	40,000
Premiums and reinsurers' receivable – net	61,223	0	61,223	97,255	0	97,255
Reinsurers' share of unearned gross premiums	91,856	0	91,856	36,440	0	36,440
Reinsurers' share of outstanding gross claims	76,894	0	76,894	89,304	0	89,304
Reinsurers' share of gross claims incurred but not reported	67,634	0	67,634	73,250	0	73,250
Deferred excess of loss expenses	1,073	0	1,073	0	0	0
Deferred policy acquisition costs	6,037	0	6,037	7,901	0	7,901
Deferred third party administrator expenses	2,898	0	2,898	2,494	0	2,494
Deferred withholding tax	4,431	0	4,431	1,766	0	1,766
Deferred regulators' levies	2,336	0	2,336	1,991	0	1,991
Investments	0	224,023	224,023	0	234,134	234,134
Due from insurance / shareholders' operations	16,436	0	16,436	28,793	0	28,793
Due from related parties – net	50,906	0	50,906	7,470	0	7,470
Prepaid expenses and other assets	18,873	7,835	26,708	18,740	3,033	21,773
Property and equipment – net	3,042	0	3,042	3,507	0	3,507
Intangible assets – net	9,237	0	9,237	8,451	0	8,451
Goodwill	0	46,794	46,794	0	46,794	46,794
Statutory deposit	0	30,000	30,000	0	30,000	30,000
Accrued income on statutory deposit	0	2,955	2,955	0	2,727	2,727
TOTAL ASSETS	718,230	499,894	1,218,124	633,971	503,455	1,137,426
LIABILITIES						
Accrued and other liabilities	43,266	3,153	46,419	47,187	2,265	49,452
Reinsurers' balances payable	42,425	0	42,425	15,108	0	15,108
Unearned gross premiums	238,758	0	238,758	167,379	0	167,379
Unearned reinsurance commission	15,701	0	15,701	7,353	0	7,353
Outstanding gross claims	126,732	0	126,732	141,054	0	141,054
Gross claims incurred but not reported	182,379	0	182,379	178,325	0	178,325
Premium deficiency reserve	7,600	0	7,600	2,000	0	2,000
Other technical reserves	9,000	0	9,000	9,000	0	9,000
Due to insurance / shareholders' operations	0	16,436	16,436	0	28,793	28,793
Due to related parties	316	0	316	19,309	0	19,309
Accounts payable	28,740	0	28,740	25,506	0	25,506
Withholding tax provision	11,684	0	11,684	8,857	0	8,857
Regulators' levies provision	691	0	691	1,761	0	1,761
End-of-service indemnities	8,095	0	8,095	8,435	0	8,435
Policyholders' surplus distribution payable	2,843	0	2,843	2,697	0	2,697
Zakat	0	37,503	37,503	0	31,059	31,059
Income tax	0	709	709	0	952	952
Accrued commission income payable to SAMA	0	2,955	2,955	0	2,727	2,727
TOTAL LIABILITIES	718,230	60,756	778,986	633,971	65,796	699,767
SHAREHOLDERS' EQUITY						
Share capital	0	300,000	300,000	0	300,000	300,000
Statutory reserve	0	34,535	34,535	0	34,535	34,535
Retained earnings / (accumulated losses)	0	108,728	108,728	0	98,138	98,138
Fair value reserve gain / (loss) on investments	0	(4,125)	(4,125)	0	4,986	4,986
TOTAL SHAREHOLDERS' EQUITY	0	439,138	439,138	0	437,659	437,659
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	718,230	499,894	1,218,124	633,971	503,455	1,137,426

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME	Three Months to 30 Jun 2020			Three Months to 30 Jun 2019		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	72,951	0	72,951	96,001	0	96,001
Reinsurance premiums ceded – local	(3,544)	0	(3,544)	(2,709)	0	(2,709)
Reinsurance premiums ceded – foreign	(25,553)	0	(25,553)	(36,458)	0	(36,458)
Excess of loss expenses	(537)	0	(537)	(498)	0	(498)
Net premiums written	43,317	0	43,317	56,336	0	56,336
Change in unearned gross premiums	52,920	0	52,920	66,606	0	66,606
Change in reinsurers' share of unearned gross premiums	(11,362)	0	(11,362)	(8,337)	0	(8,337)
Net premiums earned	84,875	0	84,875	114,605	0	114,605
Reinsurance commissions	7,863	0	7,863	9,615	0	9,615
Other underwriting income	322	0	322	1,875	0	1,875
TOTAL REVENUES	93,060	0	93,060	126,095	0	126,095
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(43,706)	0	(43,706)	(173,877)	0	(173,877)
Expenses incurred related to claims	0	0	0	0	0	0
Reinsurers' share of gross claims paid	10,323	0	10,323	11,281	0	11,281
Net claims paid	(33,383)	0	(33,383)	(162,596)	0	(162,596)
Change in outstanding gross claims	6,251	0	6,251	62,645	0	62,645
Change in reinsurers' share of outstanding gross claims	(10,844)	0	(10,844)	5,024	0	5,024
Change in gross IBNR	(11,366)	0	(11,366)	(9,653)	0	(9,653)
Change in reinsurers' share of gross IBNR	(1,999)	0	(1,999)	648	0	648
Net claims incurred	(51,341)	0	(51,341)	(103,932)	0	(103,932)
Premium deficiency reserve	(5,600)	0	(5,600)	5,500	0	5,500
Other technical reserves	0	0	0	0	0	0
Policy acquisition costs	(3,680)	0	(3,680)	(5,318)	0	(5,318)
Third party administrator expenses	(1,772)	0	(1,772)	(2,023)	0	(2,023)
Withholding tax	(1,733)	0	(1,733)	(2,176)	0	(2,176)
Regulators' levies	(1,324)	0	(1,324)	(1,821)	0	(1,821)
Other underwriting expenses	(929)	0	(929)	(2,348)	0	(2,348)
TOTAL UNDERWRITING COSTS AND EXPENSES	(66,379)	0	(66,379)	(112,118)	0	(112,118)
NET UNDERWRITING INCOME / (LOSS)	26,681	0	26,681	13,977	0	13,977
OTHER OPERATING INCOME / (EXPENSES)						
(Allowance for) / Reversal of doubtful debts	(6,425)	0	(6,425)	(500)	0	(500)
General and administrative expenses	(13,279)	(705)	(13,984)	(12,643)	(561)	(13,204)
Depreciation and amortisation	(702)	0	(702)	(674)	0	(674)
Commission income on deposits	870	511	1,381	1,990	1,427	3,417
Commission income on sukuk	0	1,070	1,070	0	1,082	1,082
Dividend income	0	724	724	0	645	645
Realised gains / (losses) on investments	0	0	0	0	1	1
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(19,536)	1,600	(17,936)	(11,827)	2,594	(9,233)
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX	7,145	1,600	8,745	2,150	2,594	4,744
Absorption of deficit by / transfer of surplus to Shareholders	(6,430)	6,430	0	(2,150)	2,150	0
INCOME BEFORE ZAKAT AND INCOME TAX	715	8,030	8,745	0	4,744	4,744
Zakat charge	0	(3,155)	(3,155)	0	(2,629)	(2,629)
Income tax charge	0	(225)	(225)	0	(82)	(82)
INCOME AFTER ZAKAT AND INCOME TAX	715	4,650	5,365	0	2,033	2,033

Basic and diluted SAR earnings per share

0.16

0.07

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	Three Months to 30 Jun 2020			Three Months to 30 Jun 2019		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Income after zakat and income tax	715	4,650	5,365	0	2,033	2,033
Other comprehensive income / (loss)						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
Net change in fair value of investments	0	(3,381)	(3,381)	0	1,659	1,659
Realised gains / (losses) transferred to statement of income	0	0	0	0	(1)	(1)
Net change in unrealised fair value of investments	0	(3,381)	(3,381)	0	1,658	1,658
COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	715	1,269	1,984	0	3,691	3,691

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME	Year to date to 30 Jun 2020			Year to date to 30 Jun 2019		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	330,716	0	330,716	342,671	0	342,671
Reinsurance premiums ceded – local	(12,787)	0	(12,787)	(11,114)	0	(11,114)
Reinsurance premiums ceded – foreign	(127,035)	0	(127,035)	(122,726)	0	(122,726)
Excess of loss expenses	(1,073)	0	(1,073)	(996)	0	(996)
Net premiums written	189,821	0	189,821	207,835	0	207,835
Change in unearned gross premiums	(71,379)	0	(71,379)	(26,333)	0	(26,333)
Change in reinsurers' share of unearned gross premiums	55,416	0	55,416	43,420	0	43,420
Net premiums earned	173,858	0	173,858	224,922	0	224,922
Reinsurance commissions	16,084	0	16,084	19,455	0	19,455
Other underwriting income	4,672	0	4,672	6,389	0	6,389
TOTAL REVENUES	194,614	0	194,614	250,766	0	250,766
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(133,680)	0	(133,680)	(248,225)	0	(248,225)
Expenses incurred related to claims	0	0	0	0	0	0
Reinsurers' share of gross claims paid	22,120	0	22,120	25,653	0	25,653
Net claims paid	(111,560)	0	(111,560)	(222,572)	0	(222,572)
Change in outstanding gross claims	14,322	0	14,322	5,088	0	5,088
Change in reinsurers' share of outstanding gross claims	(12,410)	0	(12,410)	12,360	0	12,360
Change in gross IBNR	(4,054)	0	(4,054)	4,365	0	4,365
Change in reinsurers' share of gross IBNR	(5,616)	0	(5,616)	(5,352)	0	(5,352)
Net claims incurred	(119,318)	0	(119,318)	(206,111)	0	(206,111)
Premium deficiency reserve	(5,600)	0	(5,600)	400	0	400
Other technical reserves	0	0	0	925	0	925
Policy acquisition costs	(8,013)	0	(8,013)	(10,495)	0	(10,495)
Third party administrator expenses	(3,710)	0	(3,710)	(3,645)	0	(3,645)
Withholding tax	(3,330)	0	(3,330)	(3,714)	0	(3,714)
Regulators' levies	(2,711)	0	(2,711)	(3,548)	0	(3,548)
Other underwriting expenses	(2,418)	0	(2,418)	(2,565)	0	(2,565)
TOTAL UNDERWRITING COSTS AND EXPENSES	(145,100)	0	(145,100)	(228,753)	0	(228,753)
NET UNDERWRITING INCOME / (LOSS)	49,514	0	49,514	22,013	0	22,013
OTHER OPERATING INCOME / (EXPENSES)						
(Allowance for) / Reversal of doubtful debts	(9,930)	0	(9,930)	(200)	0	(200)
General and administrative expenses	(26,376)	(1,356)	(27,732)	(25,464)	(1,080)	(26,544)
Depreciation and amortisation	(1,202)	0	(1,202)	(1,300)	0	(1,300)
Commission income on deposits	2,106	1,575	3,681	4,075	2,894	6,969
Commission income on sukuk	0	2,148	2,148	0	2,206	2,206
Dividend income	0	1,725	1,725	0	1,299	1,299
Realised gains / (losses) on investments	0	0	0	0	4,059	4,059
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(35,402)	4,092	(31,310)	(22,889)	9,378	(13,511)
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX	14,112	4,092	18,204	(876)	9,378	8,502
Absorption of deficit by / transfer of surplus to Shareholders	(12,700)	12,700	0	876	(876)	0
INCOME BEFORE ZAKAT AND INCOME TAX	1,412	16,792	18,204	0	8,502	8,502
Zakat charge	0	(5,697)	(5,697)	0	(5,017)	(5,017)
Income tax charge	0	(505)	(505)	0	(194)	(194)
INCOME AFTER ZAKAT AND INCOME TAX	1,412	10,590	12,002	0	3,291	3,291

Basic and diluted SAR earnings per share

0.35

0.11

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	Year to date to 30 Jun 2020			Year to date to 30 Jun 2019		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Income after zakat and income tax	1,412	10,590	12,002	0	3,291	3,291
Other comprehensive income / (loss)						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
Net change in fair value of investments	0	(9,111)	(9,111)	0	5,168	5,168
Realised gains / (losses) transferred to statement of income	0	0	0	0	(4,059)	(4,059)
Net change in unrealised fair value of investments	0	(9,111)	(9,111)	0	1,109	1,109
COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	1,412	1,479	2,891	0	4,400	4,400

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS	Year to date to 30 Jun 2020			Year to date to 30 Jun 2019		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Income after zakat and income tax	1,412	10,590	12,002	0	3,291	3,291
Adjustments for non-cash items:						
Depreciation of property and equipment	893	0	893	787	0	787
Amortisation of intangible assets	309	0	309	513	0	513
(Gain) / loss on disposal of property and equipment	(15)	0	(15)	0	0	0
Allowance for / (Reversal of) doubtful debts	9,930	0	9,930	200	0	200
Provisions for withholding tax	5,995	0	5,995	5,834	0	5,834
Provisions for regulatory levies	3,056	0	3,056	3,421	0	3,421
Provision for end-of-service indemnities	974	0	974	951	0	951
Zakat charge	0	5,697	5,697	0	5,017	5,017
Income tax charge	0	505	505	0	194	194
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	31,302	0	31,302	17,351	0	17,351
Reinsurers' share of gross unearned premiums	(55,416)	0	(55,416)	(43,420)	0	(43,420)
Reinsurers' share of outstanding gross claims	12,410	0	12,410	(12,360)	0	(12,360)
Reinsurers' share of gross claims incurred but not reported	5,616	0	5,616	5,352	0	5,352
Deferred excess of loss expenses	(1,073)	0	(1,073)	(996)	0	(996)
Deferred policy acquisition costs	1,864	0	1,864	690	0	690
Deferred third party administrator expenses	(404)	0	(404)	(1,008)	0	(1,008)
Deferred withholding tax	(2,665)	0	(2,665)	(2,120)	0	(2,120)
Deferred regulators' levies	(345)	0	(345)	127	0	127
Due from related parties	(48,636)	0	(48,636)	(626)	0	(626)
Prepaid expenses and other assets	(133)	(4,802)	(4,935)	(4,354)	(170)	(4,524)
Accounts payable	5,104	0	5,104	2,158	0	2,158
Policy acquisition cost payable	(1,506)	0	(1,506)	(454)	0	(454)
Third party administrator payable	(364)	0	(364)	648	0	648
Accrued and other liabilities	(3,921)	888	(3,033)	(5,039)	(795)	(5,834)
Reinsurers' balances payable	27,317	0	27,317	23,412	0	23,412
Unearned gross premiums	71,379	0	71,379	26,333	0	26,333
Unearned reinsurance commission	8,348	0	8,348	7,421	0	7,421
Outstanding gross claims	(14,322)	0	(14,322)	(5,088)	0	(5,088)
Gross claims incurred but not reported	4,054	0	4,054	(4,365)	0	(4,365)
Premium deficiency reserve	5,600	0	5,600	(400)	0	(400)
Other technical reserves	0	0	0	(925)	0	(925)
Due to shareholders' operations	12,357	(12,357)	0	(18,024)	18,024	0
Due to related parties	(18,993)	0	(18,993)	(15,076)	0	(15,076)
Payments:						
End-of-service indemnities paid	(1,314)	0	(1,314)	(1,749)	0	(1,749)
Withholding tax paid	(3,168)	0	(3,168)	(4,650)	0	(4,650)
Regulators' levies paid	(4,126)	0	(4,126)	(3,961)	0	(3,961)
Surplus paid to policyholders	(1,266)	0	(1,266)	0	0	0
Zakat paid		747	747	0	(6,118)	(6,118)
Income tax paid		(748)	(748)	0	747	747
Net cash generated from / (used in) operating activities	50,253	520	50,773	(29,417)	20,190	(9,227)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS (continued)	Year to date to 30 Jun 2020			Year to date to 30 Jun 2019		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions of investments	0	(10,000)	(10,000)	0	(50,000)	(50,000)
Proceeds from disposal of investments	0	11,000	11,000	0	39,890	39,890
Realised gain on disposal of investments	0	0	0	0	(4,059)	(4,059)
Additions of short term fixed income deposits	0	0	0	0	0	0
Additions of property and equipment	(871)	0	(871)	(8)	0	(8)
Proceeds from disposal of property and equipment	458	0	458	0	0	0
Additions of intangible assets	(1,095)	0	(1,095)	(570)	0	(570)
Proceeds from disposal of intangible assets	0	0	0	0	0	0
Increase in statutory deposit	0	0	0	0	0	0
Net cash generated from / (used in) investing activities	(1,508)	1,000	(508)	(578)	(14,169)	(14,747)
CASH FLOWS FROM FINANCING ACTIVITIES						
Net cash generated from / (used in) financing activities	0	0	0	0	0	0
 Net change in cash and cash equivalents	 48,745	 1,520	 50,265	 (29,995)	 6,021	 (23,974)
Cash and cash equivalents at start of year	216,609	186,767	403,376	253,385	177,181	430,566
Cash and cash equivalents at end of period	265,354	188,287	453,641	223,390	183,202	406,592
NON-CASH INFORMATION						
Net change in unrealised fair value of investments	0	(9,111)	(9,111)	0	1,109	1,109