

ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
A SAUDI JOINT STOCK COMPANY

INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019



ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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 – 5
Statement of Income	6 – 7
Statement of Comprehensive Income	7
Statement of Changes in Shareholders' Equity	8
Statement of Cash Flows	9 – 10
Notes to the Financial Statements	11 – 62



ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

COMPANY DETAILS

Chairman

HH Prince Sultan Bin Mohammed Bin Saud Al Kabeer (to 10 September 2019)
HH Prince Nalf Bin Sultan Bin Saud Al Kabeer (from 11 September 2019)

Vice Chairman

Mr. Sameer Al Wazzan

Board of Directors

HH Prince Sultan Bin Mohammed Bin Saud Al Kabeer (to 10 September 2019)
HH Prince Nalf Bin Sultan Bin Saud Al Kabeer (from 11 September 2019)
Mr. Sameer Al Wazzan
Mr. Abdallah Al Obeikan
Mr. Ahmed Al Abdulkarim (to 10 September 2019)
Mr. Turki Al Mutawa
Mr. Mohammed Bin Ali
Mr. Raed Al Salf (from 11 September 2019)

Chief Executive Officer

Mr. Basem Odeh

Board Secretary

Mr. Basem Odeh (to 10 September 2019)
Mr. Abdulaziz Bin Saeed (from 11 September 2019)

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 CPA's & Consultants
Member Crowe Global
Riyadh, Saudi Arabia

Associated Accountants
Independent Member of Geneva Group International
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 September 2019 and the related interim condensed statements of income and comprehensive income for the three and nine month periods then ended and changes in equity and cash flows for the nine-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.

AlAzem & AlSudairy
Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia



Abdullah M. AlAzem
Certified Public Accountant
License No. 335

Associated Accountants

P. O. Box 60930
Riyadh 11555
Kingdom of Saudi Arabia



Hamoud Ali AlRubian
Certified Public Accountant
License No. 222

06 November 2019
09 Rabi' I 1441H



UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 Sep 2019	As at 31 Dec 2018
ASSETS			
Cash and cash equivalents	5	314,118	430,566
Short term fixed income deposits	6	121,234	81,234
Premiums and reinsurers' receivable -- net	8	44,415	78,587
Reinsurers' share of unearned gross premiums	18	55,194	33,389
Reinsurers' share of outstanding gross claims	22	87,348	71,391
Reinsurers' share of gross claims incurred but not reported	22	76,449	81,748
Deferred excess of loss expenses	9	498	0
Deferred policy acquisition costs	9	5,422	7,307
Deferred third party administrator expenses	9	2,249	2,476
Deferred withholding tax	9	2,675	1,584
Deferred regulators' levies	9	1,652	2,829
Investments	10	214,352	198,901
Due from related parties -- net	8	31,580	63,674
Prepaid expenses and other assets		35,492	34,857
Property and equipment -- net	12	3,603	4,595
Intangible assets -- net	13	8,047	7,557
Goodwill	14	46,794	46,794
Statutory deposit	7	30,000	30,000
Accrued income on statutory deposit	7	2,578	2,003
TOTAL ASSETS		1,083,700	1,179,492

The accompanying Notes 1 to 36 form an integral part of these unaudited interim condensed Financial Statements.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	As at 30 Sep 2019	As at 31 Dec 2018
LIABILITIES			
Accrued and other liabilities		43,224	48,807
Reinsurers' balances payable	16	15,647	10,760
Unearned gross premiums	18	159,365	221,042
Unearned reinsurance commission	20	10,710	6,847
Outstanding gross claims	22	161,921	173,569
Gross claims incurred but not reported	22	179,341	194,280
Premium deficiency reserve	22	4,740	4,900
Other technical reserves	22	9,000	9,925
Due to related parties	29	1,152	17,098
Accounts payable	15	9,738	8,701
Withholding tax provision	9	10,505	12,227
Regulators' levies provision	9	567	1,470
End-of-service indemnities		8,109	9,001
Policyholders' surplus distribution payable	27	2,697	2,697
Zakat	23	28,913	26,511
Income tax	23	1,130	1,969
Accrued commission income payable to SAMA	7	2,578	2,003
TOTAL LIABILITIES		649,337	751,807
SHAREHOLDERS' EQUITY			
Share capital	24	300,000	300,000
Statutory reserve	25	33,082	33,082
Retained earnings / (accumulated losses)		96,640	92,327
Fair value reserve gain / (loss) on investments	10	4,641	2,276
TOTAL EQUITY		434,363	427,685
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,083,700	1,179,492

COMMITMENTS AND CONTINGENCIES

33

The accompanying Notes 1 to 36 form an integral part of these unaudited interim condensed Financial Statements.

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF INCOME

	Notes	Three months to		Year to date to	
		30 Sep 2019	30 Sep 2018 Restated	30 Sep 2019	30 Sep 2018 Restated
REVENUES					
Gross premiums written	17	57,536	172,777	400,207	507,119
Reinsurance premiums ceded – local		(1,785)	(2,887)	(12,899)	(14,442)
Reinsurance premiums ceded – foreign		(19,818)	(24,401)	(142,544)	(134,471)
Excess of loss expenses	17	(497)	(558)	(1,493)	(1,673)
Net premiums written	17	35,436	144,931	243,271	356,533
Change in unearned gross premiums	18	88,010	(43,196)	61,677	(100,646)
Change in reinsurers' share of unearned gross premiums	18	(21,615)	(15,654)	21,805	15,329
Net premiums earned	17	101,831	86,081	326,753	271,216
Reinsurance commissions	19	8,996	8,985	28,451	27,631
Other underwriting income		1,680	1,750	8,069	5,543
TOTAL REVENUES		112,507	96,816	363,273	304,390
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(129,404)	(98,782)	(377,629)	(241,694)
Expenses incurred related to claims		0	0	0	0
Reinsurers' share of claims paid		16,184	21,750	41,837	64,977
Net claims paid		(113,220)	(77,032)	(335,792)	(176,717)
Changes in outstanding gross claims		6,560	16,364	11,648	(21,627)
Changes in reinsurers' share of outstanding gross claims		3,597	(4,238)	15,957	5,912
Changes in gross IBNR		10,574	(751)	14,939	(10,030)
Changes in reinsurers' share of gross IBNR		53	597	(5,299)	6,545
Net claims incurred		(92,436)	(65,060)	(298,547)	(195,917)
Premium deficiency reserve		(240)	(11,260)	160	(11,260)
Other technical reserves		0	4,137	925	687
Policy acquisition costs	9	(5,194)	(4,801)	(15,689)	(17,219)
Third party administrator expenses	9	(2,076)	(348)	(5,721)	(348)
Withholding tax	9	(794)	(2,078)	(4,508)	(6,121)
Regulators' levies	9	(1,617)	(1,375)	(5,165)	(4,177)
Other underwriting expenses		(1,646)	(2,621)	(4,211)	(3,599)
TOTAL UNDERWRITING COSTS AND EXPENSES		(104,003)	(83,406)	(332,756)	(237,954)
NET UNDERWRITING INCOME / (LOSS)		8,504	13,410	30,517	66,436

The accompanying Notes 1 to 36 form an integral part of these unaudited interim condensed Financial Statements.

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF INCOME (Continued)

	Notes	Three months to 30 Sep 2019	30 Sep 2018 Restated	Year to date to 30 Sep 2019	30 Sep 2018 Restated
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts		3,050	3,000	2,850	(3,000)
General and administrative expenses		(12,546)	(15,484)	(39,190)	(48,741)
Depreciation and amortisation		(504)	(636)	(1,804)	(2,364)
Commission income on deposits		2,600	3,446	9,569	8,333
Commission income on sukuk		1,517	592	3,723	1,589
Dividend income		737	599	2,036	2,578
Realised gains / (losses) on investments	10	96	0	4,155	1,479
TOTAL OTHER OPERATING INCOME / (EXPENSES)		(5,150)	(8,483)	(18,661)	(40,126)
OPERATING INCOME / (LOSS) FOR THE PERIOD		3,354	4,927	11,856	26,310
Zakat charge		(2,346)	(2,536)	(7,363)	(8,292)
Income tax charge		14	(63)	(180)	(573)
INCOME / (LOSS) FOR THE PERIOD		1,022	2,328	4,313	17,445
Attributable to Insurance Operations	1	0	(281)	0	(1,903)
INCOME / (LOSS) FOR THE PERIOD – SHAREHOLDERS' OPERATIONS		1,022	2,047	4,313	15,542
Basic and diluted earnings per share	26	0.03	0.07	0.14	0.52

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months to 30 Sep 2019	30 Sep 2018 Restated	Year to date to 30 Sep 2019	30 Sep 2018 Restated
Income / (loss) for the period		1,022	2,328	4,313	17,445
Other comprehensive income / (loss) – Insurance Operations		0	0	0	0
Other comprehensive income / (loss) – Shareholders' Operations					
<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		1,352	(4)	6,520	1,587
Realised gains / (losses) transferred to statement of income	10	(96)	0	(4,155)	(1,479)
Net change in unrealised fair value of investments		1,256	(4)	2,365	108
COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		2,278	2,324	6,678	17,553
Attributable to Insurance Operations		0	(281)	0	(1,903)
COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD – SHAREHOLDERS' OPERATIONS		2,278	2,043	6,678	15,650

The accompanying Notes 1 to 36 form an integral part of these unaudited interim condensed Financial Statements.





UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year to Date to 30 Sep 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
Income / (loss) for the period – Shareholders' Operations				4,313		4,313
Net change in fair value of investments	10				6,520	6,520
Realised gains / (losses) transferred to statement of income	10				(4,155)	(4,155)
Net change in unrealised fair value of investments					2,365	2,365
Comprehensive income / (loss) for the period				4,313	2,365	6,678
Bonus share		0	0	0		0
Dividend				0		0
Transfer to statutory reserve			0	0		0
Balance at end of period		300,000	33,082	96,640	4,641	434,363

Year to Date to 30 Sep 2018 Restated	Notes	Share Capital	Statutory Reserve	Retained Earnings / (Accumulated Losses)	Fair Value Reserve gain/(loss) on investments	Total Equity
Balance at start of year		200,000	48,573	154,293	1,921	404,787
Income / (loss) for the period – Shareholders' Operations				15,542		15,542
Net change in fair value of investments	10				1,587	1,587
Realised gains / (losses) transferred to statement of income	10				(1,479)	(1,479)
Net change in unrealised fair value of investments					108	108
Comprehensive income / (loss) for the period				15,542	108	15,650
Bonus share		100,000	(20,000)	(80,000)		0
Dividend				0		0
Transfer to statutory reserve			0	0		0
Balance at end of period		300,000	28,573	89,835	2,029	420,437

The accompanying Notes 1 to 36 form an integral part of these unaudited interim condensed Financial Statements.

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Notes	Year to date to 30 Sep 2019	30 Sep 2018 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Income / (loss) for the period		4,313	15,542
Adjustments for non-cash items:			
Depreciation of property and equipment		1,065	1,529
Amortisation of intangible assets		739	835
(Gain) / loss on disposal of property and equipment		0	(35)
Allowance for / (Reversal of) doubtful debts		(2,850)	3,000
Provision for withholding tax		5,599	6,835
Provision for regulators' levies		3,988	5,644
Provision for end-of-service indemnities		1,432	2,419
Zakat charge		7,363	8,292
Income tax charge		180	573
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		34,022	(130,412)
Reinsurers' share of unearned gross premiums	18	(21,805)	(15,329)
Reinsurers' share of outstanding gross claims	22	(15,957)	(5,912)
Reinsurers' share of gross claims incurred but not reported	22	5,299	(6,545)
Deferred excess of loss expenses		(498)	(557)
Deferred policy acquisition costs		1,885	2,686
Deferred third party administrator expenses		227	(1,728)
Deferred withholding tax		(1,091)	(714)
Deferred regulators' levies		1,177	(1,467)
Due from related parties		35,094	(14,673)
Prepaid expenses and other assets		(635)	(6,862)
Accounts payable		2,093	(1,289)
Policy acquisition cost payable		(1,091)	2,736
Third party administrator payable		35	252
Policyholders' surplus		0	1,904
Accrued and other liabilities		(5,583)	(12,105)
Reinsurers' balances payable		4,887	9,280
Unearned gross premiums	18	(61,677)	100,646
Unearned reinsurance commission	20	3,863	3,042
Outstanding gross claims	22	(11,648)	21,627
Gross claims incurred but not reported	22	(14,939)	10,030
Premium deficiency reserve	22	(160)	11,260
Other technical reserves	22	(925)	(687)
Due to related parties		(15,946)	(10,954)
Payments:			
End-of-service indemnities paid		(2,324)	(2,019)
Withholding tax paid		(7,321)	(6,811)
Regulators' levies paid		(4,891)	(4,293)
Surplus paid to policyholders		0	0
Zakat paid		(4,961)	(5,003)
Income tax paid		(1,019)	(2,025)
Net cash generated from / (used in) operating activities		(62,060)	(21,288)

The accompanying Notes 1 to 36 form an integral part of these unaudited interim condensed financial statements.

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS (Continued)

	Notes	Year to date to 30 Sep 2019	30 Sep 2018 Restated
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of investments	10	(60,000)	(75,007)
Proceeds from disposal of investments	10	51,069	37,680
Realised gain on disposal of investments	10	(4,155)	(1,479)
Additions of short term fixed income deposits		(40,000)	0
Additions of property and equipment		(73)	(2,368)
Proceeds from disposal of property and equipment		0	50
Additions of intangible assets		(1,229)	(4,655)
Proceeds from disposal of intangible assets		0	0
Increase in statutory deposit		0	(10,000)
Net cash generated from / (used in) investing activities		(54,388)	(55,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		0	0
Net cash generated from / (used in) financing activities		0	0
Net change in cash and cash equivalents		(116,448)	(77,067)
Cash and cash equivalents at start of year		430,566	549,956
Cash and cash equivalents at end of period		314,118	472,889
NON-CASH INFORMATION			
Change in fair value of investments		2,365	108
Bonus shares issued		0	100,000



The accompanying Notes 1 to 36 form an integral part of these unaudited interim condensed Financial Statements.




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 and 03 June 2016. 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 as 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

During the quarter ended 30 June 2019, Saudi Organization for Certified Public Accountants (SOCPA) issued a Circular No. 2019 / 23099 dated 26 Sha'aban 1440 (corresponding to 01 May 2019) and SAMA made subsequent communication referring to Royal Decree No. 36763 dated 03 Rajab 1440 (corresponding to 10 March 2019) relating to the accounting for zakat and income tax.

The impact of the above are as follows:

- SAMA Circular No. 381000074519 dated 11 April 2017 relating to the accounting for zakat and income tax is no longer applicable with effect from 01 April 2019; and
- Zakat and income tax are to be accrued at each reporting date and recognized in the statement of income with a corresponding liability recognized in the statement of financial position in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by SOCPA.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019****ALL AMOUNTS IN SAR '000**

Until the period ended 31 March 2019, the unaudited Interim condensed Financial Statements of the Company were prepared in accordance with the International Accounting Standard (IAS) 34 – Interim Financial Reporting and SAMA guidance for the accounting of zakat and income tax.

In line with the above circular, the unaudited Interim condensed Financial Statements of the Company have been prepared with effect from 30 June 2019 using the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA") and comparatives have been restated.

3. INTRODUCTION OF IFRS 9, IFRS 16 AND IFRS 17

In November 2018 IASB proposed a one year deferral of the effective date for IFRS 17 to 01 January 2022 along with a temporary exemption for insurers to apply IFRS 9 so that both IFRS 9 and IFRS 17 will be applied at the same time. The proposed deferral is subject to public consultation which is expected in 2019.

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

In July 2014, IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial instruments, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39 and new hedge accounting requirements.

Under IFRS 9, all financial instruments will be measured at either amortized cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial instruments.

The standard retains most of IAS 39 requirements for financial liabilities except for those designated at fair value through income statement whereby that part of the fair value changes attributable to own credit is to be recognized in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

Temporary exemption from IFRS 9:

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts.

The amendments to IFRS 4 allow two options for insurers regarding adoption of IFRS 9: deferral approach or overlay approach.

The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contracts standard or 01 January 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

The Company is eligible to and has applied the deferral approach.

The impact of the adoption of IFRS 9 on the Company's Financial Statements will, to a large extent, have to take into account the interaction with the forthcoming accounting standard for insurance contracts and as such it is not possible to fully assess the effect of the adoption of IFRS 9.

IFRS 16: Leases

The Company has adopted IFRS 16 with effect from 01 January 2019. The adoption of IFRS 16 does not have material impact on the reported income and accordingly no adjustment has been made in the unaudited interim condensed financial statements for the nine month period ended 30 September 2019.

IFRS 17: Insurance Contracts

In May 2017 the IASB published IFRS 17 which applies to annual reporting periods on or after 01 January 2022 and replaces IFRS 4. The Company has decided not to adopt IFRS 17 early as would be permitted in certain circumstances.

IFRS 17 applies to virtually all insurance contracts, reinsurance contracts and investment contracts with insurance benefits and discretionary participation features.

The Company expects adoption of IFRS 17 to have a material impact on measurement and disclosure of insurance and reinsurance contracts that will affect the statement of income and statement of financial position.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

4. 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 2018 and with the exception of IFRS 16: Leases, no new or amended accounting policies or accounting standards were adopted by the Company during 2019.

Adoption of IFRS standards referred to in Note 3 above has not resulted in material impact to the reported amounts in the unaudited interim condensed financial statements for the current or prior years.

The interim results should be read in conjunction with the annual results for the year ended 31 December 2018 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 2019.

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 4(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.

Financial Assets:

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

Financial 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 the management and approved by the Board of Directors.

The unaudited interim condensed statements of financial position, statements of income and statements of comprehensive income and cash flows of the Insurance Operations and Shareholders' Operations which are presented in Note 36 on pages 55 to 62 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 the Insurance Operations and the Shareholders' Operations. Accordingly, the unaudited interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for Insurance Operations and Shareholders' Operations referred to above reflect the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of 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 inclusion of separate information of Insurance Operations in the unaudited interim condensed statement of financial position, statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial statements represents additional 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 judgements 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 the Group's 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 2018.

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.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019****ALL AMOUNTS IN SAR '000**

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.

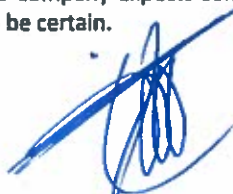
Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of the initial transaction and are not subsequently restated.

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 the instruments.

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.

l) 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

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 Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019¹****ALL AMOUNTS IN SAR '000**

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.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019****ALL AMOUNTS IN SAR '000**

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 8 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.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019****ALL AMOUNTS IN SAR '000**

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 crystallizing 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 benefits

Benefits payable to the employees of the Company 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 30 Sep 2019	As at 31 Dec 2018
Insurance operations		
Bank balances and cash	54,653	26,523
Deposits maturing within 3 months from the acquisition date	75,000	226,862
Total	129,653	253,385
Shareholders' operations		
Bank balances and cash	4,873	1,492
Deposits maturing within 3 months from the acquisition date	179,592	175,689
Total	184,465	177,181
Combined balances		
Bank balances and cash	59,526	28,015
Deposits maturing within 3 months from the acquisition date	254,592	402,551
Total	314,118	430,566

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

6. 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:

	As at 30 Sep 2019	As at 31 Dec 2018
Insurance operations	121,234	81,234
Shareholders' operations	0	0
Total	121,234	81,234

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

7. 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 2018: 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 24. 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

8. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivable comprise amounts due from the following:

	As at 30 Sep 2019	As at 31 Dec 2018
Non related parties		
Policyholders	25,665	25,680
Brokers and agents	17,162	46,828
Receivables from reinsurers	8,438	12,779
Premiums and reinsurers' receivable – gross	51,265	85,287
Provision for doubtful receivables	(6,850)	(6,700)
Premiums and reinsurers' receivable – net	44,415	78,587
Related parties		
Policyholders	39,980	75,074
Provision for doubtful receivables	(8,400)	(11,400)
Due from related parties – net	31,580	63,674
Movement in the combined provision		
Balance at start of year	18,100	11,500
Provided / (Reversal)	(2,850)	6,600
Written off	0	0
Balance at end of period	15,250	18,100

Ageing of receivables:

As at 30 Sep 2019	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		
Non related parties								
Policyholders	3,786	6,286	5,364	4,239	4,169	1,821	25,665	
Brokers and agents	2,439	983	7,522	5,776	361	81	17,162	
Reinsurers	0	6,898	2,436	(1,194)	(54)	352	8,438	
Total	6,225	14,167	15,322	8,821	4,476	2,254	51,265	
Related parties	24,052	2,356	3,987	7,877	1,286	422	39,980	
As at 31 Dec 2018								
Non related parties								
Policyholders	10,828	2,623	6,071	1,596	2,755	1,807	25,680	
Brokers and agents	36,775	2,784	4,085	1,684	1,103	397	46,828	
Reinsurers	0	7,137	1,757	595	1,111	2,179	12,779	
Total	47,603	12,544	11,913	3,875	4,969	4,383	85,287	
Related Parties	57,953	1,922	3,784	9,996	1,372	47	75,074	

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 September 2019 account for 43% of the total (31 December 2018: 75%).

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

9. DEFERRED COSTS

	Excess of Loss	Policy Acquisition	Third Party Administrator	Withholding Tax	Regulators' Levies
Payable					
Balance 31 December 2017	0	862	0	12,503	1,048
Provided	2,230	21,764	3,768	7,512	7,114
Paid	(2,230)	(18,666)	(3,620)	(7,788)	(6,692)
Balance 31 December 2018	0	3,960	148	12,227	1,470
Balance 31 December 2018	0	3,960	148	12,227	1,470
Provided	1,991	13,804	5,494	5,599	3,988
Paid	(1,991)	(14,895)	(5,459)	(7,321)	(4,891)
Balance 30 September 2019	0	2,869	183	10,505	567

Deferral					
Balance 31 December 2017	0	8,044	0	1,938	1,605
Provided	2,230	21,764	3,768	7,512	7,114
Incurred	(2,230)	(22,501)	(1,292)	(7,866)	(5,890)
Balance 31 December 2018	0	7,307	2,476	1,584	2,829
Balance 31 December 2018	0	7,307	2,476	1,584	2,829
Provided	1,991	13,804	5,494	5,599	3,988
Incurred	(1,493)	(15,689)	(5,721)	(4,508)	(5,165)
Balance 30 September 2019	498	5,422	2,249	2,675	1,652

Net charge Incurred	Three Months to		Year to Date to	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Excess of Loss				
Provided	0	0	1,991	2,230
Opening deferral reversal	995	1,115	0	0
Closing deferral	(498)	(557)	(498)	(557)
Incurred	497	558	1,493	1,673
Policy Acquisition				
Provided	3,999	4,391	13,804	14,533
Opening deferral reversal	6,617	5,768	7,307	8,044
Closing deferral	(5,422)	(5,358)	(5,422)	(5,358)
Incurred	5,194	4,801	15,689	17,219
Third Party Administrator				
Provided	841	2,076	5,494	2,076
Opening deferral reversal	3,484	0	2,476	0
Closing deferral	(2,249)	(1,728)	(2,249)	(1,728)
Incurred	2,076	348	5,721	348
Withholding Tax				
Provided	(235)	1,276	5,599	6,835
Opening deferral reversal	3,704	3,454	1,584	1,938
Closing deferral	(2,675)	(2,652)	(2,675)	(2,652)
Incurred	794	2,078	4,508	6,121
Regulators' Levies				
Provided	567	2,238	3,988	5,644
Opening deferral reversal	2,702	2,209	2,829	1,605
Closing deferral	(1,652)	(3,072)	(1,652)	(3,072)
Incurred	1,617	1,375	5,165	4,177

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

10. INVESTMENTS

There are no investments for Insurance Operations at 30 September 2019 (31 December 2018: None).

All investments shown below are for Shareholders' Operations.

Classification of Investment balances	As at 30 Sep 2019	As at 30 Sep 2018	As at 31 Dec 2018
Held as fair value through income statements	0	0	0
Available for sale	214,352	179,641	198,901
Other investments held at amortised costs	0	0	0
Held to maturity	0	0	0
Total Investments	214,352	179,641	198,901

Movement in investments	As at 30 Sep 2019	As at 30 Sep 2018	As at 31 Dec 2018
Investments at cost	196,625	138,807	138,807
Cumulative unrealised gains / (losses)	2,276	1,921	1,921
Total balance at start	198,901	140,728	140,728

Purchases at cost	60,000	75,007	190,005
Disposals at cost	(46,914)	(36,202)	(132,187)
Net movement at cost	13,086	38,805	57,818

Net change in fair value of investments	6,520	1,587	1,834
Net realised amounts transferred to statement of income	(4,155)	(1,479)	(1,479)
Net change in unrealised fair value of investments	2,365	108	355

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

Investments at cost	209,711	177,612	196,625
Cumulative unrealised gains / (losses)	4,641	2,029	2,276
Total balance at end	214,352	179,641	198,901

Realised gains / (losses) to Statement of Income	Three Months to 30 Sep 2019	Year to Date to 30 Sep 2019	Three Months to 30 Sep 2018	Year to Date to 30 Sep 2018	Full Year to 31 Dec 2018
Proceeds from disposal of investments	11,179	51,069	250	37,680	133,666
Costs of investments sold	(11,083)	(46,914)	(250)	(36,201)	(132,187)
Realised gains / (losses)	96	4,155	0	1,479	1,479

All numbers in this paragraph are stated in Saudi Riyals whole numbers and are not rounded to thousands. Investments at 31 December 2018 include an investment of SAR 3,000,000 in a Sukuk issued by an entity controlled or significantly influenced by a related party. The Sukuk was redeemed in full on 07 March 2019 leaving a Nil balance at 30 September 2019. This investment generated an income for the nine month period ended 30 September 2019 of 25,179 (nine month period ended 30 September 2018: 101,602).

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

11. 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 September 2019 (31 December 2018: 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	107,166	0	0	107,166
Sukuk	0	105,263	0	105,263
Equities	0	0	1,923	1,923
Total 30 September 2019	107,166	105,263	1,923	214,352
Mutual funds	85,218	0	0	85,218
Sukuk	0	92,500	0	92,500
Equities	0	0	1,923	1,923
Total 30 September 2018	85,218	92,500	1,923	179,641

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

Mutual funds	85,465	0	0	85,465
Sukuk	0	111,513	0	111,513
Equities	0	0	1,923	1,923
Total 31 December 2018	85,465	111,513	1,923	198,901

There were no transfers or reclassifications between or within levels during the nine month period ended 30 September 2019 (year ended 31 December 2018: None).

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 10.

12. PROPERTY AND EQUIPMENT – NET

Property and Equipment – Net							
	Leasehold Fixtures	Office Furniture	Office Equipment	Motor Vehicles	IT Equipment	Capital Work in Progress	Total

Cost							
Balance 31 Dec 2017	4,988	1,414	2,948	449	6,306	0	16,105
Additions	306	90	405	0	1,308	442	2,551
Disposals	(0)	(0)	(0)	(214)	(0)	0	(214)
Balance 31 Dec 2018	5,294	1,504	3,353	235	7,614	442	18,442
Balance 31 Dec 2018	5,294	1,504	3,353	235	7,614	442	18,442
Additions	0	5	3	0	4	61	73
Disposals	0	0	0	0	0	0	0
Balance 30 Sep 2019	5,294	1,509	3,356	235	7,618	503	18,515

Depreciation							
Balance 31 Dec 2017	3,063	979	2,671	355	4,962	0	12,030
Additions	540	159	234	23	1,059	0	2,015
Disposals	(0)	(0)	(0)	(198)	(0)	0	(198)
Balance 31 Dec 2018	3,603	1,138	2,905	180	6,021	0	13,847
Balance 31 Dec 2018	3,603	1,138	2,905	180	6,021	0	13,847
Additions	360	103	28	17	557	0	1,065
Disposals	0	0	0	0	0	0	0
Balance 30 Sep 2019	3,963	1,241	2,933	197	6,578	0	14,912

Net Book Value 31 Dec 2018	1,691	366	448	55	1,593	442	4,595
Net Book Value 30 Sep 2019	1,331	268	423	38	1,040	503	3,603

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

13. INTANGIBLE ASSETS – NET

Intangible Assets – Net			
	IT Systems	Capital Work in Progress	Total
Cost			
Balance 31 Dec 2017	12,468	0	12,468
Additions	652	5,815	6,467
Disposals	(0)	0	(0)
Balance 31 Dec 2018	13,120	5,815	18,935
Balance 31 Dec 2018	13,120	5,815	18,935
Additions	310	919	1,229
Disposals	0	0	0
Balance 30 Sep 2019	13,430	6,734	20,164
Amortisation			
Balance 31 Dec 2017	9,967	0	9,967
Additions	1,411	0	1,411
Disposals	(0)	0	(0)
Balance 31 Dec 2018	11,378	0	11,378
Balance 31 Dec 2018	11,378	0	11,378
Additions	739	0	739
Disposals	0	0	0
Balance 30 Sep 2019	12,117	0	12,117
Net Book Value 31 Dec 2018	1,742	5,815	7,557
Net Book Value 30 Sep 2019	1,313	6,734	8,047

14. 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

15. ACCOUNTS PAYABLE

	As at 30 Sep 2019	As at 31 Dec 2018
Policy acquisition costs payable	2,869	3,960
Third party administrator payable	183	148
Other accounts payable	6,686	4,593
Total	9,738	8,701

16. REINSURERS' BALANCES PAYABLE

	As at 30 Sep 2019	As at 31 Dec 2018
Excess of Loss contracts	0	0
Other contracts	15,647	10,760
Total	15,647	10,760

17. ANALYSIS OF WRITTEN AND EARNED PREMIUMS

Written premiums	Three Months to 30 Sep 2019	Year to Date to 30 Sep 2019	Three Months to 30 Sep 2018	Year to Date to 30 Sep 2018	Full Year to 31 Dec 2018
Gross premiums written	57,536	400,207	172,777	507,119	625,101
Ceded premiums written	(21,603)	(155,443)	(27,288)	(148,913)	(170,305)
Net	35,933	244,764	145,489	358,206	454,796
Excess of loss expenses incurred	(497)	(1,493)	(558)	(1,673)	(2,230)
Net premiums written	35,436	243,271	144,931	356,533	452,566

Earned premiums	Three Months to 30 Sep 2019	Year to Date to 30 Sep 2019	Three Months to 30 Sep 2018	Year to Date to 30 Sep 2018	Full Year to 31 Dec 2018
Gross premiums earned	145,546	461,884	129,581	406,473	559,623
Ceded premiums earned	(43,218)	(133,638)	(42,942)	(133,584)	(177,542)
Net	102,328	328,246	86,639	272,889	382,081
Excess of loss expenses incurred	(497)	(1,493)	(558)	(1,673)	(2,230)
Net premiums earned	101,831	326,753	86,081	271,216	379,851

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

18. MOVEMENT IN UNEARNED PREMIUMS

	Gross	Reinsurance	Net
Three Months to 30 Sep 2019			
Balance at start of period	247,375	(76,809)	170,566
Premium written during period	57,536	(22,100)	35,436
Premium earned during period	(145,546)	43,715	(101,831)
Balance at end of period	159,365	(55,194)	104,171
Change in unearned premiums	(88,010)	21,615	(66,395)

Year to Date to 30 Sep 2019			
Balance at start of year	221,042	(33,389)	187,653
Premium written during period	400,207	(156,936)	243,271
Premium earned during period	(461,884)	135,131	(326,753)
Balance at end of period	159,365	(55,194)	104,171
Change in unearned premiums	(61,677)	(21,805)	(83,482)

Three Months to 30 Sep 2018			
Balance at start of period	213,014	(71,609)	141,405
Premium written during period	172,777	(27,846)	144,931
Premium earned during period	(129,581)	43,500	(86,081)
Balance at end of period	256,210	(55,955)	200,255
Change in unearned premiums	43,196	15,654	58,850

Year to Date to 30 Sep 2018			
Balance at start of year	155,564	(40,626)	114,938
Premium written during period	507,119	(150,586)	356,533
Premium earned during period	(406,473)	135,257	(271,216)
Balance at end of period	256,210	(55,955)	200,255
Change in unearned premiums	100,646	(15,329)	85,317

Full Year ended 31 Dec 2018			
Balance at start of year	155,564	(40,626)	114,938
Premium written during year	625,101	(172,535)	452,566
Premium earned during year	(559,623)	179,772	(379,851)
Balance at end of year	221,042	(33,389)	187,653
Change in unearned premiums	65,478	7,237	72,715

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

19. ANALYSIS OF WRITTEN AND EARNED REINSURANCE COMMISSION

Written commission	Three Months to 30 Sep 2019	Year to Date to 30 Sep 2019	Three Months to 30 Sep 2018	Year to Date to 30 Sep 2018	Full Year to 31 Dec 2018
Standard commission written	5,238	30,565	6,231	29,542	34,258
Profit commission written	200	1,749	321	1,130	1,440
Total commission written	5,438	32,314	6,552	30,672	35,698

Earned commission	Three Months to 30 Sep 2019	Year to Date to 30 Sep 2019	Three Months to 30 Sep 2018	Year to Date to 30 Sep 2018	Full Year to 31 Dec 2018
Standard commission earned	8,796	26,702	8,664	26,501	35,398
Profit commission earned	200	1,749	321	1,130	1,440
Total commission earned	8,996	28,451	8,985	27,631	36,838

20. MOVEMENT IN UNEARNED REINSURANCE COMMISSION

	Standard Commission	Profit Commission	Total Commission
Three Months to 30 Sep 2019			
Balance at start of period	14,268	0	14,268
Commission written during period	5,238	200	5,438
Commission earned during period	(8,796)	(200)	(8,996)
Balance at end of period	10,710	0	10,710
Change in unearned commission	(3,558)	0	(3,558)
Year to Date to 30 Sep 2019			
Balance at start of year	6,847	0	6,847
Commission written during period	30,565	1,749	32,314
Commission earned during period	(26,702)	(1,749)	(28,451)
Balance at end of period	10,710	0	10,710
Change in unearned commission	3,863	0	3,863
Three Months to 30 Sep 2018			
Balance at start of period	13,460	0	13,460
Commission written during period	6,231	321	6,552
Commission earned during period	(8,662)	(321)	(8,983)
Balance at end of period	11,029	0	11,029
Change in unearned commission	(2,431)	0	(2,431)
Year to Date to 30 Sep 2018			
Balance at start of year	7,987	0	7,987
Commission written during period	29,542	1,130	30,672
Commission earned during period	(26,500)	(1,130)	(27,630)
Balance at end of period	11,029	0	11,029
Change in unearned commission	3,042	0	3,042
Full Year ended 31 Dec 2018			
Balance at start of year	7,987	0	7,987
Commission written during year	34,258	1,440	35,698
Commission earned during year	(35,398)	(1,440)	(36,838)
Balance at end of year	6,847	0	6,847
Change in unearned commission	(1,140)	0	(1,140)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

21. NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves	As at 30 Sep 2019	As at 30 Sep 2018	As at 31 Dec 2018
Outstanding gross claims	161,921	126,358	173,569
Less realisable value of salvage and subrogation	0	0	0
Sub Total	161,921	126,358	173,569
Gross claims incurred but not reported	179,341	189,913	194,280
Premium deficiency reserve	4,740	11,260	4,900
Other technical reserves	9,000	7,438	9,925
Outstanding gross claims and reserves	355,002	334,969	382,674
Less reinsurers' share of outstanding gross claims	(87,348)	(64,870)	(71,391)
Less reinsurers' share of gross claims incurred but not reported	(76,449)	(80,341)	(81,748)
Outstanding claims and technical reserves, net	191,205	189,758	229,535

22. MOVEMENT IN OUTSTANDING CLAIMS AND TECHNICAL RESERVES

Year to Date to 30 September 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	365,981	(57,794)	308,187
Provided IBNR reserve	(14,939)	5,299	(9,640)
Provided premium deficiency reserve	(160)	0	(160)
Provided other technical reserves	(925)	0	(925)
Total provided during the period	349,957	(52,495)	297,462
Paid claims during the period	(377,629)	41,837	(335,792)
Outstanding claims	161,921	(87,348)	74,573
Outstanding IBNR reserve	179,341	(76,449)	102,892
Outstanding premium deficiency reserve	4,740	0	4,740
Outstanding other technical reserves	9,000	0	9,000
Total at end of period	355,002	(163,797)	191,205
Change in outstanding claims	(11,648)	(15,957)	(27,605)
Change in IBNR reserve	(14,939)	5,299	(9,640)
Change in premium deficiency reserve	(160)	0	(160)
Change in other technical reserves	(925)	0	(925)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

Year to Date to 30 September 2018	Gross	Reinsurers	Net
Outstanding claims	104,731	(58,958)	45,773
IBNR reserve	179,883	(73,796)	106,087
Premium deficiency reserve	0	0	0
Other technical reserves	8,125	0	8,125
Total at start of year	292,739	(132,754)	159,985
Provided claims	263,321	(70,889)	192,432
Provided IBNR reserve	10,030	(6,545)	3,485
Provided premium deficiency reserve	11,260	0	11,260
Provided other technical reserves	(687)	0	(687)
Total provided during the period	283,924	(77,434)	206,490
Paid claims during the period	(241,694)	64,977	(176,717)
Outstanding claims	126,358	(64,870)	61,488
Outstanding IBNR reserve	189,913	(80,341)	109,572
Outstanding premium deficiency reserve	11,260	0	11,260
Outstanding other technical reserves	7,438	0	7,438
Total at end of period	334,969	(145,211)	189,758
Change in outstanding claims	21,627	(5,912)	15,715
Change in IBNR reserve	10,030	(6,545)	3,485
Change in premium deficiency reserve	11,260	0	11,260
Change in other technical reserves	(687)	0	(687)

Full Year to 31 December 2018	Gross	Reinsurers	Net
Outstanding claims	104,731	(58,958)	45,773
IBNR reserve	179,883	(73,796)	106,087
Premium deficiency reserve	0	(0)	0
Other technical reserves	8,125	(0)	8,125
Total at start of year	292,739	(132,754)	159,985
Provided claims	373,435	(95,645)	277,790
Provided IBNR reserve	14,397	(7,952)	6,445
Provided premium deficiency reserve	4,900	(0)	4,900
Provided other technical reserves	1,800	(0)	1,800
Total provided during the year	394,532	(103,597)	290,935
Paid claims during the year	(304,597)	83,212	(221,385)
Outstanding claims	173,569	(71,391)	102,178
Outstanding IBNR reserve	194,280	(81,748)	112,532
Outstanding premium deficiency reserve	4,900	(0)	4,900
Outstanding other technical reserves	9,925	(0)	9,925
Total at end of year	382,674	(153,139)	229,535
Change in outstanding claims	68,838	(12,433)	56,405
Change in IBNR reserve	14,397	(7,952)	6,445
Change in premium deficiency reserve	4,900	(0)	4,900
Change in other technical reserves	1,800	(0)	1,800

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

23. 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.

	As at 30 Sep 2019	As at 31 Dec 2018
<u>Percentages applicable to zakat and income tax</u>		
Shareholding percentage subject to zakat	92%	92%
Shareholding percentage subject to income tax	8%	8%

Movement on zakat account

Balance 31 December 2017	21,060
Provided	10,960
Paid	(5,509)
Balance 31 December 2018	26,511
Balance 31 December 2018	26,511
Provided	7,363
Paid	(4,961)
Balance 30 September 2019	28,913

Movement on income tax account

Balance 31 December 2017	3,205
Provided	789
Paid	(2,025)
Balance 31 December 2018	1,969
Balance 31 December 2018	1,969
Provided	180
Paid	(1,019)
Balance 30 September 2019	1,130

Unaudited Interim condensed Financial Statements for prior periods were prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax, which have been accrued on a quarterly basis through shareholders' equity under retained earnings in accordance with SAMA Circular No. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"). The above basis has been amended and zakat and income tax are now charged to the statement of income.

The Financial Statements have therefore been prepared in accordance with International Accounting Standard 34 endorsed in the Kingdom of Saudi Arabia, consistent with the Company's accounting policies. Comparatives have been restated.

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 and awaits the finalisation of assessments.





24. 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 2018: SAR 300,000,000) consisting of 30,000,000 (31 December 2018: 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.

25. 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 2018 Statutory Reserve represents 20% of shareholders' net profit (as defined below) earned from incorporation to 31 December 2018 (2017: 20% of shareholders' net profit earned from incorporation to 31 December 2017).

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 2019 will be determined at 31 December 2019 and no transfer has been made in the nine month period ended 30 September 2019 (nine month period ended 30 September 2018: Nil).

26. 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 year.

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 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

27. POLICYHOLDERS' SURPLUS DISTRIBUTION PAYABLE

Balance 31 December 2017	11,995
Surplus earned during year	2,697
Paid during year	(11,995)
Balance 31 December 2018	2,697
Balance 31 December 2018	2,697
Surplus earned during period	0
Paid during period	0
Balance 30 September 2019	2,697

28. 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 at 30 September 2019 totals SAR 434,363,000 consisting of paid-up share capital SAR 300,000,000, statutory reserves SAR 33,082,000, retained earnings SAR 96,640,000 and fair value reserve on investments SAR 4,641,000 (at 31 December 2018 totals SAR 427,685,000 consisting of paid-up share capital SAR 300,000,000, statutory reserves SAR 33,082,000, retained earnings SAR 92,327,000 and fair value reserve on investments SAR 2,276,000)

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

29. 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 nine month period ended 30 September 2019 means the following six people (nine month period ended 30 September 2018: five people) – the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the four other executives (nine month period ended 30 September 2018: three 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 nine month period ended 30 September 2019 (nine month period ended 30 September 2018: 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 nine month period ended 30 September 2019, the Company has not recorded any impairment of receivables relating to amounts due from related parties (nine month period ended 30 September 2018: 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

Investments at 31 December 2018 include an investment of SAR 3,000,000 in a Sukuk issued by an entity controlled or significantly influenced by a related party. The Sukuk was redeemed in full on 07 March 2019 leaving a Nil balance at 30 September 2019. This investment generated an income for the nine month period ended 30 September 2019 of 25,179 (nine month period ended 30 September 2018: 101,602).

Remuneration of Board of Directors and Committee Members for year ended 31 December 2018

The full year provision for 2018 amounting to 1,200,000, 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, was determined and accrued at 31 December 2018 and approval to pay up to this amount was granted at the Annual General Assembly held on 19 June 2019.

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

A provision amounting to 900,000 was made in the Financial Statements for the nine month period ended 30 September 2019 (nine month period ended 30 September 2018: 900,000) 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 2019 will be determined at 31 December 2019 following which approval for payment shall be sought.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

Salaries and Allowances of Key Executives and Board Secretary

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 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Provided and paid for key executives and board secretary	1,643	1,315	5,316	5,530

Transactions with and amounts due to and from related parties

Transactions with related parties	Three Months to		Year to Date to	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Gross written premiums from related parties				
Shareholders	(1)	(20)	291	341
Directors	0	0	0	0
Committees, board secretary and key executives	0	(1)	(1)	4
Entities controlled or significantly influenced	6,785	1,669	184,257	162,371
Ceded written premiums to related parties				
Entities controlled or significantly influenced	99	55	4,225	2,151
Commissions from related parties				
Entities controlled or significantly influenced	23	11	444	227
Commissions to related parties				
Entities controlled or significantly influenced	0	0	10	4
Gross claims incurred by related parties				
Shareholders	6	11	63	37
Directors	0	0	0	0
Committees, board secretary and key executives	0	0	0	8
Entities controlled or significantly influenced	61,276	30,951	187,588	93,713
Ceded claims incurred to related parties				
Entities controlled or significantly influenced	0	(297)	0	(303)

Amounts due to and from related parties	30 Sep 2019	31 Dec 2018
Amounts due from related parties		
Shareholders	0	0
Directors	0	0
Committees, board secretary and key executives	2	9
Entities controlled or significantly influenced	39,978	75,065
Provision	(8,400)	(11,400)
Total due from related parties, net	31,580	63,674
Amounts due to related parties		
Shareholders	170	0
Committees, board secretary and key executives	0	0
Entities controlled or significantly influenced	982	17,098
Total due to related parties	1,152	17,098

30. 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 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 2018.

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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 September 2019 and 31 December 2018, its total revenues, expenses, and net income for the three and nine month periods then ended, are as follows:

Operating segments as at 30 Sep 2019	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	17,964	0	28,656	8,574	55,194	0	55,194
Reinsurers' share of outstanding gross claims	16,859	0	45,414	25,075	87,348	0	87,348
Reinsurers' share of gross claims incurred but not reported	56,500	0	11,874	8,075	76,449	0	76,449
Deferred excess of loss expenses	198	0	300	0	498	0	498
Deferred policy acquisition costs	1,336	1,746	1,556	784	5,422	0	5,422
Deferred third party administrator expenses	0	2,249	0	0	2,249	0	2,249
Deferred withholding tax	898	0	1,351	426	2,675	0	2,675
Deferred regulators' levies	150	1,296	158	48	1,652	0	1,652
Total allocated assets	93,905	5,291	89,309	42,982	231,487	0	231,487
Unallocated assets:							
Cash and cash equivalents					129,653	184,465	314,118
Short term fixed income deposits					121,234	0	121,234
Premiums and reinsurers' receivable – net					44,415	0	44,415
Investments					0	214,352	214,352
Due from related parties – net					31,580	0	31,580
Prepaid expenses and other assets					31,327	4,165	35,492
Property and equipment – net					3,603	0	3,603
Intangible assets – net					8,047	0	8,047
Goodwill					0	46,794	46,794
Statutory deposit					0	30,000	30,000
Accrued income and statutory deposit					0	2,578	2,578
Total unallocated assets					369,859	482,354	852,213
TOTAL ASSETS					601,346	482,354	1,083,700
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	2,561	0	6,720	6,366	15,647	0	15,647
Unearned gross premiums	30,030	86,427	33,259	9,649	159,365	0	159,365
Unearned reinsurance commission	3,422	0	5,772	1,516	10,710	0	10,710
Outstanding gross claims	31,598	49,655	54,270	26,398	161,921	0	161,921
Gross claims incurred but not reported	113,000	41,860	15,981	8,500	179,341	0	179,341
Premium deficiency reserve	0	4,740	0	0	4,740	0	4,740
Other technical reserves	3,450	3,580	1,350	620	9,000	0	9,000
Total allocated liabilities	184,061	186,262	117,352	53,049	540,724	0	540,724
Unallocated liabilities:							
Accrued and other liabilities					41,218	2,006	43,224
Due to related parties					1,152	0	1,152
Accounts payable					9,738	0	9,738
Withholding tax provision					10,505	0	10,505
Regulators' levies provision					567	0	567
End-of-service indemnities					8,109	0	8,109
Policyholders' surplus distribution payable					2,697	0	2,697
Zakat					0	28,913	28,913
Income tax					0	1,130	1,130
Accrued commission income payable to SAMA					0	2,578	2,578
Total unallocated liabilities					73,986	34,627	108,613
TOTAL LIABILITIES					614,710	34,627	649,337

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

Operating segments as at 31 Dec 2018	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	16,624	0	13,157	3,608	33,389	0	33,389
Reinsurers' share of outstanding gross claims	14,071	0	41,899	15,421	71,391	0	71,391
Reinsurers' share of gross claims incurred but not reported	62,500	0	11,173	8,075	81,748	0	81,748
Deferred excess of loss expenses	0	0	0	0	0	0	0
Deferred policy acquisition costs	662	4,794	1,468	383	7,307	0	7,307
Deferred third party administrator expenses	0	2,476	0	0	2,476	0	2,476
Deferred withholding tax	831	0	580	173	1,584	0	1,584
Deferred regulators' levies	139	2,599	73	18	2,829	0	2,829
Total allocated assets	94,827	9,869	68,350	27,678	200,724	0	200,724
Unallocated assets:							
Cash and cash equivalents					253,385	177,181	430,566
Short term fixed income deposits					81,234	0	81,234
Premiums and reinsurers' receivable – net					78,587	0	78,587
Investments					0	198,901	198,901
Due from related parties – net					63,674	0	63,674
Prepaid expenses and other assets					31,736	3,121	34,857
Property and equipment – net					4,595	0	4,595
Intangible assets – net					7,557	0	7,557
Goodwill					0	46,794	46,794
Statutory deposit					0	30,000	30,000
Accrued income and statutory deposit					0	2,003	2,003
Total unallocated assets					520,768	458,000	978,768
TOTAL ASSETS					721,492	458,000	1,179,492
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	3,139	0	4,461	3,160	10,760	0	10,760
Unearned gross premiums	27,807	173,262	16,124	3,849	221,042	0	221,042
Unearned reinsurance commission	2,909	0	3,261	677	6,847	0	6,847
Outstanding gross claims	30,980	76,420	49,937	16,232	173,569	0	173,569
Gross claims incurred but not reported	125,000	45,550	15,230	8,500	194,280	0	194,280
Premium deficiency reserve	0	4,900	0	0	4,900	0	4,900
Other technical reserves	4,375	3,580	1,350	620	9,925	0	9,925
Total allocated liabilities	194,210	303,712	90,363	33,038	621,323	0	621,323
Unallocated liabilities:							
Accrued and other liabilities					46,321	2,486	48,807
Due to related parties					17,098	0	17,098
Accounts payable					8,701	0	8,701
Withholding tax provision					12,227	0	12,227
Regulators' levies provision					1,470	0	1,470
End-of-service indemnities					9,001	0	9,001
Policyholders' surplus distribution payable					2,697	0	2,697
Zakat					0	26,511	26,511
Income tax					0	1,969	1,969
Accrued commission income payable to SAMA					0	2,003	2,003
Total unallocated liabilities					97,515	32,969	130,484
TOTAL LIABILITIES					718,838	32,969	751,807

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

Operating segments For the three month period ended 30 September 2019	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	10,111	5,990	1,561	0	17,662
• Very small corporate entities	36	1,610	2	0	1,648
• Small corporate entities	466	4,475	826	0	5,767
• Medium corporate entities	716	3,153	1,910	0	5,779
• Large corporate entities	1,083	13,606	(1,035)	13,026	26,680
Gross premiums written – total	12,412	28,834	3,264	13,026	57,536
Reinsurance premiums ceded – local	(1,239)	0	(540)	(6)	(1,785)
Reinsurance premiums ceded – foreign	(6,168)	0	(1,423)	(12,227)	(19,818)
Excess of loss expenses	(198)	0	(299)	0	(497)
Net premiums written	4,807	28,834	1,002	793	35,436
Change in unearned gross premiums	4,769	61,480	19,261	2,500	88,010
Change in reinsurers' share of unearned gross premiums	(2,882)	0	(16,739)	(1,994)	(21,615)
Net premiums earned	6,694	90,314	3,524	1,299	101,831
Reinsurance commissions	2,079	0	3,655	3,262	8,996
Other underwriting income	0	1,680	0	0	1,680
TOTAL REVENUES	8,773	91,994	7,179	4,561	112,507
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(11,979)	(107,475)	(1,493)	(8,457)	(129,404)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	6,972	0	1,315	7,897	16,184
Net claims paid	(5,007)	(107,475)	(178)	(560)	(113,220)
Changes in outstanding gross claims	(3,907)	12,145	463	(2,141)	6,560
Changes in reinsurers' share of outstanding gross claims	2,005	0	(421)	2,013	3,597
Changes in gross IBNR	0	10,640	(66)	0	10,574
Changes in reinsurers' share of gross IBNR	0	0	53	0	53
Net claims incurred	(6,909)	(84,690)	(149)	(688)	(92,436)
Premium deficiency reserve	0	(240)	0	0	(240)
Other technical reserves	0	0	0	0	0
Policy acquisition costs	(591)	(1,994)	(856)	(1,753)	(5,194)
Third party administrator expenses	(17)	(2,059)	0	0	(2,076)
Withholding tax	(193)	0	(309)	(292)	(794)
Regulators' levies	(80)	(1,355)	(105)	(77)	(1,617)
Other underwriting expenses	(1,001)	(326)	(166)	(153)	(1,646)
TOTAL UNDERWRITING COSTS AND EXPENSES	(8,791)	(90,664)	(1,585)	(2,963)	(104,003)
NET UNDERWRITING INCOME / (LOSS)	(18)	1,330	5,594	1,598	8,504
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	870	2,160	200	(180)	3,050
General and administrative expenses	(4,227)	(3,623)	(3,020)	(1,208)	(12,078)
Depreciation and amortisation	(176)	(151)	(127)	(50)	(504)
Commission income on deposits	586	503	419	167	1,675
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)	(2,947)	(1,111)	(2,528)	(1,271)	(7,857)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	(2,965)	219	3,066	327	647
Absorption of deficit by / transfer of surplus to Shareholders	2,965	(219)	(3,066)	(327)	(647)
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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

Operating segments For the year to date to 30 September 2019	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	25,195	16,258	4,185	0	45,638
• Very small corporate entities	603	5,292	576	0	6,471
• Small corporate entities	5,220	13,457	9,263	0	27,940
• Medium corporate entities	4,576	9,113	5,318	159	19,166
• Large corporate entities	22,217	161,053	67,794	49,928	300,992
Gross premiums written – total	57,811	205,173	87,136	50,087	400,207
Reinsurance premiums ceded – local	(5,761)	0	(6,940)	(198)	(12,899)
Reinsurance premiums ceded – foreign	(28,854)	0	(67,898)	(45,792)	(142,544)
Excess of loss expenses	(594)	0	(899)	0	(1,493)
Net premiums written	22,602	205,173	11,399	4,097	243,271
Change in unearned gross premiums	(2,223)	86,835	(17,135)	(5,800)	61,677
Change in reinsurers' share of unearned gross premiums	1,340	0	15,499	4,966	21,805
Net premiums earned	21,719	292,008	9,763	3,263	326,753
Reinsurance commissions	6,111	0	12,844	9,496	28,451
Other underwriting income	3,440	4,629	0	0	8,069
TOTAL REVENUES	31,270	296,637	22,607	12,759	363,273
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(39,739)	(316,862)	(2,886)	(18,142)	(377,629)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	22,518	0	2,192	17,127	41,837
Net claims paid	(17,221)	(316,862)	(694)	(1,015)	(335,792)
Changes in outstanding gross claims	(618)	26,766	(4,334)	(10,166)	11,648
Changes in reinsurers' share of outstanding gross claims	2,788	0	3,514	9,655	15,957
Changes in gross IBNR	12,000	3,690	(751)	0	14,939
Changes in reinsurers' share of gross IBNR	(6,000)	0	701	0	(5,299)
Net claims Incurred	(9,051)	(286,406)	(1,564)	(1,526)	(298,547)
Premium deficiency reserve	0	160	0	0	160
Other technical reserves	925	0	0	0	925
Policy acquisition costs	(1,596)	(6,474)	(2,489)	(5,130)	(15,689)
Third party administrator expenses	(17)	(5,704)	0	0	(5,721)
Withholding tax	(1,134)	0	(1,755)	(1,619)	(4,508)
Regulators' levies	(249)	(4,380)	(316)	(220)	(5,165)
Other underwriting expenses	(2,592)	(748)	(516)	(355)	(4,211)
TOTAL UNDERWRITING COSTS AND EXPENSES	(13,714)	(303,552)	(6,640)	(8,850)	(332,756)
NET UNDERWRITING INCOME / (LOSS)	17,556	(6,915)	15,967	3,909	30,517
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	800	2,100	150	(200)	2,850
General and administrative expenses	(13,139)	(11,262)	(9,386)	(3,755)	(37,542)
Depreciation and amortisation	(631)	(541)	(452)	(180)	(1,804)
Commission income on deposits	2,012	1,726	1,438	574	5,750
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)	(10,958)	(7,977)	(8,250)	(3,561)	(30,746)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	6,598	(14,892)	7,717	348	(229)
Absorption of deficit by / transfer of surplus to Shareholders	(6,598)	14,892	(7,717)	(348)	229
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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

Operating segments For the three month period ended 30 September 2018	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	9,702	6,355	1,126	0	17,183
• Very small corporate entities	29	1,567	0	0	1,596
• Small corporate entities	383	6,334	667	0	7,384
• Medium corporate entities	836	2,778	363	0	3,977
• Large corporate entities	2,526	121,797	6,308	12,006	142,637
Gross premiums written – total	13,476	138,831	8,464	12,006	172,777
Reinsurance premiums ceded – local	(1,329)	0	(987)	(571)	(2,887)
Reinsurance premiums ceded – foreign	(6,736)	0	(6,565)	(11,100)	(24,401)
Excess of loss expenses	(318)	0	(240)	0	(558)
Net premiums written	5,093	138,831	672	335	144,931
Change in unearned gross premiums	9,012	(64,899)	11,432	1,259	(43,196)
Change in reinsurers' share of unearned gross premiums	(4,812)	0	(10,163)	(679)	(15,654)
Net premiums earned	9,293	73,932	1,941	915	86,081
Reinsurance commissions	2,188	0	3,898	2,899	8,985
Other underwriting income	1,500	250	0	0	1,750
TOTAL REVENUES	12,981	74,182	5,839	3,814	96,816
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(16,452)	(69,294)	(6,859)	(6,177)	(98,782)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	9,084	0	6,758	5,908	21,750
Net claims paid	(7,368)	(69,294)	(101)	(269)	(77,032)
Changes in outstanding gross claims	9,001	1,842	9,215	(3,694)	16,364
Changes in reinsurers' share of outstanding gross claims	83	0	(8,179)	3,858	(4,238)
Changes in gross IBNR	0	0	1,249	(2,000)	(751)
Changes in reinsurers' share of gross IBNR	0	0	(1,303)	1,900	597
Net claims incurred	1,716	(67,452)	881	(205)	(65,060)
Premium deficiency reserve	0	(11,260)	0	0	(11,260)
Other technical reserves	(1,120)	5,257	0	0	4,137
Policy acquisition costs	(569)	(2,044)	(584)	(1,604)	(4,801)
Third party administrator expenses	0	(348)	0	0	(348)
Withholding tax	(606)	0	(882)	(590)	(2,078)
Regulators' levies	(105)	(1,109)	(97)	(64)	(1,375)
Other underwriting expenses	(2,099)	326	(444)	(404)	(2,621)
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,783)	(76,630)	(1,126)	(2,867)	(83,406)
NET UNDERWRITING INCOME / (LOSS)	10,198	(2,448)	4,713	947	13,410
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(93)	1,973	643	477	3,000
General and administrative expenses	(9,469)	(1,174)	(3,379)	(946)	(14,968)
Depreciation and amortisation	(485)	(60)	(154)	63	(636)
Commission income on deposits	1,198	477	418	(74)	2,019
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)	(8,849)	1,216	(2,472)	(480)	(10,585)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	1,349	(1,232)	2,241	467	2,825
Absorption of deficit by / transfer of surplus to Shareholders	(1,215)	1,108	(2,017)	(420)	(2,544)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	134	(124)	224	47	281

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

Operating segments For the year to date to 30 September 2018	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	33,521	16,858	3,224	0	53,603
• Very small corporate entities	827	3,359	144	0	4,330
• Small corporate entities	6,470	25,003	4,144	162	35,779
• Medium corporate entities	4,509	12,787	2,795	0	20,091
• Large corporate entities	26,554	260,026	61,172	45,564	393,316
Gross premiums written – total	71,881	318,033	71,479	45,726	507,119
Reinsurance premiums ceded – local	(7,083)	0	(5,814)	(1,545)	(14,442)
Reinsurance premiums ceded – foreign	(35,933)	0	(58,710)	(39,828)	(134,471)
Excess of loss expenses	(822)	0	(851)	0	(1,673)
Net premiums written	28,043	318,033	6,104	4,353	356,533
Change in unearned gross premiums	16,883	(96,845)	(14,570)	(6,114)	(100,646)
Change in reinsurers' share of unearned gross premiums	(4,101)	0	14,107	5,323	15,329
Net premiums earned	40,825	221,188	5,641	3,562	271,216
Reinsurance commissions	7,892	0	11,389	8,350	27,631
Other underwriting income	4,833	710	0	0	5,543
TOTAL REVENUES	53,550	221,898	17,030	11,912	304,390
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(54,565)	(150,340)	(8,611)	(28,178)	(241,694)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	30,493	0	8,012	26,472	64,977
Net claims paid	(24,072)	(150,340)	(599)	(1,706)	(176,717)
Changes in outstanding gross claims	5,448	(18,949)	(2,953)	(5,173)	(21,627)
Changes in reinsurers' share of outstanding gross claims	364	0	606	4,942	5,912
Changes in gross IBNR	0	(3,000)	210	(7,240)	(10,030)
Changes in reinsurers' share of gross IBNR	0	0	(330)	6,875	6,545
Net claims incurred	(18,260)	(172,289)	(3,066)	(2,302)	(195,917)
Premium deficiency reserve	0	(11,260)	0	0	(11,260)
Other technical reserves	(1,930)	267	2,150	200	687
Policy acquisition costs	(3,650)	(7,030)	(2,050)	(4,489)	(17,219)
Third party administrator expenses	0	(348)	0	0	(348)
Withholding tax	(2,056)	0	(2,327)	(1,738)	(6,121)
Regulators' levies	(408)	(3,318)	(259)	(192)	(4,177)
Other underwriting expenses	(1,984)	(397)	(653)	(565)	(3,599)
TOTAL UNDERWRITING COSTS AND EXPENSES	(28,288)	(194,375)	(6,205)	(9,086)	(237,954)
NET UNDERWRITING INCOME / (LOSS)	25,262	27,523	10,825	2,826	66,436
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(1,141)	(1,243)	(488)	(128)	(3,000)
General and administrative expenses	(17,910)	(19,513)	(7,674)	(2,004)	(47,101)
Depreciation and amortisation	(899)	(979)	(385)	(101)	(2,364)
Commission income on deposits	1,928	2,100	826	216	5,070
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)	(18,022)	(19,635)	(7,721)	(2,017)	(47,395)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	7,240	7,888	3,104	809	19,041
Absorption of deficit by / transfer of surplus to Shareholders	(6,517)	(7,099)	(2,794)	(728)	(17,138)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	723	789	310	81	1,903

31. 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.

Group Protection and Savings

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

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

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 as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

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 4(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.

Net Claims Incurred Increase / Decrease	% Change	Impact on Net Income			
		Three months to		Year to date to	
		30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Motor	+5%	(345)	86	(453)	(913)
Medical	+5%	(4,235)	(3,373)	(14,320)	(8,614)
Property and Casualty	+5%	(7)	44	(78)	(153)
Protection and Savings	+5%	(34)	(10)	(76)	(116)
Total		(4,621)	(3,253)	(14,927)	(9,796)
Motor	-5%	345	(86)	453	913
Medical	-5%	4,235	3,373	14,320	8,614
Property and Casualty	-5%	7	(44)	78	153
Protection and Savings	-5%	34	10	76	116
Total		4,621	3,253	14,927	9,796

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.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

ALL AMOUNTS IN SAR '000

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:

	As at 30 Sep 2019	As at 31 Dec 2018
Premiums and reinsurers' receivable – gross	51,265	85,287
Due from related parties – gross	39,980	75,074
Reinsurers' share of outstanding gross claims	87,348	71,391
Total	178,593	231,752

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 3,758 (three month period ended 30 September 2018: impact on annual profits of 4,333).

The commission and non-commission bearing deposits and investments of the Company and their maturities as at 30 September 2019 and 31 December 2018 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
Insurance Operations				
30 September 2019	196,234	0	0	196,234
31 December 2018	308,096	0	0	308,096
Shareholders' Operations				
30 September 2019	179,592	0	214,352	393,944
31 December 2018	175,689	0	198,901	374,590

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 214,352 (31 December 2018: 198,901) 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 September 2019	- 10%	(21,435)
30 September 2019	+10%	21,435
31 December 2018	- 10%	(19,890)
31 December 2018	+10%	19,890

The sensitivity analysis presented is based upon the portfolio position as at 30 September 2019 and 31 December 2018. 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

32. 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 – unearned gross premiums, reinsurers' share of unearned gross premiums, deferred costs, property, equipment and intangible assets, net, goodwill, 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
As at 31 December 2018			
Financial Assets			
Cash and cash equivalents	430,566		430,566
Short term fixed income deposits	81,234		81,234
Premiums and reinsurers' receivable - net	78,587		78,587
Reinsurers' share of outstanding gross claims	71,391		71,391
Reinsurers' share of gross claims incurred but not reported	81,748		81,748
Investments	198,901		198,901
Due from related parties – net	63,674		63,674
Prepaid expenses and other assets	34,857		34,857
Statutory deposit	0	30,000	30,000
Accrued income on statutory deposit	0	2,003	2,003
Total	1,040,958	32,003	1,072,961
Financial Liabilities			
Accrued and other liabilities	48,807		48,807
Reinsurers' balances payable	10,760		10,760
Outstanding gross claims	173,569		173,569
Gross claims incurred but not reported	194,280		194,280
Due to related parties	17,098		17,098
Accounts payable	8,701		8,701
Withholding tax provision	12,227		12,227
Regulators' levies provision	1,470		1,470
End-of-service indemnities	0	9,001	9,001
Zakat	26,511		26,511
Income tax	1,969		1,969
Accrued commission income payable to SAMA	0	2,003	2,003
Total	495,392	11,004	506,396

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

As at 30 September 2019	Up to one year	More than one year	Total
Financial Assets			
Cash and cash equivalents	314,118		314,118
Short term fixed income deposits	121,234		121,234
Premiums and reinsurers' receivable - net	44,415		44,415
Reinsurers' share of outstanding gross claims	87,348		87,348
Reinsurers' share of gross claims incurred but not reported	76,449		76,449
Investments	214,352		214,352
Due from related parties - net	31,580		31,580
Prepaid expenses and other assets	35,492		35,492
Statutory deposit	0	30,000	30,000
Accrued income on statutory deposit	0	2,578	2,578
Total	924,988	32,578	957,566
Financial Liabilities			
Accrued and other liabilities	43,224		43,224
Reinsurers' balances payable	15,647		15,647
Outstanding gross claims	161,921		161,921
Gross claims incurred but not reported	179,341		179,341
Due to related parties	1,152		1,152
Accounts payable	9,738		9,738
Withholding tax provision	10,505		10,505
Regulators' levies provision	567		567
End-of-service indemnities	0	8,109	8,109
Zakat	28,913		28,913
Income tax	1,130		1,130
Accrued commission income payable to SAMA	0	2,578	2,578
Total	452,138	10,687	462,825

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019****ALL AMOUNTS IN SAR '000****33. COMMITMENTS AND CONTINGENCIES**

At 30 September 2019 Letters of Guarantee were outstanding in favour of various beneficiaries as follows:

	As at 30 Sep 2019	As at 31 Dec 2018
Medical provider	1,000	1,000
Motor agents	0	0
Group medical insurance policy – Request for proposal	2,666	1,305
Capital commitments for systems software	1,429	1,429
Total	5,095	3,734

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

At 30 September 2019 there were no other commitments, contingencies or outstanding legal proceedings or disputes of a material nature.

34. COMPARATIVE FIGURES

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

35. BOARD OF DIRECTORS' APPROVAL

The Financial Statements were approved by the Board of Directors on 21 October 2019.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

36. SUPPLEMENTARY INFORMATION

UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION	As at 30 Sep 2019			As at 31 Dec 2018		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
ASSETS						
Cash and cash equivalents	129,653	184,465	314,118	253,385	177,181	430,566
Short term fixed income deposits	121,234	0	121,234	81,234	0	81,234
Premiums and reinsurers' receivable – net	44,415	0	44,415	78,587	0	78,587
Reinsurers' share of unearned gross premiums	55,194	0	55,194	33,389	0	33,389
Reinsurers' share of outstanding gross claims	87,348	0	87,348	71,391	0	71,391
Reinsurers' share of gross claims incurred but not reported	76,449	0	76,449	81,748	0	81,748
Deferred excess of loss expenses	498	0	498	0	0	0
Deferred policy acquisition costs	5,422	0	5,422	7,307	0	7,307
Deferred third party administrator expenses	2,249	0	2,249	2,476	0	2,476
Deferred withholding tax	2,675	0	2,675	1,584	0	1,584
Deferred regulators' levies	1,652	0	1,652	2,829	0	2,829
Investments	0	214,352	214,352	0	198,901	198,901
Due from insurance / shareholders' operations	13,364	0	13,364	0	2,654	2,654
Due from related parties – net	31,580	0	31,580	63,674	0	63,674
Prepaid expenses and other assets	31,327	4,165	35,492	31,736	3,121	34,857
Property and equipment – net	3,603	0	3,603	4,595	0	4,595
Intangible assets – net	8,047	0	8,047	7,557	0	7,557
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	2,578	2,578	0	2,003	2,003
TOTAL ASSETS	614,710	482,354	1,097,064	721,492	460,654	1,182,146





NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION (Continued)	As at 30 Sep 2019			As at 31 Dec 2018		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
LIABILITIES						
Accrued and other liabilities	41,218	2,006	43,224	46,321	2,486	48,807
Reinsurers' balances payable	15,647	0	15,647	10,760	0	10,760
Unearned gross premiums	159,365	0	159,365	221,042	0	221,042
Unearned reinsurance commission	10,710	0	10,710	6,847	0	6,847
Outstanding gross claims	161,921	0	161,921	173,569	0	173,569
Gross claims incurred but not reported	179,341	0	179,341	194,280	0	194,280
Premium deficiency reserve	4,740	0	4,740	4,900	0	4,900
Other technical reserves	9,000	0	9,000	9,925	0	9,925
Due to insurance / shareholders' operations	0	13,364	13,364	2,654	0	2,654
Due to related parties	1,152	0	1,152	17,098	0	17,098
Accounts payable	9,738	0	9,738	8,701	0	8,701
Withholding tax provision	10,505	0	10,505	12,227	0	12,227
Regulators' levies provision	567	0	567	1,470	0	1,470
End-of-service indemnities	8,109	0	8,109	9,001	0	9,001
Policyholders' surplus distribution payable	2,697	0	2,697	2,697	0	2,697
Zakat	0	28,913	28,913	0	26,511	26,511
Income tax	0	1,130	1,130	0	1,969	1,969
Accrued commission income payable to SAMA	0	2,578	2,578	0	2,003	2,003
TOTAL LIABILITIES	614,710	47,991	662,701	721,492	32,969	754,461
SHAREHOLDERS' EQUITY						
Share capital	0	300,000	300,000	0	300,000	300,000
Statutory reserve	0	33,082	33,082	0	33,082	33,082
Retained earnings / (accumulated losses)	0	96,640	96,640	0	92,327	92,327
Fair value reserve gain / (loss) on investments	0	4,641	4,641	0	2,276	2,276
TOTAL EQUITY	0	434,363	434,363	0	427,685	427,685
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	614,710	482,354	1,097,064	721,492	460,654	1,182,146

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME	Three Months to 30 Sep 2019			Three Months to 30 Sep 2018 Restated		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	57,536	0	57,536	172,777	0	172,777
Reinsurance premiums ceded – local	(1,785)	0	(1,785)	(2,887)	0	(2,887)
Reinsurance premiums ceded – foreign	(19,818)	0	(19,818)	(24,401)	0	(24,401)
Excess of loss expenses	(497)	0	(497)	(558)	0	(558)
Net premiums written	35,436	0	35,436	144,931	0	144,931
Change in unearned gross premiums	88,010	0	88,010	(43,196)	0	(43,196)
Change in reinsurers' share of unearned gross premiums	(21,615)	0	(21,615)	(15,654)	0	(15,654)
Net premiums earned	101,831	0	101,831	86,081	0	86,081
Reinsurance commissions	8,996	0	8,996	8,985	0	8,985
Other underwriting income	1,680	0	1,680	1,750	0	1,750
TOTAL REVENUES	112,507	0	112,507	96,816	0	96,816
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(129,404)	0	(129,404)	(98,782)	0	(98,782)
Expenses incurred related to claims	0	0	0	0	0	0
Reinsurers' share of gross claims paid	16,184	0	16,184	21,750	0	21,750
Net claims paid	(113,220)	0	(113,220)	(77,032)	0	(77,032)
Changes in outstanding gross claims	6,560	0	6,560	16,364	0	16,364
Changes in reinsurers' share of outstanding gross claims	3,597	0	3,597	(4,238)	0	(4,238)
Changes in gross IBNR	10,574	0	10,574	(751)	0	(751)
Changes in reinsurers' share of gross IBNR	53	0	53	597	0	597
Net claims incurred	(92,436)	0	(92,436)	(65,060)	0	(65,060)
Premium deficiency reserve	(240)	0	(240)	(11,260)	0	(11,260)
Other technical reserves	0	0	0	4,137	0	4,137
Policy acquisition costs	(5,194)	0	(5,194)	(4,801)	0	(4,801)
Third party administrator expenses	(2,076)	0	(2,076)	(348)	0	(348)
Withholding tax	(794)	0	(794)	(2,078)	0	(2,078)
Regulators' levies	(1,617)	0	(1,617)	(1,375)	0	(1,375)
Other underwriting expenses	(1,646)	0	(1,646)	(2,621)	0	(2,621)
TOTAL UNDERWRITING COSTS AND EXPENSES	(104,003)	0	(104,003)	(83,406)	0	(83,406)
NET UNDERWRITING INCOME / (LOSS)	8,504	0	8,504	13,410	0	13,410

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME (Continued)	Three Months to 30 Sep 2019			Three Months to 30 Sep 2018 Restated		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
OTHER OPERATING INCOME / (EXPENSES)						
(Allowance for) / Reversal of doubtful debts	3,050	0	3,050	3,000	0	3,000
General and administrative expenses	(12,078)	(568)	(12,646)	(14,968)	(516)	(15,484)
Depreciation and amortisation	(504)	0	(504)	(636)	0	(636)
Commission income on deposits	1,675	925	2,600	2,019	1,427	3,446
Commission income on sukuk	0	1,517	1,517	0	592	592
Dividend income	0	737	737	0	599	599
Realised gains / (losses) on investments	0	96	96	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(7,857)	2,707	(5,150)	(10,585)	2,102	(8,483)
OPERATING INCOME / (LOSS) FOR THE PERIOD	647	2,707	3,354	2,825	2,102	4,927
Zakat charge	0	(2,346)	(2,346)	0	(2,536)	(2,536)
Income tax charge	0	14	14	0	(63)	(63)
INCOME / (LOSS) FOR THE PERIOD	647	375	1,022	2,825	(497)	2,328
Absorption of deficit by / transfer of surplus to Shareholders	(647)	647	0	(2,544)	2,544	0
INCOME / (LOSS) FOR THE PERIOD AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	0	1,022	1,022	281	2,047	2,328

Basic and diluted SAR earnings per share

0.03

0.07

UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	Three Months to 30 Sep 2019			Three Months to 30 Sep 2018 Restated		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Net surplus / (deficit) from insurance operations	0	1,022	1,022	281	2,047	2,328
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	0	1,352	1,352	0	(4)	(4)
Realised gains / (losses) transferred to statement of income	0	(96)	(96)	0	0	0
Net change in unrealised fair value	0	1,256	1,256	0	(4)	(4)
COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	0	2,278	2,278	281	2,043	2,324

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME	Year to date to 30 Sep 2019			Year to date to 30 Sep 2018 Restated		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	400,207	0	400,207	507,119	0	507,119
Reinsurance premiums ceded – local	(12,899)	0	(12,899)	(14,442)	0	(14,442)
Reinsurance premiums ceded – foreign	(142,544)	0	(142,544)	(134,471)	0	(134,471)
Excess of loss expenses	(1,493)	0	(1,493)	(1,673)	0	(1,673)
Net premiums written	243,271	0	243,271	356,533	0	356,533
Change in unearned gross premiums	61,677	0	61,677	(100,646)	0	(100,646)
Change in reinsurers' share of unearned gross premiums	21,805	0	21,805	15,329	0	15,329
Net premiums earned	326,753	0	326,753	271,216	0	271,216
Reinsurance commissions	28,451	0	28,451	27,631	0	27,631
Other underwriting income	8,069	0	8,069	5,543	0	5,543
TOTAL REVENUES	363,273	0	363,273	304,390	0	304,390
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(377,629)	0	(377,629)	(241,694)	0	(241,694)
Expenses incurred related to claims	0	0	0	0	0	0
Reinsurers' share of gross claims paid	41,837	0	41,837	64,977	0	64,977
Net claims paid	(335,792)	0	(335,792)	(176,717)	0	(176,717)
Changes in outstanding gross claims	11,648	0	11,648	(21,627)	0	(21,627)
Changes in reinsurers' share of outstanding gross claims	15,957	0	15,957	5,912	0	5,912
Changes in gross IBNR	14,939	0	14,939	(10,030)	0	(10,030)
Changes in reinsurers' share of gross IBNR	(5,299)	0	(5,299)	6,545	0	6,545
Net claims incurred	(298,547)	0	(298,547)	(195,917)	0	(195,917)
Premium deficiency reserve	160	0	160	(11,260)	0	(11,260)
Other technical reserves	925	0	925	687	0	687
Policy acquisition costs	(15,689)	0	(15,689)	(17,219)	0	(17,219)
Third party administrator expenses	(5,721)	0	(5,721)	(348)	0	(348)
Withholding tax	(4,508)	0	(4,508)	(6,121)	0	(6,121)
Regulators' levies	(5,165)	0	(5,165)	(4,177)	0	(4,177)
Other underwriting expenses	(4,211)	0	(4,211)	(3,599)	0	(3,599)
TOTAL UNDERWRITING COSTS AND EXPENSES	(332,756)	0	(332,756)	(237,954)	0	(237,954)
NET UNDERWRITING INCOME / (LOSS)	30,517	0	30,517	66,436	0	66,436

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME (Continued)	Year to date to 30 Sep 2019			Year to date to 30 Sep 2018 Restated		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
OTHER OPERATING INCOME / (EXPENSES)						
(Allowance for) / Reversal of doubtful debts	2,850	0	2,850	(3,000)	0	(3,000)
General and administrative expenses	(37,542)	(1,648)	(39,190)	(47,101)	(1,640)	(48,741)
Depreciation and amortisation	(1,804)	0	(1,804)	(2,364)	0	(2,364)
Commission income on deposits	5,750	3,819	9,569	5,070	3,263	8,333
Commission income on sukuk	0	3,723	3,723	0	1,589	1,589
Dividend income	0	2,036	2,036	0	2,578	2,578
Realised gains / (losses) on investments	0	4,155	4,155	0	1,479	1,479
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(30,746)	12,085	(18,661)	(47,395)	7,269	(40,126)
OPERATING INCOME / (LOSS) FOR THE PERIOD	(229)	12,085	11,856	19,041	7,269	26,310
Zakat charge	0	(7,363)	(7,363)	0	(8,292)	(8,292)
Income tax charge	0	(180)	(180)	0	(573)	(573)
INCOME / (LOSS) FOR THE PERIOD	(229)	4,542	4,313	19,041	(1,596)	17,445
Absorption of deficit by / transfer of surplus to Shareholders	229	(229)	0	(17,138)	17,138	0
INCOME / (LOSS) FOR THE PERIOD AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	0	4,313	4,313	1,903	15,542	17,445

Basic and diluted SAR earnings per share

0.14

0.52

UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	Year to date to 30 Sep 2019			Year to date to 30 Sep 2018 Restated		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Net surplus / (deficit) from insurance operations	0	4,313	4,313	1,903	15,542	17,445
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	0	6,520	6,520	0	1,587	1,587
Realised gains / (losses) transferred to statement of income	0	(4,155)	(4,155)	0	(1,479)	(1,479)
Net change in unrealised fair value	0	2,365	2,365	0	108	108
COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	0	6,678	6,678	1,903	15,650	17,553

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS	Year to date to 30 Sep 2019			Year to date to 30 Sep 2018 Restated		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Income / (loss) for the period	0	4,313	4,313	1,903	15,542	17,445
Adjustments for non-cash items:						
Depreciation of property and equipment	1,065	0	1,065	1,529	0	1,529
Amortisation of intangible assets	739	0	739	835	0	835
(Gain) / loss on disposal of property and equipment	0	0	0	(35)	0	(35)
Allowance for / (Reversal of) doubtful debts	(2,850)	0	(2,850)	3,000	0	3,000
Provisions for withholding tax	5,599	0	5,599	6,835	0	6,835
Provisions for regulatory levies	3,988	0	3,988	5,644	0	5,644
Provision for end-of-service indemnities	1,432	0	1,432	2,419	0	2,419
Zakat charge	0	7,363	7,363	0	8,292	8,292
Income tax charge	0	180	180	0	573	573
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	34,022	0	34,022	(130,412)	0	(130,412)
Reinsurers' share of gross unearned premiums	(21,805)	0	(21,805)	(15,329)	0	(15,329)
Reinsurers' share of outstanding gross claims	(15,957)	0	(15,957)	(5,912)	0	(5,912)
Reinsurers' share of gross claims incurred but not reported	5,299	0	5,299	(6,545)	0	(6,545)
Deferred excess of loss expenses	(498)	0	(498)	(557)	0	(557)
Deferred policy acquisition costs	1,885	0	1,885	2,686	0	2,686
Deferred third party administrator expenses	227	0	227	(1,728)	0	(1,728)
Deferred withholding tax	(1,091)	0	(1,091)	(714)	0	(714)
Deferred regulators' levies	1,177	0	1,177	(1,467)	0	(1,467)
Due from related parties	35,094	0	35,094	(14,673)	0	(14,673)
Prepaid expenses and other assets	409	(1,044)	(635)	(4,403)	(2,459)	(6,862)
Accounts payable	2,093	0	2,093	(1,289)	0	(1,289)
Policy acquisition cost payable	(1,091)	0	(1,091)	2,736	0	2,736
Third party administrator payable	35	0	35	252	0	252
Accrued and other liabilities	(5,103)	(480)	(5,583)	(11,552)	(552)	(12,104)
Reinsurers' balances payable	4,887	0	4,887	9,280	0	9,280
Unearned gross premiums	(61,677)	0	(61,677)	100,646	0	100,646
Unearned reinsurance commission	3,863	0	3,863	3,042	0	3,042
Outstanding gross claims	(11,648)	0	(11,648)	21,627	0	21,627
Gross claims incurred but not reported	(14,939)	0	(14,939)	10,030	0	10,030
Premium deficiency reserve	(160)	0	(160)	11,260	0	11,260
Other technical reserves	(925)	0	(925)	(687)	0	(687)
Due to shareholders' operations	(16,018)	16,018	0	(37,465)	37,465	0
Due to related parties	(15,946)	0	(15,946)	(10,954)	0	(10,954)
Payments:						
End-of-service indemnities paid	(2,324)	0	(2,324)	(2,019)	0	(2,019)
Withholding tax paid	(7,321)	0	(7,321)	(6,811)	0	(6,811)
Regulators' levies paid	(4,891)	0	(4,891)	(4,293)	0	(4,293)
Surplus paid to policyholders	0	0	0	0	0	0
Zakat paid	0	(4,961)	(4,961)	0	0	0
Income tax paid	0	(1,019)	(1,019)	0	(5,003)	(5,003)
Net cash generated from / (used in) operating activities	(82,430)	20,370	(62,060)	(73,121)	51,833	(21,288)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS (Continued)	Year to date to 30 Sep 2019			Year to date to 30 Sep 2018 Restated		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions of investments	0	(60,000)	(60,000)	0	(75,007)	(75,007)
Proceeds from disposal of investments	0	51,069	51,069	0	37,680	37,680
Realised gain on disposal of investments	0	(4,155)	(4,155)	0	(1,479)	(1,479)
Additions of short term fixed income deposits	(40,000)	0	(40,000)	0	0	0
Additions of property and equipment	(73)	0	(73)	(2,368)	0	(2,368)
Proceeds from disposal of property and equipment	0	0	0	50	0	50
Additions of intangible assets	(1,229)	0	(1,229)	(4,655)	0	(4,655)
Proceeds from disposal of intangible assets	0	0	0	0	0	0
Increase in statutory deposit	0	0	0	0	(10,000)	(10,000)
Net cash generated from / (used in) investing activities	(41,302)	(13,086)	(54,388)	(6,973)	(48,806)	(55,779)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividend paid	0	0	0	0	0	0
Net cash generated from / (used in) financing activities	0	0	0	0	0	0
Net change in cash and cash equivalents	(123,732)	7,284	(116,448)	(80,094)	3,027	(77,067)
Cash and cash equivalents at start of year	253,385	177,181	430,566	377,419	172,537	549,956
Cash and cash equivalents at end of period	129,653	184,465	314,118	297,325	175,564	472,889
NON-CASH INFORMATION						
Change in fair value of investments	0	2,365	2,365	0	108	108
Bonus shares issued	0	0	0	0	100,000	100,000