
SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY

(A Saudi Joint Stock Company)

Financial Statements and Independent Auditors' Report

For The Year Ended 31 December 2019

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Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company

Opinion

We have audited the financial statements of **Saudi Re for Cooperative Reinsurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2019 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matter

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

Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company (continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
<p><u>Valuation of ultimate claim liability arising from reinsurance contract</u></p> <p>As at 31 December 2019, the gross outstanding claims including claims Incurred but Not Reported (IBNR) amounted to SR 1,092.5 million as reported in Note 8 of the financial statements.</p> <p>The valuation of ultimate reinsurance contract liabilities is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain.</p> <p>The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements.</p> <p>Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate reinsurance contract liabilities, we have determined it to be a key audit matter.</p> <p><i>Refer to note 4 which disclosed the estimated liability arising from claims under reinsurance contracts and note 3 which discloses accounting policies for claims.</i></p>	<ul style="list-style-type: none"> • We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. • On a sample basis, we tested the measurement of claims reserves on a case-by-case basis by comparing the outstanding claims to source documentation. • We engaged our actuarial specialist to assess the methodologies and assumptions used by the management in determining the reserves for incurred but not reported claims. We have also reviewed the actuarial reserve report issued by the independent actuary. • We evaluated the completeness and accuracy of data used by management in their calculation of ultimate reinsurance contract liabilities and evaluated the results of liability adequacy test.

Independent auditors' report

To the Shareholders of Saudi Re for Cooperative Reinsurance Company (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For KPMG Al Fozan & Partners Certified Public Accountants

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 Riyadh 11663
 Kingdom of Saudi Arabia

Hani Hamzah A. Bedairi
 Certified Public Accountant
 License No. 460



For Al-Bassam & Co.

P. O. Box 69658
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 Kingdom of Saudi Arabia

Ibrahim A. Al Bassam
 Certified Public Accountant
 License No. 337

05 Sha'ban 1441H
 29 March 2020



SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	<i>Notes</i>	2019 SR	2018 SR
ASSETS			
Bank balances and cash	5	13,169,059	31,886,106
Time deposits	13	378,031,179	270,131,677
Accrued special commission income from time deposits		7,974,404	2,079,624
Premium receivables, net	6	233,392,376	200,023,513
Investments held at fair value through income statement	7	417,847,821	552,574,107
Held-to-maturity investments	17	37,500,000	--
Accrued reinsurance premiums	14	467,070,866	409,778,137
Retroceded share of unearned premiums	10	50,836,786	33,080,894
Deferred excess of loss premiums		11,743,563	11,431,609
Retroceded share of outstanding claims	8	282,718,771	198,432,518
Retroceded share of claims incurred but not reported	8	34,812,075	59,937,179
Deferred policy acquisition costs	11	106,279,101	99,895,591
Prepaid expenses, deposits and other assets	9	244,639,898	208,959,232
Property and equipment, net	12	33,575,528	32,588,898
Accrued special commission income from bonds and sukuk		2,793,154	2,663,892
Investment in an equity accounted investee	16	101,445,631	97,293,816
Statutory deposit	28	121,500,000	121,500,000
Accrued income on statutory deposit	28	17,992,463	15,549,401
TOTAL ASSETS		2,563,322,675	2,347,806,194
LIABILITIES			
Accounts payable		39,928,645	19,927,639
Retrocession balances payable		46,173,239	22,898,559
Accrued retroceded premiums		21,741,812	15,839,717
Unearned premiums	10	401,997,592	380,171,285
Outstanding claims	8	737,229,272	662,467,372
Claims incurred but not reported	8	355,254,946	330,480,733
Unearned retrocession commission	15	8,396,072	6,410,240
Accrued expenses and other liabilities	19	19,420,788	12,546,952
Employees' end of service benefits	18	8,828,705	6,593,975
Provision for zakat and tax	21	23,742,062	38,244,253
Accrued commission income payable to SAMA	28	17,992,463	15,549,401
TOTAL LIABILITIES EXCLUDING REINSURANCE OPERATIONS' SURPLUS		1,680,705,596	1,511,130,126
REINSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		7,546,140	4,028,195
TOTAL REINSURANCE OPERATIONS' SURPLUS		7,546,140	4,028,195
TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS		1,688,251,736	1,515,158,321
EQUITY			
Share capital	22	810,000,000	810,000,000
Statutory reserve	23	17,904,115	8,815,260
Retained earnings		49,113,416	12,757,997
Other reserves		(1,946,592)	1,074,616
TOTAL EQUITY		875,070,939	832,647,873
TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS AND EQUITY		2,563,322,675	2,347,806,194





 Managing Director Chief Executive Officer Chairman of the Board Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	2019 SR	2018 (Restated) SR
REVENUES			
Gross written premiums		792,847,561	721,604,828
Retroceded premiums		(127,843,625)	(72,996,501)
Excess of loss expenses		(18,398,659)	(31,712,226)
Net written premiums	10	646,605,277	616,896,101
Change in net unearned premiums	10	(4,070,415)	(3,280,686)
Net earned premiums	10	642,534,862	613,615,415
Retrocession commissions	15	18,175,998	16,468,058
TOTAL REVENUES		660,710,860	630,083,473
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(436,701,322)	(389,327,810)
Retroceded share of claims paid		60,006,499	24,638,382
Net claims paid		(376,694,823)	(364,689,428)
Change in outstanding claims, net		9,524,357	(77,969,866)
Changes in incurred but not reported claims, net		(49,899,318)	38,604,939
Net claims incurred		(417,069,784)	(404,054,355)
Policy acquisition costs and profit commissions	11	(172,780,534)	(172,471,757)
Other underwriting expenses		(3,616,464)	(1,997,613)
TOTAL UNDERWRITING COSTS AND EXPENSES		(593,466,782)	(578,523,725)
NET UNDERWRITING INCOME		67,244,078	51,559,748
OTHER OPERATING INCOME / (EXPENSES)			
Special commission income from time deposits		18,325,400	5,824,455
Realized gains on investments held at fair value through income statement	7(iii)	13,903,154	677,598
Unrealized gains on investments held at fair value through income statement	7(iii)	3,792,706	3,460,417
Special commission income from bonds and sukuk		4,156,498	2,873,709
Dividend income		1,862,222	3,419,095
Share of profit of equity accounted investee	16	5,114,506	2,303,238
Investment management expenses		(1,675,117)	(3,920,439)
Net investment income		45,479,369	14,638,073
Other income		999,616	904,851
Reversal of doubtful debts	6	517,929	1,574,768
General and administrative expenses	24	(51,030,458)	(47,572,123)
Board of directors' remunerations, meetings fees and expenses	25	(2,256,420)	(2,180,757)
Foreign exchange translation losses		1,881,530	(3,831,844)
Total income for the year before zakat and tax		62,835,644	15,092,716
Total income attributed to the reinsurance operations	32	(3,517,945)	(1,371,035)
Net income for the year before zakat and tax	32	59,317,699	13,721,681
Zakat and tax charge for the year		(13,873,425)	(12,902,802)
Net income for the year after zakat and tax attributable to the shareholders		45,444,274	818,879
Basic and diluted earnings per share for the year	27	0.56	0.01

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer




The accompanying notes 1 to 35 form an integral part of these financial statements.

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Note</i>	2019 SR	2018 <i>(Restated)</i> SR
Net income for the year after zakat and tax attributable to shareholder		45,444,274	818,879
<i>Other comprehensive</i>			
<i>Items that will not be reclassified to income statement subsequently</i>			
Re-measurement of employee' end of service benefit obligations actuarial loss	18		
<i>-Related to Reinsurance Operations</i>		(2,058,517)	--
<i>-Related to Shareholders' Operations</i>		--	--
Items that may be classified to income statement subsequently			
Share of foreign currency translation reserve of an equity accounted investee	16	(962,691)	3,036,196
Total comprehensive income for the year		<u>42,423,066</u>	<u>3,855,075</u>

 <hr style="width: 100%;"/> Managing Director / Chief Executive Officer	 <hr style="width: 100%;"/> Chairman of the Board	 <hr style="width: 100%;"/> Chief Financial Officer
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SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

GCC Shareholders
and General Public

Non - GCC
Shareholders

Total

	Share Capital		Statutory reserve		Retained earnings		Other reserves		Share capital		Statutory reserve		Retained earnings		Other reserves		Total	
	SR		SR		SR		SR		SR		SR		SR		SR		SR	
Balance as at 1 January 2019	783,693,750		8,528,901	9,431,953	1,019,067		26,306,250	286,389	3,326,044	55,549	810,000,000	8,815,260	12,757,997	1,074,616	832,647,873			
Transfer during the year	(33,785,760)		(367,689)	(406,620)	(43,933)		33,785,760	367,689	406,620	43,933	--	--	--	--	--	--	--	--
Net profit for the year	--		--	42,072,763	--		--	--	3,371,511	--	--	--	45,444,274	--	45,444,274	--	--	45,444,274
Other comprehensive income	--		--	--	(2,797,065)		--	--	--	(224,143)	--	--	--	(3,021,208)	--	--	--	(3,021,208)
Total comprehensive income for the year	--		--	42,072,763	(2,797,065)		--	--	3,371,511	(224,143)	--	--	45,444,274	(3,021,208)	42,423,066	--	--	42,423,066
Transfer to statutory reserve	--		8,414,553	(8,414,553)	--		--	674,302	(674,302)	--	--	9,088,855	(9,088,855)	--	--	--	--	--
Balance as at 31 December 2019	749,907,990		16,575,765	42,683,543	(1,821,931)		60,092,010	1,328,350	6,429,873	(124,661)	810,000,000	17,904,115	49,113,416	(1,946,592)	875,070,939			875,070,939
Balance as at 1 January 2018	978,047,040		5,937,649	(174,018,095)	(1,918,523)		21,952,960	133,275	(1,298,451)	(43,057)	1,000,000,000	6,070,924	(175,316,546)	(1,961,580)	828,792,798			828,792,798
Reduction of capital (note 22)	(185,820,000)		--	185,820,000	--		(4,180,000)	--	4,180,000	--	(190,000,000)	--	190,000,000	--	--	--	--	--
Transfer during the year	(8,533,290)		(63,957)	(127,120)	--		8,533,290	63,957	127,120	--	--	--	--	--	--	--	--	--
Net profit for the year (Restated)	--		--	412,377	--		--	--	406,502	--	--	--	818,879	--	818,879	--	--	818,879
Other comprehensive income	--		--	--	2,937,590		--	--	--	98,606	--	--	--	3,036,196	3,855,075	--	--	3,855,075
Total comprehensive income for the year	--		--	412,377	2,937,590		--	--	406,502	98,606	--	--	818,879	3,036,196	3,855,075	--	--	3,855,075
Transfer to statutory reserve	--		2,655,209	(2,655,209)	--		--	89,127	(89,127)	--	--	2,744,336	(2,744,336)	--	--	--	--	--
Balance as at 31 December 2018	783,693,750		8,528,901	9,431,953	1,019,067		26,306,250	286,389	3,326,044	55,549	810,000,000	8,815,260	12,757,997	1,074,616	832,647,873			832,647,873


Managing Director / Chief Executive Officer


Chairman of the Board


Chief Financial Officer

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SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

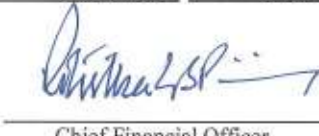
STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<i>Notes</i>	2019 SR	2018 SR
OPERATING ACTIVITIES			
Total income for the year before zakat and tax		62,835,644	15,092,716
<i>Adjustments to reconcile total income for the year before zakat and tax to net cash used in operating activities:</i>			
Employees' end of service benefits	18	1,184,418	1,567,038
Depreciation of property and equipment	24	1,729,724	2,161,757
Realized gains on investments held at fair value through income statement	7(iii)	(13,903,154)	(677,598)
Unrealized gains on investments held at fair value through income statement	7(iii)	(3,792,706)	(3,460,417)
Share of profit of equity accounted investee	16	(5,114,506)	(2,303,238)
Reversal of doubtful debts	6	(517,929)	(1,574,768)
Operating income before changes in operating assets and liabilities		42,421,491	10,805,490
Changes in operating assets and liabilities:			
Premiums receivable, gross		(32,850,934)	160,422,319
Accrued reinsurance premiums		(57,292,729)	(37,690,443)
Retroceded share of unearned premiums		(17,755,892)	84,598,294
Unearned premiums		21,826,307	(81,317,607)
Retroceded share of outstanding claims		(84,286,253)	(138,543,510)
Retroceded share of claims incurred but not reported		25,125,104	46,013,296
Deferred acquisition costs		(6,383,510)	449,553
Deferred excess of loss premiums		(311,954)	2,868,169
Prepaid expenses, deposits and other assets		(35,680,666)	(104,766,721)
Accounts payable		20,001,006	3,279,446
Retrocession balances payable		23,274,680	(206,865,265)
Accrued retroceded premiums		5,902,095	7,948,442
Outstanding claims		74,761,900	216,513,371
Claims incurred but not reported		24,774,213	(84,618,233)
Unearned commission income		1,985,832	(1,132,059)
Accrued expenses and other liabilities		6,873,836	(265,591)
		12,384,526	(122,301,049)
Zakat and tax paid	21	(28,375,616)	(12,089,919)
Employees' end of service benefits paid	18	(1,008,205)	(702,340)
Net cash used in operating activities		(16,999,295)	(135,093,308)
INVESTING ACTIVITIES			
Time deposits		(122,984,057)	(162,379,122)
Accrued special commission income on time deposits		(5,894,780)	(1,207,646)
Accrued special commission income from bonds and sukuk		(129,262)	1,167,091
Purchase of property and equipment, net		(2,716,354)	(1,214,686)
Additions in investments held at fair value through income statement	7(iii)	(354,245,449)	(57,078,728)
Proceeds from disposal of investments held at fair value through income statement	7(iii)	506,667,595	373,710,165
Statutory deposit		--	(21,500,000)
Held-to-maturity investments		(37,500,000)	--
Net cash (used in)/generated from investing activities		(16,802,307)	131,497,074
DECREASE IN CASH AND CASH EQUIVALENTS			
		(33,801,602)	(3,596,234)
Cash and cash equivalents at the beginning of the year		81,635,536	85,231,770
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	47,833,934	81,635,536


Managing Director / Chief Executive Officer


Chairman of the Board


Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Reinsurance Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010250125 dated 12 Jumad Al-Awal 1429H (corresponding to 17 May 2008) with a branch in the Federal Territory of Labuan, Malaysia with license number IS2014146. The address of the Company’s registered office is at 4130 Northern Ring Road Al Wadi, Unit number 1, Riyadh 13313-6684, Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative reinsurance and related activities inside and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Basis of presentation

The financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standard “IFRS” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization of Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

The annual financial statement for the year ended 31 December 2018, were prepared in compliance with IFRS as modified by Saudi Arabian Monetary Agency (SAMA) SAMA for the ‘accounting of zakat and income tax’, which requires, adoption of all IFRS as issued by the International Accounting Standards Board (IASB) except for the application of International Accounting Standard (relating to the application of IAS 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to zakat and income tax and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS”) as endorsed in Kingdom of Saudi Arabia.

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (as disclosed in note 3) and the effects of this change are disclosed in note 21 to financial statements.

The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: bank balances and cash, time deposits, accrued special commission income from time deposits, premium receivables, net, investments held at fair value through income statement, deferred excess of loss premiums, retroceded share of outstanding claims, prepaid expenses, deposits and other assets, accrued special commission income from bonds and sukuk, accounts payable, retrocession balances payable, outstanding claims, accrued expenses and other liabilities, provision for zakat and income tax and accumulated surplus. The following balances would generally be classified as non-current: accrued reinsurance premiums, retroceded share of unearned premiums, retroceded share of claims incurred but not reported, deferred policy acquisition costs, property and equipment, net, Investment in an equity accounted investee, statutory deposit, accrued income on statutory deposit, accrued retroceded premiums, unearned premiums, claims incurred but not reported, unearned retrocession commission, employees end of service benefits and accrued commission income payable to SAMA.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Reinsurance Operations and Shareholders’ Operations and presents the financial statements accordingly (refer to Note 32). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in Note 32 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the reinsurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the reinsurance operations and shareholders’ operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. BASIS OF PREPARATION (CONTINUED)

(a) Basis of presentation (continued)

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

The inclusion of separate information of the reinsurance operations with the financial information of the Company in the statement of financial position, statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial information represents additional supplementary information required as required by the implementing regulations.

Surplus is distributed between reinsurance operations and shareholders operations in accordance with the implementing regulations issued by the SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from reinsurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on reinsurance operations is transferred to the shareholders' operation in full.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Reinsurance and Shareholders' operations and presents the financial statements accordingly. Revenues and expenses clearly attributable to either activity is recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

In accordance with the Article 70 (2g) of the Insurance Implementing Regulations of SAMA, a minimum of 20% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Company. This reserve is not available for distribution.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of investments held at fair value through income statement and Investment in an equity accounted investee which is accounted for under the equity method and End of Service Benefits (EOSB) at present value.

(c) Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals (SR), which is also the functional currency of the Company.

(d) Fiscal year

The Company's fiscal year is aligned with the calendar year i.e. it begins at 1 January and ends at 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018 except for the following:

A) Change in accounting for Zakat and income tax

The basis of preparation has been changed as a result of the issuance of latest instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the instructions issued by SAMA dated 23 July 2019, where by the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively (see note 2) and the effects of the above change are disclosed in note 20 to financial statements. The change has resulted in reduction of reported income of the Company for the year ended 31 December 2018 by SR 12,902,802. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) Change in accounting for Zakat and income tax (continued)

i) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

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

ii) IFRIC Interpretation 23 Uncertainty over Income tax treatment

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

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

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

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments will be accepted by the taxation authorities.

The Interpretation did not have an impact on the financial statements of the Company.

iii) Zakat

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

B) Adoption of IFRS 16 – Leases

Effective 1 January 2019, the Company adopted IFRS 16, Leases and the impact of this adoption of this standard is explained below:

The standard replaces the existing guidance on leases including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal form of a lease".

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Adoption of IFRS 16 – Leases (continued)

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. On 1st January 2019 i.e. the effective date, IFRS 16 had no significant financial impact on the Company's financial statements. IFRS 16 stipulates that all lease and the associated contractual rights and obligations should generally be recognized in the Company's statement of financial position, unless the term is 12 months or less or the lease is for low value assets.

Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for lessees. For each lease, the lessee recognizes a liability for the lease obligation incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which is amortized over the useful life.

The Company has opted for the modified retrospective approach application method that this is permitted by IFRS 16. As a result, of the initial application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the incremental borrowing rate that is the best estimate of the Company at the time of initial application (i.e. 1 April 2019), which was approximately 5%. The right of use asset is classified under property and equipment. On the other hand, the lease liability is classified under accrued expenses and other liabilities.

i) Right of use (RoU) Assets / Lease Liabilities

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

• **Right of Use Assets**

The Company applies the cost model, and measures the right of use assets at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, a RoU asset would be equal to lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transactions, etc, these need to be added to the RoU asset value.

• **Lease Liability**

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

- a) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Right of use assets are classified under property and equipment, while lease liabilities are classified under accrued expenses and other liabilities in the statement of financial position.

C) Standards issued but not yet effective

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect date in future dates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Classification and measurement

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

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

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

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

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

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

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

Impairment

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

Hedge accounting

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

Effective date

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Effective date (continued)

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after January 1, 2021. On 17 March 2020, the International Accounting Standards Board (“IASB”) has decided to further extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a preliminary assessment which included below:

- (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
- (2) The total carrying amount of the Company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

Impact assessment

The Company is currently assessing the impact of the application and implementation of IFRS 9. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SR 1,573,480,519 and SR 486,390,296 respectively. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 30. The Company is currently assessing the impact on application and implementation of IFRS 9, however the Company expects the classification and measurement of financial assets to be impacted from implementation of IFRS 9 as company is yet to perform a detailed review.

IFRS 17 Insurance Contracts

Overview

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

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

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

Measurement

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

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

- b) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows,
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - and a risk adjustment for non-financial risk;
- c) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

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

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

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

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

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

- i) the entity’s share of the changes in the fair value of underlying items;
- ii) the effect of changes in the time value of money and in financial risks not relating to the underlying items.

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

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the International Accounting Standards Board (“IASB”) has completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It has decided that the effective date of the Standard will be deferred to annual reporting

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Effective date (continued)

periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date i.e. 1 January 2023.

Transition

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

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance and investment contracts with discretionary participating features, if applicable together with amendments to presentation and disclosures.

Impact assessment:

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

Impact Area	Summary of Impact
Financial Impact	The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company
Data Impact	IFRS 17 has additional data requirements and Company has majority of data available and currently is in the process of building data warehouse to accommodate any extra data requirements and consolidate the data in one place coming from its various IT systems.
IT Systems Impact	The Company is currently in a process of enhancing the capability of its current systems. Also, the Company is currently in process of evaluating the IFRS 17 calculation engines available in the market that suit Company requirements under IFRS 17.
Process Impact	IFRS 17 will fundamentally change the presentation of the statement of financial position and statement of income and will result in material changes in policies and procedures, product assessment, actuarial valuation and disclosures requirements. Hence, the company is currently carrying out assessment to align all these requirements under IFRS 17 by employing IFRS 17 calculation engine, enhancement of its actuarial, accounting and investment systems, which will fulfil the disclosure requirements as well.
Impact on RI Arrangements	The exposure of these covers go beyond 12 months and are aligned with its inward reinsurance business the company writes. The Company is currently assessing its recognition eligibility of its reinsurance contracts held
Impact on Policies & Control Frameworks	The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company, therefore the company is in the process of enhancing its policies and procedures and control framework to align them with IFRS 17 application and implementation

The Company has started its implementation process and has set up a project team, supervised by an IFRS executive management committee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) The significant accounting policies adopted in the preparation of these financial statements are set out below:

Retrocession

The Company uses retrocession agreements to reduce its exposure to risks assumed to increase its aggregate underwriting capacity. The ceding of risk to retrocessionaires does not relieve the Company from its direct obligations to its ceding companies. An impairment review of amounts recoverable under retrocession agreements is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the retrocessionaire can be measured reliably. The impairment loss is recorded in the statement of income.

Premiums and claims are presented on a gross basis for both assumed reinsurance and retroceded business.

Retrocession liabilities represent balances due to retrocessionaires. Amounts payable are estimated in a manner consistent with the associated retrocession contract. Retroceded assets and liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Investment in an equity accounted investee

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the financial statements include the share of the profit or loss and Other comprehensive income of associates, until the date on which significant influence ceases.

Cash and cash equivalents

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

Dividend income

Dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

Deferred policy acquisition costs (DAC)

Direct costs incurred during the financial period arising from the writing or renewing of reinsurance contracts are deferred to the extent that these costs are recoverable out of future premiums. Subsequent to initial recognition, deferred costs are amortized using the same basis as for unearned premiums. Amortization is recorded in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. DAC is also considered in the liability adequacy test for each reporting period.

Deferred policy acquisition costs are derecognised when the related contracts are either settled or disposed off.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of income as they are consumed or expire with the passage of time.

Property and equipment

Property and equipment is stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in statement of income as incurred. Land and capital work-in-progress are not depreciated.

The cost of all other property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Building	33 Years
Computers and equipment	3-5 Years
Furniture and fixtures	5 Years
Motor vehicles	4 Years
Leasehold improvements	10 Years

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

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income or taken into income in the year the asset is derecognised.

Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive can be measured reliably. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective special commission rate.

Gross written premiums

Gross written premiums comprise of total premiums in relation to contracts incepting during the financial year irrespective of whether they relate in whole or in part to a later accounting period. It includes an estimate of pipeline premiums, being those premiums written but not reported to the Company at the statement of financial position date. Pipeline premiums are reported as accrued reinsurance premiums in the statement of financial position.

Where contract terms require the reinstatement of coverage after a ceding company's loss, the mandatory reinstatement premiums are calculated in accordance with the contract terms.

Premiums earned and commission income

Premiums and commission income are earned over the periods to which they relate to cover the reinsurance risk. Unearned premiums and commission income represent the portion of premiums written and commission income relating to the unexpired period of coverage and are deferred based on the following methods:

- Actual number of days for facultative reinsurance and non-proportional reinsurance treaties and portfolio transferred from insurance companies.
- For proportional reinsurance treaties under consideration of the underlying exposure in relation to the line of business as follows:

<u>Line of business</u>	<u>Years</u>
Engineering	4
Others	2
Special contracts	Based on underlying terms and nature

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premiums earned and commission income (continued)

The change in the provision for unearned premiums and commission income is taken to the statement of income in order to recognize revenue over the period to cover the reinsurance risks.

Claims

Claims, comprise of amounts of claims estimates notified by ceding companies under reinsurance contracts and related loss adjustment expenses, net of recoveries and are charged to statement of income.

These include the cost of claims and claims handling expenses paid during the period, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year. The Company does not discount its liabilities for unpaid claims as substantially most claims are expected to be paid within one year of the financial reporting date.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratios which are reviewed at regular intervals by the Company's independent actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

The outstanding claims are shown on gross basis and the related share of retroceded is shown separately.

Liability adequacy test

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

Premiums receivable

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

Accounts payable and accruals

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

Special commission income

Special commission income is recognized on an effective yield basis taking account of the principal outstanding and the applicable special commission rate.

Investments held at fair value through income statement

Investments held at fair value through income statement are investments designated at fair value through income statement at inception. For investments designated as fair value through income statement, the following criteria must be met:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments held at fair value through income statement (continued)

- This designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, such assets and liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are measured at fair value.

Fair value adjustments and realised gains and losses are recognized in the statement of income.

General and administrative expenses

All expenses incurred during the fiscal year not directly relating to underwriting are classified as general and administrative expenses.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the respective statements of income.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Offsetting financial assets and financial liabilities

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

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk 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 chief executive officer that makes strategic decisions. The Company is organised into business units based on their products and services and has seven reportable operating segments as follows:

- Engineering is a comprehensive insurance cover that is available to the insured in respect of contingencies which may happen on a construction or erection site. It provides an all risks cover for the works as well as a liability cover towards third parties for material damage or injury sustained as a result of the work being undertaken. The cover is also available for machinery.
- Fire insurance pays for specific losses when a property is damaged to due to fire, flood, earthquake and other external perils. It may also provide indemnity for loss of profit in case of an industrial or commercial activity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segmental reporting (continued)

- Marine insurance covers the loss or damage to cargo, terminals and or damage of ships or other means of transport of cargo by which property is transferred between the points of origin and final destination.
- Motor insurance pays for loss or damage to own motor vehicles involved in accidents. It also pays for losses caused by its use to third party properties and bodily injuries
- Protection includes Term and credit life insurance. Term life insurance is used to provide financial aid for dependents in case of death and in certain cases of illness or disability. It can be an individual or a group policy with set duration limit on the coverage with the option to renew the policy or not. Credit life insurance is used to pay off a borrower's debt if that borrower dies, with set duration limit on coverage with the option to renew the policy or not.
- General accident covers a variety of events/properties such as money, liabilities and personal accident whether for individual or group.
- Speciality includes company's participation in Lloyd's market which specialises in writing worldwide property, marine, energy, speciality and non-U.S. liability insurance.
- Others include following business segments:

Whole accounts covers ceding company's retention (mainly in property, engineering, marine hull, marine cargo and sometimes include general accident and/or motor) on Excess of loss basis

Aviation (covers Aviation Hull, Aviation Liabilities and Spare Parts)

Energy (covers Property Damage, Liabilities and Business Interruption)

Agriculture (covers standing crops)

Political Risk (covers Political Violence and Sabotage and Terrorism)

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company.

Deferred Excess of Loss Premiums

The company uses non-proportional excess of loss retrocession agreements on loss occurring basis to reduce its exposure arising from per risk and catastrophic losses on risks assumed and to manage underwriting capacity. The costs related to these agreements are amortized over the period of underwriting contracts and charged to statement of income

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

The ultimate liability arising from claims made under reinsurance contracts

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that are needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the end of financial reporting date.

The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. The Risk and Underwriting Committee, in conjunction with the Company's external actuaries, compares the changes in the technical reserves, to determine whether the change is reasonable.

Deferred policy acquisition costs

Commission and other costs directly and indirectly related to the acquisition and renewal of reinsurance contracts are recorded as deferred acquisition costs ("DAC") and are amortized in the statement of income over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment.

Fair values of financial instruments

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Fair values of financial instruments (continued)

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Investment Committee, in conjunction with the Company's external fund managers, evaluates the performance of each investment to determine whether the same is reasonable in comparison to the market.

The Company's management evaluates the changes in the fair value of each of the other assets and liabilities, to determine whether the applied methodology is reasonable.

Accrued insurance premium

Estimates have to be made for expected future premium from policies already written but not reported at the reporting date. Due to the nature of reinsurance business, it takes a significant period of time before all premiums are reported for a given underwriting period. Therefore, considerable judgement, experience and knowledge of the business is required by management in the estimation of accrued premiums due from contract holders. Actual results may differ resulting in positive or negative change in estimated accrued premium income.

The accrued premium estimates are reviewed regularly by the management by using various methods, but primarily by using historical reporting trends as a base for assessing future premium amounts. Historical premiums developments are mainly analysed by underwriting year, by type and line of business.

Going concern

The financial statements have been prepared on a going concern basis. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

5. CASH AND CASH EQUIVALENTS

	Reinsurance operations	
	31 December 2019 SR	31 December 2018 SR
Cash in hand (A)	40,000	40,000
Bank balances (A)	6,021,323	22,303,716
Deposits maturing within 3 months from the acquisition date (B)	21,586,875	49,749,430
	27,648,198	72,093,146
	Shareholders' operations	
	31 December 2019 SR	31 December 2018 SR
Bank balances (C)	7,107,736	9,542,390
Deposits maturing within 3 months from the acquisition date (D)	13,078,000	--
	20,185,736	9,542,390
Total Bank balances and cash (A+C)	13,169,059	31,886,106
Total Deposits maturing within 3 months from acquisition date (B+D)*	34,664,875	49,749,430
Total	47,833,934	81,635,536

* Included within time deposits

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

5) CASH AND CASH EQUIVALENTS (CONTINUED)

Time deposits are placed with banks which have investment grade credit ratings and have maturity period of less than three months from the date of original placement. Average effective interest rate for these deposits is 1.70% (2018: 2.74%)

Cash at banks are placed with counterparties which have investment grade credit ratings.

6. PREMIUMS RECEIVABLES, NET

<u>Reinsurance operations</u>	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Policyholders	235,474,039	203,156,463
Related parties (note 25)	1,112,046	578,688
Less: provision for doubtful debts	<u>(3,193,709)</u>	<u>(3,711,638)</u>
	<u>233,392,376</u>	<u>200,023,513</u>

The movement in provision for doubtful debt is as follows:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Opening balance	3,711,638	5,286,406
Reversal for the year	<u>(517,929)</u>	<u>(1,574,768)</u>
Closing balance	<u>3,193,709</u>	<u>3,711,638</u>

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

	Neither past due nor impaired SR	Past due but not impaired			Past due and impaired SR	Total SR
		Less than 90 days SR	91 to 180 days SR	More than 180 days SR		
2019						
Policyholders, net of payables	148,202,617	21,452,546	22,152,836	40,395,732	3,270,308	235,474,039
Related parties, net of payables	1,067,976	(146,391)	808,147	(541,087)	(76,599)	1,112,046
Total	<u>149,270,593</u>	<u>21,306,155</u>	<u>22,960,983</u>	<u>39,854,645</u>	<u>3,193,709</u>	<u>236,586,085</u>
		Past due but not impaired				
	Neither past due nor impaired SR	Less than 90 days SR	91 to 180 days SR	More than 180 days SR	Past due and impaired SR	Total SR
2018						
Policyholders, net of payables	109,521,071	21,192,660	35,177,797	33,547,933	3,717,002	203,156,463
Related parties, net of payables	635,274	--	12,194	(63,416)	(5,364)	578,688
Total	<u>110,156,345</u>	<u>21,192,660</u>	<u>35,189,991</u>	<u>33,484,517</u>	<u>3,711,638</u>	<u>203,735,151</u>

The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest customers account for 37% (31 December 2018: 34%) of the premium receivable as at 31 December 2019.

Premium receivables include premium deposits of SR 35,256,794 (2018: SR 25,911,773) and claims deposits of SR 17,441,105 (2018: SR 18,234,234). These deposits are retained by the cedants as per the terms of reinsurance treaties and are of rolling nature. These deposits are released within 12 months after the inception of the reinsurance treaty.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT

i. Investments held at fair value through income statement consist of the following:

	2019			2018		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Money market funds	40,877,141	197,916,148	238,793,289	2,088,717	31,888,438	33,977,155
Investment funds	--	71,081,131	71,081,131	--	26,323,351	26,323,351
Equities	--	17,460,885	17,460,885	--	138,269,676	138,269,676
Fixed-rate bonds/sukuk	--	50,512,516	50,512,516	51,726,932	247,493,141	299,220,073
Floating-rate bonds/sukuk	--	40,000,000	40,000,000	2,284,697	52,499,155	54,783,852
	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107

ii. The analysis of the composition of investments for shareholders' operations is as follows:

	2019			2018		
	Quoted SR	Unquoted SR	Total SR	Quoted SR	Unquoted SR	Total SR
<i>Shareholders' operations</i>						
Money market funds	197,916,148	--	197,916,148	31,888,438	--	31,888,438
Investment funds	--	71,081,131	71,081,131	--	26,323,351	26,323,351
Equities	17,460,885	--	17,460,885	138,269,676	--	138,269,676
Fixed-rate bonds/sukuk	--	50,512,516	50,512,516	197,428,627	50,064,514	247,493,141
Floating-rate bonds/sukuk	--	40,000,000	40,000,000	12,499,155	40,000,000	52,499,155
	215,377,033	161,593,647	376,970,680	380,085,896	116,387,865	496,473,761
<i>Shareholders' operations</i>						
Money market funds						
Investment funds						
Equities						
Fixed-rate bonds/sukuk						
Floating-rate bonds/sukuk						

As at 31 December 2019 and 31 December 2018, all investments under reinsurance operations which are measured at fair value are quoted. The investments in bonds and sukuk SR Nil (31 December 2018: SR 54.01 million) are classified as Level 1 investments while the investment in money market funds amounting to SR 40.88 million (31 December 2018: SR 2.09 million) is classified as level 2 investments.

The following table shows an analysis of financial instruments under shareholders' operations measured at fair value by level of the fair value hierarchy:

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For the year ended 31 December 2019

7 INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

	2019			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Money market funds	--	197,916,148	--	197,916,148
Investment funds	--	--	71,081,131	71,081,131
Equities	17,460,885	--	--	17,460,885
Fixed-rate bonds/sukuk	--	--	50,512,516	50,512,516
Floating-rate bonds/sukuk	--	--	40,000,000	40,000,000
	<u>17,460,885</u>	<u>197,916,148</u>	<u>161,593,647</u>	<u>376,970,680</u>

	2018			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Money market funds	--	31,888,438	--	31,888,438
Investment funds	--	--	26,323,351	26,323,351
Equities	138,269,676	--	--	138,269,676
Fixed-rate bonds/sukuk	197,428,627	--	50,064,514	247,493,141
Floating-rate bonds/sukuk	12,499,155	--	40,000,000	52,499,155
	<u>348,197,458</u>	<u>31,888,438</u>	<u>116,387,865</u>	<u>496,473,761</u>

Fair values of investment funds is based on the net assets value (“NAV”) calculated on the basis of the fair value of the underlying real estate as disclosed in the fund’s latest available financial statements. The discounted cash flow (“DCF”) model has been used to value the debt securities, this model considers the present value of net cash flows to be generated from the debt security, discounted at the market yield of similar quoted instruments. The estimate is adjusted for the effect of non-marketability of the debt securities. The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy.

	Opening	Purchase	Sale	Realized loss	Unrealized gain	Closing
2019	<u>116,387,865</u>	<u>46,081,132</u>	<u>(1,047,575)</u>	<u>(340,290)</u>	<u>512,515</u>	<u>161,593,647</u>
2018	140,064,514	--	(23,676,649)	--	--	116,387,865

Sensitivity Analysis

For the fair value of level 3 investments, reasonable possible changes at the reporting date to one of the unobservable inputs, holding other inputs constant, would have the following effects.

	2019	2018
Investments held at fair value through income statement	<u>50,512,516</u>	50,064,514
Impact on unrealized gain for the year ended:		
If increased by 5% in market rate	<u>(134,430)</u>	(312,689)
If decreased by 5% in market rate	<u>134,430</u>	312,689

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the year ended 31 December 2019 and year ended 31 December 2018.

As at 31 December 2019, the investments under reinsurance operations include SR Nil (31 December 2018: SR 54.01 million) which are held through discretionary managed portfolios.

As at 31 December 2019, the investments under shareholders’ operations include SR Nil (31 December 2018: SR 318.5 million) which are held through discretionary managed portfolios.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

7 INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

Investments under reinsurance and shareholders' operations include cash component of SR Nil and SR Nil respectively as at 31 December 2019 (31 December 2018: SR 0.77 million and SR 10.04 million) available with external fund managers within the agreed investment guidelines.

iii. The movement of investments held at fair value through income statement is as follows:

	2019			2018		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Opening balance	56,100,346	496,473,761	552,574,107	106,316,032	758,751,497	865,067,529
Additions	38,572,307	315,673,142	354,245,449	21,000,000	36,078,728	57,078,728
Disposals	(54,204,897)	(452,462,698)	(506,667,595)	(72,416,163)	(301,294,002)	(373,710,165)
Unrealized gains	216,118	3,576,588	3,792,706	(367,808)	3,828,225	3,460,417
Realized gains	193,267	13,709,887	13,903,154	1,568,285	(890,687)	677,598
Closing balance	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107

iv. The geographical split of investments held at fair value through income statement is as follows:

	Domestic		International		Total	
	2019 SR	2018 SR	2019 SR	2018 SR	2019 SR	2018 SR
Reinsurance operations						
Money market funds	40,877,141	2,088,717	--	--	40,877,141	2,088,717
Fixed-rate bonds/sukuk	--	--	--	51,726,932	--	51,726,932
Floating-rate bonds/sukuk	--	--	--	2,284,697	--	2,284,697
	40,877,141	2,088,717	--	54,011,629	40,877,141	56,100,346
Shareholders' operations						
Money market funds	197,916,148	31,888,438	--	--	197,916,148	31,888,438
Investment funds	71,081,131	26,323,351	--	--	71,081,131	26,323,351
Equities	17,460,885	70,186,682	--	68,082,994	17,460,885	138,269,676
Fixed-rate bonds/sukuk	40,480,100	40,000,000	10,032,416	207,493,141	50,512,516	247,493,141
Floating-rate bonds/sukuk	40,000,000	40,000,000	--	12,499,155	40,000,000	52,499,155
	366,938,264	208,398,471	10,032,416	288,075,290	376,970,680	496,473,761
Total	407,815,405	210,487,188	10,032,416	342,086,919	417,847,821	552,574,107

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

7 INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

v. The analysis of investments by counter-party is as follows:

	2019` SR			2018 SR		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Fixed income counterparties						
Saudi Government	--	40,480,100	40,480,100	11,353,243	90,572,083	101,925,326
Non-Saudi Government	--	10,032,416	10,032,416	31,342,945	124,291,840	155,634,785
Corporate and financial institutions	--	40,000,000	40,000,000	11,315,441	85,128,335	96,443,776
	--	90,512,516	90,512,516	54,011,629	299,992,258	354,003,887
Others						
Money Market Funds	40,877,141	197,916,148	238,793,289	2,088,717	31,888,476	33,977,193
Investment Funds	--	71,081,131	71,081,131	--	26,323,351	26,323,351
Equities	--			--		
		17,460,885	17,460,885	--	138,269,676	138,269,676
	40,877,141	286,458,164	327,335,305	2,088,717	196,481,503	198,570,220
Total	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107

8. CLAIMS

	2019 SR	2018 SR
Outstanding claims	737,229,272	662,467,372
Claims incurred but not reported	355,254,946	330,480,733
	1,092,484,218	992,948,105
Less:		
- Retroceded share of outstanding claims	282,718,771	198,432,518
- Retroceded share of claims incurred but not reported	34,812,075	59,937,179
	317,530,846	258,369,697
Net outstanding claims reserves	774,953,372	734,578,408

9. PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS

	2019			2018		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Refundable deposit	103,722	--	103,722	103,222	--	103,222
Recoverable Deposits (refer note 31b) & 21e))	119,359,875	71,752,470	191,112,345	119,359,875	30,810,000	150,169,875
Guarantee deposit (note 30b)	37,330,434	--	37,330,434	47,250,000	--	47,250,000
Advances to employees	1,168,996	--	1,168,996	1,384,613	--	1,384,613
Advance payments	293,024	--	293,024	292,200	--	292,200
Prepaid insurance	391,737	--	391,737	344,141	228,471	572,612
Value added tax	12,915,098	--	12,915,098	8,835,167	--	8,835,167
Others	341,448	983,094	1,324,542	302,427	49,116	351,543
	171,904,334	72,735,564	244,639,898	177,871,645	31,087,587	208,959,232

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. UNEARNED PREMIUMS

	Gross SR	2019 Retroceded share SR	Net SR
Opening balance	380,171,285	(33,080,894)	347,090,391
Premiums written during the year	792,847,561	(146,242,284)	646,605,277
Net premium earned	(771,021,254)	128,486,392	(642,534,862)
Change in net unearned premiums	21,826,307	(17,755,892)	4,070,415
Closing balance	<u>401,997,592</u>	<u>(50,836,786)</u>	<u>351,160,806</u>

	Gross SR	2018 Retroceded share SR	Net SR
Opening balance	461,488,892	(117,679,188)	343,809,704
Premiums written during the year	721,604,828	(104,708,727)	616,896,101
Net premiums earned	(802,922,435)	189,307,020	(613,615,415)
Change in net unearned premiums	(81,317,607)	84,598,293	3,280,686
Closing balance	<u>380,171,285</u>	<u>(33,080,894)</u>	<u>347,090,391</u>

11. DEFERRED POLICY ACQUISITION COSTS

	2019 SR	2018 SR
Opening balance	99,895,591	100,345,144
Incurred during the year	179,164,044	172,022,204
Charged for the year	(172,780,534)	(172,471,757)
Closing balance	<u>106,279,101</u>	<u>99,895,591</u>

12. PROPERTY AND EQUIPMENT, NET

Reinsurance operations:

	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improvements SR	Work-in - Progress* SR	Right of Use SR	Total SR
Cost:							
As at 1 January 2019	13,401,508	366,669	723,661	380,334	536,786	--	15,408,958
Additions during the year	1,692,847	--	--	601,680	23,512	660,129	2,978,168
Transfers during the year	--	--	--	--	(261,814)	--	(261,814)
As at 31 December 2019	<u>15,094,355</u>	<u>366,669</u>	<u>723,661</u>	<u>982,014</u>	<u>298,484</u>	<u>660,129</u>	<u>18,125,312</u>
Accumulated depreciation:							
As at 1 January 2019	12,027,862	329,002	693,519	145,727	--	--	13,196,110
Charged for the year	751,581	26,658	20,738	37,990	--	150,913	987,880
As at 31 December 2019	<u>12,779,443</u>	<u>355,660</u>	<u>714,257</u>	<u>183,717</u>	<u>--</u>	<u>150,913</u>	<u>14,183,990</u>
Net book value							
As at 31 December 2019	<u>2,314,912</u>	<u>11,009</u>	<u>9,404</u>	<u>798,297</u>	<u>298,484</u>	<u>509,216</u>	<u>3,941,322</u>

* Work-in-progress represents certain advances for the IT infrastructure.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

12. PROPERTY AND EQUIPMENT, NET (CONTINUED)

Reinsurance operations:

	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improvements SR	Work-in - Progress* SR	Total SR
Cost:						
As at 1 January 2018	12,517,245	366,669	723,661	368,834	217,863	14,194,272
Additions during the year	884,263	--	--	11,500	320,653	1,216,416
Transfers during the year	--	--	--	--	(1,730)	(1,730)
As at 31 December 2018	13,401,508	366,669	723,661	380,334	536,786	15,408,958
Accumulated depreciation:						
As at 1 January 2018	10,956,764	280,089	561,389	109,641	--	11,907,883
Charged for the year	1,071,098	48,913	132,130	36,086	--	1,288,227
As at 31 December 2018	12,027,862	329,002	693,519	145,727	--	13,196,110
Net book value						
As at 31 December 2018	1,373,646	37,667	30,142	234,607	536,786	2,212,848

Shareholders' operations:

	Land SR	Building SR	Furniture and Fixtures SR	Total SR
Cost:				
As at 1 January 2019	18,329,960	11,454,040	4,706,907	34,490,907
Additions during the year	--	--	--	--
As at 31 December 2019	18,329,960	11,454,040	4,706,907	34,490,907
Accumulated depreciation:				
As at 1 January 2019	--	1,708,402	2,406,455	4,114,857
Charged for the year	--	318,168	423,676	741,844
As at 31 December 2019	--	2,026,570	2,830,131	4,856,701
Net book value:				
As at 31 December 2019	18,329,960	9,427,470	1,876,776	29,634,206

Total net book value as at 31 December 2019

33,575,528

Shareholders' operations:

	Land SR	Building SR	Furniture and Fixtures SR	Total SR
Cost:				
As at 1 January 2018	18,329,960	11,454,040	4,706,907	34,490,907
Additions during the year	--	--	--	--
As at 31 December 2018	18,329,960	11,454,040	4,706,907	34,490,907
Accumulated depreciation:				
As at 1 January 2018	--	1,361,310	1,880,017	3,241,327
Charged for the year	--	347,092	526,438	873,530
As at 31 December 2018	--	1,708,402	2,406,455	4,114,857
Net book value:				
As at 31 December 2018	18,329,960	9,745,638	2,300,452	30,376,050

Total net book value as at 31 December 2018

32,588,898

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

13. TIME DEPOSITS

Time deposits are placed with banks which have credit ratings in line with Company's investment policy. Such deposits earn special commission at an average effective commission rate of 3.14% per annum (31 December 2018: 2.33 % per annum).

14. ACCRUED REINSURANCE PREMIUMS

The gross written premiums ("GWP") of proportional treaty and facultative reinsurance contracts include estimates of premiums due to the company but not yet reported by the cedant. This portion of GWP is considered as pipeline premium and accounted in the Statement of Financial Position as 'Accrued reinsurance premiums' net of related acquisition costs. These pipeline/accrued premiums are estimated at the inception of the reinsurance contract based on cedents/brokers forecasts and management's evaluation of these forecasts. Management reviews and evaluates all premium estimates, comparing actual premiums to expected ultimate premiums on a quarterly basis and any adjustments to these estimates are recorded in the financial statements as and when updated information comes to light.

15. UNEARNED RETROCESSION COMMISSION

	2019	2018
	SR	SR
Opening balance	6,410,240	7,542,299
Commission received on retroceded business during the year	20,161,830	15,335,999
Commission earned on retroceded business during the year	(18,175,998)	(16,468,058)
Closing balance	8,396,072	6,410,240

16. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

	2019	2018
	SR	SR
Opening balance	97,293,816	91,954,382
Share of profit of equity accounted investee	5,114,506	2,303,238
Share in foreign currency translation adjustments	(962,691)	3,036,196
31 December	101,445,631	97,293,816

The Company, on 6 October 2017, acquired 49.9% of the ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL"). The Company has accounted for this investment as an associate (equity accounted investee). PHBL operates in insurance and reinsurance businesses including Lloyds market in London, United Kingdom.

As at 31 December 2019, the total assets and total liabilities of PHBL amount to SR 916 million and SR 743 million respectively (2018: SR 766.7 million and SR 602.1 million respectively). The profit for the year ended 31 December 2019 amounts to SR 10.1 million (2018: SR 4.5 million).

17. HELD-TO-MATURITY INVESTMENTS

This represent investment in locally issued Sukuk amounting to SR 37.5 million (2018: Nil). The interest rate on the Sukuk is 3.89% and it will be maturing in year 2029. The credit rating of the counter party is A1 by Moody's and A- by Standard & Poors credit quality agencies.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

18. EMPLOYEES' END OF SERVICE BENEFITS

The movement in provision for employee end-of-service benefits for the years ended 31 December are as follows:

	2019	2018
	SR	SR
Balance at beginning of the year	6,593,975	5,729,277
Charge for the year	1,052,226	1,405,697
Interest cost	132,192	161,341
Amount recognized in income statement	1,184,418	1,567,038
Re-measurement loss recognized in other comprehensive income	2,058,517	--
Benefits paid during the year	(1,008,205)	(702,340)
Balance at the end of the year	8,828,705	6,593,975

Net defined benefit as at year-end is as follows:

	2019	2018
	SR	SR
Present value of defined benefit obligation	8,828,705	6,593,975

Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	2019		2018	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Future salary growth (5% movement)	<u>441,435</u>	<u>(441,435)</u>	<u>329,699</u>	<u>(329,699)</u>

Risks associated with defined benefit plans

Salary increase risk:

The retirement benefit of the company is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

Principal actuarial assumptions

The discount rate used is 2.25% (2018: 3%) while the expected rate of salary increase used is 2.47% (2018: 2.47%)

19. ACCRUED EXPENSES AND OTHER LIABILITIES

	2019			2018		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Consultancy fees	1,442,500	--	1,442,500	--	95,039	95,039
Employees' bonus	4,326,846	--	4,326,846	2,372,314	810,639	3,182,953
Withholding tax payable	2,548,093	15,694	2,563,787	517,812	--	517,812
Professional fees payable	1,158,003	1,327,323	2,485,326	1,081,055	2,096,133	3,177,188
Directors' remunerations	--	1,140,000	1,140,000	--	1,100,000	1,100,000
Meetings fees and expenses	--	1,066,384	1,066,384	--	885,008	885,008
Value added tax payable	3,217,525	--	3,217,525	2,168,976	--	2,168,976
Others	2,816,905	361,515	3,178,420	1,419,976	--	1,419,976
	15,509,872	3,910,916	19,420,788	7,560,133	4,986,819	12,546,952

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NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2019****20. CLAIMS DEVELOPMENT TABLE**

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive underwriting year at each reporting date, together with cumulative payments to date. The development of reinsurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its reinsurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier underwriting years. In order to maintain adequate reserves, the Company will transfer much of this release to the future underwriting years' reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Gross reinsurance contract outstanding claims provision for 2019:

Underwriting year	2013 and prior SR	2014 SR	2015 SR	2016 SR	2017 SR	2018 SR	2019 SR	Total SR
At end of underwriting year		184,231,909	242,728,277	166,267,303	323,560,488	282,831,889	248,740,712	
One year later		360,219,868	1,074,743,558	324,048,753	576,963,497	539,563,402	-	
Two years later		350,425,942	1,095,518,847	352,196,791	607,942,353	-	-	
Three years later		370,528,846	1,068,163,227	360,111,616	-	-	-	
Four years later		363,998,517	1,064,368,673	-	-	-	-	
Five years later		365,260,904	-	-	-	-	-	
Current estimate of cumulative claims incurred		365,260,904	1,064,368,673	360,111,616	607,942,353	539,563,402	248,740,712	3,185,987,660
Cumulative payments to date		(331,369,534)	(1,014,461,172)	(274,433,911)	(319,407,624)	(208,918,221)	(5,724,068)	(2,154,314,530)
Liability recognized for 2013 and prior	60,811,088							60,811,088
Total gross outstanding claims and claims incurred but not reported provision per the statement of financial position	60,811,088	33,891,370	49,907,501	85,677,705	288,534,729	330,645,181	243,016,644	1,092,484,218

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

20. CLAIMS DEVELOPMENT TABLE (CONTINUED)

Gross reinsurance contract outstanding claims provision for 2018:

Underwriting year	2012 and prior SR	2013 SR	2014 SR	2015 SR	2016 SR	2017 SR	2018 SR	Total SR
At end of underwriting year		149,402,912	184,231,909	242,728,277	166,267,303	323,560,488	282,793,419	
One year later		344,228,030	360,219,868	1,074,743,558	324,048,753	576,963,497	--	
Two years later		290,112,923	350,425,942	1,095,518,847	352,196,791	--	--	
Three years later		289,836,213	370,528,846	1,068,163,227	--	--	--	
Four years later		295,560,915	363,998,517	--	--	--	--	
Five years later		295,920,333	--	--	--	--	--	
Current estimate of cumulative claims incurred		295,920,333	363,998,517	1,068,163,227	352,196,791	576,963,497	282,793,419	2,940,035,784
Cumulative payments to date		(254,075,137)	(314,287,979)	(998,642,132)	(201,790,297)	(184,870,874)	(30,687,020)	(1,984,353,439)
Liability recognized for 2012 and prior	37,265,760							37,265,760
Total gross outstanding claims and claims incurred but not reported provision per the statement of financial position	37,265,760	41,845,196	49,710,538	69,521,095	150,406,494	392,092,623	252,106,399	992,948,105

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

20. CLAIMS DEVELOPMENT TABLE (CONTINUED)

Net reinsurance contract outstanding claims provision for 2019:

Underwriting year	2013 and prior SR	2014 SR	2015 SR	2016 SR	2017 SR	2018 SR	2019 SR	Total SR
At end of underwriting year		156,137,999	231,126,743	165,314,261	219,104,644	218,615,217	151,400,260	
One year later		316,800,613	994,226,860	325,244,631	410,535,835	427,567,472	--	
Two years later		311,680,480	1,008,411,285	341,080,047	455,321,351	--	--	
Three years later		342,110,021	985,848,692	355,423,583	--	--	--	
Four years later		339,134,581	987,174,580	--	--	--	--	
Five years later		341,005,938	--	--	--	--	--	
Current estimate of cumulative claims incurred		341,005,938	987,174,580	355,423,583	455,321,351	427,567,472	151,400,260	2,717,893,184
Cumulative payments to date		(308,391,824)	(945,204,111)	(270,475,428)	(280,468,456)	(180,649,633)	(3,257,882)	(1,988,447,334)
Liability recognized for 2013 and prior	45,507,522							45,507,522
Total net outstanding claims and claims incurred but not reported provision per the statement of financial position	45,507,522	32,614,114	41,970,469	84,948,155	174,852,895	246,917,839	148,142,378	774,953,372

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NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2019****20. CLAIMS DEVELOPMENT TABLE (CONTINUED)**

Net reinsurance contract outstanding claims provision for 2018:

Underwriting year	2012 and prior SR	2013 SR	2014 SR	2015 SR	2016 SR	2017 SR	2018 SR	Total SR
At end of underwriting year		149,622,902	156,137,999	231,126,743	165,314,261	219,104,644	218,702,036	
One year later		332,081,892	316,800,613	994,226,860	325,244,631	410,535,835	--	
Two years later		282,327,873	311,680,480	1,008,411,285	341,080,047	--	--	
Three years later		282,125,164	342,110,021	985,848,692	--	--	--	
Four years later		283,425,994	339,134,581	--	--	--	--	
Five years later		283,610,964	--	--	--	--	--	
Current estimate of cumulative claims incurred		283,610,964	339,134,581	985,848,692	341,080,047	410,535,835	218,702,036	2,578,912,155
Cumulative payments to date		(251,407,910)	(292,256,203)	(929,563,271)	(197,962,185)	(176,849,658)	(26,783,629)	(1,874,822,856)
Liability recognized for 2012 and prior	30,489,109							30,489,109
Total net outstanding claims and claims incurred but not reported provision per the statement of financial position	30,489,109	32,203,054	46,878,378	56,285,421	143,117,862	233,686,177	191,918,407	734,578,408

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

21. ZAKAT AND INCOME TAX

a) Zakat

Zakat charge for the year of SR 13,719,362 (2018: SR 12,863,666) is based on the following:

	2019 SR	2018 SR
Share Capital	810,000,000	810,000,000
Statutory reserve – beginning of the year	8,815,260	6,070,924
Retained earnings – beginning of the year	12,757,997	14,693,063
Adjusted net Income for the year	58,975,983	13,984,454
Provisions	19,724,516	36,375,597
	910,273,756	881,124,038
Deductions:		
Statutory deposit	(121,500,000)	(121,500,000)
Others non-current assets	(254,990,414)	(241,104,198)
Zakat base	533,783,342	518,519,840
Zakat base for Saudi shareholders 99.10% (2018: 99.10%)	528,979,292	513,853,161
Zakat provision for the year	13,719,362	12,863,666

b) Income tax

Income tax for the year of SR 154,063 (2018: SR 39,136) is based on the following:

	2019 SR	2018 SR
Net income for the year	14,694,523	14,694,523
Adjusted profit	58,975,983	13,984,454
Portion of net taxable income for non-Saudi shareholders 0.90% (2018: 0.90%)	530,784	125,860
Non-GCC share in losses carried forward up to 25% of their share from the portion of taxable income	(132,696)	(31,465)
KSA operations' income tax base	398,088	94,395
Labuan Branch Income tax Base	2,481,480	6,693,446
Income tax provision for the year	154,063	39,136

c) The movement of the provision for zakat and income tax is as follows:

	2019 SR	2018 SR
Opening balance	38,244,253	37,431,370
Income tax provision for the year	154,063	39,136
Zakat provision for the year	13,719,362	12,863,666
Paid during the year	(28,375,616)	(12,089,919)
Closing balance	23,742,062	38,244,253

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

21. ZAKAT AND INCOME TAX (CONTINUED)

The Company has recorded zakat and tax provision based on the circular No. 12746/16/1438H (18 January 2017) issued by the General Authority of Zakat and Income Tax (GAZT), in which Saudi public listed companies are to provide for tax and zakat based on the shareholding percentages of GCC and non-GCC founding shareholders. The shareholding percentages of GCC and non-GCC founding shareholders were 99.1% and 0.90% respectively as at 31 December 2019 and 31 December 2018.

d) Status of assessment

The Company has filed its Tax / Zakat returns for the years ended 31 December 2014 to 2018 with the General Authority of Zakat and Income Tax (GAZT). The company received the final assessments for the years ended 31 December 2008 to 2013 which shows additional zakat, tax and delay fines amounting to SR 32.55 million, principally on account of disallowance of long-term investments and statutory deposits from the zakat base. The assessments for the years ended 31 December 2014 to 2018 are still outstanding.

The Company filed appeals against the GAZT's assessment of additional zakat, tax and delay fines for the years 2008 to 2013. The Preliminary Appeal Committee (PAC) issued its Ruling on the appeals filed. The Ruling upheld the Company's appeal on certain items of the appeal and rejected the appeal on the other items. The Company filed an appeal against the PAC Ruling with the Higher Appeal Committee (HAC). Later on, the Company approached Committee for Settlement of Zakat and Tax disputes and reached on an agreement with the Committee for Settlement of Zakat and Tax Disputes for the assessment years 2008 to 2013.

On 7th October 2019, the Company received a letter from GAZT instructing them to pay final settlement of SR 16.05 million from the existing additional zakat, tax and applicable fines for the years 2008 to 2013. The Company has settled the amount and the Company requested GAZT to release the guarantee deposit, for the items appealed, against amounting to SR 29.39 million which is included in prepaid expenses, deposits and other assets. The GAZT has released the guarantee deposit subsequent to the year-end.

e) Impact of change in accounting for zakat and income tax

This change in the accounting treatment for zakat and income tax as explained in note 3 has the following impact on the line items of the statement of income, statements of financial position and changes in shareholder's equity:

As at year ended 31 December 2018:

Financial Statement Impacted	Account	Before the restatement for the year ended 31 December 2018 SR	Effect of restatement SR	As restated as at and for the year ended 31 December 2018 SR
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	(12,902,802)	12,902,802	--
Statement of income	Zakat and income tax expenses	--	(12,902,802)	(12,902,802)
Statement of income	Earnings per share*	0.17	(0.16)	0.01

22. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 810 million (2018: SR 810 million) divided into 81 million (2018: 810 million) shares of SR 10 each.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

22. SHARE CAPITAL (CONTINUED)

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

	2019		
	Authorized and issued	Paid up	
	No. of Shares	Value per share	SR
Ahmed Hamad Algozaibi Brothers Co.	4,050,000	10	40,500,000
Others	76,950,000	10	769,500,000
	81,000,000	10	810,000,000
	2018		
	Authorized and issued	Paid up	
	No. of Shares	Value per share	SR
Ahmed Hamad Algozaibi Brothers Co.	4,050,000	10	40,500,000
Others	76,950,000	10	769,500,000
	81,000,000	10	810,000,000

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

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

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

23. STATUTORY RESERVE

In accordance with the Article 70 (2g) of the Insurance Implementing Regulations of SAMA, a minimum of 20% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Company. This reserve is not available for distribution.

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2019			2018		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Salaries and related benefits	30,598,986	3,157,188	33,756,174	29,354,748	3,016,611	32,371,359
Training	406,863	--	406,863	869,259	5,688	874,947
Computer expenses	1,505,535	--	1,505,535	780,248	--	780,248
Travelling expenses	1,469,084	143,082	1,612,166	1,357,301	166,175	1,523,476
Depreciation *	1,729,724	--	1,729,724	2,161,757	--	2,161,757
Rent and premises expenses	1,049,520	--	1,049,520	954,155	--	954,155
Advertising	1,159,901	22,136	1,182,037	1,018,362	1,493	1,019,855
Professional fees	1,972,751	2,608,160	4,580,911	2,496,626	2,371,671	4,868,297
Withholding tax	78,573	28,262	106,835	109,347	45,170	154,517
Consulting fees	2,129,018	595,423	2,724,441	304,164	--	304,164
Licensing Fees	37,978	541,768	579,746	93,658	525,943	619,601
Others	1,422,264	374,242	1,796,506	1,077,190	862,557	1,939,747
	43,560,197	7,470,261	51,030,458	40,576,815	6,995,308	47,572,123

* Depreciation charge for the year for shareholders' operations assets is charged to reinsurance operations as a rent for using the assets.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

25. BOARD OF DIRECTORS' REMUNERATION, MEETING FEE AND EXPENSES

	2019	2018
	SR	SR
Board of directors' remuneration	1,140,000	1,100,000
Meetings fees and expenses	1,116,420	1,080,757
	<u>2,256,420</u>	<u>2,180,757</u>

26. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the management.

Details of transactions and balances with related parties during the year other than those which have been disclosed elsewhere in these financial statements are disclosed below:

Related party	Nature of transactions	Amount of transactions for the year ended		Balance as at	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		SR	SR	SR	SR
Board of Directors	- Consulting fees	150,322	268,355	--	--
	- Remunerations, meetings fees and expenses	2,256,420	2,180,757	1,875,000	1,740,000
Key management Personnel	- Short-term benefits	10,072,375	9,231,752	2,854,771	2,249,464
	- Employees' end of service benefits	464,525	523,830	3,164,802	2,978,976
Companies represented by the Board members	- Gross written premiums	80,481,597	24,535,331	1,112,046	578,688
	- Claims incurred	1,692,143	1,794,500	2,829,748	3,131,773
	- Commissions	30,071,691	10,979,561	--	--
	- Investments	88,246,912	--	88,246,912	--

Balances with related parties are included in premium receivables, accrued expenses and other liabilities shown in the statement of financial position.

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2019 and 31 December 2018 have been calculated by dividing net income for the year by the weighted average number of ordinary shares issued and outstanding at the end of the year.

The weighted average number of shares have been retrospectively adjusted for all prior periods to reflect the element of reduction in share capital as follows:

	2019	2018
	No. of Shares	
Issue ordinary shares opening balance as at 1 January	81,000,000	100,000,000
Effect of decrease in capital	--	(19,000,000)
Weighted average outstanding number of ordinary shares - restated	<u>81,000,000</u>	<u>81,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

28. STATUTORY DEPOSIT

The Company has deposited an amount of SR 121.5 million (31 December 2018: SR 121.5 million) with a local bank, which has been rated “A” by Standard & Poor’s Rating agency representing the statutory deposit of 15% of its paid-up capital as required by the Implementing Regulations of the “Law On Supervision of Cooperative Insurance Companies” issued by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit generates special commission income which is accrued on regular basis and is shown as a separate line item as part of the shareholders’ liabilities in the Statement of Financial Position as “Accrued commission income payable to SAMA”. The accrued commission on the deposit as at December 2019 is SAR 17,992,463 (31 December 2018: 15,549,401) and has also been disclosed in assets as “Accrued income on statutory deposit”.

29. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance. Consistent with the Company’s internal reporting process, business and geographical segments have been approved by the Management Committee in respect of the Company’s activities, assets and liabilities as stated below.

Segment results do not include realized and unrealized gains on investments held at fair value through income statement, other income, investment management expenses and all general and administrative expenses.

Segment assets do not include cash and cash equivalents of reinsurance operations, time deposits, investments held at fair value through income statement, prepaid expenses and other assets, due from shareholders’ operations and property and equipment.

Segment liabilities do not include surplus distribution payable, accrued expenses and other liabilities and employees’ end of service benefits.

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

29. SEGMENTAL INFORMATION (CONTINUED)

29.1 Business segments

The Company revises periodically its estimated gross written premiums and related retroceded premium upon receipt of actual information from cedants. In some business segments, this results in negative gross written premiums, positive retroceded premiums and negative net written premiums for the year when the revision took place.

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Total SR
For the year ended 31 December 2019										
<u>REVENUES</u>										
Gross written premiums	79,118,645	204,274,173	89,856,783	59,853,709	56,172,931	49,872,049	22,764,719	96,761,205	134,173,347	792,847,561
Retroceded premiums	(7,549,472)	(17,708,898)	(32,700,422)	--	(18,962,016)	--	--	--	(50,922,817)	(127,843,625)
Excess of loss expenses	(3,639,429)	(6,062,322)	(1,176,522)	247,210	(117,734)	(814,910)	--	--	(6,834,952)	(18,398,659)
Net written premiums	67,929,744	180,502,953	55,979,839	60,100,919	37,093,181	49,057,139	22,764,719	96,761,205	76,415,578	646,605,277
Changes in unearned premiums, net	336,495	2,170,170	(3,171,260)	9,568,465	9,087,784	(245,569)	2,545,590	(13,344,396)	(11,017,694)	(4,070,415)
Net earned premiums	68,266,239	182,673,123	52,808,579	69,669,384	46,180,965	48,811,570	25,310,309	83,416,809	65,397,884	642,534,862
Retrocession commissions	1,923,535	4,080,434	1,114,827	--	3,867,982	(6,841)	--	--	7,196,061	18,175,998
<u>TOTAL REVENUES</u>	70,189,774	186,753,557	53,923,406	69,669,384	50,048,947	48,804,729	25,310,309	83,416,809	72,593,945	660,710,860
<u>UNDERWRITING COSTS AND EXPENSES</u>										
Gross claims paid	(44,492,985)	(131,502,720)	(35,416,397)	(40,031,691)	(31,933,497)	(39,791,403)	(23,803,130)	(42,741,441)	(46,988,058)	(436,701,322)
Retroceded share of claims paid	678,153	23,965,621	9,606,537	--	6,983,819	--	--	--	18,772,369	60,006,499
Net claims paid	(43,814,832)	(107,537,099)	(25,809,860)	(40,031,691)	(24,949,678)	(39,791,403)	(23,803,130)	(42,741,441)	(28,215,689)	(376,694,823)
Changes in outstanding claims, net	2,466,508	12,666,387	3,096,442	(10,244,212)	(188,745)	(1,012,823)	(532,840)	--	3,273,640	9,524,357
Changes in Incurred but not reported claims, net	(9,904,560)	(8,559,903)	(3,427,085)	(1,097,234)	(4,205,687)	1,252,469	(9,349,726)	(7,684,248)	(6,923,344)	(49,899,318)
Net claims incurred	(51,252,884)	(103,430,615)	(26,140,503)	(51,373,137)	(29,344,110)	(39,551,757)	(33,685,696)	(50,425,689)	(31,865,393)	(417,069,784)
Policy acquisition costs and profit commissions	(23,300,016)	(55,914,841)	(17,474,292)	(8,834,551)	(15,828,792)	(3,794,127)	(1,345,368)	(32,110,638)	(14,177,909)	(172,780,534)
Other underwriting expenses	(332,500)	(1,021,761)	(404,982)	(347,019)	(305,126)	(242,371)	(126,551)	(319,212)	(516,942)	(3,616,464)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(74,885,400)	(160,367,217)	(44,019,777)	(60,554,707)	(45,478,028)	(43,588,255)	(35,157,615)	(82,855,539)	(46,560,244)	(593,466,782)
NET UNDERWRITING (LOSS) / INCOME	(4,695,626)	26,386,340	9,903,629	9,114,677	4,570,919	5,216,474	(9,847,306)	561,270	26,033,701	67,244,078

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

29. SEGMENTAL INFORMATION (CONTINUED)

29.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Total SR
For the year ended 31 December 2018										
<u>REVENUES</u>										
Gross written premiums	75,851,906	207,424,615	46,665,498	94,277,047	69,532,375	45,562,837	33,341,122	67,248,588	81,700,840	721,604,828
Retroceded premiums	(9,380,169)	(22,020,000)	(10,810,555)	--	(12,654,209)	79,131	--	--	(18,210,699)	(72,996,501)
Excess of loss expenses	(6,020,410)	(11,908,323)	(553,863)	--	(224,203)	(1,295,859)	--	--	(11,709,568)	(31,712,226)
Net written premiums	60,451,327	173,496,292	35,301,080	94,277,047	56,653,963	44,346,109	33,341,122	67,248,588	51,780,573	616,896,101
Changes in unearned premiums, net	7,854,842	2,706,497	(470,565)	(9,358,263)	1,948,742	3,740,475	(4,424,603)	(8,115,918)	2,838,107	(3,280,686)
Net earned premiums	68,306,169	176,202,789	34,830,515	84,918,784	58,602,705	48,086,584	28,916,519	59,132,670	54,618,680	613,615,415
Retrocession commissions	1,830,315	5,042,900	810,925	--	3,339,741	(58,276)	--	--	5,502,453	16,468,058
<u>TOTAL REVENUES</u>	70,136,484	181,245,689	35,641,440	84,918,784	61,942,446	48,028,308	28,916,519	59,132,670	60,121,133	630,083,473
<u>UNDERWRITING COSTS AND EXPENSES</u>										
Gross claims paid	(42,043,294)	(90,024,043)	(22,167,560)	(62,781,731)	(36,958,670)	(58,895,022)	(16,938,058)	--	(59,519,432)	(389,327,810)
Retroceded share of claims paid	1,562,392	5,254,999	925,610	--	7,674,367	715,001	--	--	8,506,013	24,638,382
Net claims paid	(40,480,902)	(84,769,044)	(21,241,950)	(62,781,731)	(29,284,303)	(58,180,021)	(16,938,058)	--	(51,013,419)	(364,689,428)
Changes in outstanding claims, net	(12,136,505)	(25,796,814)	(3,190,388)	(5,688,930)	(3,700,659)	1,123,237	(3,502,964)	--	(25,076,843)	(77,969,866)
Changes in Incurred but not reported claims, net	10,265,988	6,116,902	6,103,946	20,216,276	2,333,544	10,366,370	(6,731,220)	(40,847,080)	30,780,213	38,604,939
Net claims incurred	(42,351,419)	(104,448,956)	(18,328,392)	(48,254,385)	(30,651,418)	(46,690,414)	(27,172,242)	(40,847,080)	(45,310,049)	(404,054,355)
Policy acquisition costs and profit commissions	(23,428,531)	(57,540,816)	(12,243,309)	(25,372,945)	(18,552,569)	(2,576,682)	(719,037)	(21,482,014)	(10,555,854)	(172,471,757)
Other underwriting expenses	(137,228)	(549,929)	(132,980)	(332,198)	(184,775)	(129,081)	(113,521)	(93,637)	(324,264)	(1,997,613)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(65,917,178)	(162,539,701)	(30,704,681)	(73,959,528)	(49,388,762)	(49,396,177)	(28,004,800)	(62,422,731)	(56,190,167)	(578,523,725)
<u>NET UNDERWRITING INCOME / (LOSS)</u>	4,219,306	18,705,988	4,936,759	10,959,256	12,553,684	(1,367,869)	911,719	(3,290,061)	3,930,966	51,559,748

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

29. SEGMENTAL INFORMATION (CONTINUED)

29.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2019												
ASSETS												
Bank balances and cash	--	--	--	--	--	--	--	--	--	6,061,323	7,107,736	13,169,059
Time deposits	--	--	--	--	--	--	--	--	--	138,195,362	239,835,817	378,031,179
Accrued special commission income from time deposits	--	--	--	--	--	--	--	--	--	1,728,030	6,246,374	7,974,404
Premium receivables, net	41,176,448	93,225,725	16,348,014	25,012,608	19,080,882	9,079,607	6,077,569	(308,692)	74,556,629	(50,856,414)	--	233,392,376
Investments held at fair value through income statement	--	--	--	--	--	--	--	--	--	40,877,141	376,970,680	417,847,821
Held-to-maturity investments	--	--	--	--	--	--	--	--	--	--	37,500,000	37,500,000
Accrued reinsurance premiums	45,237,422	92,142,828	31,036,428	28,103,983	31,708,390	38,383,493	16,671,462	133,976,736	49,810,124	--	--	467,070,866
Retroceded share of unearned premiums	7,061,901	5,456,335	6,597,140	--	9,593,658	--	--	--	22,127,752	--	--	50,836,786
Deferred excess of loss premiums	3,015,897	3,794,146	403,280	--	99,749	--	--	--	4,430,491	--	--	11,743,563
Retroceded share of outstanding claims	6,785,245	46,220,224	116,859,302	(995,031)	3,542,132	1,626,261	--	--	108,680,638	--	--	282,718,771
Retroceded share of claims incurred but not reported	3,755,287	4,727,577	3,431,631	32,904	8,726,492	--	--	--	14,138,184	--	--	34,812,075
Deferred policy acquisition costs	20,867,565	27,478,912	6,844,095	3,257,350	7,274,190	1,313,273	129,394	31,879,345	7,234,977	--	--	106,279,101
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	171,904,335	72,735,563	244,639,898
Property and equipment, net	--	--	--	--	--	--	--	--	--	3,941,322	29,634,206	33,575,528
Accrued special commission income from bonds and sukuk	--	--	--	--	--	--	--	--	--	--	2,793,154	2,793,154
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	101,445,631	101,445,631
Statutory deposit	--	--	--	--	--	--	--	--	--	--	121,500,000	121,500,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	17,992,463	17,992,463
TOTAL ASSETS	127,899,765	273,045,747	181,519,890	55,411,814	80,025,493	50,402,634	22,878,425	165,547,389	280,978,795	311,851,099	1,013,761,624	2,563,322,675

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

29. SEGMENTAL INFORMATION (CONTINUED)

29.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2019												
LIABILITIES												
Accounts payable	(4,835,815)	7,007,543	(16,377,915)	5,093,599	(1,891,045)	(1,585,379)	1,147,290	--	(20,746,114)	72,116,481	--	39,928,645
Retrocession balances payable	--	--	--	--	--	--	--	--	--	46,173,239	--	46,173,239
Accrued retroceded premiums	1,176,668	2,625,156	787,215	--	6,995,292	73,543	--	--	10,083,938	--	--	21,741,812
Unearned premiums	71,388,608	97,227,443	28,929,678	18,293,464	27,725,120	21,263,471	8,091,261	81,440,011	47,638,536	--	--	401,997,592
Outstanding claims	101,508,874	216,947,133	144,953,939	52,744,829	27,148,368	26,341,460	7,426,620	--	160,158,049	--	--	737,229,272
Claims incurred but not reported	33,946,957	49,242,742	15,544,440	49,680,204	32,306,225	25,366,145	25,454,102	88,661,520	35,052,611	--	--	355,254,946
Unearned retrocession commission	1,283,599	1,972,899	91,998	--	1,966,475	--	--	--	3,081,101	--	--	8,396,072
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	15,509,872	3,910,916	19,420,788
Employees' end of service benefits	--	--	--	--	--	--	--	--	--	8,828,705	--	8,828,705
Provision for zakat and tax	--	--	--	--	--	--	--	--	--	--	23,742,062	23,742,062
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	17,992,463	17,992,463
TOTAL LIABILITIES	204,468,891	375,022,916	173,929,355	125,812,096	94,250,435	71,459,240	42,119,273	170,101,531	235,268,121	142,628,297	45,645,441	1,680,705,596

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

29. SEGMENTAL INFORMATION (CONTINUED)

29.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2018												
ASSETS												
Bank balances and cash	--	--	--	--	--	--	--	--	--	22,343,716	9,542,390	31,886,106
Time deposits	--	--	--	--	--	--	--	--	--	73,896,431	196,235,246	270,131,677
Accrued special commission income from time deposits	--	--	--	--	--	--	--	--	--	408,367	1,671,257	2,079,624
Premium receivables, net	33,063,188	78,621,615	26,912,590	18,256,587	16,991,024	8,314,274	5,657,842	--	39,134,882	(26,928,489)	--	200,023,513
Investments held at fair value through income statement	--	--	--	--	--	--	--	--	--	56,100,346	496,473,761	552,574,107
Accrued reinsurance premiums	45,037,704	95,556,383	24,345,102	24,596,627	28,688,727	36,594,299	19,382,544	109,680,062	25,896,689	--	--	409,778,137
Retroceded share of unearned premiums	8,010,935	7,175,832	2,619,072	--	6,220,529	--	--	--	9,054,526	--	--	33,080,894
Deferred excess of loss premiums	2,837,663	3,638,816	403,276	--	98,783	--	--	--	4,453,071	--	--	11,431,609
Retroceded share of outstanding claims	8,807,058	48,821,297	26,882,345	(993,866)	3,321,553	114,798	--	--	111,479,333	--	--	198,432,518
Retroceded share of claims incurred but not reported	8,097,132	5,620,750	1,605,731	445	5,721,604	651	--	--	38,890,866	--	--	59,937,179
Deferred policy acquisition costs	21,099,778	26,959,964	6,258,256	4,527,001	8,610,364	1,220,723	300,936	27,153,981	3,764,588	--	--	99,895,591
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	177,871,645	31,087,587	208,959,232
Property and equipment, net	--	--	--	--	--	--	--	--	--	2,212,848	30,376,050	32,588,898
Accrued special commission income from bonds and sukuk	--	--	--	--	--	--	--	--	--	--	2,663,892	2,663,892
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	97,293,816	97,293,816
Statutory deposit	--	--	--	--	--	--	--	--	--	--	121,500,000	121,500,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	15,549,401	15,549,401
TOTAL ASSETS	126,953,458	266,394,657	89,026,372	46,386,794	69,652,584	46,244,745	25,341,322	136,834,043	232,673,955	305,904,864	1,002,393,400	2,347,806,194

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

29. SEGMENTAL INFORMATION (CONTINUED)

29.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2018												
LIABILITIES												
Accounts payable	243,793	8,841,262	391,426	490,530	1,008,131	1,624,317	--	--	4,138,668	3,189,512	--	19,927,639
Retrocession balances payable	--	--	--	--	--	--	--	--	--	22,898,559	--	22,898,559
Accrued retroceded premiums	2,021,819	4,615,122	28,978	--	2,945,797	--	--	--	6,228,001	--	--	15,839,717
Unearned premiums	72,778,665	101,381,181	21,780,349	27,861,928	33,086,082	21,017,901	10,636,850	68,080,710	23,547,619	--	--	380,171,285
Outstanding claims	105,894,071	232,426,687	58,047,786	42,461,041	26,739,043	23,774,585	6,893,779	--	166,230,380	--	--	662,467,372
Claims incurred but not reported	28,403,847	41,575,068	10,291,455	48,550,512	25,095,650	26,620,210	16,104,376	80,977,273	52,862,342	--	--	330,480,733
Unearned retrocession commission	3,004,693	(304,033)	147,595	--	1,543,719	--	--	--	2,018,266	--	--	6,410,240
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	7,560,114	4,986,838	12,546,952
Employees' end of service benefits	--	--	--	--	--	--	--	--	--	6,593,975	--	6,593,975
Provision for zakat and income tax	--	--	--	--	--	--	--	--	--	--	38,244,253	38,244,253
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	15,549,401	15,549,401
TOTAL LIABILITIES	212,346,888	388,535,287	90,687,589	119,364,011	90,418,422	73,037,013	33,635,005	149,057,983	255,025,276	40,242,160	58,780,492	1,511,130,126

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

29. SEGMENTAL INFORMATION (CONTINUED)

29.2 Geographical segments

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
For the year ended 31 December 2019						
Reinsurance operations' results						
<u>REVENUES</u>						
Gross written premiums	322,049,827	91,840,094	48,339,005	230,148,735	100,469,900	792,847,561
Retroceded premiums	(108,450,359)	(448,149)	(6,205)	(18,938,912)	--	(127,843,625)
Excess of loss expenses	(7,988,262)	(4,586,370)	(1,212,537)	(4,484,972)	(126,518)	(18,398,659)
Net written premiums	205,611,206	86,805,575	47,120,263	206,724,851	100,343,382	646,605,277
Changes in unearned premiums, net	(2,361,747)	6,123,956	(3,681,182)	8,927,677	(13,079,119)	(4,070,415)
Net earned premiums	203,249,459	92,929,531	43,439,081	215,652,528	87,264,263	642,534,862
Retrocession commissions	14,630,123	88,581	3,998	3,453,296	--	18,175,998
TOTAL REVENUES	217,879,582	93,018,112	43,443,079	219,105,824	87,264,263	660,710,860
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(173,450,296)	(66,437,660)	(20,095,037)	(133,923,519)	(42,794,810)	(436,701,322)
Retroceded share of claims paid	52,435,137	88,486	29,529	7,453,347	--	60,006,499
Net claims paid	(121,015,159)	(66,349,174)	(20,065,508)	(126,470,172)	(42,794,810)	(376,694,823)
Changes in outstanding claims, net	10,729,761	2,782,790	(832,965)	(1,187,145)	(1,968,084)	9,524,357
Changes in Incurred but not reported claims, net	(12,462,854)	(13,075,139)	(5,186,038)	(10,539,367)	(8,635,920)	(49,899,318)
Net claims incurred	(122,748,252)	(76,641,523)	(26,084,511)	(138,196,684)	(53,398,814)	(417,069,784)
Policy acquisition costs and profit commissions	(49,443,010)	(27,287,641)	(11,578,637)	(51,893,944)	(32,577,302)	(172,780,534)
Other underwriting expenses	(1,444,589)	(465,290)	(214,489)	(1,153,102)	(338,994)	(3,616,464)
TOTAL UNDERWRITING COSTS AND EXPENSES	(173,635,851)	(104,394,454)	(37,877,637)	(191,243,730)	(86,315,110)	(593,466,782)
NET UNDERWRITING INCOME / (LOSS)	44,243,731	(11,376,342)	5,565,442	27,862,094	949,153	67,244,078

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29. SEGMENTAL INFORMATION (CONTINUED)

29.2 Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
For the year ended 31 December 2018						
Reinsurance operations' results						
<u>REVENUES</u>						
Gross written premiums	288,453,053	100,629,833	35,100,939	224,526,281	72,894,722	721,604,828
Retroceded premiums	(61,024,706)	(34,515)	(31,977)	(11,905,303)	--	(72,996,501)
Excess of loss expenses	(11,091,879)	(7,544,926)	(1,323,152)	(11,018,237)	(734,032)	(31,712,226)
Net written premiums	216,336,468	93,050,392	33,745,810	201,602,741	72,160,690	616,896,101
Changes in unearned premiums, net	2,956,764	8,865,861	(2,265,190)	(4,736,880)	(8,101,241)	(3,280,686)
Net earned premiums	219,293,232	101,916,253	31,480,620	196,865,861	64,059,449	613,615,415
Retrocession commissions	13,490,955	(1,448)	9,326	2,969,225	--	16,468,058
<u>TOTAL REVENUES</u>	232,784,187	101,914,805	31,489,946	199,835,086	64,059,449	630,083,473
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(156,879,113)	(66,100,268)	(22,513,125)	(116,118,526)	(27,716,778)	(389,327,810)
Retroceded share of claims paid	6,636,002	491,407	4,890	17,506,083	--	24,638,382
Net claims paid	(150,243,111)	(65,608,861)	(22,508,235)	(98,612,443)	(27,716,778)	(364,689,428)
Changes in outstanding claims, net	(10,606,073)	(28,887,431)	(2,909,213)	(34,169,130)	(1,398,019)	(77,969,866)
Changes in Incurred but not reported claims, net	43,248,123	10,305,810	2,204,747	(2,499,462)	(14,654,279)	38,604,939
Net claims incurred	(117,601,061)	(84,190,482)	(23,212,701)	(135,281,035)	(43,769,076)	(404,054,355)
Policy acquisition costs and profit commissions	(63,020,310)	(28,697,157)	(8,622,910)	(49,980,611)	(22,150,769)	(172,471,757)
Other underwriting expenses	(853,719)	(278,003)	(111,382)	(633,977)	(120,532)	(1,997,613)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(181,475,090)	(113,165,642)	(31,946,993)	(185,895,623)	(66,040,377)	(578,523,725)
<u>NET UNDERWRITING INCOME / (LOSS)</u>	51,309,097	(11,250,837)	(457,047)	13,939,463	(1,980,928)	51,559,748

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29. SEGMENTAL INFORMATION (CONTINUED)

29.2 Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2019								
ASSETS								
Bank balances and cash	5,300,551	--	--	760,772	--	--	7,107,736	13,169,059
Time deposits	78,881,124	--	--	59,314,238	--	--	239,835,817	378,031,179
Accrued special commission income from time deposits	863,471	--	--	864,559	--	--	6,246,374	7,974,404
Premium receivables, net	112,557,458	45,533,263	23,783,305	53,855,741	(3,313,544)	976,153	--	233,392,376
Investments held at fair value through income statement	--	--	--	--	--	40,877,141	376,970,680	417,847,821
Held-To-Maturity investment	--	--	--	--	--	--	37,500,000	37,500,000
Accrued reinsurance premiums	136,607,255	52,954,230	28,976,678	113,640,819	134,891,884	--	--	467,070,866
Retroceded share of unearned premiums	41,115,249	126,581	1,298	9,593,658	--	--	--	50,836,786
Deferred excess of loss premiums	10,684,229	1,059,334	--	--	--	--	--	11,743,563
Retroceded share of outstanding claims	244,360,997	20,333,649	1,582,715	16,441,410	--	--	--	282,718,771
Retroceded share of claims incurred but not reported	23,801,093	916,722	204,631	9,842,863	46,766	--	--	34,812,075
Deferred policy acquisition costs	30,013,241	13,651,794	5,381,604	25,344,262	31,888,200	--	--	106,279,101
Prepaid expenses, deposits and other assets	15,058,631	--	--	155,394	--	156,690,309	72,735,564	244,639,898
Property and equipment, net	2,472,186	--	--	1,469,136	--	--	29,634,206	33,575,528
Accrued special commission income from bonds and sukuk	--	--	--	--	--	--	2,793,154	2,793,154
Investment in an equity accounted investee	--	--	--	--	--	--	101,445,631	101,445,631
Statutory deposit	--	--	--	--	--	--	121,500,000	121,500,000
Accrued income on statutory deposit	--	--	--	--	--	--	17,992,463	17,992,463
TOTAL ASSETS	701,715,485	134,575,573	59,930,231	291,282,852	163,513,306	198,543,603	1,013,761,625	2,563,322,675
LIABILITIES								
Accounts payable	12,420,446	11,542,237	2,519,498	8,790,765	2,087,962	2,567,737	--	39,928,645
Retrocession balances payable	--	--	--	--	--	46,173,239	--	46,173,239
Accrued retroceded premiums	533,382	(1,124,041)	(311,533)	7,243,582	--	15,400,422	--	21,741,812
Unearned premiums	157,880,145	46,341,278	18,504,245	97,806,899	81,465,025	--	--	401,997,592
Outstanding claims	402,401,571	136,453,774	22,019,223	173,189,167	3,165,537	--	--	737,229,272
Claims incurred but not reported	121,578,164	44,964,529	18,261,640	80,004,135	90,446,478	--	--	355,254,946
Unearned retrocession commission	6,404,367	24,928	302	1,966,475	--	--	--	8,396,072
Accrued expenses and other liabilities	--	--	--	--	--	15,509,872	3,910,916	19,420,788
Employees' end of service benefits	8,828,705	--	--	--	--	--	--	8,828,705
Provision for zakat and tax	--	--	--	--	--	--	23,742,062	23,742,062
Accrued commission income payable to SAMA	--	--	--	--	--	--	17,992,463	17,992,463
TOTAL LIABILITIES	710,046,780	238,202,705	60,993,375	369,001,023	177,165,002	79,651,270	45,645,441	1,680,705,596

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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29. SEGMENTAL INFORMATION (CONTINUED)

29.2 Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2018								
ASSETS								
Bank balances and cash	16,237,729	--	--	6,105,987	--	--	9,542,390	31,886,106
Time deposits	19,397,000	--	--	54,499,431	--	--	196,235,246	270,131,677
Accrued special commission income from time deposits	168,615	--	--	239,752	--	--	1,671,257	2,079,624
Premium receivables, net	47,592,759	35,285,959	12,729,390	39,081,228	--	65,334,177	--	200,023,513
Investments held at fair value through income statement	--	--	--	--	--	56,100,346	496,473,761	552,574,107
Accrued reinsurance premiums	129,433,278	50,023,519	16,330,009	103,366,647	110,624,684	--	--	409,778,137
Retroceded share of unearned premiums	27,317,750	8,739	8,026	5,746,379	--	--	--	33,080,894
Deferred excess of loss premiums	7,162,684	1,068,000	--	3,200,925	--	--	--	11,431,609
Retroceded share of outstanding claims	167,245,423	13,694,224	4,615,894	12,876,977	--	--	--	198,432,518
Retroceded share of claims incurred but not reported	47,208,681	3,523,570	513,471	8,635,652	55,805	--	--	59,937,179
Deferred policy acquisition costs	26,401,087	15,853,687	4,177,417	26,206,480	27,256,920	--	--	99,895,591
Prepaid expenses, deposits and other assets	11,146,007	--	--	115,763	166,609,875	--	31,087,587	208,959,232
Property and equipment, net	1,908,364	--	--	--	304,484	--	30,376,050	32,588,898
Accrued special commission income from bonds and sukuk	--	--	--	--	--	--	2,663,892	2,663,892
Investment in an equity accounted investee	--	--	--	--	--	--	97,293,816	97,293,816
Statutory deposit	--	--	--	--	--	--	121,500,000	121,500,000
Accrued income on statutory deposit	--	--	--	--	--	--	15,549,401	15,549,401
TOTAL ASSETS	501,219,377	119,457,698	38,374,207	260,075,221	304,851,768	121,434,523	1,002,393,400	2,347,806,194
LIABILITIES								
Accounts payable	3,281,697	1,865,259	4,632,891	9,694,103	--	453,689	--	19,927,639
Retrocession balances payable	--	--	--	--	--	22,898,559	--	22,898,559
Accrued retroceded premiums	53,735	(1,098,698)	(311,533)	2,927,586	--	14,268,627	--	15,839,717
Unearned premiums	142,114,411	54,204,990	13,867,561	101,613,323	68,371,000	--	--	380,171,285
Outstanding claims	336,536,294	133,051,389	21,361,851	168,733,151	2,784,687	--	--	662,467,372
Claims incurred but not reported	132,522,900	34,496,239	13,384,441	68,257,556	81,819,597	--	--	330,480,733
Unearned retrocession commission	3,184,955	1,748	2,051	1,178,198	--	2,043,288	--	6,410,240
Accrued expenses and other liabilities	--	--	--	--	--	7,560,114	4,986,838	12,546,952
Employees' end of service benefits	6,593,975	--	--	--	--	--	--	6,593,975
Provision for zakat and tax	--	--	--	--	--	--	38,244,253	38,244,253
Accrued commission income payable to SAMA	--	--	--	--	--	--	15,549,401	15,549,401
TOTAL LIABILITIES	624,287,967	222,520,927	52,937,262	352,403,917	152,975,284	47,224,277	58,780,492	1,511,130,126

NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. RISK MANAGEMENT

Risk governance

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

Risk management structure

A cohesive organizational 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 centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

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

The risks faced by the Company and the way these risks are mitigated by Management are as follows:

30.1 Reinsurance risk

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

The variability of risks is improved by the diversification of the risks written and the build-up of a large portfolio of reinsurance contracts, (inward business) as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by a careful selection of inward business, by the underwriting guidelines as well as the use of retrocession protection. The Company's underwriting strategy includes, but is not limited to, the following:

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30 RISK MANAGEMENT (CONTINUED)

30.1 Reinsurance risk (continued)

- Diversification in the type of accepted risks, and within each of these categories to achieve sufficiently large population of risks to reduce the variability of the expected outcome.
- Diversification of the underwriting risks in terms of type and amount of risk, industry and geographical location.

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Such retrocession agreements provide for higher underwriting capacity, and allow management to contain exposure with the risk appetite of the Company. The retrocession is effected under proportional treaties such as quota share and surplus and non-proportional treaties such as excess of loss for risk and catastrophe to ensure its net retention is aligned with its risk tolerance.

Although the Company has retrocession agreements, it is not relieved of its direct obligations to its ceding companies and thus a credit exposure exists with respect to its retrocessionaires, to the extent that any retrocessionaire is unable to meet its obligations assumed under such retrocession agreements.

Geographical concentration of risk

The Company accepts reinsurance business from insurance companies in the Kingdom of Saudi Arabia, the Middle East, Africa and Asia. The written premiums are distributed geographically as follows:

	For the year ended 31 December 2019	
	Amount	
	SR	Percentage
Kingdom of Saudi Arabia	322,049,827	41%
Asia	230,148,735	29%
Other Middle Eastern Countries	91,840,094	12%
Africa	48,339,005	6%
Others	100,469,900	13%
	792,847,561	100%
	For the year ended 31 December 2018	
	Amount	
	SR	Percentage
Kingdom of Saudi Arabia	288,453,053	40%
Asia	224,526,281	31%
Other Middle Eastern Countries	100,629,833	14%
Africa	35,100,939	5%
Others	72,894,722	10%
	721,604,828	100%

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

Key assumptions

The key assumptions underlying the liability estimates are the Company's estimated ultimate loss ratio. The ultimate loss ratio was determined using actuarial methods.

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30 RISK MANAGEMENT (CONTINUED)

30.1 Reinsurance risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income as follows:

31 December 2019

	Change in assumptions	Impact on net liabilities SR	Impact on net income SR
Ultimate loss ratio	+10%	41,706,979	41,706,979
	-10%	(41,706,979)	(41,706,979)

31 December 2018

	Change in assumptions	Impact on net liabilities SR	Impact on net income SR
Ultimate loss ratio	+10%	40,405,436	40,405,436
	-10%	(40,405,436)	(40,405,436)

30.2 Retrocession risk

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Amounts recoverable from retrocessionaire are estimated and recognized in a manner consistent with the amounts associated with the underlying accepted policy benefits and in accordance with the terms of the respective retrocession treaties and are presented in the statement of financial position as reinsurance assets

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

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

- a. Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- b. Reputation of particular retrocessionaire companies.
- c. Existing or past business experience with the retrocessionaire.

Furthermore, the financial strength, managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's Board of Directors and Risk and Underwriting Committee before approving them as retrocessionaires.

Retrocession contracts do not relieve the Company from its obligations to ceding companies and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the retrocessionaire fails to meet the obligations under the retrocession agreements. The net credit exposure in this connection is SR 233.9 million (due from retrocessionaires) (2018: SR 219.6 million).

30.3 Regulatory framework risk

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

30.4 Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

30 RISK MANAGEMENT (CONTINUED)

30.4 Claims management risk (continued)

The Company's claims teams are focused on delivering quality, reliable and speed of service. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

30.5 Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, the Company actuarial team uses a range of recognised techniques to project ultimate claims, monitor claims development patterns and stress-test ultimate insurance liability balances.

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

30.6 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation related to a financial instrument and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position. 37% of the Company's receivables is due from two ceding and three broker companies as at 31 December 2019 (31 December 2018: 34%). The company does not provide for premium receivable from local ceding companies. However, the following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from retrocessionaires insolvencies, the Company evaluates the financial condition of its retrocessionaires counterparties. Accordingly, as a pre-requisite, the parties with whom retrocession is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company, with respect to credit risk arising from other financial assets, only deals with commercial banks with strong financial position and credit ratings.
- The Company enters into inward insurance contracts with recognized, creditworthy third parties. In addition, receivables from ceding companies are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to ceding companies through monitoring outstanding receivables.

The table below shows the maximum exposure to credit risk for the financial assets of the statements of financial position.

	31 December 2019		31 December 2018	
	SR		SR	
	Reinsurance operations	Shareholders' operations	Reinsurance operations	Shareholders' operations
Bank balances and cash	6,021,323	7,107,736	22,303,716	9,542,390
Time Deposits	138,195,362	239,835,817	73,896,431	196,235,246
Premium receivables, gross	235,474,039	--	203,156,463	--
Retroceded share of outstanding claims	282,718,771	--	198,432,518	--
Retroceded share of claims incurred but not reported	34,812,075	--	59,937,179	--
Accrued special commission income from time deposits	1,728,030	6,246,374	408,367	1,671,257
Accrued reinsurance premium	467,070,866	--	409,778,137	--
Accrued special commission income from bonds and sukuk	--	2,793,154	--	2,663,892
Investments held at fair value through income statement	40,877,141	359,509,795	56,100,346	358,204,085
Other assets	15,214,031	--	11,261,770	--
	1,222,111,638	615,492,876	1,035,274,927	568,316,870

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30. RISK MANAGEMENT (CONTINUED)

30.6 Credit risk (continued)

The used rating grades for investments are being adopted by Standard & Poors.

The credit quality for investments held at fair value through income statement is as follows:

Credit quality	Credit Rating Agency	Financial Instruments	Reinsurance operations		Shareholders' operations	
			2019 SR	2018 SR	2019 SR	2018 SR
AAA/Aaa	S&P/ Moody's/Fitch	Bonds / Sukuks	--	772,366	--	6,457,124
AA/Aa	S&P/ Moody's/Fitch	Bonds / Sukuks	--	17,251,313	--	49,252,979
A	S&P/ Moody's/Fitch	Bonds / Sukuks	--	36,049,615	86,561,232	147,779,380
BBB/Baa	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	20,000,000	54,314,576
BB/Ba & below	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	10,032,416	20,438,131
Unrated		Bonds / Sukuks	--	--	20,000,000	21,750,106
Unrated		Money Market Funds/ Investment Funds/Equities	40,877,141	2,027,052	240,377,033	196,481,465
			40,877,141	56,100,346	376,970,681	496,473,761

30.7 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All time deposits held by the Company at the statement of financial position date had original maturity periods less than five years.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations. Maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations.

	31 December 2019					
	Reinsurance' operations			Shareholders' operations		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
LIABILITIES						
Accounts payable	39,928,645	--	39,928,645	--	--	--
Retrocession balances payable	46,173,239	--	46,173,239	--	--	--
Accrued retroceded premiums	21,741,812	--	21,741,812	--	--	--
Outstanding claims	737,229,272	--	737,229,272	--	--	--
Claims incurred but not reported	355,254,946	--	355,254,946	--	--	--
Accrued expenses and other liabilities	9,744,334	--	9,744,334	3,895,222	--	3,895,222
	1,210,072,248	--	1,210,072,248	3,895,222	--	3,895,222

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

30 RISK MANAGEMENT (CONTINUED)

30.7 Liquidity risk (continued)

Maturity profiles (continued)

	31 December 2018					
	Reinsurance' operations			Shareholders' operations		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
LIABILITIES						
Accounts payable	19,927,639	--	19,927,639	--	--	--
Retrocession balances payable	22,898,559	--	22,898,559	--	--	--
Accrued retroceded premiums	15,839,717	--	15,839,717	--	--	--
Outstanding claims	662,467,372	--	662,467,372	--	--	--
Claims incurred but not reported	330,480,733	--	330,480,733	--	--	--
Accrued expenses and other liabilities	4,873,326	--	4,873,326	4,986,838	--	4,986,838
	1,056,487,346	--	1,056,487,346	4,986,838	--	4,986,838

Liquidity profile

Maturity analysis on expected maturity bases

	31 December 2019					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
ASSETS						
Bank balances and cash	6,061,323	--	6,061,323	7,107,736	--	7,107,736
Time Deposits	138,195,362	--	138,195,362	239,835,817	--	239,835,817
Premium receivables, net	233,392,376	--	233,392,376	--	--	--
Retroceded share of outstanding claims	282,718,771	--	282,718,771	--	--	--
Retroceded share of claims incurred but not reported	34,812,075	--	34,812,075	--	--	--
Accrued special commission income from time deposits	1,728,030	--	1,728,030	6,246,374	--	6,246,374
Accrued reinsurance premium	--	467,070,866	467,070,866	--	--	--
Accrued special commission income from bonds and sukuk	--	--	--	2,663,892	--	2,663,892
Investments held at fair value through income statement	40,877,141	--	40,877,141	376,970,680	--	376,970,680
Other assets	14,207,283	--	14,207,283	--	--	--
	751,992,361	467,070,866	1,219,063,227	632,824,499	--	632,824,499

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30 RISK MANAGEMENT (CONTINUED)

30.7 Liquidity risk (continued)

Liquidity profile (continued)

Maturity analysis on expected maturity bases

	31 December 2019					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non- current SR	Total SR	Current SR	Non-current SR	Total SR
LIABILITIES						
Accounts payable	39,928,645	--	39,928,645	--	--	--
Retrocession balances payable	46,173,239	--	46,173,239	--	--	--
Accrued retroceded premiums	--	21,741,812	21,741,812	--	--	--
Outstanding claims	737,229,272	--	737,229,272	--	--	--
Claims incurred but not reported	355,254,946	--	355,254,946	--	--	--
Accrued expenses and other liabilities	9,744,334	--	9,744,334	3,910,916	--	3,910,916
	1,188,330,436	21,741,812	1,210,072,248	3,910,916	--	3,910,916
Gap	(436,338,075)	445,329,054	8,990,979	628,913,583	--	628,913,583

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30 RISK MANAGEMENT (CONTINUED)

30.7 Liquidity risk (continued)

Maturity analysis on expected maturity bases (continued)

	31 December 2018					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
ASSETS						
Bank balances and cash	22,303,716	--	22,303,716	9,542,390	--	9,542,390
Time Deposits	73,896,431	--	73,896,431	196,235,246	--	196,235,246
Premium receivables, gross	203,156,463	--	203,156,463	--	--	--
Retroceded share of outstanding claims	198,432,518	--	198,432,518	--	--	--
Retroceded share of claims incurred but not reported	59,937,179	--	59,937,179	--	--	--
Accrued special commission income from time deposits	408,367	--	408,367	1,671,257	--	1,671,257
Accrued reinsurance premium	--	409,778,137	409,778,137	--	--	--
Accrued special commission income from bonds and sukuk	--	--	--	2,663,892	--	2,663,892
Investments held at fair value through income statement	56,100,346	--	56,100,346	496,473,761	--	496,473,761
Other assets	11,261,770	--	11,261,770	--	--	--
	625,496,790	409,778,137	1,035,274,927	706,586,546	--	706,586,546

	31 December 2018					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
LIABILITIES						
Accounts payable	19,927,639	--	19,927,639	--	--	--
Retrocession balances payable	22,898,559	--	22,898,559	--	--	--
Accrued retroceded premiums	--	15,839,717	15,839,717	--	--	--
Outstanding claims	662,467,372	--	662,467,372	--	--	--
Claims incurred but not reported	330,480,733	--	330,480,733	--	--	--
Accrued expenses and other liabilities	4,873,326	--	4,873,326	4,986,838	--	4,986,838
	1,040,647,629	15,839,717	1,056,487,346	4,986,838	--	4,986,838
Gap	(415,150,839)	393,938,420	(21,212,419)	701,599,708	--	701,599,708

30.8 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are carried out in local and foreign currencies. Management believes that there is no significant foreign currency exposure since most of the Company's transactions not denominated in Saudi Riyals were undertaken in foreign currencies which are pegged to the Saudi Riyal.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

30. RISK MANAGEMENT (CONTINUED)

30.8 Currency risk (continued)

The table below represents the Company's assets and liabilities denominated in major currencies as follows:

31 December 2019	USD	QAR	AED	EUR	KWD	INR	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
ASSETS								
Bank balances and cash	2,053,455	--	97,285	382,227	--	--	2,358,859	4,891,826
Time deposits	59,314,238	--	--	--	--	--	--	59,314,238
Accrued special commission income from time deposits	862,939	--	--	--	--	--	--	862,939
Premium receivables, net	42,373,924	2,252,664	22,027,486	5,453,426	6,811,185	31,345,701	62,893,678	173,158,064
Investments held at fair value through income statement	10,230,505	--	--	--	--	--	10,032,415	20,262,920
Held-to-maturity investment	37,500,000	--	--	--	--	--	--	37,500,000
Accrued reinsurance premiums	30,562,022	1,961,858	18,183,425	5,918,441	2,541,804	26,368,864	243,225,477	328,761,891
Retroceded share of unearned premiums	--	--	--	--	--	--	--	--
Deferred excess of loss premiums	--	--	--	--	--	--	--	--
Retroceded share of outstanding claims	--	--	--	--	--	--	--	--
Retroceded share of claims incurred but not reported	--	--	--	--	--	--	--	--
Deferred policy acquisition costs	11,480,514	166,255	6,818,988	598,885	1,070,616	1,688,028	56,386,980	78,210,266
Prepaid expenses, deposits and other assets	207,552,345	--	--	--	--	--	--	207,552,345
Property and equipment, net	--	--	--	--	--	--	--	--
Accrued special commission income from bonds and sukuk	656,866	--	--	--	--	--	--	656,866
Investment in an equity accounted investee	101,445,631	--	--	--	--	--	--	101,445,631
Statutory deposit	--	--	--	--	--	--	--	--
Accrued income on statutory deposit	--	--	--	--	--	--	--	--
	<u>504,032,439</u>	<u>4,380,777</u>	<u>47,127,184</u>	<u>12,352,979</u>	<u>10,423,605</u>	<u>59,402,593</u>	<u>374,897,409</u>	<u>1,012,616,986</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2019****30. RISK MANAGEMENT (CONTINUED)****30.8 Currency risk (continued)**

31 December 2018	USD	QAR	AED	EUR	KWD	INR	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
ASSETS								
Bank balances and cash	5,540,407	--	31,471	43,666	--	--	6,570,461	12,186,005
Time deposits	56,499,431	--	--	--	--	--	--	56,499,431
Accrued special commission income from time deposits	122,919	--	--	--	--	--	--	122,919
Premium receivables, net	48,304,826	5,432,830	13,175,842	2,270,600	7,500,406	23,470,133	42,087,887	142,242,524
Investments held at fair value through income statement	332,022,403	--	--	--	--	--	10,064,518	342,086,921
Accrued reinsurance premiums	31,489,520	3,500,421	14,449,245	6,331,556	2,840,923	38,113,918	204,577,279	301,302,862
Retroceded share of unearned premiums	--	--	--	--	--	--	--	--
Deferred excess of loss premiums	--	--	--	--	--	--	--	--
Retroceded share of outstanding claims	--	--	--	--	--	--	--	--
Retroceded share of claims incurred but not reported	--	--	--	--	--	--	--	--
Deferred policy acquisition costs	12,849,702	962,404	5,007,965	1,033,372	1,234,588	3,087,505	50,126,809	74,302,345
Prepaid expenses, deposits and other assets	166,609,875	--	--	--	--	--	--	166,609,875
Property and equipment, net	--	--	--	--	--	--	--	--
Accrued special commission income from bonds and sukuk	656,866	--	--	--	--	--	--	656,866
Investment in an equity accounted investee	97,293,816	--	--	--	--	--	--	97,293,816
Statutory deposit	--	--	--	--	--	--	--	--
Accrued income on statutory deposit	--	--	--	--	--	--	--	--
	<u>751,389,765</u>	<u>9,895,655</u>	<u>32,664,523</u>	<u>9,679,194</u>	<u>11,575,917</u>	<u>64,671,556</u>	<u>313,426,954</u>	<u>1,193,303,564</u>

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY

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NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2019****30. RISK MANAGEMENT (CONTINUED)****30.8 Currency risk (continued)**

31 December 2019	USD	QAR	AED	EUR	KWD	INR	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
LIABILITIES								
Accounts payable	37,089,526	1,466,982	(239,208)	289,651	95,698	(472,575)	8,095,170	46,325,244
Retrocession balances payable	--	--	--	--	--	--	--	--
Accrued retroceded premiums	--	--	--	--	--	--	--	--
Unearned premiums	62,686,527	545,024	21,916,100	1,969,325	3,856,951	12,227,162	171,502,183	274,703,272
Outstanding claims	294,076,626	19,703,863	25,637,237	2,831,139	22,728,783	74,722,846	105,298,463	544,998,957
Claims incurred but not reported	29,931,565	2,192,164	16,781,756	9,319,140	4,386,706	17,883,480	168,889,286	249,384,097
Unearned retrocession commission	--	--	--	--	--	--	--	--
Accrued expenses and other liabilities	1,044,279	--	--	--	--	--	986,643	2,012,922
Employees' end of service benefits	--	--	--	--	--	--	--	--
Provision for zakat and tax	--	--	--	--	--	--	--	--
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--
	424,828,523	23,908,033	64,095,885	14,409,255	31,068,138	104,360,913	454,753,745	1,117,424,492

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NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2019****30. RISK MANAGEMENT (CONTINUED)****30.8 Currency risk (continued)**

31 December 2018	USD	QAR	AED	EUR	KWD	INR	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
LIABILITIES								
Accounts payable	6,086,684	1,676,918	288,328	136,426	5,863	173,654	8,957,678	17,325,551
Retrocession balances payable	--	--	--	--	--	--	--	--
Accrued retroceded premiums	--	--	--	--	--	--	--	--
Unearned premiums	50,275,716	3,842,957	16,230,912	3,405,943	4,571,205	23,375,539	150,487,966	252,190,238
Outstanding claims	207,933,871	24,734,440	24,478,482	1,453,605	22,369,025	85,571,105	97,535,994	464,076,522
Claims incurred but not reported	47,173,920	3,828,358	11,102,370	4,637,614	4,766,397	17,982,300	144,850,376	234,341,335
Unearned retrocession commission	--	--	--	--	--	--	--	--
Accrued expenses and other liabilities	1,044,279	--	--	--	--	--	968,722	2,013,001
Employees' end of service benefits	--	--	--	--	--	--	--	--
Provision for zakat and tax	--	--	--	--	--	--	--	--
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--
	<u>312,514,470</u>	<u>34,082,673</u>	<u>52,100,092</u>	<u>9,633,588</u>	<u>31,712,490</u>	<u>127,102,598</u>	<u>402,800,736</u>	<u>969,946,647</u>

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30. RISK MANAGEMENT (CONTINUED)

30.9 Special commission rate risk

The Company is exposed to special commission rate risk on its bonds and sukuk investments. Special Commission rate risk arises on bonds and sukuk which are exposed to the fluctuations in special commission rates.

The Company manages special commission rate risk by investing in various long and short duration financial assets, along with cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis. Duration of reinsurance operations and Shareholders operations' investments in bonds and sukuk portfolios as at 31 December 2019 is around 4.76 years (31 December 2018: 5.39 years). A hypothetical increase/decrease of 10 basis points in yield curve will entail decrease/increase in bond/sukuk portfolio values of reinsurance operations and Shareholders operations' investments by SR 0.62 million as at 31 December 2019 (31 December 2018: SR 1.60 million).

a. Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate caused by the factors (other than those arising from commission rate risk or currency risk), that affect all financial instruments traded in the market.

Efficient management of market price risk is key to the investment of company assets. Appropriate levels of investment risk is determined by risk/return profile of the assets. The Company has a diversified portfolio of investments, including investment in the listed equities securities. The Company manages the equity market price risk through diversification and by placing limits on individual and total equity instruments. A 5% change in the fair value of these investments, with all other variables held constant, would impact the statement of income by increase / decrease of SR 873,044 (2018: SR 6,913,481).

30.10 Capital management risk

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

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

The table below summarizes the minimum regulatory capital of the Company and the total capital held:

	2019	2018
	SR	SR
Total capital held	875,070,939	832,647,873
Minimum regulatory capital	200,000,000	200,000,000

In the opinion of the management, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

b. Fair value of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an 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. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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31 CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

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

b) Guarantee deposits

As at 31 December 2019, the Company has deposited and pledged SR 37,330,434 (31 December 2018: SR 47,250,000) with local bank to obtain the standby letter of credit towards Fund At Lloyds (FAL) for its participation in a Lloyds Syndicates and for 2017 and 2018 underwriting years. In addition, the Company has deposited SR 109,440,309 (31 December 2018: 119,359,875) with Lloyd's London as FAL for its continued participation in a Lloyds Syndicates and for 2018 and 2019 underwriting year. Upon issuance of stand by letter of credit, the deposit with Lloyds will be withdrawn.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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32 SUPPLEMENTARY INFORMATION

Statement of financial position

	31 December 2019			31 December 2018		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
ASSETS						
Bank balances and cash	6,061,323	7,107,736	13,169,059	22,343,716	9,542,390	31,886,106
Time deposits	138,195,362	239,835,817	378,031,179	73,896,431	196,235,246	270,131,677
Accrued special commission income from time deposits	1,728,030	6,246,374	7,974,404	408,367	1,671,257	2,079,624
Premium receivables, net	233,392,376	--	233,392,376	200,023,513	--	200,023,513
Investments held at fair value through income statement	40,877,141	376,970,680	417,847,821	56,100,346	496,473,761	552,574,107
Held-to-maturity investments	--	37,500,000	37,500,000	--	--	--
Accrued reinsurance premiums	467,070,866	--	467,070,866	409,778,137	--	409,778,137
Retroceded share of unearned premiums	50,836,786	--	50,836,786	33,080,894	--	33,080,894
Deferred excess of loss premiums	11,743,563	--	11,743,563	11,431,609	--	11,431,609
Retroceded share of outstanding claims	282,718,771	--	282,718,771	198,432,518	--	198,432,518
Retroceded share of claims incurred but not reported	34,812,075	--	34,812,075	59,937,179	--	59,937,179
Deferred policy acquisition costs	106,279,101	--	106,279,101	99,895,591	--	99,895,591
Prepaid expenses, deposits and other assets	171,904,334	72,735,564	244,639,898	177,871,645	31,087,587	208,959,232
Property and equipment, net	3,941,322	29,634,206	33,575,528	2,212,848	30,376,050	32,588,898
Accrued special commission income from bonds and sukuk	--	2,793,154	2,793,154	--	2,663,892	2,663,892
Investment in an equity accounted investee	--	101,445,631	101,445,631	--	97,293,816	97,293,816
Statutory deposit	--	121,500,000	121,500,000	--	121,500,000	121,500,000
Accrued income on statutory deposit	--	17,992,463	17,992,463	--	15,549,401	15,549,401
Due from shareholders' operations*	90,986,728	--	90,986,728	110,965,035	--	110,965,035
TOTAL ASSETS	1,640,547,778	1,013,761,625	2,654,309,403	1,456,377,829	1,002,393,400	2,458,771,229
LIABILITIES						
Accounts payable	39,928,645	--	39,928,645	19,927,639	--	19,927,639
Recession balances payable	46,173,239	--	46,173,239	22,898,559	--	22,898,559
Accrued retroceded premiums	21,741,812	--	21,741,812	15,839,717	--	15,839,717
Unearned premiums	401,997,592	--	401,997,592	380,171,285	--	380,171,285
Outstanding claims	737,229,272	--	737,229,272	662,467,372	--	662,467,372
Claims incurred but not reported	355,254,946	--	355,254,946	330,480,733	--	330,480,733
Unearned retrocession commission	8,396,072	--	8,396,072	6,410,240	--	6,410,240
Accrued expenses and other liabilities	15,509,872	3,910,916	19,420,788	7,560,114	4,986,838	12,546,952
Employees' end of service benefits	8,828,705	--	8,828,705	6,593,975	--	6,593,975
Accumulated surplus	7,546,140	--	7,546,140	4,028,195	--	4,028,195
Provision for zakat and tax	--	23,742,062	23,742,062	--	38,244,253	38,244,253
Accrued commission income payable to SAMA	--	17,992,463	17,992,463	--	15,549,401	15,549,401
Due to reinsurance operations*	--	90,986,728	90,986,728	--	110,965,035	110,965,035
TOTAL LIABILITIES	1,642,606,295	136,632,169	1,779,238,464	1,456,377,829	169,745,527	1,626,123,356
EQUITY						
Share capital	--	810,000,000	810,000,000	--	810,000,000	810,000,000
Statutory reserve	--	17,904,115	17,904,115	--	8,815,260	8,815,260
Other reserves	(2,058,517)	111,925	(1,946,592)	--	1,074,616	1,074,616
Retained earnings	--	49,113,416	49,113,416	--	12,757,997	12,757,997
TOTAL EQUITY	(2,058,517)	877,129,456	875,070,939	--	832,647,873	832,647,873
TOTAL LIABILITIES AND EQUITY	1,640,547,778	1,013,761,625	2,654,309,403	1,456,377,829	1,002,393,400	2,458,771,229

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32 SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of income

	For the year ended 31 December 2019			For the year ended 31 December 2018 (Restated)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
REVENUES						
Gross written premiums	792,847,561	--	792,847,561	721,604,828	--	721,604,828
Retroceded premiums						
- Local	--	--	--	--	--	--
- Foreign	(127,843,625)	--	(127,843,625)	(72,996,501)	--	(72,996,501)
Excess of loss expenses						
- Local	--	--	--	--	--	--
- Foreign	(18,398,659)	--	(18,398,659)	(31,712,226)	--	(31,712,226)
Net written premiums	646,605,277	--	646,605,277	616,896,101	--	616,896,101
Changes in unearned premiums, net	(4,070,415)	--	(4,070,415)	(3,280,686)	--	(3,280,686)
Net earned premiums	642,534,862	--	642,534,862	613,615,415	--	613,615,415
Retrocession commissions	18,175,998	--	18,175,998	16,468,058	--	16,468,058
TOTAL REVENUES	660,710,860	--	660,710,860	630,083,473	--	630,083,473
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(436,701,322)	--	(436,701,322)	(389,327,810)	--	(389,327,810)
Retroceded share of claims paid	60,006,499	--	60,006,499	24,638,382	--	24,638,382
Net claims paid	(376,694,823)	--	(376,694,823)	(364,689,428)	--	(364,689,428)
Changes in outstanding claims, net	9,524,357	--	9,524,357	(77,969,866)	--	(77,969,866)
Changes in Incurred but not reported claims, net	(49,899,318)	--	(49,899,318)	38,604,939	--	38,604,939
Net claims incurred	(417,069,784)	--	(417,069,784)	(404,054,355)	--	(404,054,355)
Policy acquisition costs and profit commissions	(172,780,534)	--	(172,780,534)	(172,471,757)	--	(172,471,757)
Other underwriting expenses	(3,616,464)	--	(3,616,464)	(1,997,613)	--	(1,997,613)
TOTAL UNDERWRITING COSTS AND EXPENSES	(593,466,782)	--	(593,466,782)	(578,523,725)	--	(578,523,725)
NET UNDERWRITING INCOME	67,244,078	--	67,244,078	51,559,748	--	51,559,748
OTHER OPERATING (EXPENSES)/ INCOME						
Special commission income from time deposits	8,889,740	9,435,660	18,325,400	4,139,943	1,684,512	5,824,455
Realized gains / (losses) on investments held at fair value through income statement	193,267	13,709,887	13,903,154	1,568,285	(890,687)	677,598
Unrealized (losses) / gains on investments held at fair value through income statement	216,118	3,576,588	3,792,706	(367,808)	3,828,225	3,460,417
Special commission income from bonds and sukuk	--	4,156,498	4,156,498	--	2,873,709	2,873,709
Dividend income	--	1,862,222	1,862,222	--	3,419,095	3,419,095
Share of profit of equity accounted investee	--	5,114,506	5,114,506	--	2,303,238	2,303,238
Investment management expenses	(160,361)	(1,514,756)	(1,675,117)	(403,940)	(3,516,499)	(3,920,439)
Net investment income	9,138,764	36,340,605	45,479,369	4,936,480	9,701,593	14,638,073
Other income	--	999,616	999,616	--	904,851	904,851
Reversal of doubtful debts	517,929	--	517,929	1,574,768	--	1,574,768
General and administrative expenses	(43,560,197)	(7,470,261)	(51,030,458)	(40,576,815)	(6,995,308)	(47,572,123)
Board of directors' remunerations, meetings fees and expenses	--	(2,256,420)	(2,256,420)	--	(2,180,757)	(2,180,757)
Foreign exchange translation losses	1,838,879	42,651	1,881,530	(3,783,835)	(48,009)	(3,831,844)
Total income for the year before zakat and tax	35,179,453	27,656,191	62,835,644	13,710,346	1,382,370	15,092,716
Transfer of surplus to Shareholders' operation	(31,661,508)	31,661,508	--	(12,339,311)	12,339,311	--
Net income for the year before zakat and tax	3,517,945	59,317,699	62,835,644	1,371,035	13,721,681	15,092,716
Zakat and tax charge for the year	--	(13,873,425)	(13,873,425)	--	(12,902,802)	(12,902,802)
Net income for the year after zakat and tax and shareholders' appropriations	3,517,945	45,444,274	48,962,219	1,371,035	818,879	2,189,914

SAUDI RE FOR COOPERATIVE REINSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

32 SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of comprehensive income

	For the year ended 31 December 2019			For the year ended 31 December 2018 (Restated)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Net income for the year after zakat and tax	3,517,945	45,444,274	48,962,219	1,371,035	818,879	2,189,914
Other comprehensive income						
Items that will not be reclassified to income statement subsequently						
Re-measurement of employee' end of service benefit obligations actuarial loss	(2,058,517)	--	(2,058,517)	--	--	--
Items that may be classified to income statement subsequently						
Share of foreign currency translation reserve an equity accounted investee	--	(962,691)	(962,691)	--	3,036,196	3,036,196
Total comprehensive income for the year	1,459,428	44,481,583	45,941,011	1,371,035	3,855,075	5,226,110
Reconciliation:						
Less: Net income attributable to reinsurance operations transferred to surplus payable			(3,517,945)			(1,371,035)
Total comprehensive income for the year			42,423,066			3,855,075

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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32 SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of cash flows

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
OPERATING ACTIVITIES						
Total income for the year before zakat and tax	3,517,945	59,317,699	62,835,644	1,371,035	13,721,681	15,092,716
Adjustments to reconcile net income for the year to net cash from operating activities:						
Employees' end of service benefits	1,184,418	--	1,184,418	1,567,038	--	1,567,038
Depreciation of property and equipment	987,880	741,844	1,729,724	1,288,227	873,530	2,161,757
Realized (gains) / loss on investments held at fair value through income statement	(193,267)	(13,709,887)	(13,903,154)	(1,568,285)	890,687	(677,598)
Unrealized (gains) / loss on investments held at fair value through income statement	(216,118)	(3,576,588)	(3,792,706)	367,808	(3,828,225)	(3,460,417)
Share of profit of an equity accounted investee	--	(5,114,506)	(5,114,506)	--	(2,303,238)	(2,303,238)
Provision for doubtful receivable	(517,929)	--	(517,929)	(1,574,768)	--	(1,574,768)
Operating income before changes in operating assets and liabilities	4,762,929	37,658,562	42,421,491	1,451,055	9,354,435	10,805,490
Changes in operating assets and liabilities:						
Premiums receivable, gross	(32,850,934)	--	(32,850,934)	160,422,319	--	160,422,319
Accrued reinsurance premiums	(57,292,729)	--	(57,292,729)	(37,690,443)	--	(37,690,443)
Retroceded share of unearned premiums	(17,755,892)	--	(17,755,892)	84,598,294	--	84,598,294
Unearned premiums	21,826,307	--	21,826,307	(81,317,607)	--	(81,317,607)
Retroceded share of outstanding claims	(84,286,253)	--	(84,286,253)	(138,543,510)	--	(138,543,510)
Retroceded share of claims incurred but not reported	25,125,104	--	25,125,104	46,013,296	--	46,013,296
Deferred acquisition costs	(6,383,510)	--	(6,383,510)	449,553	--	449,553
Deferred excess of loss premiums	(311,954)	--	(311,954)	2,868,169	--	2,868,169
Prepaid expenses, deposits and other assets	5,967,311	(41,647,977)	(35,680,666)	(73,907,605)	(30,859,116)	(104,766,721)
Accounts payable	20,001,006	--	20,001,006	3,279,446	--	3,279,446
Retrocession balances payable	23,274,680	--	23,274,680	(206,865,265)	--	(206,865,265)
Accrued retroceded premiums	5,902,095	--	5,902,095	7,948,442	--	7,948,442
Outstanding claims	74,761,900	--	74,761,900	216,513,371	--	216,513,371
Claims incurred but not reported	24,774,213	--	24,774,213	(84,618,233)	--	(84,618,233)
Unearned commission income	1,985,832	--	1,985,832	(1,132,059)	--	(1,132,059)
Accrued expenses and other liabilities	7,949,758	(1,075,922)	6,873,836	1,817,463	(2,083,054)	(265,591)
	17,449,863	(5,065,337)	12,384,526	(98,713,314)	(23,587,735)	(122,301,049)
Zakat and income tax paid	--	(28,375,616)	(28,375,616)	--	(12,089,919)	(12,089,919)
Employees' end of service benefits paid	(1,008,205)	--	(1,008,205)	(702,340)	--	(702,340)
Net cash generated from / (used in) operating activities	16,441,658	(33,440,953)	(16,999,295)	(99,415,654)	(35,677,654)	(135,093,308)

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32 SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of cash flows (continued)

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
INVESTING ACTIVITIES						
Time deposits	(92,461,486)	(30,522,571)	(122,984,057)	33,856,124	(196,235,246)	(162,379,122)
Accrued special commission income on time deposits	(1,319,663)	(4,575,117)	(5,894,780)	460,361	(1,668,007)	(1,207,646)
Accrued special commission income from bonds and sukuk	--	(129,262)	(129,262)	--	1,167,091	1,167,091
Additions in investments held to maturity	--	(37,500,000)	(37,500,000)			
Purchase of property and equipment, net	(2,716,354)	--	(2,716,354)	(1,214,686)	--	(1,214,686)
Additions in investments held at fair value through income statement	(38,572,307)	(315,673,142)	(354,245,449)	(21,000,000)	(36,078,728)	(57,078,728)
Proceeds from disposal of investments held at fair value through income statement	54,204,897	452,462,698	506,667,595	72,416,163	301,294,002	373,710,165
Statutory deposit	--	--	--	--	(21,500,000)	(21,500,000)
Net cash (used in) / generated from investing activities	(80,864,913)	64,062,606	(16,802,307)	84,517,962	46,979,112	131,497,074
FINANCING ACTIVITIES						
Due to / from reinsurance / shareholders' operations*	19,978,307	(19,978,307)	--	33,496,647	(33,496,647)	--
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(44,444,948)	10,643,346	(33,801,602)	18,598,955	(22,195,189)	(3,596,234)
Cash and cash equivalents at the beginning of the year	72,093,146	9,542,390	81,635,536	53,494,191	31,737,579	85,231,770
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27,648,198	20,185,736	47,833,934	72,093,146	9,542,390	81,635,536

* These items are not included in the statement of financial position and the statement of cash flows.

33 SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), affecting health of individuals and causing disruptions to businesses and economic activity, which, may eventually impact the insurance claims reported to and ultimately settled by the Company. Moreover, the Government of KSA through SAMA has announced several initiatives to provide necessary relief to the financial services sector including underlying consumers. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The management and those charged with governance will continue to monitor the impact of this outbreak on the Company's financial statements including ultimate cost of claims and will update stakeholders as per regulatory requirements. Changes in circumstances may require enhanced disclosures or recognition of adjustments in the interim financial statements of the Company in subsequent periods during the financial year 2020.

34 COMPARATIVE FIGURES

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Certain figures for the prior year have been reclassified to conform to the presentation made in the current year, however the impact of such reclassifications was not material to the overall presentation of the financial statements.

35 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 28 Rajab 1441H corresponding to 23 March 2020.