
SALAMA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month and six month periods ended 30 June 2020

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders
Salama Cooperative Insurance Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

INTRODUCTION

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

SCOPE OF REVIEW

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

CONCLUSION

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

For Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Abdullah M. AlAzem
Certified Public Accountant
License No. 335

For Dr. Mohamed Al-Amri & Co.
Certified Public Accountants

Jamal Al-Amri
Certified Public Accountant
License No. 331


18 Muharram 1442H
Corresponding to 6 September 2020



SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION – (Unaudited)
AS OF 30 JUNE 2020

	Notes	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
<u>ASSETS</u>			
Cash and cash equivalents	4 (a)	57,484	28,411
Term deposits	4 (b)	248,638	358,483
Premiums and reinsurers' receivable – net	5	67,562	86,207
Reinsurers' share of unearned premiums	7	20,569	21,858
Reinsurers' share of outstanding claims	7	9,946	8,745
Reinsurers' share of claims incurred but not reported	7	5,255	12,273
Deferred policy acquisition costs		6,961	9,033
Investments	6	194,918	119,740
Prepaid expenses and other assets		11,360	11,359
Right of use assets- net		25,025	26,936
Property and equipment- net		9,567	12,044
Intangible assets- net		5,418	6,304
Statutory deposit	8	37,500	37,500
Accrued commission on statutory deposit	8	3,598	3,328
<u>TOTAL ASSETS</u>		703,801	742,221
<u>LIABILITIES</u>			
Policyholders claims payable		18,359	13,943
Accrued expenses and other liabilities		39,839	23,627
Lease liabilities		23,977	23,703
Reinsurers' balances payable		9,731	7,811
Unearned premiums	7	197,030	229,678
Unearned reinsurance commission		3,186	3,401
Outstanding claims	7	25,436	38,953
Claims incurred but not reported	7	110,321	130,586
Premium deficiency reserve	7	9,443	9,782
Other technical reserves	7	5,097	6,259
Employee benefit obligations		9,024	9,688
Surplus distribution payable		15,410	14,535
Provision for zakat	13	28,131	25,131
Accrued commission income payable to SAMA	8	3,598	3,328
<u>TOTAL LIABILITIES</u>		498,582	540,425
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	14	250,000	250,000
Statutory reserve		5,003	5,003
Accumulated losses		(48,984)	(52,407)
<u>TOTAL SHAREHOLDERS' EQUITY</u>		206,019	202,596
Re-measurement reserve of defined benefit obligations – related to insurance operations		(800)	(800)
<u>TOTAL EQUITY</u>		205,219	201,796
<u>TOTAL LIABILITIES AND EQUITY</u>		703,801	742,221
COMMITMENTS AND CONTINGENCIES	9	10,200	10,200


Chief Executive Officer


Chief Financial Officer



Board Member

The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME – (Unaudited)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000
<u>REVENUES</u>				
Gross premiums written	96,619	137,443	182,417	288,407
Reinsurance premiums ceded				
- Local	(156)	(191)	(392)	(383)
- Foreign	(10,144)	(10,485)	(19,403)	(26,412)
	(10,300)	(10,676)	(19,795)	(26,795)
Excess of loss expenses				
- Local	(115)	(25)	(115)	(93)
- Foreign	(1,772)	(1,839)	(4,793)	(5,342)
	(1,887)	(1,864)	(4,908)	(5,435)
Net premiums written	84,432	124,903	157,714	256,177
Changes in unearned premiums, net	7,105	3,321	31,359	33,445
Net premiums earned	91,537	128,224	189,073	289,622
Reinsurance commissions	565	1,621	3,369	3,011
Other underwriting income	466	683	885	1,107
<u>TOTAL REVENUES</u>	92,568	130,528	193,327	293,740
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	59,354	122,897	163,862	278,072
Reinsurers' share of claims paid	(1,997)	(3,506)	(8,207)	(7,657)
Net claims paid	57,357	119,391	155,655	270,415
Changes in outstanding claims, net	1,272	2,211	(14,718)	(2,013)
Changes in claims incurred but not reported, net	(23,636)	(12,526)	(13,246)	(9,794)
Net claims incurred	34,993	109,076	127,691	258,608
Change in premium deficiency reserve	1,066	8,772	(339)	8,162
Change in other technical reserves	(1,162)	-	(1,162)	-
Policy acquisition costs	4,173	7,737	9,445	15,831
Other underwriting expenses	3,109	6,082	8,642	11,329
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	42,179	131,667	144,277	293,930
NET UNDERWRITING INCOME / (LOSS)	50,389	(1,139)	49,050	(190)


Chief Executive Officer


Chief Financial Officer


Board Member


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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME – (Unaudited) - continued
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

		Three month period ended 30 June		Six month period ended 30 June	
		2020	2019	2020	2019
	Notes	SR'000	SR'000	SR'000	SR'000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
Allowance for doubtful debts		(2,565)	(6,033)	(2,634)	(7,313)
General and administrative expenses		(20,593)	(27,119)	(42,036)	(50,676)
Investment income		2,414	6,860	6,153	10,335
Unrealized gain / (loss) on investments		3,052	(7,948)	(3,235)	(2,115)
<u>TOTAL OTHER OPERATING EXPENSES</u>		(17,692)	(34,240)	(41,752)	(49,769)
Income/ (loss) before surplus and zakat		32,697	(35,379)	7,298	(49,959)
Income attributed to the insurance operations		(3,206)	-	(875)	-
Income / (loss) for the period attributable to the shareholders before zakat		29,491	(35,379)	6,423	(49,959)
Zakat	13	(1,500)	(1,500)	(3,000)	(3,000)
Net income / (loss) for the period attributable to the shareholders		27,991	(36,879)	3,423	(52,959)
Weighted average number of ordinary shares outstanding		25,000	25,000	25,000	25,000
Basic and diluted earnings / (loss) per share	16	1.12	(1.48)	0.14	(2.12)


Chief Executive Officer


Chief Financial Officer


Board Member


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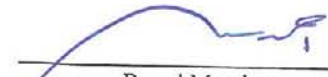
SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME – (Unaudited)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	27,991	(36,879)	3,423	(52,959)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive income / (loss) for the period	27,991	(36,879)	3,423	(52,959)


Chief Executive Officer


Chief Financial Officer


Board Member

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)


INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY – (Unaudited)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
2020					
Balance as at 31 December 2019 (audited)	250,000	5,003	(52,407)	(800)	201,796
Total comprehensive income for the period					
Net income for the period – Attributable to shareholders	-	-	3,423	-	3,423
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive income for the period	-	-	3,423	-	3,423
Balance as at 30 June 2020 (unaudited)	250,000	5,003	(48,984)	(800)	205,219

	Share capital SR'000	Statutory reserve SR'000	Retained earnings/ (Accumulated losses) SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
2019					
Balance as at 31 December 2018 (audited)	250,000	5,003	7,708	1,079	263,790
Total comprehensive loss for the period					
Net loss for the period – Attributable to shareholders	-	-	(52,959)	-	(52,959)
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive loss for the period	-	-	(52,959)	-	(52,959)
Balance as at 30 June 2019 (unaudited)	250,000	5,003	(45,251)	1,079	210,831


Chief Executive Officer


Chief Financial Officer


Board Member

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – (Unaudited)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

	30 June 2020 (Unaudited) SR'000	30 June 2019 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income / (loss) for the period attributable to the shareholders before zakat	6,423	(49,959)
<i>Adjustments for non-cash items:</i>		
Income attributed to the insurance operations	875	-
Depreciation of property and equipment	2,588	1,492
Amortization of intangible assets	886	948
Amortization of held to maturity investments	-	5,143
Allowance for doubtful debts	2,634	7,313
Unrealized loss on investments at fair value through statement of income	3,235	2,115
	16,641	(32,948)
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurers' receivable	16,011	(39,140)
Reinsurers' share of unearned premiums	1,289	(10,122)
Reinsurers' share of outstanding claims	(1,201)	1,436
Reinsurers' share of claims incurred but not reported	7,018	(328)
Deferred policy acquisition costs	2,072	860
Prepaid expenses and other assets	(1)	4,137
Right of use assets – net	1,911	(29,090)
Increase in lease liabilities	274	27,026
Accrued income on statutory deposit	(270)	(336)
Policyholders and claims payables	4,416	4,029
Accrued expense and other liabilities	16,212	(6,671)
Reinsurers' balances payable	1,920	11,212
Unearned premiums	(32,648)	(23,322)
Unearned reinsurance commission	(215)	1,216
Outstanding claims	(13,517)	(3,449)
Claims incurred but not reported	(20,265)	(9,466)
Premium deficiency reserve	(339)	8,161
Other technical reserves	(1,162)	-
Accrued commission income payable to SAMA	270	336
Cash used in operations	(1,584)	(96,459)
Employee benefit obligations paid	(664)	(926)
Zakat paid	-	(630)
Net cash used in operating activities	(2,248)	(98,015)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(81,931)	(54,982)
Proceeds from sale of investments	3,518	54,555
Placement of term deposits	(150,000)	(100,362)
Proceeds from maturity of term deposit	259,845	199,971
Proceeds from held to maturity investments	-	5,000
Purchase of property and equipment	(111)	(1,112)
Purchase of intangible assets	-	(980)
Net cash from investing activities	31,321	102,090
Net change in cash and cash equivalents	29,073	4,075
Cash and cash equivalents, beginning of the period	28,411	86,869
Cash and cash equivalents, end of the period	57,484	90,944

Chief Executive Officer

Chief Financial Officer

Board Member

The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

1. GENERAL

Salama Cooperative Insurance Company (“the Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 1121K dated 29 Rabi Al-Thani 1428H (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awwal 1428H (corresponding to 23 May 2007).

The Registered Office address of the Company is:

Salama Tower;
Al Madinah Road
P.O. Box 4020;
Jeddah 21491;
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

The Company received the approval letters from the Saudi Arabian Monetary Authority (SAMA) and Ministry of Commerce and Investment regarding the amendment of the Company’s by-laws to be in accordance with the new companies’ regulations. The Company’s general assembly was held on 11 Ramadan 1438H (corresponding to 6 June 2017) and accordingly the new by-laws was approved.

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”).

The interim condensed financial information is prepared under the going concern basis of accounting and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair values, and end of service indemnities which are assessed using projected unit credit method.

The Company’s interim statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, employee benefits, outstanding claims, claims incurred but not reported, other technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts (Refer note 17).

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2019.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands.

b. Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company’s accounting policies, and the key sources of estimation uncertainty including the risk management policies, were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management is unable at this time to reasonably quantify the estimation uncertainties as disclosed in note 19 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2020 and accordingly adopted by the Company, as applicable:

<u>Standard/ Amendments</u>	<u>Description</u>
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards

The adoption of the amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The Company intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

The General model is based on the following “building blocks”:

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

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

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

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

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

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2023. This is a deferral of 2 years compared to the previous date of 1 January 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition

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

Presentation and Disclosures

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

Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these interim condensed financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.

The Company expects a material impact on measurement and disclosure of reinsurance and retro-cession that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

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

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 1 January 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;

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

The Company has performed a detailed assessment beginning 1 January 2017: (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 interim condensed financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. 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.

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4. CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Bank balances and cash	55,870	26,834

	Shareholders' operations	
	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Bank balances	1,614	1,577

b) Term deposits

	Insurance operations	
	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Term deposits	147,744	258,282

	Shareholders' operations	
	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Term deposits	100,894	100,201

The term deposits are held with the commercial banks and earn commission at market rates. These term deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three months and less than twelve-months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date.

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Policyholders	102,519	118,649
Receivables from reinsurers	4,807	4,688
	107,326	123,337
Provision for doubtful receivables	(39,764)	(37,130)
Premiums and reinsurers' receivable – net	67,562	86,207

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6. INVESTMENTS

Investments are classified as follows:

		Insurance operations	
		30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
- Held as Fair value through statement of income (FVSI)		102,859	25,926
- Held to maturity		18,530	18,530
<i>Total</i>		121,389	44,456
		Shareholders' operations	
		30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
- Held as Fair value through statement of income (FVSI)		53,157	54,912
- Available-for-sale		1,923	1,923
- Held to maturity		18,449	18,449
<i>Total</i>		73,529	75,284

a) Held as Fair value through statement of income (FVSI)

Movement in FVSI investment balance is as follows:

		Insurance operations	
		30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance		25,926	39,942
Purchases during the period / year		81,931	72,839
Disposals during the period / year		(3,518)	(83,434)
		104,339	29,347
Changes in fair value		(1,480)	(3,421)
Closing balance		102,859	25,926
		30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Units in local money market funds	<i>Source of Fair Value</i> Quoted	29,399	3,127
Units in local money market funds	NAV**	55,167	-
Local DPM*money market securities	NAV**	18,293	22,799
		102,859	25,926

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6. INVESTMENTS – (continued)

a) Held as Fair value through statement of income (FVSI) – (continued)

		Shareholders' operations	
		30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance		54,912	76,506
Disposals during the period / year		-	(28,987)
		54,912	47,519
Changes in fair value		(1,755)	7,393
Closing balance		53,157	54,912
		30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Units in local real estate funds	NAV**	10,041	10,041
Local DPM* money market securities	NAV**	24,000	24,025
Local DPM* equity securities	Quoted	19,116	20,846
Total		53,157	54,912

b) Available-for-sale investments

Movement in available-for-sale investment balance is as follows:

		Shareholders' operations	
		30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance		1,923	1,923
Closing balance		1,923	1,923

(i) Unquoted available-for-sale investment, having a carrying value of SR 1,923 thousand (31 December 2019: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

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6. INVESTMENTS – (continued)

c) Held to maturity investments

Movement in held to maturity investment balance is as follows:

	Insurance operations	
	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance	18,530	28,627
Matured during the period / year	-	(10,097)
Closing balance	18,530	18,530

	Shareholders' operations	
	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance	18,449	13,526
Purchased during the period / year	-	4,982
Amortization of held to maturity investments	-	(59)
Closing balance	18,449	18,449

* Managed at the discretion of a local regulated financial institution ("DPM").

** NAV: Net Asset Value as announced by asset manager.

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Outstanding claims	25,436	38,953
Claims incurred but not reported	110,321	130,586
Premium deficiency reserve	9,443	9,782
Other technical reserves	5,097	6,259
	150,297	185,580
Less:		
- Reinsurers' share of outstanding claims	(9,946)	(8,745)
- Reinsurers' share of claims incurred but not reported	(5,255)	(12,273)
	(15,201)	(21,018)
Net outstanding claims and reserves	135,096	164,562

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7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Six month ended 30 June 2020 (Unaudited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the period	229,678	(21,858)	207,820
Premium written during the period	182,417	(19,795)	162,622
Premium earned during the period	(215,065)	21,084	(193,981)
Balance as at the end of the period	<u>197,030</u>	<u>(20,569)</u>	<u>176,461</u>
	Year ended 31 December 2019 (Audited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	287,093	(13,139)	273,954
Premium written during the year	503,504	(49,305)	454,199
Premium earned during the year	(560,919)	40,586	(520,333)
Balance as at the end of the year	<u>229,678</u>	<u>(21,858)</u>	<u>207,820</u>

8. STATUTORY DEPOSIT

	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Statutory deposit	<u>37,500</u>	<u>37,500</u>
	<u>37,500</u>	<u>37,500</u>

As required by Saudi Arabian Insurance Regulations, the Company has deposited additional 5% of its paid up capital, amounting to SR 12.5 million to reach to a total amount of SR 37.5 million (31 December 2019: SR 37.5 million) in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). Accrued income on this deposit amounting to SR 3.6 million (31 December 2019: SR 3.3 million) is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

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9. COMMITMENTS AND CONTINGENCIES

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

	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Letters of guarantee in favour of non-government customers	700	700
Letters of guarantee in favour of GAZT	9,500	9,500
	10,200	10,200

- b. The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at 31 December 2019.
- c. The Company's bankers have given guarantees to non-government customers amounting to SR 0.7 million (2019: SR 0.7 million) in respect of motor insurance and to General Authority of Zakat and Tax amounting to SR 9.5 million (2019: SR 9.5 million) in respect of zakat assessments for years 2008 to 2012.

10. 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 takes place either:

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

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

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

a. Carrying amounts and fair value

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

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10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value – (continued)

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
30 June 2020 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	29,399	73,460	-	102,859
	29,399	73,460	-	102,859
Financial assets not measured at fair value				
- Held to maturity investments	-	18,530	-	18,530
	-	18,530	-	18,530
Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2019 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	3,127	22,799	-	25,926
	3,127	22,799	-	25,926
Financial assets not measured at fair value				
- Held to maturity investments	-	18,530	-	18,530
	-	18,530	-	18,530

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10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value – (continued)

Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
30 June 2020 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	19,116	34,041	-	53,157
	<u>19,116</u>	<u>34,041</u>	<u>-</u>	<u>53,157</u>
Financial assets not measured at fair value				
- Held to maturity investments	-	18,449	-	18,449
	<u>-</u>	<u>18,449</u>	<u>-</u>	<u>18,449</u>
Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2019 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	20,846	34,066	-	54,912
	<u>20,846</u>	<u>34,066</u>	<u>-</u>	<u>54,912</u>
Financial assets not measured at fair value				
- Held to maturity investments	-	18,449	-	18,449
	<u>-</u>	<u>18,449</u>	<u>-</u>	<u>18,449</u>

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11. OPERATING SEGMENTS

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

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

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

Segment assets do not include cash and cash equivalents, short term deposits, premiums and reinsurers' receivable, net, prepayments and other receivables, amount due from a related party, investments, furniture, fittings and office equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables and employees' end of service indemnities. Accordingly, they are included in unallocated liabilities.

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

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

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11. OPERATING SEGMENTS – (continued)

	As at 30 June 2020 (Unaudited)					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Others	Insurance operations		
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	15,220	5,349	20,569	-	20,569
Reinsurers' share of outstanding claims	-	1,238	8,708	9,946	-	9,946
Reinsurers' share of claims incurred but not reported	-	3,936	1,319	5,255	-	5,255
Deferred policy acquisition costs	2,130	3,512	1,319	6,961	-	6,961
Unallocated assets				443,750	217,320	661,070
Total assets				<u>486,481</u>	<u>217,320</u>	<u>703,801</u>
Liabilities						
Unearned premiums	34,256	152,200	10,574	197,030	-	197,030
Unearned reinsurance commission	-	1,750	1,436	3,186	-	3,186
Outstanding claims	10,818	89	14,529	25,436	-	25,436
Claims incurred but not reported	20,645	87,247	2,429	110,321	-	110,321
Premium deficiency reserve	5,003	4,440	-	9,443	-	9,443
Other technical reserves	2,115	2,619	363	5,097	-	5,097
Unallocated liabilities and surplus				116,340	31,729	148,069
Total liabilities				<u>466,853</u>	<u>31,729</u>	<u>498,582</u>
Shareholders' equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated Losses				-	(48,984)	(48,984)
Total shareholders' equity					<u>206,019</u>	<u>206,019</u>
Re-measurement reserve of defined benefit obligations – related to insurance operations				(800)	-	(800)
Total equity				<u>(800)</u>	<u>206,019</u>	<u>205,219</u>
Total liabilities and equity				<u>466,053</u>	<u>237,748</u>	<u>703,801</u>

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11. OPERATING SEGMENTS – (continued)

As at 31 December 2019 (Audited)						
	Insurance operations					
	Medical	Motor	Others	Insurance operations	Shareholders' operations	Total
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	16,103	5,755	21,858	-	21,858
Reinsurers' share of outstanding claims	-	-	8,745	8,745	-	8,745
Reinsurers' share of claims incurred but not reported	-	10,948	1,325	12,273	-	12,273
Deferred policy acquisition costs	3,234	4,602	1,197	9,033	-	9,033
Unallocated assets				472,236	218,076	690,312
Total assets				<u>524,145</u>	<u>218,076</u>	<u>742,221</u>
Liabilities						
Unearned premiums	59,069	161,020	9,589	229,678	-	229,678
Unearned reinsurance commission	-	1,852	1,549	3,401	-	3,401
Outstanding claims	14,104	11,974	12,875	38,953	-	38,953
Claims incurred but not reported	18,306	110,180	2,100	130,586	-	130,586
Premium deficiency reserve	9,238	-	544	9,782	-	9,782
Other technical reserves	1,594	3,661	1,004	6,259	-	6,259
Unallocated liabilities and surplus				93,307	28,459	121,766
Total liabilities				<u>511,966</u>	<u>28,459</u>	<u>540,425</u>
Shareholders' equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(52,407)	(52,407)
Total shareholders' equity				<u>-</u>	<u>202,596</u>	<u>202,596</u>
Re-measurement reserve of defined benefit obligations – related to insurance operations				(800)	-	(800)
Total equity				<u>(800)</u>	<u>202,596</u>	<u>201,796</u>
Total liabilities and equity				<u>511,166</u>	<u>231,055</u>	<u>742,221</u>

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11. OPERATING SEGMENTS – (continued)

		For the three month period ended 30 June 2020 (Unaudited)			
		Medical	Motor	Others	Total
		SR'000			
REVENUES					
Individual		-	68,259	658	68,917
Large		5,002	2,727	1,306	9,035
Medium		1,357	5,060	984	7,401
Small		1,311	1,354	476	3,141
Very Small		6,521	1,352	252	8,125
Gross premiums written		14,191	78,752	3,676	96,619
Reinsurance premiums ceded					
- Local		-	-	(156)	(156)
- Foreign		-	(7,776)	(2,368)	(10,144)
		-	(7,776)	(2,524)	(10,300)
Excess of loss expenses					
- Local		-	(49)	(66)	(115)
- Foreign		-	(1,528)	(244)	(1,772)
		-	(1,577)	(310)	(1,887)
Net premiums written		14,191	69,399	842	84,432
Changes in unearned premiums, net		14,531	(7,011)	(415)	7,105
Net premiums earned		28,722	62,388	427	91,537
Reinsurance commissions		-	(358)	923	565
Other underwriting income		-	466	-	466
TOTAL REVENUES		28,722	62,496	1,350	92,568
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		33,655	25,552	147	59,354
Reinsurers' share of claims paid		-	(1,876)	(121)	(1,997)
Net claims paid		33,655	23,676	26	57,357
Changes in outstanding claims, net		(329)	1,030	571	1,272
Changes in claims incurred but not reported, net		(6,339)	(17,413)	116	(23,636)
Net claims incurred		26,987	7,293	713	34,993
Changes in premium deficiency reserves		(275)	2,090	(749)	1,066
Changes in other technical reserve		521	(1,042)	(641)	(1,162)
Policy acquisition costs		1,558	2,072	543	4,173
Other underwriting expenses		1,886	1,186	37	3,109
TOTAL UNDERWRITING COSTS AND EXPENSES		30,677	11,599	(97)	42,179
NET UNDERWRITING (LOSS)/ INCOME		(1,955)	50,897	1,447	50,389
OTHER OPERATING (EXPENSES) / INCOME					
Allowance for doubtful debts					(2,565)
General and administrative expenses					(20,593)
Investment income					2,414
Unrealized gain on investments					3,052
TOTAL OTHER OPERATING EXPENSES					(17,692)
NET INCOME FOR THE PERIOD BEFORE ZAKAT					32,697
Zakat					(1,500)
NET INCOME FOR THE PERIOD					31,197
Net income for the period attributable to insurance operations					(3,206)
Net income for the period attributable to shareholders operations					27,991

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11. OPERATING SEGMENTS – (continued)

For the six month period ended 30 June 2020 (Unaudited)				
	Medical	Motor	Others	Total
	SR'000			
<u>REVENUES</u>				
Individual	-	117,534	1,579	119,113
Large	7,336	5,637	2,940	15,913
Medium	4,484	7,495	3,035	15,014
Small	8,023	3,368	1,781	13,172
Very Small	15,437	3,272	496	19,205
Gross premiums written	35,280	137,306	9,831	182,417
Reinsurance premiums ceded				
- Local	-	-	(392)	(392)
- Foreign	-	(13,627)	(5,776)	(19,403)
	-	(13,627)	(6,168)	(19,795)
Excess of loss expenses				
- Local	-	(49)	(66)	(115)
- Foreign	(1,300)	(2,937)	(556)	(4,793)
	(1,300)	(2,986)	(622)	(4,908)
Net premiums written	33,980	120,693	3,041	157,714
Changes in unearned premiums, net	24,813	7,937	(1,391)	31,359
Net premiums earned	58,793	128,630	1,650	189,073
Reinsurance commissions	-	1,668	1,701	3,369
Other underwriting income	-	885	-	885
<u>TOTAL REVENUES</u>	58,793	131,183	3,351	193,327
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	59,412	103,871	579	163,862
Reinsurers' share of claims paid	-	(8,141)	(66)	(8,207)
Net claims paid	59,412	95,730	513	155,655
Changes in outstanding claims, net	(3,286)	(13,122)	1,690	(14,718)
Changes in claims incurred but not reported, net	2,339	(15,922)	337	(13,246)
Net claims incurred	58,465	66,686	2,540	127,691
Changes in premium deficiency reserves	(4,235)	4,440	(544)	(339)
Changes in other technical reserve	521	(1,042)	(641)	(1,162)
Policy acquisition costs	3,283	5,054	1,108	9,445
Other underwriting expenses	4,204	4,370	68	8,642
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	62,238	79,508	2,531	144,277
NET UNDERWRITING (LOSS)/ INCOME	(3,445)	51,675	820	49,050
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
Allowance for doubtful debts				(2,634)
General and administrative expenses				(42,036)
Investment income				6,153
Unrealized loss on investments				(3,235)
<u>TOTAL OTHER OPERATING EXPENSES</u>				(41,752)
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT</u>				7,298
Zakat				(3,000)
<u>NET INCOME FOR THE PERIOD</u>				4,298
Net income for the period attributable to insurance operations				(875)
Net income for the period attributable to shareholders operations				3,423

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11. OPERATING SEGMENTS – (continued)

	For the three month period ended 30 June 2019 (Unaudited)			
	Medical	Motor	Others	Total
	SR'000			
REVENUES				
Individual	-	33,330	361	33,691
Large	33,568	10,293	499	44,360
Medium	4,534	18,989	2,132	25,655
Small	2,941	982	588	4,511
Very Small	14,618	13,805	803	29,226
Gross premiums written	55,661	77,399	4,383	137,443
Reinsurance premiums ceded				
- Local	-	-	(191)	(191)
- Foreign	-	(7,896)	(2,589)	(10,485)
	-	(7,896)	(2,780)	(10,676)
Excess of loss expenses				
- Local	-	-	(25)	(25)
- Foreign	-	(1,604)	(235)	(1,839)
	-	(1,604)	(260)	(1,864)
Net premiums written	55,661	67,899	1,343	124,903
Changes in unearned premiums, net	(24,962)	28,525	(242)	3,321
Net premiums earned	30,699	96,424	1,101	128,224
Reinsurance commissions	-	719	902	1,621
Other underwriting income	-	683	-	683
TOTAL REVENUES	30,699	97,826	2,003	130,528
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	34,416	88,404	77	122,897
Reinsurers' share of claims paid	-	(3,440)	(66)	(3,506)
Net claims paid	34,416	84,964	11	119,391
Changes in outstanding claims, net	(61)	2,000	272	2,211
Changes in claims incurred but not reported, net	9,063	(21,640)	51	(12,526)
Net claims incurred	43,418	65,324	334	109,076
Changes in premium deficiency reserve	8,772	-	-	8,772
Policy acquisition costs	1,762	5,446	529	7,737
Other underwriting expenses	4,307	1,735	40	6,082
TOTAL UNDERWRITING COSTS AND EXPENSES	58,259	72,505	903	131,667
NET UNDERWRITING (LOSS)/ INCOME	(27,560)	25,321	1,100	(1,139)
OTHER OPERATING (EXPENSES) / INCOME				
Allowance for doubtful debts				(6,033)
General and administrative expenses				(27,119)
Investment income				6,860
Unrealized loss on investments				(7,948)
TOTAL OTHER OPERATING EXPENSES				(34,240)
NET LOSS FOR THE PERIOD BEFORE ZAKAT				(35,379)
Zakat				(1,500)
NET LOSS FOR THE PERIOD				(36,879)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to shareholders operations				(36,879)

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11. OPERATING SEGMENTS – (continued)

	For the six month period ended 30 June 2019 (Unaudited)			
	Medical	Motor	Others	Total
	SR'000			
<u>REVENUES</u>				
Individual	6,842	72,534	788	80,164
Large	41,176	37,683	2,660	81,519
Medium	8,462	71,747	3,663	83,872
Small	4,734	3,411	1,827	9,972
Very Small	17,917	14,160	803	32,880
Gross premiums written	79,131	199,535	9,741	288,407
Reinsurance premiums ceded				
- Local	-	-	(383)	(383)
- Foreign	-	(20,293)	(6,119)	(26,412)
	-	(20,293)	(6,502)	(26,795)
Excess of loss expenses				
- Local	-	(68)	(25)	(93)
- Foreign	(1,650)	(3,139)	(553)	(5,342)
	(1,650)	(3,207)	(578)	(5,435)
Net premiums written	77,481	176,035	2,661	256,177
Changes in unearned premiums, net	(18,567)	52,429	(417)	33,445
Net premiums earned	58,914	228,464	2,244	289,622
Reinsurance commissions	-	1,170	1,841	3,011
Other underwriting income	-	1,107	-	1,107
<u>TOTAL REVENUES</u>	58,914	230,741	4,085	293,740
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	60,502	214,654	2,916	278,072
Reinsurers' share of claims paid	-	(5,520)	(2,137)	(7,657)
Net claims paid	60,502	209,134	779	270,415
Changes in outstanding claims, net	959	(3,201)	229	(2,013)
Changes in claims incurred but not reported, net	10,229	(20,089)	66	(9,794)
Net claims incurred	71,690	185,844	1,074	258,608
Changes in premium deficiency reserve	8,162	-	-	8,162
Policy acquisition costs	3,432	11,341	1,058	15,831
Other underwriting expenses	6,896	4,350	83	11,329
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	90,180	201,535	2,215	293,930
NET UNDERWRITING (LOSS)/ INCOME	(31,266)	29,206	1,870	(190)
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
Allowance for doubtful debts				(7,313)
General and administrative expenses				(50,676)
Investment income				10,335
Unrealized loss on investments				(2,115)
<u>TOTAL OTHER OPERATING EXPENSES</u>				(49,769)
<u>NET LOSS FOR THE PERIOD BEFORE ZAKAT</u>				(49,959)
Zakat				(3,000)
<u>NET LOSS FOR THE PERIOD</u>				(52,959)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to shareholders operations				(52,959)

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12. RELATED PARTY TRANSACTIONS AND BALANCES

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

	<u>Nature of transactions</u>	<u>Amount of transactions six month period ended</u>		<u>Balance receivable/(payable) as at</u>	
		30 June 2020 (Unaudited) SR'000	30 June 2019 (Unaudited) SR'000	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Tajeer Co. (affiliate)	Premium written	-	30,672	-	-
Chairman of the Board	Premium written	-	91	-	-
	Rent paid	81	3,179	-	-
Rusd Global Company	Premium written	-	90	-	-
Al Firdous Group Co.	Premium written	-	1,489	-	-
Tajeer International Co.	Services received	163	3,988	-	-
Concord Insurance and Reinsurance Brokerage	Insurance commission	326	2,816	-	-
Kwader Pro	Services received	-	130	-	-

*As at 24 July 2019 certain due from related party balances have been reclassified from related party balances to premium's receivables due to the fact that the previous chairman of Salama Company has due from balances through the related companies as he holds the same post as a chairman in the mention related party companies. Accordingly, the balances as of 30 June 2020 and 31 December 2019 were transferred and included within premiums receivable.

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

	30 June 2020 (Unaudited) SR'000	30 June 2019 (Unaudited) SR'000
Salaries and other allowances	1,951	3,026
End of service indemnities	1,432	1,420
	3,383	4,446
Remuneration to those charged with governance – Board of Directors	1,200	186
	1,200	186

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13. ZAKAT

a. Charge for the period / year

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the period / year	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Balance at the beginning of the period / year	25,131	19,761
Charge for the period / year	3,000	6,000
Paid during the period / year	-	(630)
Balance at the end of the period / year	28,131	25,131

b. Status of zakat assessments

The Company has filed its zakat declarations for the period from 16 May 2007 to 31 December 2008 through 2019.

During 2016, the Company received zakat assessments for the years ended 31 December 2006 through 2012 where GAZT demanded additional zakat and withholding tax liability of SR 13.7 million in respect of those years. The Company has filed an objection against those assessments and the management is confident of a favorable outcome. In this regard, the Company has issued a letter of guarantee amounting to SR 9.5 million in favor of GAZT. Further, the Company has paid SR 4.4 million for withholding tax for prior years in 2016 and recorded a provision against the amount also believes that no additional provision is required for this assessment. During 2020, the Company has objected to the said assessment and approached the Preliminary Appeal Committee (PAC) for the review and decision. The Company has submitted objection for the above to the General Secretariat of Tax Committee.

14. SHARE CAPITAL

The authorized and issued share capital of the Company is SR 250 million divided into 25 million ordinary shares of SR 10 each.

15. CAPITAL MANAGEMENT

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

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

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

16. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share for the period has been calculated by dividing the net income / (loss) for the period by the weighted average number of issued and outstanding shares for the period/ year. Diluted earnings per share is not applicable to the Company.

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17. SUPPLEMENTARY INFORMATION

a) Interim condensed statement of financial position

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
ASSETS						
Cash and cash equivalents	55,870	1,614	57,484	26,834	1,577	28,411
Term deposits	147,744	100,894	248,638	258,282	100,201	358,483
Premiums and reinsurers' receivable – net	67,562	-	67,562	86,207	-	86,207
Reinsurers' share of unearned premiums	20,569	-	20,569	21,858	-	21,858
Reinsurers' share of outstanding claims	9,946	-	9,946	8,745	-	8,745
Reinsurers' share of claims incurred but not reported	5,255	-	5,255	12,273	-	12,273
Deferred policy acquisition costs	6,961	-	6,961	9,033	-	9,033
Investments	121,389	73,529	194,918	44,456	75,284	119,740
Due from insurance operations	-	20,428	20,428	-	12,979	12,979
Prepaid expenses and other assets	11,175	185	11,360	11,173	186	11,359
Right of use assets – net	25,025	-	25,025	26,936	-	26,936
Property and equipment	9,567	-	9,567	12,044	-	12,044
Intangible assets	5,418	-	5,418	6,304	-	6,304
Statutory deposit	-	37,500	37,500	-	37,500	37,500
Accrued commission on statutory deposit	-	3,598	3,598	-	3,328	3,328
	486,481	237,748	724,229	524,145	231,055	755,200
Add/ (Less): Inter-operations eliminations	-	(20,428)	(20,428)	-	(12,979)	(12,979)
TOTAL ASSETS	486,481	217,320	703,801	524,145	218,076	742,221

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17. SUPPLEMENTARY INFORMATION (continued)

a) Interim condensed statement of financial position – (continued)

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>LIABILITIES</u>						
Policyholders claims payable	18,359	-	18,359	13,943	-	13,943
Accrued Expenses and other liabilities	39,839	-	39,839	23,627	-	23,627
Lease Liabilities	23,977	-	23,977	23,703	-	23,703
Reinsurers' balances payable	9,731	-	9,731	7,811	-	7,811
Unearned premiums	197,030	-	197,030	229,678	-	229,678
Unearned reinsurance commission	3,186	-	3,186	3,401	-	3,401
Outstanding claims	25,436	-	25,436	38,953	-	38,953
Claims incurred but not reported	110,321	-	110,321	130,586	-	130,586
Premium deficiency reserves	9,443	-	9,443	9,782	-	9,782
Other technical reserves	5,097	-	5,097	6,259	-	6,259
Due to shareholders' operations	20,428	-	20,428	12,979	-	12,979
Employee benefits obligation	9,024	-	9,024	9,688	-	9,688
Surplus distribution payable	15,410	-	15,410	14,535	-	14,535
Provision for zakat	-	28,131	28,131	-	25,131	25,131
Accrued commission income payable to SAMA	-	3,598	3,598	-	3,328	3,328
	487,281	31,729	519,010	524,945	28,459	553,404
(Less): Inter-operations eliminations	(20,428)	-	(20,428)	(12,979)	-	(12,979)
<u>TOTAL LIABILITIES</u>	466,853	31,729	498,582	511,966	28,459	540,425
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	250,000	250,000	-	250,000	250,000
Statutory reserve	-	5,003	5,003	-	5,003	5,003
Accumulated losses	-	(48,984)	(48,984)	-	(52,407)	(52,407)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	206,019	206,019	-	202,596	202,596
Re-measurement reserve of defined benefit obligations – related to insurance operations	(800)	-	(800)	(800)	-	(800)
<u>TOTAL EQUITY</u>	(800)	206,019	205,219	(800)	202,596	201,796
<u>TOTAL LIABILITIES AND EQUITY</u>	466,053	237,748	703,801	511,166	231,055	742,221
COMMITMENTS AND CONTINGENCIES	700	9,500	10,200	700	9,500	10,200

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17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income

	Three month period ended					
	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>REVENUES</u>						
Gross premiums written	96,619	-	96,619	137,443	-	137,443
Reinsurance premiums ceded	96,619	-	96,619	137,443	-	137,443
- Local	(156)	-	(156)	(191)	-	(191)
- Foreign	(10,144)	-	(10,144)	(10,485)	-	(10,485)
	(10,300)	-	(10,300)	(10,676)	-	(10,676)
Excess of loss expenses						
- Local	(115)	-	(115)	(25)	-	(25)
- Foreign	(1,772)	-	(1,772)	(1,839)	-	(1,839)
	(1,887)	-	(1,887)	(1,864)	-	(1,864)
Net premiums written	84,432	-	84,432	124,903	-	124,903
Changes in unearned premiums, net	7,105	-	7,105	3,321	-	3,321
Net premiums earned	91,537	-	91,537	128,224	-	128,224
Reinsurance commissions	565	-	565	1,621	-	1,621
Other underwriting income	466	-	466	683	-	683
<u>TOTAL REVENUES</u>	92,568	-	92,568	130,528	-	130,528
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	59,354	-	59,354	122,897	-	122,897
Reinsurers' share of claims paid	(1,997)	-	(1,997)	(3,506)	-	(3,506)
Net claims paid	57,357	-	57,357	119,391	-	119,391
Changes in outstanding claims, net	1,272	-	1,272	2,211	-	2,211
Changes in claims incurred but not reported, net	(23,636)	-	(23,636)	(12,526)	-	(12,526)
Net claims incurred	34,993	-	34,993	109,076	-	109,076
Change in Premium deficiency reserves	1,066	-	1,066	8,772	-	8,772
Change in other technical reserves	(1,162)	-	(1,162)	-	-	-
Policy acquisition costs	4,173	-	4,173	7,737	-	7,737
Other underwriting expenses	3,109	-	3,109	6,082	-	6,082
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	42,179	-	42,179	131,667	-	131,667
NET UNDERWRITING INCOME/ (LOSS)	50,389	-	50,389	(1,139)	-	(1,139)

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17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income – (continued)

	Three month period ended					
	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(2,565)	-	(2,565)	(6,033)	-	(6,033)
General and administrative expenses	(19,385)	(1,208)	(20,593)	(27,062)	(57)	(27,119)
Investment income	1,700	714	2,414	5,289	1,571	6,860
Unrealized gain/ (loss) on investments	1,922	1,130	3,052	(7,582)	(366)	(7,948)
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(18,328)	636	(17,692)	(35,388)	1,148	(34,240)
<u>NET INCOME/ (LOSS) BEFORE ZAKAT</u>	32,061	636	32,697	(36,527)	1,148	(35,379)
Zakat	-	(1,500)	(1,500)	-	(1,500)	(1,500)
<u>NET INCOME/ (LOSS) AFTER ZAKAT</u>	32,061	(864)	31,197	(36,527)	(352)	(36,879)
Transferred to Shareholders	(28,855)	864	(27,991)	36,527	352	36,879
<u>NET RESULT FROM INSURANCE OPERATIONS</u>	3,206	-	3,206	-	-	-
Earnings/ (loss) per share (Expressed in SAR per share)						
Weighted average number of shares outstanding (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted earnings/ (loss) per share	-	1.12	1.12	-	(1.48)	(1.48)

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17. SUPPLEMENTARY INFORMATION – (continued)

c) Interim condensed statement of comprehensive income

	Three month period ended					
	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
NET INCOME/ (LOSS) FOR THE PERIOD	3,206	27,991	31,197	-	(36,879)	(36,879)
Other comprehensive income/ (loss)	-	-	-	-	-	-
Total comprehensive income/ (loss) for the period	3,206	27,991	31,197	-	(36,879)	(36,879)

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income

	Six month period ended					
	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>REVENUES</u>						
Gross premiums written	182,417	-	182,417	288,407	-	288,407
	182,417	-	182,417	288,407	-	288,407
Reinsurance premiums ceded						
- Local	(392)	-	(392)	(383)	-	(383)
- Foreign	(19,403)	-	(19,403)	(26,412)	-	(26,412)
	(19,795)	-	(19,795)	(26,795)	-	(26,795)
Excess of loss expenses						
- Local	(115)	-	(115)	(93)	-	(93)
- Foreign	(4,793)	-	(4,793)	(5,342)	-	(5,342)
	(4,908)	-	(4,908)	(5,435)	-	(5,435)
Net premiums written	157,714	-	157,714	256,177	-	256,177
Changes in unearned premiums, net	31,359	-	31,359	33,445	-	33,445
Net premiums earned	189,073	-	189,073	289,622	-	289,622
Reinsurance commissions	3,369	-	3,369	3,011	-	3,011
Other underwriting income	885	-	885	1,107	-	1,107
<u>TOTAL REVENUES</u>	193,327	-	193,327	293,740	-	293,740
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	163,862	-	163,862	278,072	-	278,072
Reinsurers' share of claims paid	(8,207)	-	(8,207)	(7,657)	-	(7,657)
Net claims paid	155,655	-	155,655	270,415	-	270,415
Changes in outstanding claims, net	(14,718)	-	(14,718)	(2,013)	-	(2,013)
Changes in claims incurred but not reported, net	(13,246)	-	(13,246)	(9,794)	-	(9,794)
Net claims incurred	127,691	-	127,691	258,608	-	258,608
Change in Premium deficiency reserves	(339)	-	(339)	8,162	-	8,162
Change in other technical reserves	(1,162)	-	(1,162)	-	-	-
Policy acquisition costs	9,445	-	9,445	15,831	-	15,831
Other underwriting expenses	8,642	-	8,642	11,329	-	11,329
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	144,277	-	144,277	293,930	-	293,930
NET UNDERWRITING INCOME/ (LOSS)	49,050	-	49,050	(190)	-	(190)

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income – (continued)

	Six month period ended					
	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(2,634)	-	(2,634)	(7,313)	-	(7,313)
General and administrative expenses	(40,783)	(1,253)	(42,036)	(50,165)	(511)	(50,676)
Investment income	4,594	1,559	6,153	6,871	3,464	10,335
Unrealized (loss) /gain on investments	(1,480)	(1,755)	(3,235)	(6,633)	4,518	(2,115)
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	<u>(40,303)</u>	<u>(1,449)</u>	<u>(41,752)</u>	<u>(57,240)</u>	<u>7,471</u>	<u>(49,769)</u>
<u>NET INCOME / (LOSS) BEFORE ZAKAT</u>	<u>8,747</u>	<u>(1,449)</u>	<u>7,298</u>	<u>(57,430)</u>	<u>7,471</u>	<u>(49,959)</u>
Zakat	-	(3,000)	(3,000)	-	(3,000)	(3,000)
<u>NET INCOME/ (LOSS) AFTER ZAKAT</u>	<u>8,747</u>	<u>(4,449)</u>	<u>4,298</u>	<u>(57,430)</u>	<u>4,471</u>	<u>(52,959)</u>
Transferred to Shareholders	(7,872)	4,449	(3,423)	57,430	(4,471)	52,959
<u>NET RESULT FROM INSURANCE OPERATIONS</u>	<u>875</u>	<u>-</u>	<u>875</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings / (loss) per share (Expressed in SAR per share)						
Weighted average number of shares outstanding (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted earnings / (loss) per share	-	0.14	0.14	-	(2.12)	(2.12)

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17. SUPPLEMENTARY INFORMATION – (continued)

e) Interim condensed statement of comprehensive income

	Six month period ended					
	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
NET INCOME / (LOSS) FOR THE PERIOD	875	3,423	4,298	-	(52,959)	(52,959)
Other comprehensive income/ (loss)	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	875	3,423	4,298	-	(52,959)	(52,959)

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

17. SUPPLEMENTARY INFORMATION – (continued)

f) Interim condensed statement of cash flows

	Six month period ended					
	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
Income/ (loss) for the period before zakat	875	6,423	7,298	-	(49,959)	(49,959)
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	2,588	-	2,588	1,492	-	1,492
Amortization of intangible assets	886	-	886	948	-	948
Amortization of held to maturity investments	-	-	-	5,084	59	5,143
Allowance for doubtful debts	2,634	-	2,634	7,313	-	7,313
Unrealized loss / (gain) on investments at fair value through statement of income	1,480	1,755	3,235	6,633	(4,518)	2,115
	8,463	8,178	16,641	21,470	(54,418)	(32,948)
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	16,011	-	16,011	(39,140)	-	(39,140)
Reinsurers' share of unearned premiums	1,289	-	1,289	(10,122)	-	(10,122)
Reinsurers' share of outstanding claims	(1,201)	-	(1,201)	1,436	-	1,436
Reinsurers' share of claims incurred but not reported	7,018	-	7,018	(328)	-	(328)
Deferred policy acquisition costs	2,072	-	2,072	860	-	860
Prepaid expenses and other assets	(2)	1	(1)	4,230	(93)	4,137
Right of use assets - net	1,911	-	1,911	(29,090)	-	(29,090)
Increase in lease liabilities	274	-	274	27,026	-	27,026
Accrued income on statutory deposit	-	(270)	(270)	-	(336)	(336)
Policyholders and claims payables	4,416	-	4,416	4,029	-	4,029
Accrued expense and other liabilities	16,212	-	16,212	(6,671)	-	(6,671)
Reinsurers' balances payable	1,920	-	1,920	11,212	-	11,212
Unearned premiums	(32,648)	-	(32,648)	(23,322)	-	(23,322)
Unearned reinsurance commission	(215)	-	(215)	1,216	-	1,216
Outstanding claims	(13,517)	-	(13,517)	(3,449)	-	(3,449)
Claims incurred but not reported	(20,265)	-	(20,265)	(9,466)	-	(9,466)
Premium deficiency reserve	(339)	-	(339)	8,161	-	8,161
Other technical reserves	(1,162)	-	(1,162)	-	-	-
Accrued commission income payable to SAMA	-	270	270	-	336	336
Cash (used in)/ from operations	(9,763)	8,179	(1,584)	(41,948)	(54,511)	(96,459)
Employee benefit obligations paid	(664)	-	(664)	(926)	-	(926)
Zakat paid	-	-	-	-	(630)	(630)
Net cash (used in) / from operating activities	(10,427)	8,179	(2,248)	(42,874)	(55,141)	(98,015)

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17. SUPPLEMENTARY INFORMATION – (continued)

f) Interim condensed statement of cash flows – (continued)

	Six month period ended					
	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(81,931)	-	(81,931)	(50,000)	(4,982)	(54,982)
Proceeds from sale of investments	3,518	-	3,518	57,654	1,901	59,555
Placement of term deposits	(50,000)	(100,000)	(150,000)	-	(100,362)	(100,362)
Proceeds from maturity of term deposit	160,538	99,307	259,845	100,378	99,593	199,971
Purchase of property and equipment and intangible assets	(111)	-	(111)	(2,092)	-	(2,092)
Net cash from/(used in) investing activities	32,014	(693)	31,321	105,940	(3,850)	102,090
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to shareholders' operations	7,449	(7,449)	-	(59,322)	59,322	-
Net cash from/ (used in) financing activities	7,449	(7,449)	-	(59,322)	59,322	-
Net change in cash and cash equivalents	29,036	37	29,073	3,744	331	4,075
Cash and cash equivalents, beginning of the period	26,834	1,577	28,411	81,791	5,078	86,869
Cash and cash equivalents, end of the period	55,870	1,614	57,484	85,535	5,409	90,944

18. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform with the current period presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- Previously interim statement of financial position, statement of income, and statement of cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level interim statement of financial position, statement of income and statement of cash flows.
- The amounts “due to / from” shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 17).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in interim statement of income (refer note 17).

19. IMPACT OF COVID-19

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

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19. IMPACT OF COVID-19 – (continued)

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

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

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

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavorable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience.

Motor technical reserves

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

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

"For new retail motor policies issued as per above circular, the premium is earned over the period of 12 months as the impact of earnings over the period of coverage. i.e 14 month are not considered significant by the management for the period ended June 30, 2020 and subsequent periods.

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

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

20. COMPARATIVE FIGURES

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

21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 6 Muharram 1442H, corresponding to August 25, 2020.