
SALAMA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended 31 March 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 31 March 2020, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three 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 as 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 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
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For Moore El Sayed El Ayouty & Co.
Certified Public Accountants

Mohamed El Sayed El Ayouty
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29 Shawwal 1441H
Corresponding to 21 June 2020




SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2020

	Notes	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
<u>ASSETS</u>			
Cash and cash equivalents	4 (a)	31,853	28,411
Term deposits	4 (b)	249,159	358,483
Premiums and reinsurers' receivable – net	5	74,773	86,207
Reinsurers' share of unearned premiums	7	20,857	21,858
Reinsurers' share of outstanding claims	7	8,889	8,745
Reinsurers' share of claims Incurred but not reported	7	11,777	12,273
Deferred policy acquisition costs		8,076	9,033
Investments	6	193,857	119,740
Prepaid expenses and other assets		11,363	11,359
Right of use assets- net		25,951	26,936
Property and equipment- net		10,793	12,044
Intangible assets- net		5,861	6,304
Statutory deposit	8	37,500	37,500
Accrued commission on statutory deposit	8	3,489	3,328
<u>TOTAL ASSETS</u>		694,198	742,221
<u>LIABILITIES</u>			
Policyholders claims payable		16,442	13,943
Accrued expenses and other liabilities		33,941	23,627
Lease liabilities		23,668	23,703
Reinsurers' balances payable		6,203	7,811
Unearned premiums	7	204,423	229,678
Unearned reinsurance commission		2,230	3,401
Outstanding claims	7	23,107	38,953
Claims incurred but not reported	7	140,479	130,586
Premium deficiency reserve	7	8,377	9,782
Other technical reserves	7	6,259	6,259
Employee benefit obligations		9,518	9,688
Surplus distribution payable		14,535	14,535
Provision for zakat	13	26,631	25,131
Accrued commission income payable to SAMA	8	3,489	3,328
<u>TOTAL LIABILITIES</u>		519,302	540,425
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	14	250,000	250,000
Statutory reserve		5,003	5,003
Accumulated Losses		(79,307)	(52,407)
<u>TOTAL SHAREHOLDERS' EQUITY</u>		175,696	202,596
Re-measurement reserve of defined benefit obligations – related to insurance operations		(800)	(800)
<u>TOTAL EQUITY</u>		174,896	201,796
<u>TOTAL LIABILITIES AND EQUITY</u>		694,198	742,221
COMMITMENTS AND CONTINGENCIES	9	10,200	10,200


 Chief Executive Officer


 Chief Financial Officer


 Board Member

The accompanying notes from 1 – 22 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	<i>Three-month period ended</i>	
	31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000
REVENUES		
Gross premiums written	85,798	150,964
Reinsurance premiums ceded		
- Local	(236)	(192)
- Foreign	(9,259)	(15,927)
	(9,495)	(16,119)
Excess of loss expenses		
- Local	-	(68)
- Foreign	(3,021)	(3,503)
	(3,021)	(3,571)
Net premiums written	73,282	131,274
Changes in unearned premiums, net	24,254	30,124
Net premiums earned	97,536	161,398
Reinsurance commissions	2,804	1,390
Other underwriting income	419	424
TOTAL REVENUES	100,759	163,212
UNDERWRITING COSTS AND EXPENSES		
Gross claims paid	104,508	155,175
Reinsurers' share of claims paid	(6,210)	(4,151)
Net claims paid	98,298	151,024
Changes in outstanding claims, net	(15,990)	(4,224)
Changes in claims incurred but not reported, net	10,387	2,732
Net claims incurred	92,695	149,532
Change Premium deficiency reserve	(1,405)	(610)
Policy acquisition costs	5,273	8,094
Other underwriting expenses	5,535	5,247
TOTAL UNDERWRITING COSTS AND EXPENSES	102,098	162,263
NET UNDERWRITING (LOSS)/ INCOME	(1,339)	949

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 -continued
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

		<i>Three-month period ended</i>	
	<i>Notes</i>	31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>			
Allowance for doubtful debts		(69)	(1,280)
General and administrative expenses		(21,444)	(23,557)
Investment income		3,739	3,475
Unrealized gain on investments		(6,287)	5,833
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(24,061)</u>	<u>(15,529)</u>
Loss before surplus and zakat		(25,400)	(14,580)
Income/ (loss) attributed to the insurance operations		-	-
Loss for the period attributable to the shareholders before zakat		(25,400)	(14,580)
Zakat	13	(1,500)	(1,500)
Net loss for the period attributable to the shareholders		<u>(26,900)</u>	<u>(16,080)</u>
Weighted average number of ordinary shares outstanding		25,000	25,000
Basic and diluted (loss) / earnings per share	16	(1.08)	(0.64)


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
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	<i>Three-month period ended</i>	
	31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(26,900)	(16,080)
Other comprehensive income	-	-
Total comprehensive loss for the period	<u>(26,900)</u>	<u>(16,080)</u>



Chief Executive Officer



Chief Financial Officer



Board Member


SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

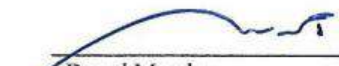
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

<u>2020</u>	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
Balance as at 31 December 2019 (audited)	250,000	5,003	(52,407)	(800)	201,796
Total comprehensive loss for the period					
Net loss for the period – Attributable to shareholders	-	-	(26,900)	-	(26,900)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	(26,900)	-	(26,900)
Balance as at 31 March 2020 (unaudited)	250,000	5,003	(79,307)	(800)	174,896

<u>2019</u>	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
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	-	-	(16,080)	-	(16,080)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	(16,080)	-	(16,080)
Balance as at 31 March 2019 (unaudited)	250,000	5,003	(8,372)	1,079	247,710


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
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

	<i>Three-month period ended</i>	
	31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period before zakat	(25,400)	(14,580)
<i>Adjustments for non-cash items:</i>		
Depreciation of property and equipment	1,302	1,136
Amortization of intangible assets	443	401
Amortization of held to maturity investments	-	13
Allowance for doubtful debts	69	1,280
Unrealized (loss)/ gain on investments at fair value through statement of income	6,287	(5,833)
Realized gain on investments at fair value through statement of income	-	(1,746)
Employee benefit obligations	(170)	(1,047)
	(17,469)	(20,376)
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurers' receivable	11,365	(34,529)
Reinsurers' share of unearned premiums	1,001	(8,865)
Reinsurers' share of outstanding claims	(144)	1,559
Reinsurers' share of claims Incurred but not reported	496	(443)
Deferred policy acquisition costs	957	(32)
Prepaid expenses and other assets	(4)	4,352
Increase in right of use assets - net	985	(30,104)
Increase in lease liabilities	(35)	27,041
Accrued income on statutory deposit	(161)	-
Policyholders and claims payables	2,499	5,695
Accrued expense and other liabilities	10,314	127
Reinsurers' balances payable	(1,608)	12,500
Unearned premiums	(25,255)	(21,259)
Unearned reinsurance commission	(1,171)	1,076
Outstanding claims	(15,846)	(5,782)
Claims incurred but not reported	9,893	3,175
Premium deficiency reserve	(1,405)	(610)
Accrued commission income payable to SAMA	161	-
Net cash flows used in operating activities	(25,427)	(66,475)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(81,931)	(54,982)
Proceeds from sale of investments	1,527	59,554
Placement of term deposits	(150,000)	(100,362)
Proceeds from maturity of term deposit	259,324	200,758
Purchase of property and equipment	(51)	(1,184)
Net cash flows from investing activities	28,869	103,784
Net change in cash and cash equivalents	3,442	37,309
Cash and cash equivalents, beginning of the period	28,411	86,869
Cash and cash equivalents, end of the period	31,853	124,178
Chief Executive Officer		Board Member
Chief Financial Officer		

The accompanying notes from 1 – 22 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 PERIOD ENDED 31 MARCH 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 31 March 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 financial statements of the Company for the three months period ended 31 March 2020 and 31 December 2019, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of Zakat and income tax (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 Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia.

During July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the Zakat and income taxes in the statement of income. This aligns with the IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

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.

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 value, 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 PERIOD ENDED 31 MARCH 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.

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.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

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 1 year 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.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact

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

Impact Area	Summary of Impact
Financial Impact	<ul style="list-style-type: none"> The company is currently undergoing a financial impact assessment exercise to assess the financial impact of implementing IFRS 17.
Data Impact	<ul style="list-style-type: none"> Data impact is likely to be insignificant as majority of the company's contracts, being less than a year, would qualify for measurement under the premium allocation approach, which is more or less similar to the current approach adopted by the Company under IFRS 4.
IT Systems	<ul style="list-style-type: none"> The company is in the process of finalizing its assessment of IT system requirements and these requirements are being documented for onboarding an IT vendor for providing Actuarial and Financial solutions for managing change required under IFRS 17.
Process Impact	<ul style="list-style-type: none"> The company is currently undergoing an operational impact assessment exercise to assess the operational impact of implementing IFRS 17. Since, majority of the company's contracts would be measured under the premium allocation approach, the process impact is expected to be moderate.
Impact on RI Arrangements	<ul style="list-style-type: none"> The reinsurance contracts held by the Company are under review and are being assessed to determine the applicable measurement model under IFRS 17.
Impact on Policies & Control Frameworks	<ul style="list-style-type: none"> The company has hired an external consultant to modify their current policies and control framework to be in line with IFRS 17 requirements.

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

As at 31 December 2019, the Company has total financial assets and insurance related assets amounting to SR 613,859 thousand and SR 128,647 thousand, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 428,104 thousand (2018: SR 549,763 thousand). Other financial assets consist of available for sale investments amounting to SR 1,923 thousand (2018: SR 1,923 thousand). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Other financial assets have a fair value of SR 183,832 thousand as at 31 December 2019 with a fair value change during the year of SR 9,027 thousand. The Company financial assets have low credit risk as at 31 December 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

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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	
	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Bank balances and cash	30,276	26,834

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

b) Term deposits

	Insurance operations	
	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Term deposits	148,943	258,282

	Shareholders' operations	
	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Term deposits	100,216	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:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Policyholders	106,860	118,649
Receivables from reinsurers	5,112	4,688
	111,972	123,337
Provision for doubtful receivables	(37,199)	(37,130)
Premiums and reinsurers' receivable – net	74,773	86,207

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6. INVESTMENTS

Investments are classified as follows:

		Insurance operations	
		31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
- Held as FVSI		102,928	25,926
- Held to maturity		18,530	18,530
<i>Total</i>		121,458	44,456
		Shareholders' operations	
		31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
- Held as FVSI		52,027	54,912
- Available for sale		1,923	1,923
- Held to maturity		18,449	18,449
<i>Total</i>		72,399	75,284

a) FVSI

Movement in held as FVSI investment balance is as follows:

		Insurance operations	
		31 March 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		(1,527)	(83,434)
		106,330	29,347
Changes in fair value		(3,402)	(3,421)
Closing balance		102,928	25,926
		31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Units in local money market funds	Quoted	27,273	3,127
Local DPM*money market securities	NAV**	75,655	22,799
		102,928	25,926

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6. INVESTMENTS – (continued)

a) FVSI – (continued)

		Shareholders' operations	
		31 March 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		(2,885)	7,393
Closing balance		52,027	54,912

	Source of Fair Value	31 March 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**	23,963	24,025
Local "DPM* equity securities	Quoted	18,023	20,846
Total		52,027	54,912

b) Available for sale investments

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

		Shareholders' operations	
		31 March 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

Movement in held to maturity investment balance is as follows:

Insurance operations	
31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance	28,627
Purchased during the period / year	-
Matured during the period / year	(10,097)
18,530	18,530
Closing balance	
Shareholders' operations	
31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance	13,526
Purchased during the period / year	4,982
Matured during the period / year	(59)
Amortization of held to maturity investments	-
18,449	18,449
Closing balance	

* 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:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Outstanding claims	23,107	38,953
Claims incurred but not reported	140,479	130,586
Premium deficiency reserve	8,377	9,782
Other technical reserves	6,259	6,259
	178,222	185,580
Less:		
- Reinsurers' share of outstanding claims	(8,889)	(8,745)
- Reinsurers' share of claims incurred but not reported	(11,777)	(12,273)
	(20,666)	(21,018)
Net outstanding claims and reserves	157,556	164,562

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7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three-month ended 31 March 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	85,798	(9,495)	76,303
Premium earned during the period	(111,053)	10,496	(100,557)
Balance as at the end of the period	<u>204,423</u>	<u>(20,857)</u>	<u>183,566</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

	31 March	31 December
	2020	2019
	(Unaudited)	(Audited)
	SR'000	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 5% of its paid up capital, amounting to SR 12.5 million to reach to a total amount of SR 37.5 (31 December 2019: SR 37.5 million) in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). Accrued income on this deposit is payable to SAMA amounting to SR 3.5 million (31 December 2019: SR 3.3 million) 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:

	31 March 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 March 2020.
- 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 reasonable approximation 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			
31 March 2020 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	27,273	75,655	-	102,928
	27,273	75,655	-	102,928
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			
31 March 2020 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	18,023	34,004	-	52,027
	18,023	34,004	-	52,027
Financial assets not measured at fair value				
- Held to maturity investments	-	18,449	-	18,449
	-	18,449	-	18,449
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
	20,846	34,066	-	54,912
Financial assets not measured at fair value				
- Held to maturity investments	-	18,449	-	18,449
	-	18,449	-	18,449

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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 31 March 2020 and 31 December 2019, its total revenues, expenses, and net income for the three-month period then ended, are as follows:

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11. OPERATING SEGMENTS – (continued)

As at 31 March 2020 (Unaudited)						
Insurance operations				Shareholders' operations	Total	
Medical	Motor	Others	Insurance operations			
SR'000						
Assets						
Reinsurers' share of unearned premiums	-	14,441	6,416	20,857	-	20,857
Reinsurers' share of outstanding claims	-	-	8,889	8,889	-	8,889
Reinsurers' share of claims Incurred but not reported	-	10,430	1,347	11,777	-	11,777
Deferred policy acquisition costs	2,933	3,780	1,363	8,076	-	8,076
Unallocated assets	-	-	-	429,233	215,366	644,599
Total assets				478,832	215,366	694,198
Liabilities						
Unearned premiums	48,787	144,410	11,226	204,423	-	204,423
Unearned reinsurance commission	-	499	1,731	2,230	-	2,230
Outstanding claims	11,147	(2,179)	14,139	23,107	-	23,107
Claims incurred but not reported	26,984	111,155	2,340	140,479	-	140,479
Premium deficiency reserve	5,278	2,350	749	8,377	-	8,377
Other technical reserves	1,594	3,661	1,004	6,259	-	6,259
Unallocated liabilities and surplus	-	-	-	104,307	30,120	134,427
Total liabilities				489,182	30,120	519,302
Shareholders' Equity						
Share capital	-	-	-	-	250,000	250,000
Statutory reserve	-	-	-	-	5,003	5,003
Accumulated Losses	-	-	-	-	(79,307)	(79,307)
Total Shareholders' Equity					175,696	175,696
Re-measurement reserve of defined benefit obligation – related to insurance operations				(800)	-	(800)
Total Equity				(800)	175,696	174,896
Total liabilities and Equity				488,382	205,816	694,198

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11. OPERATING SEGMENTS – (continued)

	As at 31 December 2019 (Audited)					
	Insurance operations			Insurance operations	Shareholders' operations	Total
	Medical	Motor	Others			
	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
Retained earnings				-	(52,407)	(52,407)
Total Shareholders' Equity				<u>-</u>	<u>202,596</u>	<u>202,596</u>
Re-measurement reserve of defined benefit obligation – 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 31 March 2020 (Unaudited)				
	Medical	Motor	Others	Total
	SR'000			
REVENUES				
Individual	-	49,275	921	50,196
Large	2,333	2,910	1,634	6,877
Medium	3,127	2,435	2,051	7,613
Small	6,712	2,015	1,306	10,033
Very Small	8,916	1,919	244	11,079
Gross premiums written	21,088	58,554	6,156	85,798
Reinsurance premiums ceded				
- Local	-	-	(236)	(236)
- Foreign	-	(5,851)	(3,408)	(9,259)
	-	(5,851)	(3,644)	(9,495)
Excess of loss expenses				
- Local	-	-	-	-
- Foreign	(1,300)	(1,409)	(312)	(3,021)
	(1,300)	(1,409)	(312)	(3,021)
Net premiums written	19,788	51,294	2,200	73,282
Changes in unearned premiums, net	10,282	14,949	(977)	24,254
Net premiums earned	30,070	66,243	1,223	97,536
Reinsurance commissions	-	2,026	778	2,804
Other underwriting income	-	419	-	419
TOTAL REVENUES	30,070	68,688	2,001	100,759
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	25,756	78,320	432	104,508
Reinsurers' share of claims paid	-	(6,265)	55	(6,210)
Net claims paid	25,756	72,055	487	98,298
Changes in outstanding claims, net	(2,958)	(14,152)	1,120	(15,990)
Changes in claims incurred but not reported, net	8,678	1,490	219	10,387
Net claims incurred	31,476	59,393	1,826	92,695
Changes in premium deficiency reserves	(3,961)	2,351	205	(1,405)
Policy acquisition costs	1,726	2,982	565	5,273
Other underwriting expenses	2,001	2,892	642	5,535
TOTAL UNDERWRITING COSTS AND EXPENSES	31,242	67,618	3,238	102,098
NET UNDERWRITING (LOSS)/ INCOME	(1,172)	1,070	(1,237)	(1,339)
OTHER OPERATING (EXPENSES) / INCOME				
Allowance for doubtful debts				(69)
General and administrative expenses				(21,444)
Investment income				3,739
Unrealized gain on investments				(6,287)
TOTAL OTHER OPERATING EXPENSES				(24,061)
NET LOSS FOR THE PERIOD BEFORE ZAKAT				(25,400)
Zakat				(1,500)
NET LOSS FOR THE PERIOD				(26,900)
Net loss for the period attributable to insurance operations				-
Net loss for the period attributable to the shareholders'				(26,900)

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11. OPERATING SEGMENTS – (continued)

		For the three-month period ended 31 March 2019 (Unaudited)			
		Medical	Motor	Others	Total
		SR'000			
REVENUES					
Individual		6,839	39,203	426	46,468
Large		7,605	27,391	2,161	37,157
Medium		3,942	52,758	1,531	58,231
Small		1,790	2,429	1,239	5,458
Very Small		3,295	355	-	3,650
Gross premiums written		23,471	122,136	5,357	150,964
Reinsurance premiums ceded					
- Local		-	-	(192)	(192)
- Foreign		-	(12,396)	(3,531)	(15,927)
		-	(12,396)	(3,723)	(16,119)
Excess of loss expenses					
- Local		-	(68)	-	(68)
- Foreign		(1,650)	(1,535)	(318)	(3,503)
		(1,650)	(1,603)	(318)	(3,571)
Net premiums written		21,821	108,137	1,316	131,274
Changes in unearned premiums, net		6,395	23,904	(175)	30,124
Net premiums earned		28,216	132,041	1,141	161,398
Reinsurance commissions		-	451	939	1,390
Other underwriting income		-	424	-	424
TOTAL REVENUES		28,216	132,916	2,080	163,212
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		26,086	126,250	2,839	155,175
Reinsurers' share of claims paid		-	(2,080)	(2,071)	(4,151)
Net claims paid		26,086	124,170	768	151,024
Changes in outstanding claims, net		1,020	(5,201)	(43)	(4,224)
Changes in claims incurred but not reported, net		1,166	1,552	14	2,732
Net claims incurred		28,272	120,521	739	149,532
Changes in premium deficiency reserves		(610)	-	-	(610)
Policy acquisition costs		1,670	5,895	529	8,094
Other underwriting expenses		2,588	2,616	43	5,247
TOTAL UNDERWRITING COSTS AND EXPENSES		31,920	129,032	1,311	162,263
NET UNDERWRITING (LOSS)/ INCOME		(3,704)	3,884	769	949
OTHER OPERATING (EXPENSES) / INCOME					
Allowance for doubtful debts					(1,280)
General and administrative expenses					(23,557)
Investment income					3,475
Unrealized gain on investments					5,833
TOTAL OTHER OPERATING EXPENSES					(15,529)
NET LOSS FOR THE PERIOD BEFORE ZAKAT					(14,580)
Zakat					(1,500)
NET LOSS FOR THE PERIOD					(16,080)
Net loss for the period attributable to insurance operations					-
Net loss for the period attributable to the shareholders'					(16,080)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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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>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Nature of transactions	Amount of transactions		Balance receivable/(payable) as at	
		Three-month period ended			
		31 March 2020	31 March 2019	31 March 2020	31 December 2019
		(Unaudited) SR'000	(Unaudited) SR'000	(Unaudited) SR'000	(Audited) SR'000
Tajeer Co. (affiliate)	Premium written	-	21,734		
	Payments and claims paid	-	(3,549)	-	-
Chairman of the Board	Premium written	-	4		
	Payments and claims paid	-	(1)		
	Rent paid	-	2,931	-	-
Rusd Global Company	Premium written	-	-		
	Payments and claims paid	-	-	-	-
Al Firdous Group Co.	Premium written	-	1,358		
	Payments and claims paid	-	(540)	-	-
Jabal Edsas Est.	Commission paid	-	-		
	Rent paid	811	-	-	-
Tajeer International Co.	Services received	-	3,730	-	-
Concord Insurance and Reinsurance Brokerage	Insurance commission	2	1,832	-	-
Kwader Pro	Services received	54	52	-	-
Alawwal Capital Co.	Investments in DPM and mutual funds	30,921	-	-	-
Rusd Capital	Investments in mutual funds	-	-	-	-

*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 31 March 2020 and 31 December 2019 were transferred and included within premiums receivable.

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000
Salaries and other allowances	1,047	1,498
End of service indemnities	1,411	347
	2,458	1,845
Remuneration to those charged with governance – Board of Directors	30	130
	30	130

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

	31 March 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	1,500	6,000
Paid during the period / year	-	(630)
Balance at the end of the period / year	26,631	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 which are still under review by the GAZT and no assessments has been finalized.

During 2016, the Company received zakat assessments for the years ended 31 December 2008 through 2012 where GAZT demanded an 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 have issued a letter of guarantee amounting to SR 9.5 million in favour of GAZT. Further, the Company has booked an additional liability of SR 4.4 million for withholding tax in the statement of income and SR 4 million for zakat for prior years in 2016. During 2020, The Company objected the said assessment and approached the Preliminary Appeal Committee (PAC) for the review and decision.

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.

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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. (LOSS)/ EARNINGS PER SHARE

(Loss)/ earnings per share for the period has been calculated by dividing the net (loss)/ income for the period by the weighted average number of issued and outstanding shares for the period/ year.

17. SUPPLEMENTARY INFORMATION

a) Interim condensed statement of financial position

	31 March 2020			31 December 2019		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS						
Cash and cash equivalents	30,276	1,577	31,853	26,834	1,577	28,411
Term deposits	148,943	100,216	249,159	258,282	100,201	358,483
Premiums and reinsurers' receivable – net	74,773	-	74,773	86,207	-	86,207
Reinsurers' share of unearned premiums	20,857	-	20,857	21,858	-	21,858
Reinsurers' share of outstanding claims	8,889	-	8,889	8,745	-	8,745
Reinsurers' share of claims Incurred but not reported	11,777	-	11,777	12,273	-	12,273
Deferred policy acquisition costs	8,076	-	8,076	9,033	-	9,033
Investments	121,458	72,399	193,857	44,456	75,284	119,740
Due from insurance operations	-	9,550	9,550	-	12,979	12,979
Prepaid expenses and other assets	11,178	185	11,363	11,173	186	11,359
Right of use assets – net	25,951	-	25,951	26,936	-	26,936
Property and equipment	10,793	-	10,793	12,044	-	12,044
Intangible assets	5,861	-	5,861	6,304	-	6,304
Statutory deposit	-	37,500	37,500	-	37,500	37,500
Accrued commission on statutory deposit	-	3,489	3,489	-	3,328	3,328
	478,832	224,916	703,748	524,145	231,055	755,200
(Less): Inter-operations eliminations	-	(9,550)	(9,550)	-	(12,979)	(12,979)
TOTAL ASSETS	478,832	215,366	694,198	524,145	218,076	742,221

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17. SUPPLEMENTARY INFORMATION (continued)

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

	31 March 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	16,442	-	16,442	13,943	-	13,943
Accrued Expenses and other liabilities	33,941	-	33,941	23,627	-	23,627
Lease Liabilities	23,668	-	23,668	23,703	-	23,703
Reinsurers' balances payable	6,203	-	6,203	7,811	-	7,811
Unearned premiums	204,423	-	204,423	229,678	-	229,678
Unearned reinsurance commission	2,230	-	2,230	3,401	-	3,401
Outstanding claims	23,107	-	23,107	38,953	-	38,953
Claims incurred but not reported	140,479	-	140,479	130,586	-	130,586
Premium deficiency reserves	8,377	-	8,377	9,782	-	9,782
Other technical reserves	6,259	-	6,259	6,259	-	6,259
Due to shareholders' operations	9,550	-	9,550	12,979	-	12,979
Employee benefits reserve	9,518	-	9,518	9,688	-	9,688
Surplus distribution payable	14,535	-	14,535	14,535	-	14,535
Provision for zakat	-	26,631	26,631	-	25,131	25,131
Accrued commission income payable to SAMA	-	3,489	3,489	-	3,328	3,328
	498,732	30,120	528,852	524,945	28,459	553,404
(Less): Inter-operations eliminations	(9,550)	-	(9,550)	(12,979)	-	(12,979)
<u>TOTAL LIABILITIES</u>	489,182	30,120	519,302	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 loss	-	(79,307)	(79,307)	-	(52,407)	(52,407)
<u>TOTAL SHAREHOLDERS' EQUITY</u>		175,696	175,696		202,596	202,596
Re-measurement reserve of defined benefit obligation – related to insurance operations	(800)	-	(800)	(800)	-	(800)
<u>TOTAL EQUITY</u>	(800)	175,696	174,896	(800)	202,596	201,796
<u>TOTAL LIABILITIES AND EQUITY</u>	488,382	205,816	694,198	511,166	231,055	742,221
COMMITMENTS AND CONTINGENCIES	10,200	-	10,200	10,200	-	10,200

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17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income

	Three-month period ended					
	31 March 2020 (Unaudited)			31 March 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
REVENUES						
Gross premiums written	85,798	-	85,798	150,964	-	150,964
	85,798	-	85,798	150,964	-	150,964
Reinsurance premiums ceded						
- Local	(236)	-	(236)	(192)	-	(192)
- Foreign	(9,259)	-	(9,259)	(15,927)	-	(15,927)
	(9,495)	-	(9,495)	(16,119)	-	(16,119)
Excess of loss expenses						
- Local	-	-	-	(68)	-	(68)
- Foreign	(3,021)	-	(3,021)	(3,503)	-	(3,503)
	(3,021)	-	(3,021)	(3,571)	-	(3,571)
Net premiums written	73,282	-	73,282	131,274	-	131,274
Changes in unearned premiums, net	24,254	-	24,254	30,124	-	30,124
Net premiums earned	97,536	-	97,536	161,398	-	161,398
Reinsurance commissions	2,804	-	2,804	1,390	-	1,390
Other underwriting income	419	-	419	424	-	424
TOTAL REVENUES	100,759	-	100,759	163,212	-	163,212
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	104,508	-	104,508	155,175	-	155,175
Reinsurers' share of claims paid	(6,210)	-	(6,210)	(4,151)	-	(4,151)
Net claims and other benefits paid	98,298	-	98,298	151,024	-	151,024
Changes in outstanding claims, net	(15,990)	-	(15,990)	(4,224)	-	(4,224)
Changes in claims incurred but not reported, net	10,387	-	10,387	2,732	-	2,732
Net claims incurred	92,695	-	92,695	149,532	-	149,532
Change in Premium deficiency reserves	(1,405)	-	(1,405)	(610)	-	(610)
Policy acquisition costs	5,273	-	5,273	8,094	-	8,094
Other underwriting expenses	5,535	-	5,535	5,247	-	5,247
TOTAL UNDERWRITING COSTS AND EXPENSES	102,098	-	102,098	162,263	-	162,263
NET UNDERWRITING/ (LOSS) INCOME	(1,339)	-	(1,339)	949	-	949

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17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income – (continued)

	Three-month period ended					
	31 March 2020 (Unaudited)			31 March 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	(69)	-	(69)	(1,280)	-	(1,280)
General and administrative expenses	(21,399)	(45)	(21,444)	(23,103)	(454)	(23,557)
Investment income	2,894	845	3,739	1,582	1,893	3,475
Unrealized gain on investments	(3,402)	(2,885)	(6,287)	949	4,884	5,833
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(21,976)	(2,085)	(24,061)	(21,852)	6,323	(15,529)
<u>NET (LOSS)/INCOME BEFORE ZAKAT</u>	(23,315)	(2,085)	(25,400)	(20,903)	6,323	(14,580)
Zakat	-	(1,500)	(1,500)	-	(1,500)	(1,500)
<u>NET (LOSS)/INCOME AFTER ZAKAT</u>	(23,315)	(3,585)	(26,900)	(20,903)	4,823	(16,080)
Transferred to Shareholders	23,315	3,585	26,900	20,903	(4,823)	16,080
<u>NET RESULT FROM INSURANCE OPERATIONS</u>	-	-	-	-	-	-
(Loss) / Earnings 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 (loss) / earnings per share	-	(1.08)	(1.08)	-	(0.64)	(0.64)

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17. SUPPLEMENTARY INFORMATION – (continued)

c) Interim condensed statement of comprehensive income

	Three-month period ended					
	31 March 2020 (Unaudited)			31 March 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 LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	-	(26,900)	(26,900)	-	(16,080)	(16,080)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	(26,900)	(26,900)	-	(16,080)	(16,080)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of cash flows

	Three-month period ended			Three-month period ended		
	31 March 2020			31 March 2019		
	(Unaudited)			(Unaudited)		
	Insurance operation s	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss for the period before zakat	-	(25,400)	(25,400)	-	(14,580)	(14,580)
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	1,302	-	1,302	1,136	-	1,136
Amortization of intangible assets	443	-	443	401	-	401
Amortization of held to maturity investments	-	-	-	13	-	13
Allowance for doubtful debts	69	-	69	1,280	-	1,280
Unrealized gain on investments at fair value through statement of income	3,402	2,885	6,287	(949)	(4,884)	(5,833)
Realized gain on investments at fair value through statement of income	-	-	-	(663)	(1,083)	(1,746)
Employee benefit obligations	(170)	-	(170)	(1,047)	-	(1,047)
	5,046	(22,515)	(17,469)	171	(20,547)	(20,376)
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	11,365	-	11,365	(34,529)	-	(34,529)
Reinsurers' share of unearned premiums	1,001	-	1,001	(8,865)	-	(8,865)
Reinsurers' share of outstanding claims	(144)	-	(144)	1,559	-	1,559
Reinsurers' share of claims Incurred but not reported	496	-	496	(443)	-	(443)
Deferred policy acquisition costs	957	-	957	(32)	-	(32)
Prepaid expenses and other assets	(5)	1	(4)	4,444	(92)	4,352
Increase in right of use assets - net	985	-	985	(30,104)	-	(30,104)
Increase in lease liabilities	(35)	-	(35)	27,041	-	27,041
Accrued income on statutory deposit	-	(161)	(161)	-	-	-
Policyholders and claims payables	2,499	-	2,499	5,695	-	5,695
Accrued expense and other liabilities	10,314	-	10,314	127	-	127
Reinsurers' balances payable	(1,608)	-	(1,608)	12,500	-	12,500
Unearned premiums	(25,255)	-	(25,255)	(21,259)	-	(21,259)
Unearned reinsurance commission	(1,171)	-	(1,171)	1,076	-	1,076
Outstanding claims	(15,846)	-	(15,846)	(5,782)	-	(5,782)
Claims incurred but not reported	9,893	-	9,893	3,175	-	3,175
Premium deficiency reserve	(1,405)	-	(1,405)	(610)	-	(610)
Accrued commission income payable to SAMA	-	161	161	-	-	-
Net cash flows (used in) operating activities	(2,913)	(22,514)	(25,427)	(45,836)	(20,639)	(66,475)

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17. SUPPLEMENTARY INFORMATION – (continued)

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

	Three-month period ended 31 March 2020 (Unaudited)			Three-month period ended 31 March 2019 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	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	1,527	-	1,527	57,654	1,900	59,554
Placement of term deposits	(50,000)	(100,000)	(150,000)	-	(100,362)	(100,362)
Proceeds from maturity of term deposit	159,339	99,985	259,324	100,379	100,379	200,758
Purchase of property and equipment	(51)	-	(51)	(1,184)	-	(1,184)
Net cash flows from / (used in) investing activities	28,884	(15)	28,869	106,849	(3,065)	103,784
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to shareholders' operations	(22,529)	22,529	-	(20,204)	20,204	-
Net cash flows (used in)/ from financing activities	(22,529)	22,529	-	(20,204)	20,204	-
Net change in cash and cash equivalents	3,442	-	3,442	40,809	(3,500)	37,309
Cash and cash equivalents, beginning of the period	26,834	1,577	28,411	81,792	5,077	86,869
Cash and cash equivalents, end of the period	30,276	1,577	31,853	122,601	1,577	124,178

18. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in 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).

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19. IMPACT OF COVID-19

The World Health Organization on March 11, 2020 declared COVID-19 a pandemic, with far reaching consequences on economic and business activities around the world. As a result of the curfews and travel restrictions enforced by the Government of Saudi Arabia to combat the spread of the novel coronavirus, Salama activated its business continuity plans to maintain acceptable service levels and operational activities while ensuring the safety and wellbeing of its employees. While the Company is unable at this time to reasonably assess the financial impact of COVID-19 given the rapidly evolving situation and the many uncertainties surrounding the duration and severity of the pandemic, Management believes that the Government's recent decision to assume the medical treatment costs for both Saudi citizens and expatriates will help reduce any unfavorable impact. The liquidity and solvency positions of the Company remain strong as at the date of issuing these interim condensed financial statements.

20. SUBSEQUENT EVENTS

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. Among various other matters relating to the insurance sector, the Circular instructs all the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this Circular and allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. The management believes that such requirements of the Circular are a non-adjusting event and therefore the interim condensed financial information has not been adjusted.

21. COMPARATIVE FIGURES

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

On 17 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the Zakat and income taxes in the interim condensed statement of income. This aligns with the IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company revised its accounting policies to account for Zakat and income tax in the interim condensed statement of income by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The impacts of this change on the condensed interim financial statements for the three month ended 31 March 2019 are as follows:

Account	Financial statement impacted	Before the restatement for the three-month period ended 31 March 2019	Effect of restatement	As restated as at and for the three-month period ended 31 March 2019
Zakat	Statement of income	-	(1,500)	(1,500)
Net loss for the period attributable to shareholders	Statement of income	(14,580)	(1,500)	(16,080)
Loss per share for the period (expressed in SR per share)	Statement of income	(0.58)	(0.06)	(0.64)
Zakat (retained earnings)	Statement of changes in equity	(1,500)	1,500	-
Total comprehensive loss for the period attributable to shareholders	Statement of comprehensive income and statement of changes in equity	(14,580)	(1,500)	(16,080)

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 24 Shawwal 1441H, corresponding to 16 June 2020.