

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT**

FOR THE THREE –MONTHS PERIOD ENDED 31 MARCH 2021

**ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021**

INDEX	PAGES
Independent auditors' review report	1
Interim condensed statement of financial position	2
Interim condensed statement of income	3
Interim condensed statement of comprehensive income	4
Interim condensed statement of changes in shareholders' equity	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7 – 27

**INDEPENDENT AUDITORS' REPORT
ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS OF
ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
Kingdom of Saudi Arabia**

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of **Arabia Insurance Cooperative Company - (the "Company")** as at 31 March 2021, and the related interim condensed statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three month period ended and a summary of significant accounting policies and other explanatory notes ("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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is 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 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

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18 May 2021
6 Shawwal 1442H

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021
Expressed in Saudi Riyals

	Notes	31 March 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents	4	69,705,269	149,327,454
Premiums and reinsurance receivables, net	5	252,070,327	141,113,737
Reinsurers' share of unearned premiums	7-2	69,816,485	42,904,729
Reinsurers' share of outstanding claims	7-1	33,456,257	33,977,846
Reinsurers' share of claims incurred but not reported	7-1	9,064,725	9,378,725
Deferred policy acquisition costs		19,916,688	11,017,762
Deferred excess of loss premiums		3,676,026	-
Investments	6	147,030,303	104,153,512
Due from related party	11	92,998	92,998
Prepayments and other assets		17,593,557	18,313,513
Right-of-use assets		4,832,643	5,371,952
Time deposits		89,973,527	63,764,208
Property and equipment, net		6,351,512	6,598,727
Statutory deposit		40,000,000	40,000,000
Return on statutory deposit		4,322,856	4,290,280
TOTAL ASSETS		767,903,173	630,305,443
LIABILITIES			
Accounts payable		27,714,113	23,683,805
Accrued expenses and other liabilities		36,244,723	28,210,537
Reinsurers' balance payables		67,098,574	29,424,459
Unearned premiums	7-2	229,304,666	140,802,544
Unearned reinsurance commission		7,367,506	3,277,777
Outstanding claims	7-1	76,720,633	80,887,169
Claims incurred but not reported	7-1	56,469,723	59,981,723
Premium deficiency reserve and other reserves	7-1	16,472,000	15,630,000
Provision for end of service benefits		10,504,538	10,427,777
Zakat and income tax accrued		7,882,117	6,281,980
Lease liability		4,555,507	4,911,126
Return on investment of accrued statutory deposit		4,322,856	4,290,280
TOTAL LIABILITIES		544,656,956	407,809,177
INSURANCE OPERATIONS' ACCUMULATED SURPLUS			
Accrued surplus distributions		2,450,330	2,252,905
Actuarial loss on defined benefit plan		(1,522,932)	(1,522,932)
TOTAL LIABILITIES & ACCUMULATED SURPLUS		545,584,354	408,539,150
SHAREHOLDERS' EQUITY			
Share Capital	13	265,000,000	265,000,000
Accumulated losses		(43,836,411)	(43,978,974)
Investment revaluation reserve		1,155,230	745,267
TOTAL SHAREHOLDERS' EQUITY		222,318,819	221,766,293
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		767,903,173	630,305,443

Chief Financial Officer

Authorized Board Member

Chief Executive Officer

The accompanying notes 1 to 19 form part of these interim condensed financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021
Expressed in Saudi Riyals

	Notes	31 March 2021 (unaudited)	31 March 2020 (unaudited)
REVENUES			
Gross premiums written			
- Direct		175,594,007	120,920,176
Reinsurance premiums ceded			
- Foreign		(43,906,296)	(17,241,237)
- Local		(9,145,214)	(2,745,608)
Excess of loss expenses		(1,225,344)	(1,080,000)
Net premiums written		121,317,153	99,853,331
Changes in unearned premiums, net		(61,590,366)	(42,307,473)
Net premiums earned		59,726,787	57,545,858
Reinsurance commission earned		5,262,961	3,105,757
Other income		1,488,265	-
NET REVENUES		66,478,013	60,651,615
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(62,134,663)	(60,272,980)
Reinsurers' share of claims paid		12,107,686	19,823,418
Net claims paid		(50,026,977)	(40,449,562)
Changes in outstanding claims, net		3,644,947	561,162
Changes in claims incurred but not reported, net		3,198,000	1,420,999
Net claims incurred		(43,184,030)	(38,467,401)
Policy acquisition costs		(6,471,861)	(4,458,776)
Changes in premium deficiency reserve and other reserves		(842,000)	(2,089,200)
TOTAL UNDERWRITING COSTS AND EXPENSES		(50,497,891)	(45,015,377)
NET UNDERWRITING INCOME		15,980,122	15,636,238
OTHER OPERATING (EXPENSES) / INCOME			
Reverse for doubtful debts		2,534,576	382,754
General and administrative expenses		(17,060,659)	(18,515,404)
Commission income on deposits		232,940	944,353
Gains on sold available for sale investments	6	-	768,858
Dividend income		772,940	973,433
TOTAL OTHER OPERATING EXPENSES / (INCOME)		(13,520,203)	(15,446,006)
Total income for the period before zakat and income tax		2,459,919	190,232
Zakat and income tax	12	(2,119,931)	(1,500,000)
Net income / (loss) for the period after zakat and income tax		339,988	(1,309,768)
Income for the period attributed to the insurance operations		(197,425)	-
INCOME / (LOSS) FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS		142,563	(1,309,768)
Basic earnings / (loss) per share	15	0.01	(0.05)

Chief Financial Officer


Authorized Board Member

Chief Executive Officer

The accompanying notes 1 to 19 form part of these interim condensed financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021
Expressed in Saudi Riyals

	For the three months period ended	
	31 March 2021	31 March 2020
	(unaudited)	(unaudited)
Income / (loss) for the period attributed to the shareholders	142,563	(1,309,768)
Other comprehensive income:		
<i>Items may be reclassified to statements of income in subsequent periods</i>		
- Net change in fair value	409,963	(1,021,077)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	552,526	(2,330,845)
Total comprehensive income attributed to the insurance operations	-	-
Total comprehensive income / (loss) attributable to the shareholders	552,526	(2,330,845)

Chief Financial Officer

Authorized Board Member

Chief Executive Officer

The accompanying notes 1 to 19 form part of these interim condensed financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021
Expressed in Saudi Riyals

	Share capital	Accumulated losses	Investment revaluation reserve	Total Shareholders' Equity
2021				
Balance, beginning of the period	265,000,000	(43,978,974)	745,267	221,766,293
Total comprehensive income for the period:				
Net income for the period attributable to the shareholders	-	142,563	-	142,563
Changes in fair values of available for sale investments	-	-	409,963	409,963
Total comprehensive income for the period	-	142,563	409,963	552,526
Balance, ending of the period	265,000,000	(43,836,411)	1,155,230	222,318,819
2020				
Balance, beginning of the period	265,000,000	(50,236,106)	1,143,431	215,907,325
Total comprehensive loss for the period:				
Net loss for the period attributable to the shareholders	-	(1,309,768)	-	(1,309,768)
Changes in fair values of available for sale investments	-	-	(1,021,077)	(1,021,077)
Total comprehensive loss for the period	-	(1,309,768)	(1,021,077)	(2,330,845)
Balance, ending of the period	265,000,000	(51,545,874)	122,354	213,576,480

Chief Financial Officer

Authorized Board Member

Chief Executive Officer

The accompanying notes 1 to 19 form part of these interim condensed financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021
Expressed in Saudi Riyals

	Notes	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the period		339,988	(1,309,768)
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment		604,509	520,135
Gain on sale of property and equipment		-	(3,000)
Depreciation of Right-of-use assets		539,309	488,525
Finance charges		48,944	62,389
Allowance for doubtful debts		(2,534,576)	(382,754)
Gains on sale of available for sale investments		-	(768,858)
Provision for end-of-service benefits		421,917	429,042
Accrued zakat and income tax		2,119,931	1,500,000
		<u>1,540,022</u>	<u>535,711</u>
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		(108,422,014)	(50,931,393)
Reinsurers' share of unearned premiums		(26,911,756)	8,978,327
Reinsurers' share of outstanding claims		521,589	(1,874,783)
Reinsurers' share of claims incurred but not reported		314,000	(3,534,000)
Deferred policy acquisition costs		(8,898,926)	(4,532,577)
Deferred excess loss expense		(3,676,026)	(3,240,000)
Prepaid expenses and other assets		719,954	2,696,109
Accounts payable		4,030,308	2,587,063
Accrued expenses and other liabilities		8,034,186	3,564,816
Reinsurers' balances payable		37,674,115	(10,049,063)
Unearned premiums		88,502,122	33,329,146
Unearned reinsurance commission		4,089,729	(468,916)
Outstanding claims		(4,166,536)	1,313,621
Claims incurred but not reported		(3,512,000)	2,113,000
Premium deficiency reserve and other reserves		842,000	2,089,200
Accrued surplus distribution		-	(500,484)
Due to related parties		-	(41,197)
Cash used in operating activities		<u>(9,319,233)</u>	<u>(17,965,420)</u>
Zakat and income tax paid		(519,795)	-
End-of-service benefits paid		(345,156)	(1,540,188)
Net cash used in operating activities		<u>(10,184,184)</u>	<u>(19,505,609)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Additions) / disposals in investments		(42,466,827)	4,068,858
(Additions) / disposals in time deposits		(26,209,319)	5,439,910
Additions in property and equipment		(357,292)	(935,710)
Net cash from investing activities		<u>(69,033,438)</u>	<u>8,573,058</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities paid		(404,563)	(352,633)
Net cash used in financing activities		<u>(404,563)</u>	<u>(352,633)</u>
Net change in cash and cash equivalents		(79,622,185)	(11,285,183)
Cash and cash equivalents at the beginning of the period		149,327,454	66,592,662
Cash and cash equivalents at the end of the period	4	<u>69,705,269</u>	<u>55,307,479</u>
NON- CASH TRANSACTIONS:			
Changes in fair value of available for sale investments	6	409,964	(1,021,077)

Chief Financial Officer

Authorized Board Member

Chief Executive Officer

The accompanying notes 1 to 19 form part of these interim condensed financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Arabia Insurance Cooperative Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010243302 dated 18 Muharram 1429H (corresponding to 27 January 2008). The registered address of the Company is P.O. Box 28655, Riyadh 11323, Kingdom of Saudi Arabia.

The objectives of the Company is to transact cooperative insurance business and carry out related activities in the Kingdom of Saudi Arabia. Its principal activity includes all classes of general insurance, medical insurance, savings and protection. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 Muharram 1429H (corresponding to 4 February 2008). The Company started insurance and reinsurance operations on 4 Muhram 1430H (corresponding to 1 January 2009).

On 14 Jumada Thani 1435H (corresponding to 14 April 2014), the Saudi Central Bank (SAMA) issued official approval numbered 351000076885 to amend the licence issued to the Company number TMN/15/20086 to transact insurance and reinsurance activities to be restricted to insurance activities only.

The Company amended the Articles of Association in line with the amendments of the Saudi Companies Regulations issued in 1437H (2015).

2. BASIS OF PREPARATION

a) Basis of presentation:

The interim condensed financial statements of the company have been prepared in accordance with International Accounting Standard 34 - Initial Financial Report approved in the Kingdom of Saudi Arabia and other standards and publications issued by the Saudi Organization for Chartered and Professional Accountants.

The interim condensed financial statements of the company were prepared for the period ended on March 31, 2020, in accordance with International Accounting Standard 34 adopted in the Kingdom of Saudi Arabia and the Insurance Control Law and corporate regulations in the Kingdom of Saudi Arabia.

On 23 July 2019, the Saudi Central Bank (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 and its interpretations as issued by the International Accounting Standards Board (“IASB”).

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the financial statements accordingly. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of revenues and expenses from joint operations is determined and approved by the management and the Board of Directors.

The financial statements are prepared on the going concern basis and on the historical cost basis, except for available-for-sale investments where they are measured at fair value and end of service benefits are measured at present value. The balance sheet is not displayed using the current / non-current classification. Nevertheless, the following balances are generally classified in circulation: cash and cash equivalents, insurance premiums receivable, reinsurance receivables, investments, deferred underwriting costs, prepaid expenses, other assets, accounts payable, reinsurers' receivables, outstanding claims, accrued expenses, other liabilities, provision for zakat, taxes, distribution of the surplus due and non-insurance premiums Earned, reimbursed share of unearned premiums, and deferred subscription costs unearned commission income,. The following balances are generally classified as non-current: end of service indemnities, statutory deposit, returns on statutory deposit, commission income payable to the Saudi Central Bank, claims incurred but not reported, and property and equipment, intangible assets, statutory deposit, end of service benefits, and right of use assets.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

2. BASIS OF PREPARATION (continued)

a) Basis of presentation: (continued)

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in Note 16 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and must be read in conjunction with the annual financial statements of the company as they are on December 31, 2020.

The interim condensed financial statements are expressed in Saudi riyals.

b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results ultimately may differ from those estimates. Moreover, the company has reviewed the main sources to estimate the uncertainty disclosed in the latest annual financial statements regarding the Coronavirus (Covid-19) pandemic, moreover, the company has considered the following:

Impact of Covid-19

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

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

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

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected.

The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

Medical technical reserve

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. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cash flows of the insurance contracts in force as at 31 March 2021 for its liability adequacy test.

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 two months' period.

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy. There is no material impact on the two-month period of the premiums earned as on March 31, 2020, due to the absence of large amounts for the premiums that were subscribed during the one-month period.

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated (or "segmented") (as appropriate for the performance of some companies at a segmented level, which is a wise and recommended behavior) level for motor line of business and recorded a premium / premium deficiency reserve amounting to SR 1 million as on March 31, 2021 (December 31, 2020: SR 1.83 million) as a premium deficiency reserve.

Financial assets

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

In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three months' period ended 31 March 2021. The Company's management continues to monitor the situation closely.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The significant accounting policies and risk management policies adopted in preparing these condensed interim financial statements are consistent with those that are followed in preparing the annual financial statements of the company for the year ended December 31, 2020.

New standards were issued, but not yet effective

The standards and interpretations that were issued, but were not effective until the date of issuance of the initial financial statements of the company, are disclosed below. The Company intends to adopt these standards, if required, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work although the date of approval is subject to the recently issued exposure draft on replacing IAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in the IAS International 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transfer Disclosures, issued in December 2011, move the mandatory effective date to January 1, 2015.

However, on November 19, 2013, the International Accounting Standards Board issued IFRS 9 Financial Instruments (Hedge Accounting and Amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. At its February 2014 meeting, the International Accounting Standards Board decided that IFRS 9 would be effective and mandatory for annual reporting periods beginning on or after January 1, 2018, with an optional temporary exception to postpone the application of IFRS 9 until January 1, 2022. For companies whose activities are mostly associated with insurance. In line with other insurance companies in the Kingdom of Saudi Arabia, the company has postponed the application of IFRS 9 until 1 January 2023 to comply with the adoption of IFRS 17.

IFRS 17 Insurance Contracts

The International Accounting Standards Board issued IFRS 17 in May 2017. IFRS 17 will be mandatory for annual reporting periods beginning on or after January 1, 2023. Once it becomes effective, the IFRS becomes available. Financial No. 17 replaces IFRS 4 that was issued in 2005. The overall goal of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts between entities that issue insurance contracts globally. The company is in the process of evaluating the impact of IFRS 17.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

4. CASH AND CASH EQUIVALENTS

	31 March 2021 (Unaudited) SR		
	<i>Insurance operations SR</i>	<i>Shareholders' Operations SR</i>	<i>Total SR</i>
Cash on hand and in Banks	14,828,426	1,782,198	16,610,624
Time deposits	-	53,094,645	53,094,645
	<u>14,828,426</u>	<u>54,876,843</u>	<u>69,705,269</u>
	31 December 2020 (Audited) SR		
	<i>Insurance operations SR</i>	<i>Shareholders' Operations SR</i>	<i>Total SR</i>
Cash on hand and in Banks	33,351,069	36,788,541	70,139,610
Time deposits	-	79,187,844	79,187,844
	<u>33,351,069</u>	<u>115,976,385</u>	<u>149,327,454</u>

5. PREMIUMS AND REINSURANCE RECEIVABLES, NET

Premiums and reinsurance receivables comprise of the following:

	31 March 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Policyholders	286,931,330	183,112,829
Less: Provision for doubtful debt	(56,346,148)	(59,093,630)
Net premiums receivables	<u>230,585,182</u>	<u>124,019,199</u>
Reinsurance balances receivable	25,232,867	20,629,354
Less: Provision for doubtful debt	(3,747,722)	(3,534,816)
Net reinsurance balances receivable	<u>21,485,145</u>	<u>17,094,538</u>
Total premiums and reinsurance balances receivable, net	<u>252,070,327</u>	<u>141,113,737</u>

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

6. INVESTMENTS

Investments comprise of the following:

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations SR	Shareholders' Operations SR	Total SR	Insurance operations SR	Shareholders' Operations SR	Total SR
Investments available for sale	-	68,059,159	68,059,159	-	25,182,368	25,182,368
Investments held to maturity *	32,653,125	46,318,019	78,971,144	32,653,125	46,318,019	78,971,144
Total	32,653,125	114,377,178	147,030,303	32,653,125	71,500,387	104,153,512

* Bonds are stated in the statement of financial position at amortized cost. The fair value of investments acquired to maturity amounted to SR 82,015,082 (31 December 2020: SR 82,498,266).

- The movement in investments is as follows:

	Insurance operations	
	31 March 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Beginning balance	32,653,125	29,854,688
Additions	-	2,798,437
Ending balance	32,653,125	32,653,125

	Shareholders' operations	
	31 March 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Beginning balance	71,500,387	120,143,040
Additions	42,466,828	6,700,000
Disposals	-	(56,960,148)
Net additions and disposals	42,466,828	(50,260,148)
Realized profit during the period / year	-	2,015,659
Change in fair value of investments	409,963	(398,164)
Impairment of available for sale investments	-	-
Ending balance	114,377,178	71,500,387

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

7. TECHNICAL RESERVES

7-1. Net outstanding claims and other reserves

Net outstanding claims and other reserves comprise of the following:

	31 March 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Outstanding claims	85,900,834	89,174,451
Less: Realizable value of salvage and subrogation	(9,180,201)	(8,287,282)
	76,720,633	80,887,169
Claims incurred but not reported	56,469,723	59,981,723
Premium deficiency reserve and other reserves	16,472,000	15,630,000
	72,941,723	75,611,723
Less:		
- Reinsurers' share of outstanding claims	33,456,257	33,977,846
- Reinsurers' share of claims Incurred but not reported	9,064,725	9,378,725
	42,520,982	43,356,571
	107,141,374	113,142,321

7-2. MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums is as follows:

	Three months' period ended 31 March 2021 (Unaudited)			Year ended 31 December 2020 (Audited)		
	Total SR	Reinsurers SR	Net SR	Total SR	Reinsurers SR	Net SR
Balance at the beginning of the period	140,802,544	(42,904,729)	97,897,815	148,601,943	(55,863,062)	92,738,881
Premium written during the period	175,594,007	(54,276,854)	121,317,153	346,431,646	(100,629,444)	245,802,202
Premium earned during the period	(87,091,885)	27,365,098	(59,726,787)	(354,231,045)	113,587,777	(240,643,268)
Balance at the end of the period	229,304,666	(69,816,485)	159,488,181	140,802,544	(42,904,729)	97,897,815

8. COMMITMENTS AND CONTINGENCIES

a. Commitments and contingencies comprise of the following:

	31 March 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Letter of guarantee	2,738,858	2,733,449
Total	2,738,858	2,733,449

b. Litigations and lawsuits

The company operates in the insurance business and is vulnerable to lawsuits during its normal business cycle. While it is impractical to predict or know the final outcome of all lawsuits, management believes that these lawsuits (including the cases) will not have any material impact on the company's results or its financial position. The company does not have any material lawsuit on the date of preparing the interim condensed financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

9. FAIR VALUE 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.

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.

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 and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

31 March 2021 (unaudited)

Financial assets measured at fair value

Available for sale investments:

- Mutual Funds

- Bonds

- Equity

Total

Fair value			
Level 1	Level 2	Level 3	Total
SR			
4,424,432	37,270,697	-	41,695,129
24,440,952	-	-	24,440,952
-	-	1,923,077	1,923,077
28,865,384	37,270,697	1,923,077	68,059,158

31 December 2020 (Audited)

Financial assets measured at fair value

Available for sale investments:

- Mutual Funds

- Bonds

- Equity

Total

Fair value			
Level 1	Level 2	Level 3	Total
SR			
4,178,216	2,033,698	-	6,211,914
17,047,377	-	-	17,047,377
-	-	1,923,077	1,923,077
21,225,593	2,033,698	1,923,077	25,182,368

The change in the fair value of available-for-sale investments amounting to SAR 1,155,230 as of March 31, 2021 (December 31, 2020: SAR 745,267) is shown within the shareholders' equity in the interim condensed statement of financial position.

For the period ended March 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers to or from Level 3 fair value measurements.

- * The investment in shares of a local non-current company, amounting to SR 1.9 million (December 31, 2020: SR 1.9 million), represents equity investments in the capital of Najm Company for Non-Current Insurance Services at a rate of 3.85% (31 December 2020: 3.85%). Due to the lack of fair value, the investment has been recorded at cost and in the opinion of management there is no material difference between the fair value of this investment and its carrying value.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

10.SEGMENTAL INFORMATION

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 condensed 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 December 31, 2020.

Segment assets do not include property and equipment, prepaid expenses and other assets, insurance premiums, reinsurance receivables, investments, time deposits, cash and cash equivalents, amounts due from a related party, statutory deposit, and investment returns from the statutory deposit, and thus they are included in the unallocated assets.

Segments' liabilities do not include reinsurers' receivables, end-of-service benefits provision, payables and accrued expenses and other liabilities, other provisions, surplus payable distributions, actuarial loss for specific benefit plans, accrued zakat and income tax, and due statutory deposit investment returns., and thus they are included in the unallocated liabilities.

General and administrative expenses, commission income, and other income from insurance operations were not distributed within the different sectors.

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

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

10. OPERATING SEGMENTS (CONTINUED)

As at 31 March 2021 (unaudited)	Saudi Riyals						
	Insurance Operations						
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others	Total
Assets							
Reinsurers' share of unearned premiums	12,840,482	-	26,762,470	11,481,750	7,075,860	11,655,923	69,816,485
Reinsurers' share of outstanding claims	4,292,949	12,854,534	2,448,122	3,889,588	2,242,666	7,728,398	33,456,257
Reinsurers' share of claims incurred but not reported	6,124,000	-	1,716,000	784,000	311,000	129,725	9,064,725
Deferred policy acquisition costs	3,338,202	9,226,989	3,511,135	1,076,799	1,082,483	1,681,080	19,916,688
Unallocated assets	-	-	-	-	-	-	399,855,421
	26,595,633	22,081,523	34,437,727	17,232,137	10,712,009	21,195,126	532,109,576
Liabilities							
Unearned premiums	70,524,972	93,373,930	28,592,337	13,654,575	8,017,871	15,140,981	229,304,666
Unearned reinsurance commission	-	-	2,557,122	1,446,522	1,854,705	1,509,157	7,367,506
Outstanding claims	15,596,380	36,556,352	2,486,500	6,136,218	3,220,590	12,724,593	76,720,633
Claims incurred but not reported	20,158,000	31,900,000	1,928,000	1,277,000	571,000	635,723	56,469,723
Premium deficiency reserve	9,469,000	4,576,000	1,202,000	159,000	-	1,066,000	16,472,000
Unallocated liabilities	-	-	-	-	-	-	145,775,048
	115,748,352	166,406,282	36,765,959	22,673,315	13,664,166	31,076,454	532,109,576

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

10. OPERATING SEGMENTS (CONTINUED)

As at 31 December 2020 (audited)

As at 31 December 2020 (audited)	Saudi Riyals						
	Insurance Operations						
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others	Total
Assets							
Reinsurers' share of unearned premiums	13,671,458	-	13,296,780	8,576,763	1,961,860	5,397,868	42,904,729
Reinsurers' share of outstanding claims	3,953,012	13,058,874	2,160,888	4,805,533	1,968,714	8,030,825	33,977,846
Reinsurers' share of claims incurred but not reported	6,743,000	-	1,402,000	962,000	238,000	33,725	9,378,725
Deferred policy acquisition costs	3,305,485	4,766,196	1,292,324	694,692	263,427	695,638	11,017,762
Unallocated assets	-	-	-	-	-	-	299,031,954
	27,672,955	17,825,070	18,151,992	15,038,988	4,432,001	14,158,056	396,311,016
Liabilities							
Unearned premiums	56,313,429	48,353,902	15,156,801	10,146,617	2,719,528	8,112,267	140,802,544
Unearned reinsurance commission	-	-	1,237,517	967,237	674,805	398,218	3,277,777
Outstanding claims	15,331,667	40,546,318	2,224,304	7,184,389	2,777,285	12,823,206	80,887,169
Claims incurred but not reported	21,241,000	34,703,000	1,577,000	1,536,000	451,000	473,723	59,981,723
Premium deficiency reserve	12,304,000	2,107,000	4,000	108,000	-	1,107,000	15,630,000
Unallocated liabilities	-	-	-	-	-	-	95,731,803
	105,190,096	125,710,220	20,199,622	19,942,243	6,622,618	22,914,414	396,311,016

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

10. OPERATING SEGMENTS (CONTINUED)

For the three months period ended 31 March 2021 (unaudited)

Operating segments	Medical	Motor	Fire	Saudi Riyals Engineering	Marine	Others	Total
Revenue							
Gross premiums written							
- Direct	45,785,302	76,941,888	26,013,986	8,155,055	7,353,052	11,344,724	175,594,007
Reinsurance premiums ceded:							
Foreign	(5,309,418)	-	(18,904,061)	(5,985,311)	(4,941,867)	(8,765,639)	(43,906,296)
Local	-	-	(6,274,001)	(794,628)	(1,627,659)	(448,926)	(9,145,214)
Excess of loss premiums	-	(562,880)	(152,614)	(356,099)	(153,751)	-	(1,225,344)
NET PREMIUMS WRITTEN	40,475,884	76,379,008	683,310	1,019,017	629,775	2,130,159	121,317,153
Change in unearned premiums, net	(15,042,518)	(45,020,028)	30,154	(602,972)	(184,343)	(770,659)	(61,590,366)
NET PREMIUMS EARNED	25,433,366	31,358,980	713,464	416,045	445,432	1,359,500	59,726,787
Reinsurance commission	-	-	1,510,760	1,902,141	1,462,552	387,508	5,262,961
Other income	-	-	24,744	510,579	-	952,942	1,488,265
TOTAL REVENUE	25,433,366	31,358,980	2,248,968	2,828,765	1,907,984	2,699,950	66,478,013
Gross claims paid	(31,322,221)	(28,321,158)	(919,756)	(857,729)	(253,961)	(459,838)	(62,134,663)
Reinsurers share of claims paid	9,886,976	219,840	901,254	589,723	165,056	344,837	12,107,686
Net claims paid	(21,435,245)	(28,101,318)	(18,502)	(268,006)	(88,905)	(115,001)	(50,026,977)
Change in outstanding claims, net	75,223	3,785,627	25,038	132,226	(169,354)	(203,813)	3,644,947
Change in claims incurred but not reported, net	464,000	2,803,000	(37,000)	81,000	(47,000)	(66,000)	3,198,000
NET CLAIMS INCURRED	(20,896,022)	(21,512,691)	(30,464)	(54,780)	(305,259)	(384,814)	(43,184,030)
Policy acquisition costs	(1,496,724)	(3,196,963)	(1,040,402)	(222,781)	(127,650)	(387,341)	(6,471,861)
Change in premium deficiency reserve and other reserves	2,835,000	(2,469,000)	(1,198,000)	(51,000)	-	41,000	(842,000)
Total underwriting costs and expenses	(19,557,746)	(27,178,654)	(2,268,866)	(328,561)	(432,909)	(731,155)	(50,497,891)
NET UNDERWRITING INCOME	5,875,620	4,180,326	(19,898)	2,500,204	1,475,075	1,968,795	15,980,122
Other operating (expenses) / income							
Provision for doubtful debts							2,534,576
General and administrative expenses							(16,870,505)
Commission income on deposits							38,156
Dividend							291,901
Total other operating expenses							(14,005,872)
NET SURPLUS OF INSURANCE OPERATIONS'							1,974,250

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

10. OPERATING SEGMENTS (CONTINUED)

For the three months period ended 31 March 2020 (unaudited)

	Medical	Motor	Fire	Saudi Riyals Engineering	Marine	Others	Total
Operating segments							
Revenue							
Gross premiums written							
- Direct	27,393,890	76,772,079	2,610,535	8,352,469	1,677,710	4,113,493	120,920,176
Reinsurance premiums ceded:							
Foreign	(6,268,762)	-	(2,056,708)	(5,143,556)	(1,198,743)	(2,573,468)	(17,241,237)
Local	(1,567,190)	-	(204,749)	(652,488)	(80,182)	(240,999)	(2,745,608)
Excess of loss premiums	-	(438,750)	(131,692)	(356,058)	(153,500)	-	(1,080,000)
NET PREMIUMS WRITTEN	19,557,938	76,333,329	217,386	2,200,367	245,285	1,299,026	99,853,331
Change in unearned premiums, net	8,000,302	(49,194,998)	359,913	(1,584,498)	218,094	(106,286)	(42,307,473)
NET PREMIUMS EARNED	27,558,240	27,138,331	577,299	615,869	463,379	1,192,740	57,545,858
Reinsurance commission	-	-	591,489	1,332,130	833,268	348,870	3,105,757
TOTAL REVENUE	27,558,240	27,138,331	1,168,788	1,947,999	1,296,647	1,541,610	60,651,615
Gross claims paid	(38,241,234)	(18,493,729)	(137,350)	(914,772)	(1,314,442)	(1,171,453)	(60,272,980)
Reinsurers share of claims paid	17,187,270	160,500	124,507	710,639	876,290	764,212	19,823,418
Net claims paid	(21,053,964)	(18,333,229)	(12,843)	(204,133)	(438,152)	(407,241)	(40,449,562)
Change in outstanding claims, net	729,980	(169,342)	4,006	(198,573)	407,451	(212,360)	561,162
Change in claims incurred but not reported, net	(6,768,000)	6,828,000	106,999	208,000	115,000	931,000	1,420,999
NET CLAIMS INCURRED	(27,091,984)	(11,674,571)	98,162	(194,706)	84,299	311,399	(38,467,401)
Policy acquisition costs	(1,299,486)	(1,639,536)	(515,092)	(543,312)	(167,645)	(293,705)	(4,458,776)
Change in premium deficiency reserve	3,380,000	(6,552,000)	1,565,000	279,800	-	(762,000)	(2,089,200)
Total underwriting costs and expenses	(25,011,470)	(19,866,107)	1,148,070	(458,218)	(83,346)	(744,306)	(45,015,377)
NET UNDERWRITING INCOME	2,546,770	7,272,224	2,316,858	1,489,781	1,213,301	797,304	15,636,238
Other operating (expenses) / income							
Provision for doubtful debts							382,754
General and administrative expenses							(18,266,783)
Commission income							14,000
Gain / (loss) on sale of available-for-sale investments							-
Impairment of available for sale investments							-
Dividend							275,201
Total other operating expenses							(17,594,828)
NET DEFICIT OF INSURANCE OPERATIONS'							(1,958,590)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

11. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties represent the main shareholders, directors, and senior management employees of the company, the companies that they are their main owners, and any other companies that are subject to their control or are jointly controlled or have effective control over them. Pricing policies and terms of these transactions are approved by the company's management and the Board of Directors. Details of major related party transactions and their balances are as follows:

Related party	Nature of transactions	31 March 2021 (Unaudited) SR	31 March 2020 (Unaudited) SR
Board of Directors and the companies they represent	- Gross Premiums written	49,287	84,681
	- Claims paid	137,418	565,310
Arabia Insurance Company - Lebanon (shareholder)	- Expenses paid by the Company to Arabia Insurance Company	-	41,197
	- Expenses paid by Arabia Insurance Company behalf on behalf of the Company	-	434
Jordan Insurance Company - (shareholder)	- Reinsurance operations, net	-	84,681

The above transactions with the related parties resulted in the following balances:

	31 March 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Arabia Insurance Company – Lebanon – Shareholder	9,652	9,652
Jordan Insurance Company – Shareholder	83,346	83,346
Board members and the companies they represent	785,345	877,120
Reinsurance balance due from Jordan Insurance Company	546,767	546,767

Compensation of key management personnel

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

	31 March 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Short-term benefits	1,039,395	912,998
End of service benefit	34,933	39,958
	1,074,328	952,956

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

12. ZAKAT AND INCOME TAX ACCRUED

Zakat charge for the period

The zakat provision consists of the zakat charged during the period in the amount of SR 2,119,931 (March 31, 2020: SAR 1,500,000). The zakat provision is calculated on the Saudi shareholders' share of the capital at 68.6% (2020: 68.6%).

Income tax charge for the period

Income tax provision consists of income tax charged during the period in an amount of zero Saudi riyals (March 31, 2020: zero Saudi riyals). Income tax is calculated on the share of capital by non-Saudi shareholders at a rate of 31.4% (2019: 31.4%).

The Company charged an estimated amount of Zakat and income tax for the year ended 31 December 2020 by SR 6,000,000 (31 December 2019: SR 4,552,544)

Status of assessment

The company submitted its tax and zakat returns to the General Authority of Zakat and Tax for all years up to the fiscal year ending on December 31, 2019, and the company has received a restricted certificate for the fiscal year ending December 31, 2019.

Zakat, income tax and withholding tax

On January 4, 2021, the company received an invitation from the General Authority for Zakat and Income to attend the discussion of its objection to the zakat and tax assessments for the years 2015, 2016 and 2017, and the authority requested to provide it with new requirements, and the company responded to its request immediately.

According to this meeting, the company received the result of studying the objection, as some items were accepted by the authority and others were rejected.

Partial acceptance notices were issued after the company objected to the zakat and tax assessments for the years: 2015, 2016, and 2017, and the company subsequently accepted the differences related to zakat and income tax and paid the resulting amounts of total SR 519,794, and at the same time it lodged a grievance regarding the withholding tax assessments before the committee for the first chapter in tax violations and disputes at the specified date.

The company has paid the sums arising from the items of discrepancies related to income tax only resulting from the decision of the First Committee for Settling Tax Disputes, which relates to the Zakat and tax objection for the aforementioned years 2013 and 2014, in order to benefit from the grace period granted by the Authority for exemption from fines if paid before March 31, 2021. On January 4, 2021, the company appealed the First Committee's decision issued against the company regarding its grievance regarding the zakat and tax assessments relating to the years 2013 and 2014.

Value added tax

During the first quarter, there was an exchange of reply notes regarding the company's grievance against the Authority's assessment of the value-added tax. According to the request received from the General Secretariat of the Tax Committees on February 4, 2021, the company responded to the reply memorandum submitted by the General Authority for Zakat and Income within the specified time limit.

13. SHARE CAPITAL

The authorized, issued and fully paid up share capital is SR 265 million and consists of 26.5 million shares with a par value of SR 10 per share for 2021 and 2020. The Board of Directors' resolution of 20 December 2018 recommended an increase in the Company's capital by SR 265 million Saudi Riyal through the issue of preference rights shares. This decision will be followed by all the laws stipulated in the relevant laws and regulations. The company announced that it had submitted, on April 25, 2021, the application file for the approval of the capital increase to the Capital Market Authority.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

14. CAPITAL MANAGEMENT

Objectives are set by the company to maintain good capital ratios in order to support its business objectives and increase shareholder value.

A firm manages its capital requirements by assessing deficiencies between the authorized and required levels of capital on a regular basis.

Adjustments are made to current capital levels in light of changes in market conditions and the risk characteristics of the Company's activities. To maintain or adjust capital, the company may adjust dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the company has fully complied with the capital requirements imposed from abroad during the reported financial period.

15. EARNINGS PER SHARE

The earnings per share for the three-month period ending March 31, 2021 and March 31, 2020 is calculated by dividing the net profit / (loss) of the period attributed to shareholders by the average number of shares issued for the period.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

16. SUPPLEMENTARY INFORMATION
- STATEMENT OF FINANCIAL POSITION

	In Saudi Riyals					
	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>Assets</u>						
Cash and cash equivalents	14,828,426	54,876,843	69,705,269	33,351,069	115,976,385	149,327,454
Premiums and reinsurers' receivable – net	252,070,327	-	252,070,327	141,113,737	-	141,113,737
Reinsurers' share of unearned premium	69,816,485	-	69,816,485	42,904,729	-	42,904,729
Reinsurers' share of outstanding claims	33,456,257	-	33,456,257	33,977,846	-	33,977,846
Reinsurers' share of claims incurred but not reported	9,064,725	-	9,064,725	9,378,725	-	9,378,725
Deferred policy acquisition cost	19,916,688	-	19,916,688	11,017,762	-	11,017,762
Deferred excess of loss premiums	3,676,026	-	3,676,026	-	-	-
Investments	32,653,125	114,377,178	147,030,303	32,653,125	71,500,387	104,153,512
Amounts due from shareholders' operations	48,635,876	-	48,635,876	41,909,640	-	41,909,640
Due from a related party	92,998	-	92,998	92,998	-	92,998
Prepaid expenses and other assets	16,364,488	1,229,069	17,593,557	17,590,706	722,807	18,313,513
Right of use assets	4,832,643	-	4,832,643	5,371,952	-	5,371,952
Term deposits	20,350,000	69,623,527	89,973,527	20,350,000	43,414,208	63,764,208
Property and equipment, net	6,351,512	-	6,351,512	6,598,727	-	6,598,727
Statutory deposit	-	40,000,000	40,000,000	-	40,000,000	40,000,000
Return on statutory deposit	-	4,322,856	4,322,856	-	4,290,280	4,290,280
<u>Total assets</u>	532,109,576	284,429,473	816,539,049	396,311,016	275,904,067	672,215,083
<u>Liabilities</u>						
Accounts payable	27,714,113	-	27,714,113	23,683,805	-	23,683,805
Accrued expenses and other liabilities	34,974,918	1,269,805	36,244,723	26,554,663	1,655,874	28,210,537
Reinsurance balances payable	67,098,574	-	67,098,574	29,424,459	-	29,424,459
Unearned insurance premiums	229,304,666	-	229,304,666	140,802,544	-	140,802,544
Unearned reinsurance commissions	7,367,506	-	7,367,506	3,277,777	-	3,277,777
Outstanding claims	76,720,633	-	76,720,633	80,887,169	-	80,887,169
Claims incurred but not reported	56,469,723	-	56,469,723	59,981,723	-	59,981,723
Premium deficiency reserve	16,472,000	-	16,472,000	15,630,000	-	15,630,000
End of service benefits	10,504,538	-	10,504,538	10,427,777	-	10,427,777
Zakat and income tax payable	-	7,882,117	7,882,117	-	6,281,980	6,281,980
Lease liability	4,555,507	-	4,555,507	4,911,126	-	4,911,126
Return on statutory deposit	-	4,322,856	4,322,856	-	4,290,280	4,290,280
Amounts due to insurance operations	-	48,635,876	48,635,876	-	41,909,640	41,909,640
<u>Total liabilities</u>	531,182,178	62,110,654	593,292,832	395,581,043	54,137,774	449,718,817
<u>Cumulative surplus</u>						
Accumulated surplus payable	2,450,330	-	2,450,330	2,252,905	-	2,252,905
Actuarial loss on defined benefit plan	(1,522,932)	-	(1,522,932)	(1,522,932)	-	(1,522,932)
<u>Total liabilities and accrued surplus</u>	532,109,576	62,110,654	594,220,230	396,311,016	54,137,774	450,448,790
<u>Shareholders' equity</u>						
Equity capital	-	265,000,000	265,000,000	-	265,000,000	265,000,000
Accumulated losses	-	(43,836,411)	(43,836,411)	-	(43,978,974)	(43,978,974)
Investment of available-for-sale revaluation reserve	-	1,155,230	1,155,230	-	745,267	745,267
<u>Total shareholders' equity</u>	-	222,318,819	222,318,819	-	221,766,293	221,766,293
<u>Total liabilities and shareholders' equity</u>	532,109,576	284,429,473	816,539,049	396,311,016	275,904,067	672,215,083

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

16. SUPPLEMENTARY INFORMATION – (continued)

- STATEMENT OF INCOME

	In Saudi Riyals					
	For the three months' period ended 31 March 2021 (Unaudited)			For the three months' period ended 31 March 2020 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written	175,594,007	-	175,594,007	120,920,176	-	120,920,176
Reinsurance premiums ceded						
- Foreign	(43,906,296)	-	(43,906,296)	(17,241,237)	-	(17,241,237)
- Local	(9,145,214)	-	(9,145,214)	(2,745,608)	-	(2,745,608)
Excess of loss expenses	(1,225,344)	-	(1,225,344)	(1,080,000)	-	(1,080,000)
Net premiums written	121,317,153	-	121,317,153	99,853,331	-	99,853,331
Changes in unearned premiums, net	(61,590,366)	-	(61,590,366)	(42,307,473)	-	(42,307,473)
Net premiums earned	59,726,787	-	59,726,787	57,545,858	-	57,545,858
Reinsurance commission earned	5,262,961	-	5,262,961	3,105,757	-	3,105,757
Other income	1,488,265	-	1,488,265	-	-	-
TOTAL REVENUES	66,478,013	-	66,478,013	60,651,615	-	60,651,615
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(62,134,663)	-	(62,134,663)	(60,272,980)	-	(60,272,980)
Reinsurers' share of claims paid	12,107,686	-	12,107,686	19,823,418	-	19,823,418
Net claims paid	(50,026,977)	-	(50,026,977)	(40,449,562)	-	(40,449,562)
Changes in outstanding claims, net	3,644,947	-	3,644,947	561,162	-	561,162
Changes in claims incurred but not reported, net	3,198,000	-	3,198,000	1,420,999	-	1,420,999
Net claims incurred	(43,184,030)	-	(43,184,030)	(38,467,401)	-	(38,467,401)
Policy acquisition costs	(6,471,861)	-	(6,471,861)	(4,458,776)	-	(4,458,776)
Changes in premium deficiency reserve	(842,000)	-	(842,000)	(2,089,200)	-	(2,089,200)
Total underwriting costs and expenses	(50,497,891)	-	(50,497,891)	(45,015,377)	-	(45,015,377)
NET UNDERWRITING INCOME	15,980,122	-	15,980,122	15,636,238	-	15,636,238
OPERATING (EXPENSES) / INCOME						
Provision for doubtful debts	2,534,576	-	2,534,576	382,754	-	382,754
General and administrative expenses	(16,870,505)	(190,154)	(17,060,659)	(18,266,783)	(248,621)	(18,515,404)
Commission income	38,156	194,784	232,940	14,000	930,353	944,353
Gain on sale of available for sale investments	-	-	-	-	768,858	768,858
Dividend income	291,901	481,039	772,940	275,201	698,232	973,433
Total other operating (expenses) / income	(14,005,872)	485,669	(13,520,203)	(17,594,828)	2,148,822	(15,446,006)
Total profit / (loss) for the period	1,974,250	485,669	2,459,919	(1,958,590)	2,148,822	190,232
Income / (Loss) for the period attributed to the shareholders	(1,776,825)	1,776,825	-	1,958,590	(1,958,590)	-
Net income / (loss) for the period before zakat and income tax	197,425	2,262,494	2,459,919	-	190,232	190,232
Zakat and income tax	-	(2,119,931)	(2,119,931)	-	(1,500,000)	(1,500,000)
Net income / (loss) after zakat and income tax	197,425	142,563	339,988	-	(1,309,768)	(1,309,768)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

16. SUPPLEMENTARY INFORMATION – (continued)

- STATEMENT OF COMPREHENSIVE INCOME

	In Saudi Riyals					
	For the three months' period ended 31 March 2021 (Unaudited)			For the three months' period ended 31 March 2020 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income / (loss) for the period	197,425	142,563	339,988	-	(1,309,768)	(1,309,768)
Other comprehensive income:						
<i>Items that may or may not be reclassified subsequently to the interim condensed statement of income:</i>						
<i>Items that can be reclassified subsequently to the statement of income:</i>						
Available-for-sale investments:						
- Net change in fair value	-	409,963	409,963	-	(1,021,077)	(1,021,077)
<u>Total comprehensive income for the period</u>	-	409,963	409,963	-	(1,021,077)	(1,021,077)
<u>Total comprehensive income / (loss) for the period</u>	197,425	552,526	749,951	-	(2,330,845)	(2,330,845)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

16. SUPPLEMENTARY INFORMATION – (continued)

- STATEMENT OF CASH FLOWS

	In Saudi Riyals					
	Period Ended March 31, 2021 (Unaudited)			Period Ended March 31, 2020 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit / (loss) for the period	197,425	142,563	339,988	-	(1,309,768)	(1,309,768)
<i>Adjustments for non-cash items:</i>						
Depreciation of property equipment	604,509	-	604,509	520,135	-	520,135
Gain from sale property and equipment	-	-	-	-	(768,858)	(768,858)
Gain from sale of available for sale investments	-	-	-	(3,000)	-	(3,000)
Depreciation of right of use assets	539,309	-	539,309	488,525	-	488,525
Finance charges	48,944	-	48,944	62,389	-	62,389
Provision of allowance for doubtful debts	(2,534,576)	-	(2,534,576)	(382,754)	-	(382,754)
(Gains) / losses on sold of available for sale investments	-	-	-	-	-	-
Impairment loss on available for sale investment	-	-	-	-	-	-
Provision for end-of-service indemnities	421,917	-	421,917	429,042	-	429,042
Zakat and income tax accrued	-	2,119,931	2,119,931	-	1,500,000	1,500,000
	(722,472)	2,262,494	1,540,022	1,114,337	(578,626)	535,711
Changes in operating assets and liabilities:						
Premiums and reinsurance receivables	(108,422,014)	-	(108,422,014)	(50,931,393)	-	(50,931,393)
Reinsurers share of unearned premiums	(26,911,756)	-	(26,911,756)	8,978,327	-	8,978,327
Reinsurers share of outstanding claims	521,589	-	521,589	(1,874,783)	-	(1,874,783)
Reinsurers' share of claims incurred but not reported	314,000	-	314,000	(3,534,000)	-	(3,534,000)
Deferred policy acquisition costs	(8,898,926)	-	(8,898,926)	(4,532,577)	-	(4,532,577)
Deferred excess of loss premiums	(3,676,026)	-	(3,676,026)	(3,240,000)	-	(3,240,000)
Prepaid expenses and other assets	637,962	(506,261)	131,701	3,154,061	(1,008,866)	2,145,195
Accounts payable	4,030,308	-	4,030,308	2,587,063	-	2,587,063
Accrued expenses and other liabilities	8,420,256	(386,070)	8,034,186	3,542,316	22,500	3,564,816
Reinsurer's balances payable	37,674,115	-	37,674,115	(10,049,063)	-	(10,049,063)
Unearned insurance premiums	88,502,122	-	88,502,122	33,329,146	-	33,329,146
Uninsured reinsurance commissions	4,089,729	-	4,089,729	(468,916)	-	(468,916)
Outstanding claims	(4,166,536)	-	(4,166,536)	1,313,621	-	1,313,621
Claims incurred but not reported	(3,512,000)	-	(3,512,000)	2,113,000	-	2,113,000
Premium deficiency reserve and other reserves	842,000	-	842,000	2,089,200	-	2,089,200
Accrued surplus distributions	-	-	-	(500,484)	-	(500,484)
Amounts due to related parties	-	-	-	(41,197)	-	(41,197)
Net cash from / (used in) operating activities	(11,277,649)	1,370,163	(9,907,486)	(16,951,342)	(1,564,992)	(18,516,334)
Zakat and income tax paid	-	(519,795)	(519,795)	-	-	-
End of service indemnities paid	(345,156)	-	(345,156)	(1,540,188)	-	(1,540,188)
Net cash (used in) / from operating activities	(11,622,805)	850,368	(10,772,437)	(18,491,530)	(1,564,992)	(20,056,522)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions / (disposals) in investments	-	(42,466,827)	(42,466,827)	-	4,068,858	4,068,858
Additions / (disposals) in term deposits	-	(26,209,319)	(26,209,319)	10,000,000	(4,560,090)	5,439,910
Additions in property and equipment	(357,292)	-	(357,292)	(935,710)	-	(935,710)
Net cash from / (used in) investing activities	(357,292)	(68,676,146)	(69,033,438)	9,064,290	(491,232)	8,573,058
CASH FLOWS FROM FINANCING ACTIVITIES						
Due from / to shareholders'	(6,726,236)	6,726,236	-	18,876,420	(18,876,420)	-
Right of use assets paid	183,690	-	183,690	198,281	-	198,281
Net cash (used in) / from financing activities	(6,542,546)	6,726,236	183,690	19,074,701	(18,876,420)	198,281
Net change in cash and cash equivalents	(18,522,643)	(61,099,542)	(79,622,185)	9,647,461	(20,932,644)	(11,285,183)
Cash and cash equivalents at the beginning of the period	33,351,069	115,976,385	149,327,454	24,006,060	42,586,602	66,592,662
Cash and cash equivalents at the end of the period	14,828,426	54,876,843	69,705,269	33,653,521	21,653,958	55,307,479
NON-CASH INFORMATION						
Changes in fair value of available for sale investments	-	409,964	409,964	-	(1,021,077)	(1,021,077)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

17. PREMIUMS WRITTEN BY TYPE OF CUSTOMERS

For the three months period ended 31 March 2021					
Gross written premiums	Medical	Motors	Property and accidents	Protection and Savings	Total
Individual clients	5,381,989	8,516,368	293,433	-	14,191,790
Very small size entities	1,476,179	39,032	473,905	-	1,989,116
Small size Entities	3,211,237	1,178,680	5,398,832	2,828	9,791,577
Medium size entities	4,037,923	19,503,399	7,576,671	341,582	31,459,575
Large size entities	31,677,974	47,704,409	38,779,566	-	118,161,949
Total	45,785,302	76,941,888	52,522,407	344,410	175,594,007

18. COMPARATIVE FIGURES

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

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 04 May 2021 corresponding to (22 Ramadan 1442 H)