

**Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)**

**Interim Condensed Financial Statements
(Unaudited)**

Together with Independent Auditors' Review Report

**For the three-months and nine-months periods ended
30 September 2020**

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

INDEX	PAGE
Independent Auditors' Review Report	2
Interim Statement of Financial Position	3
Interim Statement of Income	4 – 5
Interim Statement of Comprehensive Income	6
Interim Statement of Changes in Equity	7
Interim Statement of Cash Flows	8
Notes to the Interim Condensed Financial Statements	9 – 35

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

**TO THE SHAREHOLDERS OF SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Saudi Enaya Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as of 30 September 2020 and the related interim statements of income and comprehensive income for the three-months and nine-months periods then ended and the related interim statements of changes in equity and cash flows for the nine-months period then ended and a summary of significant accounting policies and other explanatory notes (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) that is 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 Engagement 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 are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

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License No. 335


1 November 2020
15 Rabi-Al-Awwal 1442H
Jeddah, Kingdom of Saudi Arabia



**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

		30 September 2020	31 December 2019
	Notes	(Unaudited)	(Audited)
		SAR '000	
ASSETS			
Cash and cash equivalents	5	54,157	77,375
Short term murabaha deposits	6	76,906	76,036
Premiums receivable, net	7	64,236	44,855
Reinsurer receivable		3,991	2,995
Reinsurer share of outstanding claims	11	203	1,034
Reinsurer share of claims incurred but not reported	11	-	94
Deferred policy acquisition costs		2,595	2,851
Investments	8	68,263	72,950
Prepaid expenses and other assets		7,838	14,975
Property and equipment, net		1,692	2,392
Intangible assets, net		1,028	1,106
Right of use assets, net	9	3,263	-
Statutory deposit	10	45,000	45,000
Accrued commission income on statutory deposit		4,320	3,492
TOTAL ASSETS		333,492	345,159
LIABILITIES			
Accrued and other liabilities		38,950	36,232
Unearned premiums	11	77,728	75,920
Outstanding claims	11	29,432	21,431
Claims incurred but not reported	11	12,538	18,493
Premium deficiency reserve	11	19,372	17,335
Other technical reserves	11	1,363	1,460
End-of-service indemnities		4,857	5,934
Lease liabilities	9	2,193	-
Zakat and income tax	16	17,298	15,498
Accrued commission income payable to SAMA		4,320	3,492
TOTAL LIABILITIES		208,051	195,795
SHAREHOLDERS' EQUITY			
Share capital	17	150,000	300,000
Accumulated losses		(24,783)	(150,860)
TOTAL SHAREHOLDERS' EQUITY		125,217	149,140
Re-measurement reserve of defined indemnities obligation		224	224
TOTAL EQUITY		125,441	149,364
TOTAL LIABILITIES AND EQUITY		333,492	345,159
COMMITMENTS AND CONTINGENCIES	12	12,545	12,545


Chairman


Chief Financial Officer


Chief Executive Officer

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

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF INCOME – (UNAUDITED)

FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER

Notes	Three-months period ended 30 September		Nine-months period ended 30 September	
	2020	2019	2020	2019
	SAR '000			
<u>REVENUES</u>				
Gross premiums written	46,291	53,772	133,331	118,012
Excess of loss expenses	-	-	-	-
Net premiums written	46,291	53,772	133,331	118,012
Changes in unearned premiums, net	(4,468)	(26,744)	(1,808)	(54,695)
Net premiums earned	41,823	27,028	131,523	63,317
<u>TOTAL REVENUES</u>	41,823	27,028	131,523	63,317
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	34,694	23,734	110,591	111,021
Reinsurers' share of claims paid	(49)	(1,401)	(996)	(6,377)
Net claims paid	34,645	22,333	109,595	104,644
Changes in outstanding claims, net	10,782	7,441	8,832	(19,937)
Changes in claims incurred but not reported, net	(6,470)	4,795	(5,861)	1,835
Net claims incurred	38,957	34,569	112,566	86,542
Premium deficiency reserve	(878)	7,621	2,037	14,388
Other technical reserves	(54)	434	(97)	716
Policy acquisition costs	1,412	1,121	4,435	3,038
Other underwriting expenses	947	1,262	2,432	2,932
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	40,384	45,007	121,373	107,616
NET UNDERWRITING RESULT	1,439	(17,979)	10,150	(44,299)



Chairman



Chief Financial Officer



Chief Executive Officer

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

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF INCOME – (UNAUDITED) – (CONTINUED)

FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER

		Three-months period ended 30 September		Nine-months period ended 30 September	
	Notes	2020	2019	2020	2019
SAR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
Release of / (allowance for) doubtful debts	7	1,579	(4,410)	4,577	(1,447)
General and administrative expenses		(14,860)	(12,178)	(42,195)	(37,867)
Investment income		1,089	1,605	3,633	5,154
Realized gain on investments		158	-	158	-
Unrealized gain on investments		495	100	72	283
Other income		-	-	1,482	-
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(11,539)</u>	<u>(14,883)</u>	<u>(32,273)</u>	<u>(33,877)</u>
Net loss for the period		(10,100)	(32,862)	(22,123)	(78,176)
Net income attributed to the insurance operations		-	-	-	-
Net loss for the period attributable to the shareholders before zakat		(10,100)	(32,862)	(22,123)	(78,176)
Zakat expense	16	(600)	(600)	(1,800)	(1,800)
Net loss for the period attributable to the shareholders		(10,700)	(33,462)	(23,923)	(79,976)
loss per share (Expressed in SAR per share)					
Weighted average number of ordinary shares outstanding (in thousands)		15,000	14,213	15,000	14,213
Basic and diluted loss per share for the period (SR) – restated – 2019	19	(0.71)	(2.35)	(1.59)	(5.63)



Chairman



Chief Financial Officer



Chief Executive Officer

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

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF COMPREHENSIVE INCOME – (UNAUDITED)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER**

	Three-months period ended 30 September		Nine-months period ended 30 September	
	2020	2019	2020	2019
	SAR '000			
Net loss for the period	(10,700)	(33,462)	(23,923)	(79,976)
Other comprehensive income / (loss)	-	-	-	-
<u>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</u>	<u>(10,700)</u>	<u>(33,462)</u>	<u>(23,923)</u>	<u>(79,976)</u>
Total comprehensive loss attributable to the insurance operations	-	-	-	-
Total comprehensive loss for the period attributable to the shareholders	<u>(10,700)</u>	<u>(33,462)</u>	<u>(23,923)</u>	<u>(79,976)</u>



Chairman



Chief Financial Officer



Chief Executive Officer

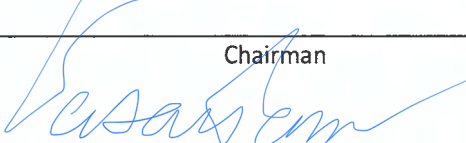
The accompanying notes from 1 – 22 form an integral part of these interim condensed financial statements.

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

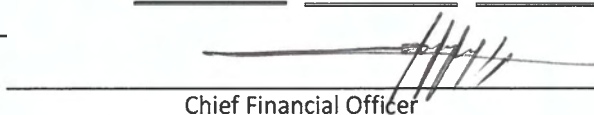
**INTERIM STATEMENT OF CHANGES IN EQUITY – (UNAUDITED)
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER**

	Related to shareholders'				
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of defined indemnities obligation – related to insurance operations	Total equity
	SAR '000				
2020					
Balance as at 31 December 2019 (Audited)	300,000	(150,860)	149,140	224	149,364
<i>Comprehensive loss for the period</i>					
Net loss for the period	-	(23,923)	(23,923)	-	(23,923)
Other comprehensive income / (loss)	-	-	-	-	-
<i>Total comprehensive loss for the period</i>	-	(23,923)	(23,923)	-	(23,923)
Reduction of share capital (note 17)	(150,000)	150,000	-	-	-
Balance as at 30 September 2020 (Unaudited)	150,000	(24,783)	125,217	224	125,441
2019					
Balance as at 31 December 2018 (Audited)	100,000	(44,708)	55,292	774	56,066
<i>Comprehensive loss for the period</i>					
Net loss for the period	-	(79,976)	(79,976)	-	(79,976)
Other comprehensive income / (loss)	-	-	-	-	-
<i>Total comprehensive loss for the period</i>	-	(79,976)	(79,976)	-	(79,976)
Issuance of right shares (note 17)	200,000	-	200,000	-	200,000
Balance as at 30 September 2019 (Unaudited)	300,000	(124,684)	175,316	774	176,090

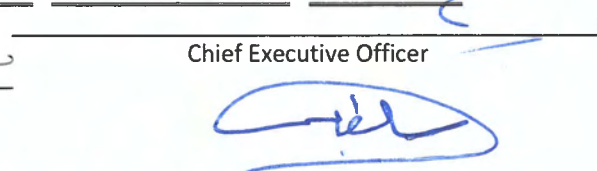
Chairman



Chief Financial Officer



Chief Executive Officer



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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASH FLOWS – (UNAUDITED)
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER

	2020	2019
	SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period before zakat	(22,123)	(78,176)
<u>Adjustments for non-cash items:</u>		
Depreciation of property and equipment	767	704
Depreciation of right of use assets	521	-
Finance cost on lease liabilities	24	-
Amortization of intangible assets	365	582
(Release of) / allowance for doubtful debts	(4,577)	1,447
Realized gain on investments	(158)	-
Unrealized gain on investments	(72)	(178)
Amortization of discount, net	(119)	(105)
Provision for end-of-service indemnities	578	1,297
	(24,794)	(74,429)
<u>Changes in operating assets and liabilities:</u>		
Premiums receivable	(14,800)	(45,565)
Reinsurer receivable	(996)	(5,439)
Reinsurer share of outstanding claims	831	5,132
Reinsurer share of incurred but not reported claims	94	1,692
Reinsurer share of premium deficiency reserve	-	610
Deferred policy acquisition costs	256	(1,755)
Prepaid expenses and other assets	7,137	1,450
Accrued and other liabilities	2,718	(48,518)
Accrued commission income on statutory deposit	(828)	(896)
Reinsurer balances payable	-	(939)
Unearned premiums	1,808	54,695
Outstanding claims	8,001	(25,069)
Claims incurred but not reported claims	(5,955)	143
Premium deficiency reserve	2,037	13,778
Other technical reserves	(97)	716
Accrued commission income payable to SAMA	828	896
Cash used in operations activities	(23,760)	(123,498)
End-of-service indemnities paid	(1,655)	(781)
Net cash used in operating activities	(25,415)	(124,279)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(60,025)
Purchase of short term murabaha	(870)	-
Proceeds from sale of investments	5,036	5,000
Proceeds from maturing of short term murabaha deposits	-	1,980
Increase in statutory deposit	-	(15,000)
Purchase of property and equipment	(67)	(860)
Purchase of intangible assets	(287)	(404)
Net cash from / (used in) investing activities	3,812	(69,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of right shares	-	200,000
Payment of lease liabilities	(1,615)	-
Net cash (used in) / from financing activities	(1,615)	200,000
Net change in cash and cash equivalents	(23,218)	6,412
Cash and cash equivalents, beginning of the period	77,375	56,721
Cash and cash equivalents, end of the period	54,157	63,133


Chairman


Chief Financial Officer


Chief Executive Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

1. GENERAL

Saudi Enaya 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 98/Q dated 16 Rabi Al-Awwal 1433H (corresponding to 8 February 2012). The Commercial Registration number of the Company is 4030223528 dated 27 Rabi Al-Awwal 1433H (corresponding to 19 February 2012).

The Registered Office address of the Company is:

Building No. 8433
Prince Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435
Kingdom of Saudi Arabia

Following is the branch of the Company:

Branch
Riyadh

Commercial Registration Number:
1010421871

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/49 dated 27 Rajab 1432H (corresponding to 29 June 2011) pursuant to the Council of Ministers' Resolution No 224 dated 25 Rajab 1432H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi shareholders and the general public and 23% owned by non-Saudi shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 February 2012.

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and brokerage, in the Kingdom of Saudi Arabia in accordance with its Articles of Association, and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only. The Company commenced its commercial operations on 7 January 2013.

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial information for the three months and nine-months periods ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value. The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, investment in Murabaha deposits, premiums receivable-net, due from reinsurers-net, reinsurers' share of unearned premiums, deferred policy acquisition costs, deferred excess of loss premiums, prepayments and other assets, due to policyholders, reinsurers and brokers, accrued expenses, unearned premiums and reinsurance commission, outstanding claims and claims IBNR, provision for premium deficiency reserve, other technical reserves and accrued Zakat. The following balances would generally be classified as non-current: outstanding claims, claims IBNR, end-of-service indemnities, related parties balances, accrued interest on statutory deposit, investments held at fair value through income statement, available-for-sale investment, statutory deposit, property and equipment, and intangible assets.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

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 information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. Similarly, in the past, the Company's interim condensed and annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 27 to 34 of the interim condensed financial statements have been provided as supplementary financial information and 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 interim condensed 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. Interoperation balances, transactions and unrealized 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 like transactions and events in similar circumstances.

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

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 (SAR) 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.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION – (continued)

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2019 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim condensed statement of changes in shareholders' equity for the period. Further, 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. For further details, please see note 21 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

a. New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, "Presentation of financial statements", and IAS 8, "Accounting policies, changes in accounting estimates and errors", and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information -Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The Company has assessed the impact and concludes that the relevant new standard and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements. Lease agreement is not falling under qualified lease. Thus, no right of use has been recognized.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 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 listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

IFRS 17 – Insurance Contracts

Overview

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

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

- A) embedded derivatives, if they meet certain specified criteria;
- B) distinct investment components; and
- C) 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.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

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;

- A) changes in the entity's share of the fair value of underlying items,
- B) 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 Company intends to apply the Standard on its effective date i.e. 1 January 2023. In May 2017, the International Accounting Standards Board ("IASB") published the final version of IFRS 17 Insurance Contracts. On 17 March 2020, IASB has tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2023. The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional one year of deferral, meaning they could apply as at both standards for the first time in reporting periods beginning on or after 1 January 2023. In June 2020, the IASB amended IFRS 17 Insurance Contracts. The amendments are aimed at helping companies implement the IFRS 17 and making it easier for them to explain their financial performance. IFRS 17 incorporating the amendments is effective from annual reporting periods beginning on or after 1 January 2023. SAMA is rolling out instructions for design phase. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

Transition

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

Presentation and Disclosures

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

Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these interim condensed financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company expects a material impact on measurement and disclosure of insurance and cession that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

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:

a) 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:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- 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:

- 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
- 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.

b) 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.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

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

The Company has performed a detailed assessment beginning 1 January 2017: (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

Impact assessment

The Company is currently assessing the impact of the application and implementation of IFRS 9. As of the date of the publication of these interim condensed financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. However, the Company expects the classification and measurement of financial assets to be impacted from implementation of IFRS 9 as company is yet to perform a detailed review.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

4. GOING CONCERN

On 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company appointed a Financial Advisor to initiate the reduction process. On 22 April 2020, in an Extraordinary General Assembly Meeting, it resolved to reduce the Company's share capital from SR 300 million to SR 150 million. As at 30 September 2020, the Company's accumulated losses reached 16.6% of its share capital (31 December 2019: 50.29%). The Company Board of Directors has approved the revised business plan. The Management is confident of having positive outcome of the strategy and contented that the Company's operations shall continue for foreseeable future under normal course of business and is satisfied that the going concern basis of preparation of the interim condensed financial statements is appropriate. Accordingly, the interim condensed financial statements has been prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Bank balances and cash	3,070	14,590
	Shareholders' operations	
	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Bank balances and cash	18	18
Murabaha deposits with an original maturity of 3 months from acquisition date	51,069	62,767
	51,087	62,785
Total	54,157	77,375

6. SHORT TERM MURABAHA DEPOSITS

Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 76.91 million (2019: SR 76.04 million), held in Saudi Arabian Riyals and are presented in the statement of financial position of the shareholders separately (note 20). As at 30 September 2020, the deposit carrying commission rates ranges from 0.90% to 1.65% (31 December 2019: 1.9% to 3.1%).

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

7. PREMIUMS RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Policyholders	32,634	44,929
Brokers and agents	17,125	12,472
Related parties (note 15)	33,190	10,748
	82,949	68,149
Provision for doubtful premiums receivables	(18,713)	(23,290)
Premiums receivable, net	64,236	44,859

Note: Premium balance receivable from brokers and agents at 30 September 2020 amounting to SAR 17.1 million (31 December 2019: SAR 12.5 million) are ultimately due from customers that are insured through brokers and agents.

Movement in the allowance for doubtful premiums receivable during the period was as follows:

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Balance at beginning of the period / year	23,290	16,328
(Released) / provided during the period / year	(4,577)	6,962
Balance at end of the period / year	18,713	23,290

8. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
- Held as FVSI	7,974	12,780
- Held to maturity	60,289	60,170
Total	68,263	72,950

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

8. INVESTMENTS – (continued)

Movement in the Fair value through statement of income (FVSI) investment balance is as follows:

	Shareholders' operations	
	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Opening balance	12,780	7,695
Purchases during the period / year	-	4,430
Disposals during the period/ year	(5,036)	-
Realized gain on investment	158	-
Changes in fair value of investments	72	655
<i>Closing balance</i>	7,974	12,780
	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Saudi Aramco	-	4,878
Al Badr Murabaha Fund	7,265	7,200
Saudi Fransi GCC IPO Fund	709	702
	7,974	12,780

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Opening balance	60,170	5,000
Placements during the period / year	-	60,023
Matured during the period / year	-	(5,000)
Amortization of held to maturity investments	119	147
Closing balance	60,289	60,170

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

9. LEASES

9.1 RIGHT-OF-USE ASSET, NET

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Building		
Cost:		
At beginning of the period / year	-	-
Additions during the period / year	3,784	-
At end of the period / year	3,784	-
Accumulated depreciation:		
At beginning of the period / year	-	-
Additions during the period / year	521	-
At end of the period / year	521	-
Net book value	3,263	-

9.2 LEASE LIABILITIES

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
At beginning of the period / year	-	-
Additions during the period / year	3,784	-
Finance cost	24	-
Payment made during the period / year	(1,615)	-
At end of the period / year	2,193	-

10. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SR 45 million (31 December 2019: SR 45 million), in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. During the three-months period ended 30 June 2020, the Company has reduced its share capital by SR 150 million, however not withdrawn the surplus statutory deposit of SR 22.5 million as at 30 September 2020. Subsequent to the period-end, on 1 October 2020, the Company received SAMA approval to withdraw the surplus statutory deposit. The Company in process to withdraw the surplus.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

11. TECHNICAL RESERVES

11.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Outstanding claims reserve	29,432	21,431
Claims incurred but not reported	12,538	18,493
	41,970	39,924
Premium deficiency reserve	19,372	17,335
Other technical reserves	1,363	1,460
	62,705	58,719
Less:		
- Reinsurer share of outstanding claims reserve	(203)	(1,034)
- Reinsurer share of claims incurred but not reported	-	(94)
	(203)	(1,128)
Net outstanding claims and reserves	62,502	57,591

11.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Nine-months period ended 30 September 2020 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	75,920	-	75,920
Premium written during the period	133,331	-	133,331
Premium earned during the period	(131,523)	-	(131,523)
Balance as at the end of the period	77,728	-	77,728
	Year ended 31 December 2019 (Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	20,338	-	20,338
Premium written during the year	154,028	-	154,028
Premium earned during the year	(98,446)	-	(98,446)
Balance as at the end of the year	75,920	-	75,920

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

12. COMMITMENTS AND CONTINGENCIES

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

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Letters of guarantee	12,545	12,545

- b. There were no capital commitments outstanding as at 30 September 2020 (31 December 2019: Nil).
- c. As at 30 September 2020, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2019: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT), which is secured against the Company's murabaha deposit of SR 14 million (31 December 2019: SR 14 million) with Saudi Arabian British Bank (SABB).

13. 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 statements.

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

13 FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

Shareholders' Operations	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
	SAR'000				
30 September 2020 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	7,974	7,974	-	-	7,974
	7,974	7,974	-	-	7,974
Financial assets not measured at fair value					
- Held to maturity investments	60,289	-	61,021	-	61,021
- Short term murabaha deposits	76,906	-	-	77,117	77,117
	137,195	-	61,021	77,117	138,138
31 December 2019 (Audited)					
Financial assets measured at fair value					
- Investments held as FVSI	12,780	12,780	-	-	12,780
	12,780	12,780	-	-	12,780
Financial assets not measured at fair value					
- Held to maturity investments	60,170	-	60,714	-	60,714
- Short term murabaha deposits	76,036	-	-	77,742	77,742
	136,206	-	60,714	77,742	138,456

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

14. OPERATING SEGMENTS

The Company only issues insurance contracts for providing health care services ('medical insurance') and all the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. The insurance operations are being monitored by management under one segment; hence no separate information is required.

15. 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:

	Nature of Transactions	Transactions for the		Balance receivable / (payable)	
		nine-months period ended		as at	
		30 September	30 September	30 September	31 December
		2020	2019	2020	2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
SAR'000					
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Related parties of Juffali Group (affiliates)	Insurance premium written	2,902	2,208	815	1,231
	Claims paid	1,108	2,676	-	-
	Purchase of computer equipment, licenses, vehicles and other services	519	329	-	-
	Commission paid	39	100	(71)	(32)
Related parties of Dr. Soliman Fakeeh Group– (affiliates)	Insurance premium written	21,477	20,059	16,863	9,517
	Claims paid	15,283	3,328	(3,274)	(5,430)
Related parties of International Medical Center – (affiliates)	Insurance premium written	32,787	-	15,512	-
	Claims paid	16,932	1,360	(2,344)	(1,381)

The above balances are included in premiums receivables, net, prepaid expenses and other assets and accrued expenses and other liabilities.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

15. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company. The compensation of key management personnel during the nine-months period is as follows:

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	2,695	2,678
End of service indemnities	100	97
	2,795	2,775

16. ZAKAT AND INCOME TAX

a. Charge for the period / year

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

Movements in provision during the period / year

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
	SAR'000	
Balance at the beginning of the period / year	15,498	10,698
Charge for the period / year	1,800	4,800
Balance at the end of the period / year	17,298	15,498

As the Company has incurred a loss during the nine-months period ended 30 September 2020, and in previous years, no provision has been established in respect of income tax in these interim condensed financial statements.

b. Status of zakat assessments

The Company has filed its Zakat and tax return for the first twelve month period ended 30 June 2012 with the General Authority of Zakat and Tax ("GAZT"). The Company has also filed its Zakat and income tax return for the long period from 8 February 2012 to 31 December 2013 and for the years from 2014 to 2019 and obtained restricted zakat certificates. The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. The Company has filed an appeal against such assessment. The Company submitted an appeal against the GAZT treatment and is confident of a favourable outcome.

During 2017, the Company filed an appeal to the Appellate Committee for Zakat and Tax Appeal ("ACZTA") against the Preliminary Objection Committee's ("POC") decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability. The appeal case has registered with the General Secretariat of Tax Committees ("GSTC") and hearing date is awaited.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declarations filed by the Company. The Zakat is applicable on 81% of the shareholders' while Income Tax on 19% of the shareholders'.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

17. SHARE CAPITAL

As at 31 December 2019, the authorized, subscribed and paid up share capital of the Company was SR 300 million, divided into 30 million shares of SR 10 each.

On 18 January 2020, the Board of Directors had recommended reducing the Company's share capital from SR 300 million to SR 150 million divided into 15 million shares by off-setting with accumulated losses. In an extra-ordinary general meeting (second meeting) held on 29 Sha'ban 1441H corresponding to 22 April 2020, the shareholders' of the Company approved the reduction and the required changes in the Company by-laws relating to this reduction. Accordingly, the share capital and accumulated losses have been reduced by SR 150 million. The capital reduction is through reduction of 1 share for every 2 shares held by the shareholder. The purpose of capital reduction is to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There will be no impact of capital reduction on the Company's financial obligations.

As at 30 September 2020, the authorized, subscribed and paid up share capital of the Company is SR 150 million, divided into 15 million shares of SR 10 each.

18. 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 that the Company has fully complied with the externally imposed capital requirements during the reported financial period.

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

19. LOSS PER SHARE

Loss per share for the period has been calculated by dividing the net loss for the period by the weighted average number of issued and outstanding shares for the period. The Company have reduced its share capital by offsetting with accumulated loss (note 17), as result the weighted average number of ordinary shares issued and outstanding in the prior year has been restated to 15 million shares and accordingly loss per share is restated.

- A) The weighted average number of shares has been retrospectively adjusted for prior period to reflect the reduction in share capital as required by IAS 33 "Earnings per share" as follows:

	Nine-months period ended	
	30 September 2020 (Unaudited)	30 September 2019 (Unaudited) Restated
	'000	
Issued and outstanding ordinary shares as at 1 January	30,000	10,000
Effect of right share issue	-	19,213
Effect of reduction of share capital	(15,000)	(15,000)
Weighted average number of ordinary shares outstanding	15,000	14,213

- B) The basic and diluted loss per share is calculated as follows:

	Nine-month period ended	
	30 September 2020 (Unaudited)	30 September 2019 (Unaudited) (Restated)
	SAR'000	
Net loss for the period	(23,923)	(79,976)
Weighted average number of ordinary shares outstanding	15,000	14,213
Basic and diluted loss per share (SR)	(1.59)	(5.63)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION

a) Interim statement of financial position

	30 September 2020			31 December 2019		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	3,070	51,087	54,157	14,590	62,785	77,375
Short term murabaha deposits	-	76,906	76,906	-	76,036	76,036
Premiums receivable – net	64,236	-	64,236	44,859	-	44,859
Reinsurer receivable	3,991	-	3,991	2,995	-	2,995
Reinsurer share of outstanding claims	203	-	203	1,034	-	1,034
Reinsurer share of claims incurred but not reported	-	-	-	94	-	94
Deferred policy acquisition costs	2,595	-	2,595	2,851	-	2,851
Investments	-	68,263	68,263	-	72,950	72,950
Due from shareholders' operations	98,819	-	98,819	93,217	-	93,217
Prepaid expenses and other assets	6,760	1,078	7,838	12,653	2,322	14,975
Property and equipment	1,692	-	1,692	2,392	-	2,392
Intangible assets	1,028	-	1,028	1,106	-	1,106
Right of use assets – net	3,263	-	3,263	-	-	-
Statutory deposit	-	45,000	45,000	-	45,000	45,000
Accrued commission income on statutory deposit	-	4,320	4,320	-	3,492	3,492
	185,657	246,654	432,311	175,791	262,585	438,376
Less: Inter-operations eliminations	(98,819)	-	(98,819)	(93,217)	-	(93,217)
TOTAL ASSETS	86,838	246,654	333,492	82,574	262,585	345,159

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – (continued)

	30 September 2020			31 December 2019		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
LIABILITIES						
Accrued and other liabilities	37,950	1,000	38,950	34,994	1,238	36,232
Unearned premiums	77,728	-	77,728	75,920	-	75,920
Outstanding claims	29,432	-	29,432	21,431	-	21,431
Claims incurred but not reported	12,538	-	12,538	18,493	-	18,493
Premium deficiency reserve	19,372	-	19,372	17,335	-	17,335
Other technical reserves	1,363	-	1,363	1,460	-	1,460
Due to insurance operations	-	98,819	98,819	-	93,217	93,217
End-of-service indemnities	4,857	-	4,857	5,934	-	5,934
Lease liabilities	2,193	-	2,193	-	-	-
Zakat and income tax	-	17,298	17,298	-	15,498	15,498
Accrued commission income payable to SAMA	-	4,320	4,320	-	3,492	3,492
	<u>185,433</u>	<u>121,437</u>	<u>306,870</u>	<u>175,567</u>	<u>113,445</u>	<u>289,012</u>
Less: Inter-operations eliminations	-	(98,819)	(98,819)	-	(93,217)	(93,217)
TOTAL LIABILITIES	<u>185,433</u>	<u>22,618</u>	<u>208,051</u>	<u>175,567</u>	<u>20,228</u>	<u>195,795</u>
SHAREHOLDERS' EQUITY						
Share capital	-	150,000	150,000	-	300,000	300,000
Accumulated losses	-	(24,783)	(24,783)	-	(150,860)	(150,860)
TOTAL SHAREHOLDERS' EQUITY	-	<u>125,217</u>	<u>125,217</u>	-	<u>149,140</u>	<u>149,140</u>
Re-measurement reserve of defined indemnities obligation	224	-	224	224	-	224
TOTAL EQUITY	<u>224</u>	<u>125,217</u>	<u>125,441</u>	<u>224</u>	<u>149,140</u>	<u>149,364</u>
TOTAL LIABILITIES AND EQUITY	<u>185,657</u>	<u>147,835</u>	<u>333,492</u>	<u>175,791</u>	<u>169,368</u>	<u>345,159</u>
COMMITMENTS AND CONTINGENCIES	-	12,545	12,545	-	12,545	12,545

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

For the three-months period ended 30 September

	2020			2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
SAR '000						
REVENUES						
Gross premiums written:						
- Individual	1,092	-	1,092	231	-	231
- Micro enterprises	3,449	-	3,449	821	-	821
- Small enterprises	11,419	-	11,419	5,863	-	5,863
- Medium enterprises	8,460	-	8,460	15,394	-	15,394
- Large enterprises	21,871	-	21,871	31,463	-	31,463
Total gross premiums written	46,291	-	46,291	53,772	-	53,772
Excess of loss expenses – foreign		-	-		-	-
Net premiums written	46,291	-	46,291	53,772	-	53,772
Changes in unearned premiums	(4,468)	-	(4,468)	(26,744)	-	(26,744)
Net premiums earned	41,823	-	41,823	27,028	-	27,028
TOTAL REVENUES	41,823	-	41,823	27,028	-	27,028
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	34,694	-	34,694	23,734	-	23,734
Reinsurers' share of claims paid	(49)	-	(49)	(1,401)	-	(1,401)
Net claims paid	34,645	-	34,645	22,333	-	22,333
Changes in outstanding claims	10,782	-	10,782	7,441	-	7,441
Changes in claims incurred but not reported	(6,470)	-	(6,470)	4,795	-	4,795
Net claims incurred	38,957	-	38,957	34,569	-	34,569
Premium deficiency reserve	(878)	-	(878)	7,621	-	7,621
Other technical reserves	(54)	-	(54)	434	-	434
Policy acquisition costs	1,412	-	1,412	1,121	-	1,121
Other underwriting expenses	947	-	947	1,262	-	1,262
TOTAL UNDERWRITING COSTS AND EXPENSES	40,384	-	40,384	45,007	-	45,007
NET UNDERWRITING RESULT	1,439	-	1,439	(17,979)	-	(17,979)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income – (continued)

For the three-months period ended 30 September	2020			2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
OTHER OPERATING (EXPENSES) / INCOME						
Release of / (allowance for) doubtful debts	1,579		1,579	(4,410)	-	(4,410)
General and administrative expenses	(14,156)	(704)	(14,860)	(11,817)	(361)	(12,178)
Investment income	-	1,089	1,089	-	1,605	1,605
Realized gain on investments	-	158	158	-	-	-
Unrealized gain on investments	-	495	495	-	100	100
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(12,577)	1,038	(11,539)	(16,227)	1,344	(14,883)
NET LOSS FOR THE PERIOD	(11,138)	1,038	(10,100)	(34,206)	1,344	(32,862)
Net Income attributable to the insurance operations	-	-	-	-	-	-
Net loss for the period attributable to shareholders' operations before zakat	(11,138)	1,038	(10,100)	(34,206)	1,344	(32,862)
Zakat expense	-	(600)	(600)	-	(600)	(600)
Net loss for the period attributable to shareholders	(11,138)	438	(10,700)	(34,206)	744	(33,462)
Loss per share (Expressed in SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)			15,000			14,213
Basic and diluted loss per share for the period (SR) – restated – 2019			(0.71)			(2.35)

c) Interim statement of comprehensive income

For the three-months period ended 30 September	2020			2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	-	(10,700)	(10,700)	-	(33,462)	(33,462)
Other comprehensive income / (loss)	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	(10,700)	(10,700)	-	(33,462)	(33,462)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income

For the nine-months period ended 30 September

2020			2019		
Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
SAR '000					
2,228	-	2,228	353	-	353
7,868	-	7,868	1,253	-	1,253
25,992	-	25,992	12,134	-	12,134
30,208	-	30,208	36,319	-	36,319
67,035	-	67,035	67,953	-	67,953
133,331		133,331	118,012	-	118,012
-	-	-	-	-	-
133,331	-	133,331	118,012	-	118,012
(1,808)	-	(1,808)	(54,695)	-	(54,695)
131,523	-	131,523	63,317	-	63,317
131,523	-	131,523	63,317	-	63,317
110,591	-	110,591	111,021	-	111,021
(996)	-	(996)	(6,377)	-	(6,377)
109,595	-	109,595	104,644	-	104,644
8,832	-	8,832	(19,937)	-	(19,937)
(5,861)	-	(5,861)	1,835	-	1,835
112,566	-	112,566	86,542	-	86,542
2,037	-	2,037	14,388	-	14,388
(97)	-	(97)	716	-	716
4,435	-	4,435	3,038	-	3,038
2,432	-	2,432	2,932	-	2,932
121,373	-	121,373	107,616	-	107,616
10,150	-	10,150	(44,299)	-	(44,299)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)

FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income – (continued)

For the nine-month period ended 30 September	2020			2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Release of / (allowance for) doubtful debts	4,577	-	4,577	(1,447)	-	(1,447)
General and administrative expenses	(39,764)	(2,431)	(42,195)	(36,164)	(1,703)	(37,867)
Investment income	-	3,633	3,633	-	5,154	5,154
Realized gain on investments	-	158	158	-	-	-
Unrealized gain on investments	-	72	72	-	283	283
Other income	1,482	-	1,482	-	-	-
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(33,705)	1,432	(32,273)	(37,611)	3,734	(33,877)
<u>NET LOSS FOR THE PERIOD</u>	(23,555)	1,432	(22,123)	(81,910)	3,734	(78,176)
Net Income attributable to the insurance operations	-	-	-	-	-	-
<u>Net loss for the period attributable to shareholders' operations before zakat</u>	<u>(23,555)</u>	<u>1,432</u>	<u>(22,123)</u>	<u>(81,910)</u>	<u>3,734</u>	<u>(78,176)</u>
Zakat expense	-	(1,800)	(1,800)	-	(1,800)	(1,800)
<u>Net loss for the period attributable to shareholders</u>	<u>(23,555)</u>	<u>(368)</u>	<u>(23,923)</u>	<u>(81,910)</u>	<u>1,934</u>	<u>(79,976)</u>
<u>Loss per share (Expressed in SAR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands)			15,000			14,213
Basic and diluted loss per share for the period (SR) – restated – 2019			(1.59)			(5.63)

e) Interim statement of comprehensive income

For the nine-month period ended 30 September	2020			2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	-	(23,923)	(23,923)	-	(79,976)	(79,976)
Other comprehensive loss	-	-	-	-	-	-
<u>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</u>	<u>-</u>	<u>(23,923)</u>	<u>(23,923)</u>	<u>-</u>	<u>(79,976)</u>	<u>(79,976)</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020
20. SUPPLEMENTARY INFORMATION – (continued)
f) Interim statement of cash flows

	2020			2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period before zakat	-	(22,123)	(22,123)	-	(78,176)	(78,176)
Adjustments for non-cash items:						
Depreciation of property and equipment	767	-	767	704	-	704
Depreciation of right of use assets	521	-	521	-	-	-
Finance cost on lease liabilities	24	-	24	-	-	-
Amortization of intangible assets	365	-	365	582	-	582
(Release of) / Allowance for doubtful debts	(4,577)	-	(4,577)	1,447	-	1,447
Realized gain on investments	-	(158)	(158)	-	-	-
Unrealized gain on investments	-	(72)	(72)	-	(178)	(178)
Amortization of discount – net	-	(119)	(119)	-	(105)	(105)
Provision for end-of-service indemnities	578	-	578	1,297	-	1,297
	(2,322)	(22,472)	(24,794)	4,030	(78,459)	(74,429)
Changes in operating assets and liabilities:						
Premiums receivable	(14,800)	-	(14,800)	(45,565)	-	(45,565)
Reinsurer receivable	(996)	-	(996)	(5,439)	-	(5,439)
Reinsurer share of outstanding claims	831	-	831	5,132	-	5,132
Reinsurer share of IBNR	94	-	94	1,692	-	1,692
Reinsurer share of PDR	-	-	-	610	-	610
Deferred policy acquisition costs	256	-	256	(1,755)	-	(1,755)
Prepaid expenses and other assets	5,893	1,244	7,137	2,067	(617)	1,450
Accrued commission income on statutory deposit	-	(828)	(828)	-	(896)	(896)
Accrued and other liabilities	2,956	(238)	2,718	(44,041)	(4,477)	(48,518)
Reinsurer balances payable	-	-	-	(939)	-	(939)
Unearned premiums	1,808	-	1,808	54,695	-	54,695
Outstanding claims reserve	8,001	-	8,001	(25,069)	-	(25,069)
Claims incurred but not reported	(5,955)	-	(5,955)	143	-	143
Premium deficiency reserve	2,037	-	2,037	13,778	-	13,778
Other technical reserves	(97)	-	(97)	716	-	716
Accrued commission income payable to SAMA	-	828	828	-	896	896
Due to Insurance Operations	-	5,602	5,602	-	(27,129)	(27,129)
Due from Shareholders' Operations	(5,602)	-	(5,602)	27,129	-	27,129
Cash used in operations	(7,896)	(15,864)	(23,760)	(12,816)	(110,682)	(123,498)
End-of-service indemnities paid	(1,655)	-	(1,655)	(781)	-	(781)
Net cash used in operating activities	(9,551)	(15,864)	(25,415)	(13,597)	(110,682)	(124,279)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

20. SUPPLEMENTARY INFORMATION – (continued)

f) Interim statement of cash flows – (continued)

	2020			2019		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	-	-	-	-	(60,025)	(60,025)
Purchase of short term murabaha	-	(870)	(870)	-	-	-
Proceeds from sale of investments	-	5,036	5,036	-	5,000	5,000
proceeds from maturing short term murabaha deposits	-	-	-	-	1,980	1,980
Increase in statutory deposit	-	-	-	-	(15,000)	(15,000)
Purchase of property and equipment	(67)	-	(67)	(860)	-	(860)
Purchase of intangible assets	(287)	-	(287)	(404)	-	(404)
Net cash from / (used in) investing activities	(354)	4,166	3,812	(1,264)	(68,045)	(69,309)
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of rights shares	-	-	-	-	200,000	200,000
Payment of lease liabilities	(1,615)	-	(1,615)	-	-	-
Net cash (used in) / from financing activities	(1,615)	-	(1,615)	-	200,000	200,000
Net change in cash and cash equivalents	(11,520)	(11,698)	(23,218)	(14,861)	21,273	6,412
Cash and cash equivalents, beginning of the period	14,590	62,785	77,375	16,484	40,237	56,721
Cash and cash equivalents, end of the period	3,070	51,087	54,157	1,623	61,510	63,133

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

21. IMPACT OF COVID-19 OUTBREAK

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 territories 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 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.

Medical technical reserves

Based on the management’s assessment, the management believes that the Government’s decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable 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 30 September 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 1.28 million (31 December 2019: Nil ; 30 June 2020: SR 3.19 million) as a premium deficiency reserve.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by Board of Directors, on 12 Rabi-Al-Awwal 1442H, corresponding to 29 October 2020.