SALAMA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of **Salama Cooperative Insurance Company** (A Saudi Joint Stock Company) (the "Company") as at 31 March 2021, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

BASIS OF QUALIFIED CONCLUSION

As stated in Note 8 and 10 to the interim condensed financial statements, the Company has other payables balance of SR 18.4 million as of 31 March 2021 and other receivables balance of SR 15.1 million as of 31 December 2020 respectively, which represent accounting system processing differences related to the insurance operations due to the difficulties in the implementation of the new IT system, which has been escalated to the upper management of the IT system developer. In addition to that, the excess of loss expenses were resulted in credit during this quarter instead of debit balances. We were unable to obtain sufficient appropriate evidence in respect of the other payables and other receivables balance. In light of the above, we were unable to determine whether any adjustments to other payables and other receivables were required and we were unable to determine the possible impact on the financial statements for the period ended 31 March 2021.

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INDEPENDENT AUDITORS' REVIEW REPORT
ON THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

QUALIFIED REVIEW CONCLUSION

Based on our review, except for the effects of the matters described in the basis of qualified conclusion paragraph mentioned above, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information 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 Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Abdullah M. AlAzem
Certified Public Accountant
License No. 335

العظم والسديري وال الشيخ وشركاهم
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ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

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

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

18 Shawwal 1442H
Corresponding to 30 May 2021

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2021

	Notes	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
ASSETS			
Cash and cash equivalents	4 (a)	**175,685**	159,246
Term deposits	4 (b)	**97,955**	148,318
Premiums and reinsurers' receivable – net	5	**50,722**	40,896
Reinsurers' share of unearned premiums	7.2	**25,821**	23,270
Reinsurers' share of outstanding claims	7.1	**15,240**	20,910
Reinsurers' share of claims incurred but not reported	7.1	**10,689**	11,782
Deferred policy acquisition costs		**24,285**	21,020
Investments	6	**219,476**	168,874
Prepaid expenses and other assets	8	**26,381**	42,232
Right of use assets- net		**21,122**	21,927
Property and equipment- net		**6,262**	7,150
Intangible assets- net		**4,103**	4,539
Statutory deposit	9	**37,500**	37,500
Accrued commission on statutory deposit	9	**3,706**	3,668
TOTAL ASSETS		**718,947**	711,332
LIABILITIES			
Policyholders claims payable		**8,643**	13,522
Accrued expenses and other liabilities	10	**50,127**	30,365
Lease liabilities		**20,095**	19,922
Reinsurers' balances payable		**2,884**	7,037
Unearned premiums	7.2	**227,388**	218,302
Unearned reinsurance commission		**3,999**	3,733
Outstanding claims	7.1	**27,671**	27,754
Claims incurred but not reported	7.1	**107,497**	121,706
Other technical reserves	7.1	**7,259**	3,096
Employee benefit obligations		**9,443**	9,701
Surplus distribution payable		**15,149**	15,149
Provision for zakat	15	**27,668**	31,131
Accrued commission income payable to SAMA	9	**3,706**	3,668
TOTAL LIABILITIES		**511,529**	505,086
SHAREHOLDERS' EQUITY			
Share capital	16	**250,000**	250,000
Statutory reserve		**5,003**	5,003
Accumulated losses		**(47,533)**	(48,705)
TOTAL SHAREHOLDERS' EQUITY		**207,470**	206,298
Re-measurement reserve of defined benefit obligations – related to insurance operations		**(52)**	(52)
TOTAL EQUITY		**207,418**	206,246
TOTAL LIABILITIES AND EQUITY		**718,947**	711,332
COMMITMENTS AND CONTINGENCIES	11	**10,200**	10,200

Chief Executive Officer

Chief Financial Officer

Chairman

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME - UNAUDITED
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

	Three-month period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
	SR'000	SR'000
REVENUES		
Gross premiums written	**118,236**	85,798
Reinsurance premiums ceded		
- Local	**(302)**	(236)
- Foreign	**(13,342)**	(9,259)
	(13,644)	(9,495)
Excess of loss expenses		
- Local	**153**	-
- Foreign	**3,142**	(3,021)
	3,295	(3,021)
Net premiums written	**107,887**	73,282
Changes in unearned premiums, net	**(6,535)**	24,254
Net premiums earned	**101,352**	97,536
Reinsurance commissions	**2,114**	2,804
Other underwriting income	**66**	419
TOTAL REVENUES	**103,532**	100,759
UNDERWRITING COSTS AND EXPENSES		
Gross claims paid	**80,479**	104,508
Reinsurers' share of claims paid	**(7,168)**	(6,210)
Net claims paid	**73,311**	98,298
Changes in outstanding claims, net	**5,587**	(15,990)
Changes in claims incurred but not reported, net	**(13,116)**	10,387
Net claims incurred	**65,782**	92,695
Change premium deficiency reserve	**-**	(1,405)
Change in other technical reserves	**4,163**	-
Policy acquisition costs	**6,103**	5,273
Other underwriting expenses	**8,564**	5,535
TOTAL UNDERWRITING COSTS AND EXPENSES	**84,612**	102,098
NET UNDERWRITING INCOME / (LOSS)	**18,920**	(1,339)

Chief Executive Officer

Chief Financial Officer

Chairman

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME - UNAUDITED (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

	Notes	*Three-month period ended*	
		31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
		SR'000	SR'000
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for doubtful debts		**(805)**	(69)
General and administrative expenses		**(20,252)**	(21,444)
Investment income - net		**1,061**	3,739
Unrealized gain / (loss) on investments - net		**3,719**	(6,287)
Other income		**29**	-
TOTAL OTHER OPERATING EXPENSES		**(16,248)**	(24,061)
Income / (loss) before surplus and zakat		**2,672**	(25,400)
Income attributed to the insurance operations		**-**	-
Income / (loss) for the period attributable to the shareholders before zakat		**2,672**	(25,400)
Zakat	15	**(1,500)**	(1,500)
Net income / (loss) for the period attributable to the shareholders		**1,172**	(26,900)
Weighted average number of ordinary shares outstanding		**25,000**	25,000
Basic and diluted earnings / (loss) per share	18	**0.05**	(1.08)

Chief Executive Officer

Chief Financial Officer

Chairman

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

	Three-month period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
	SR'000	SR'000
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	**1,172**	(26,900)
Other comprehensive income	**-**	-
Total comprehensive income / (loss) for the period	**1,172**	(26,900)

Chief Executive Officer

Chief Financial Officer

Chairman

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

2021	**Share capital SR'000**	**Statutory reserve SR'000**	**Accumulated losses SR'000**	**Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000**	**Total equity SR'000**
Balance as at 31 December 2020 (audited)	**250,000**	**5,003**	**(48,705)**	**(52)**	**206,246**
Total comprehensive income for the period					
Net income for the period – Attributable to shareholders	-	-	**1,172**	-	**1,172**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	**1,172**	-	**1,172**
Balance as at 31 March 2021 (unaudited)	**250,000**	**5,003**	**(47,533)**	**(52)**	**207,418**

2020	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
Balance as at 31 December 2019 (audited)	250,000	5,003	(52,407)	(800)	201,796
Total comprehensive loss for the period					
Net loss for the period – Attributable to shareholders	-	-	(26,900)	-	(26,900)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(26,900)	-	(26,900)
Balance as at 31 March 2020 (unaudited)	250,000	5,003	(79,307)	(800)	174,896

Chief Executive Officer

Chief Financial Officer

Chairman

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – UNAUDITED
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

	Three-month period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income / (loss) for the period before zakat	**2,672**	(25,400)
Adjustments for non-cash items:		
Depreciation of property and equipment	**968**	1,302
Amortization of intangible assets	**436**	443
Depreciation of right of use assets	**962**	1,224
Finance cost on lease liabilities	**314**	325
Allowance for doubtful debts	**805**	69
Unrealized (gain) / loss on investments at fair value through statement of income	**(3,719)**	6,287
Employee benefit obligations	**-**	(170)
	2,438	(15,920)
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	**(10,631)**	11,365
Reinsurers' share of unearned premiums	**(2,551)**	1,001
Reinsurers' share of outstanding claims	**5,670**	(144)
Reinsurers' share of claims incurred but not reported	**1,093**	496
Deferred policy acquisition costs	**(3,265)**	957
Prepaid expenses and other assets	**15,851**	(4)
Accrued income on statutory deposit	**(38)**	(161)
Policyholders and claims payables	**(4,879)**	2,499
Accrued expense and other liabilities	**19,762**	10,314
Reinsurers' balances payable	**(4,153)**	(1,608)
Unearned premiums	**9,086**	(25,255)
Unearned reinsurance commission	**266**	(1,171)
Outstanding claims	**(83)**	(15,846)
Claims incurred but not reported	**(14,209)**	9,893
Premium deficiency reserve	**-**	(1,405)
Other technical reserves	**4,163**	-
Accrued commission income payable to SAMA	**38**	161
	18,558	(24,828)
Withholding tax paid	**(4,963)**	-
Employee benefit obligation paid	**(258)**	-
Net cash flows from/ (used in) operating activities	**13,337**	(24,828)

Chief Executive Officer

Chief Financial Officer

Chairman

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – UNAUDITED
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

	Three-month period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
	SR'000	SR'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	**(51,350)**	(81,931)
Proceeds from sale of investments	**4,467**	1,527
Placement of term deposits	**-**	(150,000)
Proceeds from maturity of term deposit	**50,363**	259,324
Purchase of property and equipment	**(80)**	(51)
Net cash flows from investing activities	**3,400**	28,869
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liabilities	**(298)**	(599)
Net cash flows used in financing activities	**(298)**	(599)
Net change in cash and cash equivalents	**16,439**	3,442
Cash and cash equivalents, beginning of the period	**159,246**	28,411
Cash and cash equivalents, end of the period	**175,685**	31,853

Chief Executive Officer

Chief Financial Officer

Chairman

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

1. GENERAL

Salama Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 1121K dated 29 Rabi Al-Thani 1428H (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awwal I428H (corresponding to 23 May 2007).

The registered office address of the Company is:

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

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

The Company received the approval letters from the Saudi Central Bank (SAMA) and Ministry of Commerce and Investment regarding the amendment of the Company's by-laws to be in accordance with the new Companies' Regulations. The Company's general assembly was held on 11 Ramadan 1438H (corresponding to 6 June 2017) and accordingly the new by-laws were approved.

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 31 March 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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

The Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, right of use asset, intangible asset, statutory deposit, employee benefit obligations, lease liabilities, outstanding claims, claims incurred but not reported, other technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations ("the Implementation Regulations"), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts (Refer note 19).

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 2020.

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

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

2. BASIS OF PREPARATION – (continued)

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 2020. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management is unable at this time to reasonably quantify the estimation uncertainties as disclosed in note 21 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparation of these interim condensed financial statements are consistent with those used in preparation of the annual financial statements for the year ended 31 December 2020.

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2021 and accordingly adopted by the Company, as applicable:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable

Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In March 2021, the IASB amended IFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorized for issue at 31 March 2021.

The Company, being a lessee, did not receive any rent concession during the current period and accordingly not affected by this amendment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective

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

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

IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

The General model is based on the following "building blocks":

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

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

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

Effective date

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a:

- Modified Retrospective Approach
- or A Fair Value Approach.

Presentation and Disclosures

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

Impact

The Company has recently completed the design phase of IFRS 17 implementation which required developing and designing new processes and procedures for the business including the system developments required under IFRS 17 and detailed assessment of business requirements. Following were the main areas under design phase and status of the progress made so far by the Company:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact (continued)

Impact Area	Summary of impact
Financial Impact	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company has assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all of the portfolio are eligible for PAA measurement model.
Data Impact	IFRS 17 has additional data requirements. During the phase 2, the Company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3.
IT Systems	The Company is in the process of implementing IRIS IFRS 17 Solution which will facilitate the implementation of IFRS 17 and as part of the system exercise, the Company has onboarded the solution vendor Green 13.
Impact on RI Arrangements	Detailed assessment has also been performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, company has opted to apply PAA for eligible products.
Impact on Policies & Control Frameworks	The Company is in the process of updating Accounting and Finance Policies and Procedures to cover the following new and additional requirements: • Unbundling • Level of aggregation • Measurement models • Risk Adjustment Methodologies • New presentation and disclosure requirements The revised manual to be followed by Finance function to ensure that financial statements are in conformity with International Financial Reporting Standards 17 (IFRS 17) on effective date.
Human resources	The Company will also recruit suitably qualified personnel who have a comprehensive understanding of IFRS 17 and also provide trainings to the existing employees.
Implementation Plan	**Governance and Control** The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders **Operational Framework** The Company has designed operational aspects of the design phase which included: • Establishing comprehensive data policy and data dictionary. • Onboarding the solution vendor Green 13 for IRIS IFRS 17 solution and finalizing architectural designs for the systems along with the implementation and integration plans. • Finalizing various key processes needed for IFRS 17 transition. • Carrying out assessment of new resources, if any, needed. **Technical and Financial Framework** The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions have been taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee. **Assurance Plan** The Company has also finalized an assurance plan for transitional and post-implementation periods. However, the external auditor's review of the assurance plan is yet to be finalized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:
i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:
i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and;
ii) the contractual terms of cash flows are SPPI.

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

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

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

Impairment

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

Hedge accounting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

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

1) apply a temporary exemption from implementing IFRS 9 until the earlier of:

a) the effective date of a new insurance contract standard; or
b) annual reporting periods beginning on or after 1 January 2023. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;

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

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

Impact assessment

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

4. CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

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

	Insurance operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Bank balances and cash	**73,390**	47,892

4. CASH AND CASH EQUIVALENTS AND TERM DEPOSITS – (continued)

	Shareholders' operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Bank balances	**102,295**	111,354
Total	**175,685**	159,246

b) Term deposits

	Insurance operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Term deposits	**97,955**	148,318

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

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Policyholders	**81,181**	74,563
Receivables from reinsurers	**7,714**	3,701
	88,895	78,264
Allowances for doubtful receivables	**(38,173)**	(37,368)
Premiums and reinsurers' receivable – net	**50,722**	40,896

Movement in provision for doubtful debts during the period / year was as follows:

	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
	SR'000	
Balance at the beginning of the period / year	**37,368**	37,130
Provision for the period / year	**805**	238
Balance at the end of the period / year	**38,173**	37,368

6. INVESTMENTS

Investments are classified as follows:

	Insurance operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
- Held as FVSI (6- a)	**99,332**	103,021
- Held to maturity (6- c)	**10,000**	10,000
Total – Insurance operations	**109,332**	113,021

	Shareholders' operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
- Held as FVSI (6- a)	**53,238**	48,947
- Available for sale (6- b)	**1,923**	1,923
- Held to maturity (6- c)	**54,983**	4,983
Total – Shareholders' operations	**110,144**	55,853
Total	**219,476**	168,874

a) FVSI

Movement in FVSI investment balance is as follows:

	Insurance operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Opening balance	**103,021**	25,926
Purchases during the period / year	**-**	81,931
Disposals during the period / year	**(3,750)**	(4,644)
	99,271	103,213
Changes in fair value	**61**	(192)
Closing balance	**99,332**	103,021

	Source of Fair Value	**31 March 2021 (Unaudited) SR'000**	31 December 2020 (Audited) SR'000
Investment in equity securities	Quoted	**32,565**	31,661
Units in local sukuk funds	NAV**	**54,224**	55,068
Local DPM*money market securities	NAV**	**12,543**	16,292
		99,332	103,021

6. INVESTMENTS – (continued)

a) FVSI – (continued)

	Shareholders' operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Opening balance	**48,947**	53,562
Purchased during the period / year	**1,350**	-
Disposals during the period / year	**(717)**	(8,427)
	49,580	45,135
Changes in fair value	**3,658**	3,812
Closing balance	**53,238**	48,947

	Source of Fair Value	**31 March 2021 (Unaudited) SR'000**	31 December 2020 (Audited) SR'000
Units in local real estate funds	NAV**	**10,041**	10,041
Local DPM* money market securities	NAV**	**15,705**	15,705
Local DPM* equity securities	Quoted	**27,492**	23,201
Total		**53,238**	48,947

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

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

b) Available for sale investments

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

	Shareholders' operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Opening balance	**1,923**	1,923
Closing balance	**1,923**	1,923

(i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (31 December 2020: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

6. INVESTMENTS – (continued)

c) Held to maturity

Movement in held to maturity investment balance is as follows:

	Insurance operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Opening balance	**10,000**	18,530
Disposals during the period / year	**-**	(8,530)
Closing balance	**10,000**	10,000

	Shareholders' operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Opening balance	**4,983**	18,449
Purchased during the period / year	**50,000**	-
Disposals during the period / year	**-**	(13,466)
Closing balance	**54,983**	4,983

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Gross outstanding claims	**55,198**	56,863
Less: Realizable value of salvage and subrogation	**(27,527)**	(29,109)
Net outstanding claims	**27,671**	27,754
Claims incurred but not reported	**107,497**	121,706
Other technical reserves	**7,259**	3,096
	142,427	152,556
Less:		
- Reinsurers' share of outstanding claims	**(15,240)**	(20,910)
- Reinsurers' share of claims incurred but not reported	**(10,689)**	(11,782)
	(25,929)	(32,692)
Net outstanding claims and reserves	**116,498**	119,864

7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three-month ended 31 March 2021 (Unaudited)		
	Gross	**Reinsurance**	**Net**
	SR'000		
Balance as at the beginning of the period	**218,302**	**(23,270)**	**195,032**
Premium written during the period	**118,236**	**(10,349)**	**107,887**
Premium earned during the period	**(109,150)**	**7,798**	**(101,352)**
Balance as at the end of the period	**227,388**	**(25,821)**	**201,567**

	Year ended 31 December 2020 (Audited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	229,678	(21,858)	207,820
Premium written during the year	427,623	(67,659)	359,964
Premium earned during the year	(438,999)	66,247	(372,752)
Balance as at the end of the year	218,302	(23,270)	195,032

8. PREPAID EXPENSES AND OTHER ASSETS

	Insurance operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Prepayments	**1,630**	2,115
Advances to staff	**2,780**	2,728
Deposits	**300**	300
Accrued commission	**-**	178
Other receivables *	**21,443**	36,726
	26,153	42,047

	Shareholders' operations	
	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Other receivables	**228**	185
Total	**26,381**	42,232

8. PREPAID EXPENSES AND OTHER ASSETS (continued)

(*) As per the management declaration; during the year 2020 the Company that developed the accounting system had prepared the financial transactions in the SAP system with an automated CBC system, whereby all operations are processed automatically and closed through suspense accounts through the system immediately. The management was unable to determine the details of these transactions and the reason for their accumulation in the suspense accounts due to the lack of a complete ledger and detailed statements illustrating the details of these differences and the outstanding transactions. The management escalated the matter to the developing company and a meeting was held with its representative in the Kingdom of Saudi Arabia in order to provide the company's management with the details and reasons behind these system differences that led to the existence of these accumulated amounts in the system. The management believes that the financial statements were prepared on the assumption of continuity and resolving technical and programmatic matters during the second quarter of 2021, based on management's assessment.

9. STATUTORY DEPOSIT

	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Statutory deposit	**37,500**	37,500

As required by Saudi Arabian Insurance Regulations, the Company has deposited an amount equivalent to 15% of its paid up capital amount of SR 37.5 million (2020: SR 37.5 million) in a bank designated by the Saudi Central Bank ("SAMA"). Accrued income on this deposit is payable to SAMA amounting to SR 3.7 million (2020: SR 3.7 million) and this deposit cannot be withdrawn without approval from SAMA.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Accrued expenses	**2,787**	6,704
Payables to brokers and agents	**12,598**	11,298
Other supplies and payables *	**34,742**	12,363
	50,127	30,365

(*) As per the management declaration; during the year 2020 the company that developed the accounting system had prepared the financial transactions in the SAP system with an automated CBC system, whereby all operations are processed automatically and closed through suspense accounts through the system immediately. The management was unable to determine the details of these transactions and the reason for their accumulation in the suspense accounts due to the lack of a complete ledger and detailed statements illustrating the details of these differences and the outstanding transactions. The management escalated the matter to the developing company and a meeting was held with its representative in the Kingdom of Saudi Arabia in order to provide the company's management with the details and reasons behind these system differences that led to the existence of these accumulated amounts in the system. The management believes that the financial statements were prepared on the assumption of continuity and resolving technical and programmatic matters during the second quarter of 2021, based on management's assessment.

11. COMMITMENTS AND CONTINGENCIES

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

	31 March 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Letters of guarantee in favour of non-government customers	**700**	700
Letters of guarantee in favour of GAZT	**9,500**	9,500
	10,200	10,200

b. The Company enters into insurance contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position, however management has made provisions to cover any eventualities.

c. The Company's bankers have given guarantees to non-government customers amounting to SR 0.7 million (2020: SR 0.7 million) in respect of motor insurance and to General Authority of Zakat and Tax amounting to SR 9.5 million (2020: SR 9.5 million) in respect of zakat assessments for years 2008 to 2012.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

a. Carrying amounts and fair value

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

12. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value – (continued)

Insurance Operations	**Fair value**			
	Level 1	**Level 2**	**Level 3**	**Total**
	SR'000			
31 March 2021 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	**32,565**	**-**	**66,767**	**99,332**
	32,565	**-**	**66,767**	**99,332**

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2020 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	31,661	-	71,360	103,021
	31,661	-	71,360	103,021

Shareholders' Operations	**Fair value**			
	Level 1	**Level 2**	**Level 3**	**Total**
	SR'000			
31 March 2021 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	**27,492**	**-**	**25,746**	**53,238**
	27,492	**-**	**25,746**	**53,238**

Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2020 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	23,201	-	25,746	48,947
	23,201	-	25,746	48,947

13. OPERATING SEGMENTS

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

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2020.

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

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

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 March 2021 and 31 December 2020, its total revenues, expenses, and net income for the three-month period then ended, are as follows:

13. OPERATING SEGMENTS – (continued)

	As at 31 March 2021 (Unaudited)					
	Insurance operations					
	Medical	Motor	Others	Insurance operations	Shareholders' operations	Total
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	17,500	8,321	25,821	-	25,821
Reinsurers' share of outstanding claims	-	(579)	15,819	15,240	-	15,240
Reinsurers' share of claims incurred but not reported	1,044	7,233	2,412	10,689	-	10,689
Deferred policy acquisition costs	4,530	17,491	2,264	24,285	-	24,285
Unallocated assets				389,039	253,873	642,912
Total assets				465,074	253,873	718,947
Liabilities						
Unearned premiums	41,246	167,758	18,384	227,388	-	227,388
Unearned reinsurance commission	-	1,922	2,077	3,999	-	3,999
Outstanding claims	9,141	(2,790)	21,320	27,671	-	27,671
Claims incurred but not reported	11,722	92,252	3,523	107,497	-	107,497
Other technical reserves	3,058	3,634	567	7,259	-	7,259
Unallocated liabilities and surplus				106,341	31,374	137,715
Total liabilities				480,155	31,374	511,529
Shareholders' equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(47,533)	(47,533)
Total Shareholders' equity				-	207,470	207,470
Re-measurement reserve of defined benefit obligation – related to insurance operations				(52)	-	(52)
Total equity				(52)	207,470	207,418
Total liabilities and equity				480,103	238,844	718,947

13. OPERATING SEGMENTS – (continued)

	As at 31 December 2020 (Audited)					
	Insurance operations					
	Medical	Motor	Others	Insurance operations	Shareholders' operations	Total
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	15,975	7,295	23,270	-	23,270
Reinsurers' share of outstanding claims	-	(1,526)	22,436	20,910	-	20,910
Reinsurers' share of claims incurred but not reported	1,348	7,783	2,651	11,782	-	11,782
Deferred policy acquisition costs	5,003	14,120	1,897	21,020	-	21,020
Unallocated assets				425,790	208,560	634,350
Total assets				502,772	208,560	711,332
Liabilities						
Unearned premiums	43,935	159,757	14,610	218,302	-	218,302
Unearned reinsurance commission	-	1,836	1,897	3,733	-	3,733
Outstanding claims	8,907	(11,167)	30,014	27,754	-	27,754
Claims incurred but not reported	18,058	100,402	3,246	121,706	-	121,706
Other technical reserves	270	2,370	456	3,096	-	3,096
Unallocated liabilities and surplus				95,696	34,799	130,495
Total liabilities				470,287	34,799	505,086
Shareholders' equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(48,705)	(48,705)
Total Shareholders' equity				-	206,298	206,298
Re-measurement reserve of defined benefit obligation – related to insurance operations				(52)	-	(52)
Total equity				(52)	206,298	206,246
Total liabilities and equity				470,235	241,097	711,332

13. OPERATING SEGMENTS – (continued)

	For the three-month period ended 31 March 2021 (Unaudited)			
	Medical	Motor	Others	Total
	SR'000			
REVENUES				
Individual	-	77,354	1,453	78,807
Large	4,714	1,865	3,929	10,508
Medium	1,357	7,221	1,816	10,394
Small	2,034	2,171	1,768	5,973
Very small	11,672	590	292	12,554
Gross premiums written	19,777	89,201	9,258	118,236
Reinsurance premiums ceded				
- Local	-	-	(302)	(302)
- Foreign	-	(8,891)	(4,451)	(13,342)
	-	(8,891)	(4,753)	(13,644)
Excess of loss expenses				
- Local	113	105	(65)	153
- Foreign	1,396	1,991	(245)	3,142
	1,509	2,096	(310)	3,295
Net premiums written	21,286	82,406	4,195	107,887
Changes in unearned premiums, net	2,689	(6,477)	(2,747)	(6,535)
Net premiums earned	23,975	75,929	1,448	101,352
Reinsurance commissions	-	936	1,178	2,114
Other underwriting income	-	66	-	66
TOTAL REVENUES	23,975	76,931	2,626	103,532
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	17,601	62,137	741	80,479
Reinsurers' share of claims paid	(991)	(5,563)	(614)	(7,168)
Net claims paid	16,610	56,574	127	73,311
Changes in outstanding claims, net	234	7,429	(2,076)	5,587
Changes in claims incurred but not reported, net	(6,031)	(7,600)	515	(13,116)
Net claims incurred	10,813	56,403	(1,434)	65,782
Changes in other technical reserves	4,163	-	-	4,163
Policy acquisition costs	1,812	3,510	781	6,103
Other underwriting expenses	(25)	8,515	74	8,564
TOTAL UNDERWRITING COSTS AND EXPENSES	16,763	68,428	(579)	84,612
NET UNDERWRITING INCOME	7,212	8,503	3,205	18,920
OTHER OPERATING (EXPENSES) / INCOME				
Allowance for doubtful debts				(805)
General and administrative expenses				(20,252)
Investment income				1,061
Unrealized gain on investments				3,719
Other income				29
TOTAL OTHER OPERATING EXPENSES				(16,248)
INCOME FOR THE PERIOD BEFORE ZAKAT				2,672
Zakat				(1,500)
NET INCOME FOR THE PERIOD				1,172
Net income for the period attributable to insurance operations				-
Net income for the period attributable to the shareholders'				1,172

13. OPERATING SEGMENTS – (continued)

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

14. 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.

	Nature of transactions	**Amount of transactions Three-month period ended**	
		31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
		SR'000	SR'000
Entities controlled, jointly controlled or significantly influenced by related parties			
Tajeer International Co.	Rent paid	**-**	811
Concord Insurance and Reinsurance Brokerage	Insurance commission	**-**	2
Kwader Pro	Services received	**-**	54
Alawwal Capital Co.	Investments in DPM and mutual funds	**-**	30,921

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

	31 March 2021 (Unaudited) SR'000	31 March 2020 (Unaudited) SR'000
Salaries and other allowances	**740**	1,047
End of service indemnities	**1,422**	1,411
	2,162	2,458
Remuneration to those charged with governance – Board of Directors	**14**	30

15. ZAKAT

a. Charge for the period / year

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

Movements in provision during the period / year	**31 March 2021 (Unaudited) SR'000**	31 December 2020 (Audited) SR'000
Balance at the beginning of the period / year	**31,131**	25,131
Charge for the period / year	**1,500**	6,000
Withholding tax paid during the period / year	**(4,963)**	-
Balance at the end of the period / year	**27,668**	31,131

15. ZAKAT – (continued)

b. Status of zakat assessments

The Company submitted the Zakat declarations for the year ended 31 December 2020 and obtained the necessary Zakat and tax certificate.

The GAZT has issued assessments for the years from 2006 to 2012 amounting to SR 17,1 million which represents SR 9,3 million as zakat differences and SR 4,4 million as withholding tax differences and SR 3,4 million as withholding tax delay fines. The Company has settled the amount of withholding tax differences amounting to SR 4,4 million and partially settled the delay fines amounting to SR 3,1 million and accordingly issued a letter of guarantee amounting to SR 9,5 million on the favour of GAZT for the zakat differences for the said years (note 11). The case is currently pending with the General Secretariat of the tax committees and their conclusion is awaited.

A settlement request was submitted to GAZT to pay an amount of SR 3 million to close the case, but the Zakat disputes committee reached to a decision to settle an amount of SR 7,7 million to finalize the assessments for the said years. The GAZT has rejected the Zakat disputes committee's decision with the completion of the hearing of the case raised to the Appeal Committee. The management expects that the volume of zakat liability will reach to SR 4,2 million and based on the objection and the information submitted to GAZT and the committees.

The GAZT has issued an assessment for the year 2014, which has requested an additional Zakat liability amounting to SR 1,2 million. The assessment was objected, and the objection was rejected by GAZT. The case has been escalated to the Preliminary Committee of the Tax Committees and their decision is awaited. The management believes that the volume of Zakat liability will reach to SR 1,2 million.

The GAZT raised an assessment for the years from 2015 to 2018, which has requested an additional Zakat liability amounting to SR 14,1 million, and withholding tax liability for the years from 2014 to 2018, amounting to SR 7 million. Subsequent to the year ended 31 December 2020, the Company has settled the withholding tax differences to get the benefits of governmental revised 1st phase amnesty period (full exemption of penalty). The management believes that the volume of zakat liability will reach to SR 14,7 million.

16. SHARE CAPITAL

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

17. CAPITAL MANAGEMENT

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

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

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

18. EARNINGS / (LOSS) PER SHARE

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

19. SUPPLEMENTARY INFORMATION

a) Interim condensed statement of financial position

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations SR '000	**Share-holders' operations SR '000**	**Total SR '000**	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
ASSETS						
Cash and cash equivalents	**73,390**	**102,295**	**175,685**	47,892	111,354	159,246
Term deposits	**97,955**	**-**	**97,955**	148,318	-	148,318
Premiums and reinsurers' receivable – net	**50,722**	-	**50,722**	40,896	-	40,896
Reinsurers' share of unearned premiums	**25,821**	-	**25,821**	23,270	-	23,270
Reinsurers' share of outstanding claims	**15,240**	-	**15,240**	20,910	-	20,910
Reinsurers' share of claims incurred but not reported	**10,689**	-	**10,689**	11,782	-	11,782
Deferred policy acquisition costs	**24,285**	-	**24,285**	21,020	-	21,020
Investments	**109,332**	**110,144**	**219,476**	113,021	55,853	168,874
Prepaid expenses and other assets	**26,153**	**228**	**26,381**	42,047	185	42,232
Right of use assets – net	**21,122**	**-**	**21,122**	21,927	-	21,927
Property and equipment	**6,262**	-	**6,262**	7,150	-	7,150
Intangible assets	**4,103**	-	**4,103**	4,539	-	4,539
Statutory deposit	**-**	**37,500**	**37,500**	-	37,500	37,500
Accrued commission on statutory deposit	**-**	**3,706**	**3,706**	-	3,668	3,668
Due from insurance operations	**-**	**(15,029)**	**(15,029)**	-	32,537	32,537
	465,074	**238,844**	**703,918**	502,772	241,097	743,869
Add / (less): Inter-operations eliminations	**-**	**15,029**	**15,029**	-	(32,537)	(32,537)
TOTAL ASSETS	**465,074**	**253,873**	**718,947**	502,772	208,560	711,332

19. SUPPLEMENTARY INFORMATION (continued)

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

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations SR '000	**Share-holders' operations SR '000**	**Total SR '000**	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
LIABILITIES						
Policyholders claims payable	**8,643**	**-**	**8,643**	13,522	-	13,522
Accrued and other liabilities	**50,127**	**-**	**50,127**	30,365	-	30,365
Lease liabilities	**20,095**	**-**	**20,095**	19,922	-	19,922
Reinsurers' balances payable	**2,884**	**-**	**2,884**	7,037	-	7,037
Unearned premiums	**227,388**	**-**	**227,388**	218,302	-	218,302
Unearned reinsurance commission	**3,999**	**-**	**3,999**	3,733	-	3,733
Outstanding claims	**27,671**	**-**	**27,671**	27,754	-	27,754
Claims incurred but not reported	**107,497**	**-**	**107,497**	121,706	-	121,706
Other technical reserves	**7,259**	**-**	**7,259**	3,096	-	3,096
Employee benefits obligation	**9,443**	**-**	**9,443**	9,701	-	9,701
Surplus distribution payable	**15,149**	**-**	**15,149**	15,149	-	15,149
Provision for zakat	**-**	**27,668**	**27,668**	-	31,131	31,131
Accrued commission income payable to SAMA	**-**	**3,706**	**3,706**	-	3,668	3,668
Due to shareholders' operations	**(15,029)**	**-**	**(15,029)**	32,537	-	32,537
	465,126	**31,374**	**496,500**	502,824	34,799	537,623
Add / (less): Inter-operations eliminations	**15,029**	**-**	**15,029**	(32,537)	-	(32,537)
TOTAL LIABILITIES	**480,155**	**31,374**	**511,529**	470,287	34,799	505,086
SHAREHOLDERS' EQUITY						
Share capital	**-**	**250,000**	**250,000**	-	250,000	250,000
Statutory reserve	**-**	**5,003**	**5,003**	-	5,003	5,003
Accumulated loss	**-**	**(47,533)**	**(47,533)**	-	(48,705)	(48,705)
TOTAL SHAREHOLDERS' EQUITY	**-**	**207,470**	**207,470**	-	206,298	206,298
Re-measurement reserve of defined benefit obligation – related to insurance operations	**(52)**	**-**	**(52)**	(52)	-	(52)
TOTAL EQUITY	**(52)**	**207,470**	**207,418**	(52)	206,298	206,246
TOTAL LIABILITIES AND EQUITY	**480,103**	**238,844**	**718,947**	470,235	241,097	711,332
COMMITMENTS AND CONTINGENCIES	**700**	**9,500**	**10,200**	700	9,500	10,200

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income

	Three-month period ended					
	31 March 2021 (Unaudited)			31 March 2020 (Unaudited)		
	Insurance operations SR '000	**Share-holders' operations SR '000**	**Total SR '000**	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
REVENUES						
Gross premiums written	118,236	-	**118,236**	85,798	-	85,798
	118,236	-	**118,236**	85,798	-	85,798
Reinsurance premiums ceded						
- Local	(302)	-	**(302)**	(236)	-	(236)
- Foreign	(13,342)	-	**(13,342)**	(9,259)	-	(9,259)
	(13,644)	-	**(13,644)**	(9,495)	-	(9,495)
Excess of loss expenses						
- Local	153	-	**153**	-	-	-
- Foreign	3,142	-	**3,142**	(3,021)	-	(3,021)
	3,295	-	**3,295**	(3,021)	-	(3,021)
Net premiums written	107,887	-	**107,887**	73,282	-	73,282
Changes in unearned premiums, net	(6,535)	-	**(6,535)**	24,254	-	24,254
Net premiums earned	101,352	-	**101,352**	97,536	-	97,536
Reinsurance commissions	2,114	-	**2,114**	2,804	-	2,804
Other underwriting income	66	-	**66**	419	-	419
TOTAL REVENUES	103,532	-	**103,532**	100,759	-	100,759
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	80,479	-	**80,479**	104,508	-	104,508
Reinsurers' share of claims paid	(7,168)	-	**(7,168)**	(6,210)	-	(6,210)
Net claims paid	73,311	-	**73,311**	98,298	-	98,298
Changes in outstanding claims, net	5,587	-	**5,587**	(15,990)	-	(15,990)
Changes in claims incurred but not reported, net	(13,116)	-	**(13,116)**	10,387	-	10,387
Net claims incurred	65,782	-	**65,782**	92,695	-	92,695
Change in premium deficiency reserve	-	-	**-**	(1,405)	-	(1,405)
Change in other technical reserves	4,163	-	**4,163**	-	-	-
Policy acquisition costs	6,103	-	**6,103**	5,273	-	5,273
Other underwriting expenses	8,564	-	**8,564**	5,535	-	5,535
TOTAL UNDERWRITING COSTS AND EXPENSES	84,612	-	**84,612**	102,098	-	102,098
NET UNDERWRITING INCOME / (LOSS)	18,920	-	**18,920**	(1,339)	-	(1,339)

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income – (continued)

	Three-month period ended					
	31 March 2021 (Unaudited)			31 March 2020 (Unaudited)		
	Insurance operations SR '000	**Share-holders' operations SR '000**	**Total SR '000**	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	**(805)**	**-**	**(805)**	(69)	-	(69)
General and administrative expenses	**(19,911)**	**(341)**	**(20,252)**	(21,399)	(45)	(21,444)
Investment income	**1,101**	**(40)**	**1,061**	2,894	845	3,739
Unrealized gain / (loss) on investments	**61**	**3,658**	**3,719**	(3,402)	(2,885)	(6,287)
Other income	**29**	**-**	**29**	-	-	-
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	**(19,525)**	**3,277**	**(16,248)**	(21,976)	(2,085)	(24,061)
NET (LOSS)/INCOME BEFORE ZAKAT	**(605)**	**3,277**	**2,672**	(23,315)	(2,085)	(25,400)
Zakat	**-**	**(1,500)**	**(1,500)**	-	(1,500)	(1,500)
NET (LOSS)/INCOME AFTER ZAKAT	**(605)**	**1,777**	**1,172**	(23,315)	(3,585)	(26,900)
Transferred to Shareholders	**605**	**(1,777)**	**(1,172)**	23,315	3,585	26,900
NET RESULT FROM INSURANCE OPERATIONS	**-**	**-**	**-**	-	-	-
Earnings / (loss) per share (Expressed in SR per share)						
Weighted average number of shares outstanding (in thousands)	**-**	**25,000**	**25,000**	-	25,000	25,000
Basic and diluted earnings / (loss) per share	**-**	**0.05**	**0.05**	-	(1.08)	(1.08)

19. SUPPLEMENTARY INFORMATION – (continued)

c) Interim condensed statement of comprehensive income

	Three-month period ended					
	31 March 2021 (Unaudited)			31 March 2020 (Unaudited)		
	Insurance operations SR '000	**Share-holders' operations SR '000**	**Total SR '000**	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	**-**	**1,172**	**1,172**	-	(26,900)	(26,900)
Other comprehensive income	**-**	**-**	**-**	-	-	-
Total comprehensive income/(loss) for the period	**-**	**1,172**	**1,172**	-	(26,900)	(26,900)

19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of cash flows

	Three-month period ended 31 March 2021 (Unaudited)			Three-month period ended 31 March 2020 (Unaudited)		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR '000	**SR '000**	**SR '000**	SR '000	SR '000	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
Income /(loss) for the period before zakat	**-**	**2,672**	**2,672**	-	(25,400)	(25,400)
Adjustments for non-cash items:						
Depreciation of property and equipment	**968**	**-**	**968**	1,302	-	1,302
Amortization of intangible assets	**436**	**-**	**436**	443	-	443
Depreciation of right of use assets	**962**	**-**	**962**	1,224	-	1,224
Finance cost of lease liabilities	**314**	**-**	**314**	325	-	325
Allowance for doubtful debts	**805**	**-**	**805**	69	-	69
Unrealized (gain)/loss on investments at fair value through statement of income	**(61)**	**(3,658)**	**(3,719)**	3,402	2,885	6,287
Employee benefit obligations	**-**	**-**	**-**	(170)	-	(170)
	3,424	**(986)**	**2,438**	6,595	(22,515)	(15,920)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	**(10,631)**	**-**	**(10,631)**	11,365	-	11,365
Reinsurers' share of unearned premiums	**(2,551)**	**-**	**(2,551)**	1,001	-	1,001
Reinsurers' share of outstanding claims	**5,670**	**-**	**5,670**	(144)	-	(144)
Reinsurers' share of claims incurred but not reported	**1,093**	**-**	**1,093**	496	-	496
Deferred policy acquisition costs	**(3,265)**	**-**	**(3,265)**	957	-	957
Prepaid expenses and other assets	**15,894**	**(43)**	**15,851**	(5)	1	(4)
Accrued income on statutory deposit	**-**	**(38)**	**(38)**	-	(161)	(161)
Policyholders and claims payables	**(4,879)**	**-**	**(4,879)**	2,499	-	2,499
Accrued expense and other liabilities	**19,762**	**-**	**19,762**	10,314	-	10,314
Reinsurers' balances payable	**(4,153)**	**-**	**(4,153)**	(1,608)	-	(1,608)
Unearned premiums	**9,086**	**-**	**9,086**	(25,255)	-	(25,255)
Unearned reinsurance commission	**266**	**-**	**266**	(1,171)	-	(1,171)
Outstanding claims	**(83)**	**-**	**(83)**	(15,846)	-	(15,846)
Claims incurred but not reported	**(14,209)**	**-**	**(14,209)**	9,893	-	9,893
Premium deficiency reserve	**-**	**-**	**-**	(1,405)	-	(1,405)
Other technical reserve	**4,163**	**-**	**4,163**	-	-	-
Accrued commission income payable to SAMA	**-**	**38**	**38**	-	161	161
	19,587	**(1,029)**	**18,558**	(2,314)	(22,514)	(24,828)
Withholding tax paid	**-**	**(4,963)**	**(4,963)**	-	-	-
End of service benefits paid	**(258)**	**-**	**(258)**	-	-	-
Net cash flows from / (used in) operating activities	**19,329**	**(5,992)**	**13,337**	(2,314)	(22,514)	(24,828)

19. SUPPLEMENTARY INFORMATION – (continued)

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

	Three-month period ended 31 March 2021 (Unaudited)			Three-month period ended 31 March 2020 (Unaudited)		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR '000	**SR '000**	**SR '000**	SR '000	SR '000	SR '000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	**-**	**(51,350)**	**(51,350)**	(81,931)	-	(81,931)
Proceeds from sale of investments	**3,750**	**717**	**4,467**	1,527	-	1,527
Placement of term deposits	**-**	**-**	**-**	(50,000)	(100,000)	(150,000)
Proceeds from maturity of term deposit	**50,363**	**-**	**50,363**	159,339	99,985	259,324
Purchase of property and equipment	**(80)**	**-**	**(80)**	(51)	-	(51)
Net cash flows from / (used in) investing activities	**54,033**	**(50,633)**	**3,400**	28,884	(15)	28,869
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of lease liabilities	**(298)**	**-**	**(298)**	(599)	-	(599)
Due to shareholders' operations	**(47,566)**	**47,566**	**-**	(22,529)	22,529	-
Net cash flows (used in)/ from financing activities	**(47,864)**	**47,566**	**(298)**	(23,128)	22,529	(599)
Net change in cash and cash equivalents	**25,498**	**(9,059)**	**16,439**	3,442	-	3,442
Cash and cash equivalents, beginning of the period	**47,892**	**111,354**	**159,246**	26,834	1,577	28,411
Cash and cash equivalents, end of the period	**73,390**	**102,295**	**175,685**	30,276	1,577	31,853

20. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

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

- Previously interim statement of financial position, statement of income, and statement of cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level interim statement of financial position, statement of income and statement of cash flows.

- The amounts "due to / from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated.

- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in interim statement of income.

21. IMPACT OF COVID-19

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

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

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

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

Medical technical reserves

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

Motor technical reserves

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

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

For new retail motor policies issued as per above circular, the premium is earned over the period of 12 months as the impact of earnings over the period of coverage. i.e 14 month are not considered significant by the management for the year ended 31 December 2020 and subsequent periods.

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

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the period ended 31 March 2021 and the year ended 31 December 2020. The Company's management continues to monitor the situation closely.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 7 Shawwal 1442H, corresponding to 19 May 2021.