
SALAMA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

SALAMA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

INDEX	PAGE
Independent Auditors' Review Report	1
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Income	3 – 4
Interim Condensed Statement of Comprehensive Income	5
Interim Condensed Statement of Changes in Equity	6
Interim Condensed Statement of Cash Flows	7
Notes to the Interim Condensed Financial Statements	8 – 41



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

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

INTRODUCTION

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

SCOPE OF REVIEW

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

CONCLUSION

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

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

Abdullah M. AlAzem
Certified Public Accountant
License No. 335

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

Jamal Al-Amri
Certified Public Accountant
License No. 331




24 Rabi' al Awwal 1442H
Corresponding to 10 November 2020



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

		30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
	Notes		
<u>ASSETS</u>			
Cash and cash equivalents	4 (a)	186,132	28,411
Term deposits	4 (b)	149,139	358,483
Premiums and reinsurers' receivable – net	5	72,424	86,207
Reinsurers' share of unearned premiums	7	25,132	21,858
Reinsurers' share of outstanding claims	7	10,010	8,745
Reinsurers' share of claims incurred but not reported	7	8,134	12,273
Deferred policy acquisition costs		9,298	9,033
Investments	6	201,457	119,740
Prepaid expenses and other assets		15,666	11,359
Right of use assets- net		23,527	26,936
Property and equipment- net		8,325	12,044
Intangible assets- net		4,976	6,304
Statutory deposit	8	37,500	37,500
Accrued commission on statutory deposit	8	3,636	3,328
<u>TOTAL ASSETS</u>		<u>755,356</u>	<u>742,221</u>
<u>LIABILITIES</u>			
Policyholders claims payable		19,332	13,943
Accrued expenses and other liabilities		41,953	23,627
Lease liabilities		23,585	23,703
Reinsurers' balances payable		13,551	7,811
Unearned premiums	7	243,406	229,678
Unearned reinsurance commission		3,848	3,401
Outstanding claims	7	25,223	38,953
Claims incurred but not reported	7	111,074	130,586
Premium deficiency reserve	7	3,924	9,782
Other technical reserves	7	5,223	6,259
Employee benefit obligations		8,747	9,688
Surplus distribution payable		15,324	14,535
Provision for zakat	13	29,631	25,131
Accrued commission income payable to SAMA	8	3,636	3,328
<u>TOTAL LIABILITIES</u>		<u>548,457</u>	<u>540,425</u>
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	14	250,000	250,000
Statutory reserve		5,003	5,003
Accumulated losses		(47,304)	(52,407)
<u>TOTAL SHAREHOLDERS' EQUITY</u>		<u>207,699</u>	<u>202,596</u>
Re-measurement reserve of defined benefit obligations – related to insurance operations		(800)	(800)
<u>TOTAL EQUITY</u>		<u>206,899</u>	<u>201,796</u>
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>755,356</u>	<u>742,221</u>
COMMITMENTS AND CONTINGENCIES	9	9,850	10,200


Chief Executive Officer


Chief Financial Officer


Board Member

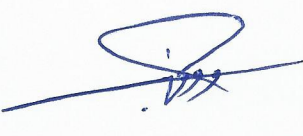
The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000
<u>REVENUES</u>				
Gross premiums written	157,522	95,155	339,939	383,562
Reinsurance premiums ceded				
- Local	(441)	(146)	(833)	(529)
- Foreign	(16,209)	(9,669)	(35,612)	(36,080)
	(16,650)	(9,815)	(36,445)	(36,609)
Excess of loss expenses				
- Local	(680)	(39)	(795)	(132)
- Foreign	(10,429)	(2,958)	(15,223)	(8,300)
	(11,109)	(2,997)	(16,018)	(8,432)
Net premiums written	129,763	82,343	287,476	338,521
Changes in unearned premiums, net	(41,813)	25,384	(10,454)	58,828
Net premiums earned	87,950	107,727	277,022	397,349
Reinsurance commissions	1,805	2,003	5,174	5,014
Other underwriting income	4,425	459	5,310	1,566
<u>TOTAL REVENUES</u>	94,180	110,189	287,506	403,929
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	85,612	108,624	249,474	386,695
Reinsurers' share of claims paid	(17,450)	(4,835)	(25,657)	(12,492)
Net claims paid	68,162	103,789	223,817	374,203
Changes in outstanding claims, net	(277)	(10,176)	(14,995)	(12,189)
Changes in claims incurred but not reported, net	(2,126)	(4,955)	(15,373)	(14,749)
Net claims incurred	65,759	88,658	193,449	347,265
Change in premium deficiency reserve	(5,519)	7,089	(5,858)	15,251
Change in other technical reserves	126	-	(1,036)	-
Policy acquisition costs	3,993	6,154	13,438	21,985
Other underwriting expenses	17,419	3,577	26,062	14,907
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	81,778	105,478	226,055	399,408
NET UNDERWRITING INCOME	12,402	4,711	61,451	4,521


Chief Executive Officer


Chief Financial Officer



Board Member


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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

	<i>Notes</i>	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
		2020	2019	2020	2019
		SR'000	SR'000	SR'000	SR'000
OTHER OPERATING (EXPENSES) / INCOME					
(Allowance) / reversal of provision for doubtful debts		(292)	2,736	(2,927)	(4,577)
General and administrative expenses		(18,984)	(22,064)	(61,021)	(72,740)
Investment income		2,306	304	8,460	8,525
Unrealized gain on investments		7,664	-	4,429	-
TOTAL OTHER OPERATING EXPENSES		(9,306)	(19,024)	(51,059)	(68,792)
Income / (Loss) before surplus and zakat		3,096	(14,313)	10,392	(64,271)
(loss) / income attributed to the insurance operations		86	-	(789)	-
Net income / (loss) for the period attributable to the shareholders before zakat		3,182	(14,313)	9,603	(64,271)
Zakat	13	(1,500)	(1,500)	(4,500)	(4,500)
Net income / (loss) for the period attributable to the shareholders		1,682	(15,813)	5,103	(68,771)
Weighted average number of ordinary shares outstanding		25,000	25,000	25,000	25,000
Basic and diluted earnings / (loss) per share (SR)	16	0.07	(0.63)	0.20	(2.75)


Chief Executive Officer


Chief Financial Officer


Board Member

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	1,682	(15,813)	5,103	(68,771)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive income / (loss) for the period	1,682	(15,813)	5,103	(68,771)


Chief Executive Officer


Chief Financial Officer


Board Member

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
2020					
Balance as at 31 December 2019 (audited)	250,000	5,003	(52,407)	(800)	201,796
Total comprehensive income for the period					
Net income for the period – Attributable to the shareholders	-	-	5,103	-	5,103
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive income for the period	-	-	5,103	-	5,103
Balance as at 30 September 2020 (unaudited)	250,000	5,003	(47,304)	(800)	206,899

	Share capital SR'000	Statutory reserve SR'000	Retained earnings/ (Accumulated losses) SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
2019					
Balance as at 31 December 2018 (audited)	250,000	5,003	7,708	1,079	263,790
Total comprehensive loss for the period					
Net loss for the period – Attributable to the shareholders	-	-	(68,771)	-	(68,771)
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive loss for the period	-	-	(68,771)	-	(68,771)
Balance as at 30 September 2019 (unaudited)	250,000	5,003	(61,063)	1,079	195,019


Chief Executive Officer


Chief Financial Officer


Board Member

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

	30 September 2020 (Unaudited) SR'000	30 September 2019 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income /(loss) for the period before zakat	9,603	(64,271)
Adjustments for non-cash items:		
Income attributed to insurance operations	789	-
Depreciation of property and equipment	3,840	3,727
Amortization of intangible assets	1,328	1,246
Amortization of held to maturity investments	-	259
Allowance for doubtful debts	2,927	4,577
Unrealized gain on investments	(4,429)	(58)
Realized gain on investments	-	(4,091)
Provision for end-of-service indemnities, net	-	(1,863)
	14,058	(60,474)
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	10,856	28,691
Reinsurers' share of unearned premiums	(3,274)	(8,266)
Reinsurers' share of outstanding claims	(1,265)	4,201
Reinsurers' share of claims Incurred but not reported	4,139	(511)
Deferred policy acquisition costs	(265)	3,632
Prepaid expenses and other assets	(4,307)	4,521
Increase in lease liabilities	(118)	27,125
Accrued income on statutory deposit	(308)	(496)
Policyholders claims payable	5,389	9,259
Accrued expenses and other liabilities	18,326	(11,661)
Reinsurers' balances payable	5,740	726
Unearned premiums	13,728	(50,562)
Unearned reinsurance commission	447	841
Outstanding claims	(13,730)	(16,389)
Claims incurred but not reported	(19,512)	(14,238)
Premium deficiency reserve	(5,858)	15,251
Other technical reserves	(1,036)	-
Accrued commission income payable to SAMA	308	496
Zakat paid	-	(630)
End of service indemnities paid	(941)	-
Net cash from / (used in) operating activities	22,377	(68,484)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(81,931)	(124,982)
Proceeds from sale of investments	4,643	131,962
Placement of term deposits	(150,000)	(101,148)
Proceeds from term deposits	359,344	199,886
Proceeds from held to maturity investments	-	10,000
Increase in right of use assets – net	3,409	(28,387)
Purchase of property and equipment	(121)	(2,610)
Purchase of intangible assets	-	(835)
Net cash from investing activities	135,344	83,886
Net change in cash and cash equivalents	157,721	15,402
Cash and cash equivalents, at the beginning of the period	28,411	86,869
Cash and cash equivalents, at the end of the period	186,132	102,271

Chief Executive Officer

Chief Financial Officer

Board Member

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

1. GENERAL

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

The registered office address of the Company is:

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

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

The Company received the approval letters from the Saudi Arabian Monetary Authority (SAMA) and Ministry of Commerce and Investment regarding the amendment of the Company’s by-laws to be in accordance with the new Companies’ Regulations. The Company’s general assembly was held on 11 Ramadan 1438H (corresponding to 6 June 2017) and accordingly the new by-laws 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 30 September 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”).

The interim condensed financial 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, statutory deposit, employee benefit obligations, outstanding claims, claims incurred but not reported, other technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

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

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

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

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

b. Critical accounting judgments, estimates and assumptions

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

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

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective

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

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

IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

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

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

Effective date

The 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 reinsurance and retro-cession that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
- ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and;
- ii) the contractual terms of cash flows are SPPI.

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

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

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

Impairment

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

Hedge accounting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

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

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

- a) the effective date of a new insurance contract standard; or
- b) annual reporting periods beginning on or after 1 January 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;

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

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

Impact assessment

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

4. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Bank balances and cash	184,489	26,834

	Shareholders' operations	
	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Bank balances	1,643	1,577

b) Term deposits

	Insurance operations	
	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Term deposits	149,139	258,282

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

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

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Policyholders	105,609	118,649
Receivables from reinsurers	6,872	4,688
	112,481	123,337
Provision for doubtful receivables	(40,057)	(37,130)
Premiums and reinsurers' receivable – net	72,424	86,207

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

6. INVESTMENTS

Investments are classified as follows:

	Insurance operations	
	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
- Held at fair value through statement of income (FVSI)	105,636	25,926
- Held to maturity	18,530	18,530
<i>Total</i>	124,166	44,456

	Shareholders' operations	
	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
- Held at fair value through statement of income (FVSI)	56,919	54,912
- Available-for-sale	1,923	1,923
- Held to maturity	18,449	18,449
<i>Total</i>	77,291	75,284

a) Held at fair value through statement of income (FVSI)

Movement in FVSI investments balance is as follows:

	Insurance operations	
	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance	25,926	39,942
Purchases during the period / year	81,931	72,839
Disposals during the period / year	(4,643)	(83,434)
	103,214	29,347
Changes in fair value	2,422	(3,421)
Closing balance	105,636	25,926

	Source of Fair Value	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Local DPM equity securities	Quoted	32,475	3,127
Units in local money market funds	NAV**	55,994	-
Local DPM*money market securities	NAV**	17,167	22,799
		105,636	25,926

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

6. INVESTMENTS – (continued)

a) Held at fair value through statement of income (FVSI) – (continued)

		Shareholders' operations	
		30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Opening balance		54,912	76,506
Disposals during the period / year		-	(28,987)
		54,912	47,519
Changes in fair value		2,007	7,393
Closing balance		56,919	54,912

		30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
	<i>Source of Fair Value</i>		
Local DPM* equity securities	Quoted	22,761	20,846
Units in local real estate funds	NAV**	10,041	10,041
Local DPM* money market securities	NAV**	24,117	24,025
Total		56,919	54,912

b) Available-for-sale investments

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

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

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

6. INVESTMENTS – (continued)

c) Held to maturity investments

Movement in held to maturity investments balance is as follows:

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

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

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

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

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Outstanding claims	25,223	38,953
Claims incurred but not reported	111,074	130,586
Premium deficiency reserve	3,924	9,782
Other technical reserves	5,223	6,259
	145,444	185,580
Less:		
- Reinsurers' share of outstanding claims	(10,010)	(8,745)
- Reinsurers' share of claims incurred but not reported	(8,134)	(12,273)
	(18,144)	(21,018)
Net outstanding claims and reserves	127,300	164,562

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Nine month ended 30 September 2020 (Unaudited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the period	229,678	(21,858)	207,820
Premium written during the period	339,939	(52,463)	287,476
Premium earned during the period	(326,211)	49,189	(277,022)
Balance as at the end of the period	<u>243,406</u>	<u>(25,132)</u>	<u>218,274</u>
	Year ended 31 December 2019 (Audited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	287,093	(13,139)	273,954
Premium written during the year	503,504	(49,305)	454,199
Premium earned during the year	(560,919)	40,586	(520,333)
Balance as at the end of the year	<u>229,678</u>	<u>(21,858)</u>	<u>207,820</u>

8. STATUTORY DEPOSIT

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

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

9. COMMITMENTS AND CONTINGENCIES

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

	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Letters of guarantee in favour of non-government customers	350	700
Letters of guarantee in favour of GAZT	9,500	9,500
	9,850	10,200

- b. The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at 31 December 2019.
- c. The Company's bankers have given guarantees to non-government customers amounting to SR 350 thousand (2019: SR 700 thousand) in respect of motor insurance and to General Authority of Zakat and Tax (GAZT) amounting to SR 9.5 million (2019: SR 9.5 million) in respect of zakat assessments for years 2008 to 2012.

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value – (continued)

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
30 September 2020 (Unaudited)				
Financial assets measured at fair value				
- Investments held at FVSI	32,475	73,161	-	105,636
	32,475	73,161	-	105,636
Financial assets not measured at fair value				
- Held to maturity investments	-	18,530	-	18,530
	-	18,530	-	18,530
Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2019 (Audited)				
Financial assets measured at fair value				
- Investments held at FVSI	3,127	22,799	-	25,926
	3,127	22,799	-	25,926
Financial assets not measured at fair value				
- Held to maturity investments	-	18,530	-	18,530
	-	18,530	-	18,530

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value – (continued)

Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
30 September 2020 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	22,761	34,158	-	56,919
	<u>22,761</u>	<u>34,158</u>	<u>-</u>	<u>56,919</u>
Financial assets not measured at fair value				
- Held to maturity investments	-	18,449	-	18,449
	<u>-</u>	<u>18,449</u>	<u>-</u>	<u>18,449</u>
Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2019 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	20,846	34,066	-	54,912
	<u>20,846</u>	<u>34,066</u>	<u>-</u>	<u>54,912</u>
Financial assets not measured at fair value				
- Held to maturity investments	-	18,449	-	18,449
	<u>-</u>	<u>18,449</u>	<u>-</u>	<u>18,449</u>

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS

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

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

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

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

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

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

As at 30 September 2020 (Unaudited)						
	Insurance operations			Insurance operations	Shareholders' operations	Total
	Medical	Motor	Others			
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	18,632	6,500	25,132	-	25,132
Reinsurers' share of outstanding claims	-	(493)	10,503	10,010	-	10,010
Reinsurers' share of claims incurred but not reported	-	6,545	1,589	8,134	-	8,134
Deferred policy acquisition costs	2,622	5,133	1,543	9,298	-	9,298
Unallocated assets				582,526	120,256	702,782
Total assets				<u>635,100</u>	<u>120,256</u>	<u>755,356</u>
Liabilities						
Unearned premiums	41,899	189,555	11,952	243,406	-	243,406
Unearned reinsurance commission	1,708	2,140	-	3,848	-	3,848
Outstanding claims	9,767	(2,118)	17,574	25,223	-	25,223
Claims incurred but not reported	17,931	90,198	2,945	111,074	-	111,074
Premium deficiency reserve	3,924	-	-	3,924	-	3,924
Other technical reserves	2,119	2,664	440	5,223	-	5,223
Unallocated liabilities and surplus				122,492	33,267	155,759
Total liabilities				<u>515,190</u>	<u>33,267</u>	<u>548,457</u>
Shareholders' equity						
Share capital	-			-	250,000	250,000
Statutory reserve	-			-	5,003	5,003
Accumulated losses	-			-	(47,304)	(47,304)
Total shareholders' equity				-	<u>207,699</u>	<u>207,699</u>
Re-measurement reserve of defined benefit obligations – related to insurance operations				(800)	-	(800)
Total equity				<u>(800)</u>	<u>207,699</u>	<u>206,899</u>
Total liabilities and equity				<u>514,390</u>	<u>240,966</u>	<u>755,356</u>

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

For the three month period ended 30 September 2020 (Unaudited)				
	Medical	Motor	Others	Total
	SR'000			
<u>REVENUES</u>				
Individual	-	119,527	1,125	120,652
Large	6,122	142	440	6,704
Medium	3,216	1,026	2,138	6,380
Small	5,216	1,622	2,865	9,703
Very small	14,073	-	10	14,083
Gross premiums written	28,627	122,317	6,578	157,522
Reinsurance premiums ceded				
- Local	-	-	(441)	(441)
- Foreign	-	(12,327)	(3,882)	(16,209)
	-	(12,327)	(4,323)	(16,650)
Excess of loss expenses				
- Local	(589)	(26)	(65)	(680)
- Foreign	(8,561)	(1,623)	(245)	(10,429)
	(9,150)	(1,649)	(310)	(11,109)
Net premiums written	19,477	108,341	1,945	129,763
Changes in unearned premiums, net	(7,643)	(33,944)	(226)	(41,813)
Net premiums earned	11,834	74,397	1,719	87,950
Reinsurance commissions	-	1,016	789	1,805
Other underwriting income	2,010	267	2,148	4,425
<u>TOTAL REVENUES</u>	13,844	75,680	4,656	94,180
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	21,778	63,446	388	85,612
Reinsurers' share of claims paid	(11,405)	(5,635)	(410)	(17,450)
Net claims paid	10,373	57,811	(22)	68,162
Changes in outstanding claims, net	(1,051)	(477)	1,251	(277)
Changes in claims incurred but not reported, net	(2,714)	342	246	(2,126)
Net claims incurred	6,608	57,676	1,475	65,759
Changes in premium deficiency reserves	(1,079)	(4,440)	-	(5,519)
Changes in other technical reserve	5	44	77	126
Policy acquisition costs	1,401	1,937	655	3,993
Other underwriting expenses	2,982	14,404	33	17,419
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	9,917	69,621	2,240	81,778
NET UNDERWRITING INCOME	3,927	6,059	2,416	12,402
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
Allowance for doubtful debts				(292)
General and administrative expenses				(18,984)
Investment income				2,306
Unrealized gain on investments				7,664
<u>TOTAL OTHER OPERATING EXPENSES</u>				(9,306)
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT</u>				3,096
Zakat				(1,500)
<u>NET INCOME FOR THE PERIOD</u>				1,596
Net income for the period attributable to insurance operations				86
Net income for the period attributable to shareholders operations				1,682

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

		For the nine month period ended 30 September 2020 (Unaudited)			
		Medical	Motor	Others	Total
		SR'000			
REVENUES					
Individual	-	237,061	2,703	239,764	
Large	13,457	5,779	3,380	22,616	
Medium	7,701	8,521	5,173	21,395	
Small	13,238	4,990	4,646	22,874	
Very small	29,511	3,272	507	33,290	
Gross premiums written	63,907	259,623	16,409	339,939	
Reinsurance premiums ceded					
- Local	-	-	(833)	(833)	
- Foreign	-	(25,953)	(9,659)	(35,612)	
	-	(25,953)	(10,492)	(36,445)	
Excess of loss expenses					
- Local	(588)	(75)	(132)	(795)	
- Foreign	(9,862)	(4,560)	(801)	(15,223)	
	(10,450)	(4,635)	(933)	(16,018)	
Net premiums written	53,457	229,035	4,984	287,476	
Changes in unearned premiums, net	17,170	(26,006)	(1,618)	(10,454)	
Net premiums earned	70,627	203,029	3,366	277,022	
Reinsurance commissions	-	2,685	2,489	5,174	
Other underwriting income	2,010	1,152	2,148	5,310	
TOTAL REVENUES	72,637	206,866	8,003	287,506	
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	81,189	167,318	967	249,474	
Reinsurers' share of claims paid	(11,405)	(13,776)	(476)	(25,657)	
Net claims paid	69,784	153,542	491	223,817	
Changes in outstanding claims, net	(4,337)	(13,599)	2,941	(14,995)	
Changes in claims incurred but not reported, net	(375)	(15,580)	582	(15,373)	
Net claims incurred	65,072	124,363	4,014	193,449	
Changes in premium deficiency reserves	(5,314)	-	(544)	(5,858)	
Changes in other technical reserve	526	(998)	(564)	(1,036)	
Policy acquisition costs	4,684	6,991	1,763	13,438	
Other underwriting expenses	7,186	18,774	102	26,062	
TOTAL UNDERWRITING COSTS AND EXPENSES	72,154	149,130	4,771	226,055	
NET UNDERWRITING INCOME	483	57,736	3,232	61,451	
OTHER OPERATING (EXPENSES) / INCOME					
Allowance for doubtful debts				(2,927)	
General and administrative expenses				(61,021)	
Investment income				8,460	
Unrealized gain on investments				4,429	
TOTAL OTHER OPERATING EXPENSES				(51,059)	
NET INCOME FOR THE PERIOD BEFORE ZAKAT				10,392	
Zakat				(4,500)	
NET INCOME FOR THE PERIOD				5,892	
Net income for the period attributable to insurance operations				(789)	
Net income for the period attributable to shareholders operations				5,103	

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

	For the three month period ended 30 September 2019 (Unaudited)			
	Medical	Motor	Others	Total
	SR'000			
<u>REVENUES</u>				
Gross premiums written				
Individual	-	56,168	630	56,798
Large	9,604	4,859	209	14,672
Medium	253	3,081	2,654	5,988
Small	223	4,999	1,255	6,477
Very small	11,220	-	-	11,220
Net premiums written	21,300	69,107	4,748	95,155
Reinsurance premiums ceded				
- Local	-	-	(146)	(146)
- Foreign	-	(6,663)	(3,006)	(9,669)
	-	(6,663)	(3,152)	(9,815)
Excess of loss expenses				
- Local	-	(39)	-	(39)
- Foreign	(1,650)	(938)	(370)	(2,958)
	(1,650)	(977)	(370)	(2,997)
Net premiums written	19,650	61,467	1,226	82,343
Changes in unearned premiums, net	8,872	16,518	(6)	25,384
Net premiums earned	28,522	77,985	1,220	107,727
Reinsurance commissions	-	908	1,095	2,003
Other underwriting income	-	459	-	459
<u>TOTAL REVENUES</u>	28,522	79,352	2,315	110,189
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	37,614	70,967	43	108,624
Reinsurers' share of claims paid	-	(4,795)	(40)	(4,835)
Net claims paid	37,614	66,172	3	103,789
Changes in outstanding claims, net	(3,745)	(6,848)	417	(10,176)
Changes in claims incurred but not reported, net	2,449	(7,481)	77	(4,955)
Net claims incurred	36,318	51,843	497	88,658
Change in premium deficiency reserve	7,089	-	-	7,089
Policy acquisition costs	1,510	3,994	650	6,154
Other underwriting expenses	1,871	1,626	80	3,577
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	46,788	57,463	1,227	105,478
<u>NET UNDERWRITING (LOSS) / INCOME</u>	(18,266)	21,889	1,088	4,711
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
Reversal of provision for doubtful debts				2,736
General and administrative expenses				(22,064)
Investment income				304
<u>TOTAL OTHER OPERATING EXPENSES</u>				(19,024)
<u>NET LOSS FOR THE PERIOD BEFORE ZAKAT</u>				(14,313)
Zakat				(1,500)
<u>NET LOSS FOR THE PERIOD</u>				(15,813)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to the shareholders' operations				(15,813)

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

11. OPERATING SEGMENTS – (continued)

	For the nine month period ended 30 September 2019 (Unaudited)			
	Medical	Motor	Others	Total
	SR'000			
<u>REVENUES</u>				
Gross premiums written				
Individual	6,842	128,701	1,418	136,961
Large	50,780	42,541	2,869	96,190
Medium	8,715	74,828	6,318	89,861
Small	4,952	8,417	3,081	16,450
Very small	29,137	14,160	803	44,100
Reinsurance premiums ceded	100,426	268,647	14,489	383,562
Reinsurance premiums ceded				
- Local	-	-	(529)	(529)
- Foreign	-	(26,955)	(9,125)	(36,080)
	-	(26,955)	(9,654)	(36,609)
Excess of loss expenses				
- Local	-	(107)	(25)	(132)
- Foreign	(3,300)	(4,077)	(923)	(8,300)
	(3,300)	(4,184)	(948)	(8,432)
Net premiums written	97,126	237,508	3,887	338,521
Changes in unearned premiums, net	(9,696)	68,948	(424)	58,828
Net premiums earned	87,430	306,456	3,463	397,349
Reinsurance commissions	-	2,078	2,936	5,014
Other underwriting income	-	1,566	-	1,566
TOTAL REVENUES	87,430	310,100	6,399	403,929
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	98,115	285,621	2,959	386,695
Reinsurers' share of claims paid	-	(10,315)	(2,177)	(12,492)
Net claims paid	98,115	275,306	782	374,203
Changes in outstanding claims, net	(2,786)	(10,048)	645	(12,189)
Changes in claims incurred but not reported, net	12,678	(27,570)	143	(14,749)
Net claims incurred	108,007	237,688	1,570	347,265
Change in premium deficiency reserve	15,251	-	-	15,251
Policy acquisition costs	4,942	15,335	1,708	21,985
Other underwriting expenses	9,046	5,698	163	14,907
TOTAL UNDERWRITING COSTS AND EXPENSES	137,246	258,721	3,441	399,408
NET UNDERWRITING (LOSS) / INCOME	(49,816)	51,379	2,958	4,521
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
Allowance for doubtful debts				(4,577)
General and administrative expenses				(72,740)
Investment income				8,525
TOTAL OTHER OPERATING EXPENSES				(68,792)
NET LOSS FOR THE PERIOD BEFORE ZAKAT				(64,271)
Zakat				(4,500)
NET LOSS FOR THE PERIOD				(68,771)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to the shareholders' operations				(68,771)

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of transactions	Amount of transactions		Balance receivable/(payable) as at	
		Nine-month period ended	30	30	31 December
		30 September 2020 (Unaudited) SR'000	September 2019 (Unaudited) SR'000	September 2020 (Unaudited) SR'000	2019 (Audited) SR'000
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Chairman of the Board	Premium written	-	95	-	-
	Payments and claims paid	-	(63)	-	-
	Rent paid	-	3,232	-	-

*Except of the above transactions, the company has no transactions during the period ended 30 September 2020 and 30 September 2019.

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

	30 September 2020 (Unaudited) SR'000	30 September 2019 (Unaudited) SR'000
Salaries and other allowances	2,293	3,960
End of service indemnities	1,225	347
	3,518	4,307
Remuneration to those charged with governance – Board of Directors	1,290	514

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

13. ZAKAT

a. Charge for the period / year

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

Movements in provision during the period / year	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Balance at the beginning of the period / year	25,131	19,761
Charge for the period / year	4,500	6,000
Paid during the period / year	-	(630)
Balance at the end of the period / year	29,631	25,131

b. Status of zakat assessments

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

During 2016, the Company received zakat assessments for the years ended 31 December 2008 through 2012 where GAZT demanded additional zakat and withholding tax liability of SR 13.7 million in respect of those years. The Company has filed an objection against those assessments and the management is confident of a favorable outcome. In this regard, the Company has issued a letter of guarantee amounting to SR 9.5 million in favor of GAZT. Further, the Company has paid SR 4.4 million for withholding tax for prior years in 2016. The Company believes that no additional provision is required for this assessment. During 2020, the Company has objected to the said assessment and approached the Preliminary Appeal Committee (PAC) for the review and decision. The Company has escalated its objection for the above to the General Secretariat of Tax Committee.

During 2020, the Company received zakat assessments for the year ended 31 December 2014 where GAZT demanded additional zakat liability of SR 1.2 million. The Company has filed an objection against the assessment and the management is confident of a favorable outcome. Moreover, the Company received preliminary zakat assessments for the years ended 31 December 2015 through 2018 where GAZT demanded additional zakat liability of SR 12.6 million and withholding tax liability of 4.9 million for the years from 2014 to 2018. The Company is waiting for final assessments and the management is confident of a favorable outcome.

14. SHARE CAPITAL

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

15. CAPITAL MANAGEMENT

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

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

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

16. EARNINGS / (LOSS) PER SHARE

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

17. SUPPLEMENTARY INFORMATION

a) Interim condensed statement of financial position

	30 September 2020			31 December 2019		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS						
Cash and cash equivalents	184,489	1,643	186,132	26,834	1,577	28,411
Term deposits	149,139	-	149,139	258,282	100,201	358,483
Premiums and reinsurers' receivable – net	72,424	-	72,424	86,207	-	86,207
Reinsurers' share of unearned premiums	25,132	-	25,132	21,858	-	21,858
Reinsurers' share of outstanding claims	10,010	-	10,010	8,745	-	8,745
Reinsurers' share of claims incurred but not reported	8,134	-	8,134	12,273	-	12,273
Deferred policy acquisition costs	9,298	-	9,298	9,033	-	9,033
Investments	124,166	77,291	201,457	44,456	75,284	119,740
Due from insurance operations	-	120,710	120,710	-	12,979	12,979
Prepaid expenses and other assets	15,480	186	15,666	11,173	186	11,359
Right of use assets – net	23,527	-	23,527	26,936	-	26,936
Property and equipment- net	8,325	-	8,325	12,044	-	12,044
Intangible assets- net	4,976	-	4,976	6,304	-	6,304
Statutory deposit	-	37,500	37,500	-	37,500	37,500
Accrued commission on statutory deposit	-	3,636	3,636	-	3,328	3,328
	635,100	240,966	876,066	524,145	231,055	755,200
Less / Inter-operations eliminations	-	(120,710)	(120,710)	-	(12,979)	(12,979)
TOTAL ASSETS	635,100	120,256	755,356	524,145	218,076	742,221

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION (continued)

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

	30 September 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>LIABILITIES</u>						
Policyholders claims payable	19,332	-	19,332	13,943	-	13,943
Accrued expenses and other liabilities	41,953	-	41,953	23,627	-	23,627
Lease Liabilities	23,585	-	23,585	23,703	-	23,703
Reinsurers' balances payable	13,551	-	13,551	7,811	-	7,811
Unearned premiums	243,406	-	243,406	229,678	-	229,678
Unearned reinsurance commission	3,848	-	3,848	3,401	-	3,401
Outstanding claims	25,223	-	25,223	38,953	-	38,953
Claims incurred but not reported	111,074	-	111,074	130,586	-	130,586
Premium deficiency reserves	3,924	-	3,924	9,782	-	9,782
Other technical reserves	5,223	-	5,223	6,259	-	6,259
Due to shareholders' operations	120,710	-	120,710	12,979	-	12,979
Employee benefits obligation	8,747	-	8,747	9,688	-	9,688
Surplus distribution payable	15,324	-	15,324	14,535	-	14,535
Provision for zakat	-	29,631	29,631	-	25,131	25,131
Accrued commission income payable to SAMA	-	3,636	3,636	-	3,328	3,328
	635,900	33,267	669,167	524,945	28,459	553,404
(Less): Inter-operations eliminations	(120,710)	-	(120,710)	(12,979)	-	(12,979)
<u>TOTAL LIABILITIES</u>	515,190	33,267	548,457	511,966	28,459	540,425
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	250,000	250,000	-	250,000	250,000
Statutory reserve	-	5,003	5,003	-	5,003	5,003
Accumulated losses	-	(47,304)	(47,304)	-	(52,407)	(52,407)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	207,699	207,699	-	202,596	202,596
Re-measurement reserve of defined benefit obligations – related to insurance operations	(800)	-	(800)	(800)	-	(800)
<u>TOTAL EQUITY</u>	(800)	207,699	206,899	(800)	202,596	201,796
<u>TOTAL LIABILITIES AND EQUITY</u>	514,390	240,966	755,356	511,166	231,055	742,221
COMMITMENTS AND CONTINGENCIES	350	9,500	9,850	700	9,500	10,200

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income

	Three-month period ended					
	30 September 2020			30 September 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
<u>REVENUES</u>						
Gross premiums written	157,522	-	157,522	95,155	-	95,155
Reinsurance premiums ceded						
- Local	(441)	-	(441)	(146)	-	(146)
- Foreign	(16,209)	-	(16,209)	(9,669)	-	(9,669)
	(16,650)	-	(16,650)	(9,815)	-	(9,815)
Excess of loss expenses						
- Local	(680)	-	(680)	(39)	-	(39)
- Foreign	(10,429)	-	(10,429)	(2,958)	-	(2,958)
	(11,109)	-	(11,109)	(2,997)	-	(2,997)
Net premiums written	129,763	-	129,763	82,343	-	82,343
Changes in unearned premiums, net	(41,813)	-	(41,813)	25,384	-	25,384
Net premiums earned	87,950	-	87,950	107,727	-	107,727
Reinsurance commissions	1,805	-	1,805	2,003	-	2,003
Other underwriting income	4,425	-	4,425	459	-	459
<u>TOTAL REVENUES</u>	94,180	-	94,180	110,189	-	110,189
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	85,612	-	85,612	108,624	-	108,624
Reinsurers' share of claims paid	(17,450)	-	(17,450)	(4,835)	-	(4,835)
Net claims paid	68,162	-	68,162	103,789	-	103,789
Changes in outstanding claims, net	(277)	-	(277)	(10,176)	-	(10,176)
Changes in claims incurred but not reported, net	(2,126)	-	(2,126)	(4,955)	-	(4,955)
Net claims incurred	65,759	-	65,759	88,658	-	88,658
Change in premium deficiency reserve	(5,519)	-	(5,519)	7,089	-	7,089
Change in other technical reserves	126	-	126	-	-	-
Policy acquisition costs	3,993	-	3,993	6,154	-	6,154
Other underwriting expenses	17,419	-	17,419	3,577	-	3,577
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	81,778	-	81,778	105,478	-	105,478
<u>NET UNDERWRITING INCOME</u>	12,402	-	12,402	4,711	-	4,711

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income – (continued)

	Three-month period ended					
	30 September 2020			30 September 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
(Allowance) / reversal of provision for doubtful debts	(292)	-	(292)	2,736	-	2,736
General and administrative expenses	(18,580)	(404)	(18,984)	(21,713)	(351)	(22,064)
Investment income / (loss)	1,713	593	2,306	1,209	(905)	304
Unrealized gain on investments	3,902	3,762	7,664	-	-	-
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(13,257)	3,951	(9,306)	(17,768)	(1,256)	(19,024)
<u>NET (LOSS)/ INCOME BEFORE ZAKAT</u>	(855)	3,951	3,096	(13,057)	(1,256)	(14,313)
Zakat	-	(1,500)	(1,500)	-	(1,500)	(1,500)
<u>NET (LOSS)/ INCOME AFTER ZAKAT</u>	(855)	2,451	1,596	(13,057)	(2,756)	(15,813)
Transferred to Shareholders	769	(2,451)	(1,682)	13,057	2,756	15,813
<u>NET RESULT FROM INSURANCE OPERATIONS</u>	(86)	-	(86)	-	-	-
Earnings / (loss) per share (Expressed in SR per share)						
Weighted average number of shares (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted earnings / (loss) per share	-	0.07	0.07	-	(0.63)	(0.63)

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

c) Interim condensed statement of comprehensive income

	Three-month period ended					
	30 September 2020 (Unaudited)			30 September 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
Net (loss) / income for the period	(86)	1,682	1,596	-	(15,813)	(15,813)
Other comprehensive income	-	-	-	-	-	-
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</u>	<u>(86)</u>	<u>1,682</u>	<u>1,596</u>	<u>-</u>	<u>(15,813)</u>	<u>(15,813)</u>

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income

	Nine-month period ended					
	30 September 2020			30 September 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
<u>REVENUES</u>						
Gross premiums written	339,939	-	339,939	383,562	-	383,562
Reinsurance premiums ceded						
- Local	(833)	-	(833)	(529)	-	(529)
- Foreign	(35,612)	-	(35,612)	(36,080)	-	(36,080)
	(36,445)	-	(36,445)	(36,609)	-	(36,609)
Excess of loss expenses						
- Local	(795)	-	(795)	(132)	-	(132)
- Foreign	(15,223)	-	(15,223)	(8,300)	-	(8,300)
	(16,018)	-	(16,018)	(8,432)	-	(8,432)
Net premiums written	287,476	-	287,476	338,521	-	338,521
Changes in unearned premiums, net	(10,454)	-	(10,454)	58,828	-	58,828
Net premiums earned	277,022	-	277,022	397,349	-	397,349
Reinsurance commissions	5,174	-	5,174	5,014	-	5,014
Other underwriting income	5,310	-	5,310	1,566	-	1,566
<u>TOTAL REVENUES</u>	287,506	-	287,506	403,929	-	403,929
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	249,474	-	249,474	386,695	-	386,695
Reinsurers' share of claims paid	(25,657)	-	(25,657)	(12,492)	-	(12,492)
Net claims paid	223,817	-	223,817	374,203	-	374,203
Changes in outstanding claims, net	(14,995)	-	(14,995)	(12,189)	-	(12,189)
Changes in claims incurred but not reported, net	(15,373)	-	(15,373)	(14,749)	-	(14,749)
Net claims incurred	193,449	-	193,449	347,265	-	347,265
Change in premium deficiency reserves	(5,858)	-	(5,858)	15,251	-	15,251
Change in other technical reserves	(1,036)	-	(1,036)	-	-	-
Policy acquisition costs	13,438	-	13,438	21,985	-	21,985
Other underwriting expenses	26,062	-	26,062	14,907	-	14,907
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	226,055	-	226,055	399,408	-	399,408
<u>NET UNDERWRITING INCOME</u>	61,451	-	61,451	4,521	-	4,521

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income – (continued)

	Nine-month period ended					
	30 September 2020 (Unaudited)			30 September 2019 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(2,927)	-	(2,927)	(4,577)	-	(4,577)
General and administrative expenses	(59,364)	(1,657)	(61,021)	(71,879)	(861)	(72,740)
Investment income	6,308	2,152	8,460	1,448	7,077	8,525
Unrealized gain on investments	2,422	2,007	4,429	-	-	-
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	<u>(53,561)</u>	<u>2,502</u>	<u>(51,059)</u>	<u>(75,008)</u>	<u>6,216</u>	<u>(68,792)</u>
<u>NET INCOME / (LOSS) BEFORE ZAKAT</u>	<u>7,890</u>	<u>2,502</u>	<u>10,392</u>	<u>(70,487)</u>	<u>6,216</u>	<u>(64,271)</u>
Zakat	-	(4,500)	(4,500)	-	(4,500)	(4,500)
<u>NET INCOME / (LOSS) AFTER ZAKAT</u>	<u>7,890</u>	<u>(1,998)</u>	<u>5,892</u>	<u>(70,487)</u>	<u>1,716</u>	<u>(68,771)</u>
Transferred to Shareholders	(7,101)	1,998	(5,103)	70,487	(1,716)	68,771
<u>NET RESULT FROM INSURANCE OPERATIONS</u>	<u>789</u>	<u>-</u>	<u>789</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings per share (Expressed in SR per share)						
Weighted average number of shares (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted earnings / (loss) per share	-	0.20	0.20	-	(2.75)	(2.75)

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

e) Interim condensed statement of comprehensive income

	Nine-month period ended					
	30 September 2020			30 September 2019		
	(Unaudited)			(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	789	5,103	5,892	-	(68,771)	(68,771)
Other comprehensive income / (loss)	-	-	-	-	-	-
<u>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</u>	<u>789</u>	<u>5,103</u>	<u>5,892</u>	<u>-</u>	<u>(68,771)</u>	<u>(68,771)</u>

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

f) Interim condensed statement of cash flows

	Nine-month period ended			Nine-month period ended		
	30 September 2020			30 September 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income / (loss) for the period before zakat	789	9,603	10,392	-	(64,271)	(64,271)
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	3,840	-	3,840	3,727	-	3,727
Amortization of intangible assets	1,328	-	1,328	1,246	-	1,246
Amortization related to HTM investments	-	-	-	97	162	259
Allowance for doubtful debts	2,927	-	2,927	4,577	-	4,577
Unrealized gain / (loss) on investments	(2,422)	(2,007)	(4,429)	3,763	(3,821)	(58)
Realized gain on investments	-	-	-	(3,008)	(1,083)	(4,091)
Provision for employee benefits obligations	-	-	-	(1,863)	-	(1,863)
	6,462	7,596	14,058	8,539	(69,013)	(60,474)
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	10,856	-	10,856	28,691	-	28,691
Reinsurers' share of unearned premiums	(3,274)	-	(3,274)	(8,266)	-	(8,266)
Reinsurers' share of outstanding claims	(1,265)	-	(1,265)	4,201	-	4,201
Reinsurers' share of claims incurred but not reported	4,139	-	4,139	(511)	-	(511)
Deferred policy acquisition costs	(265)	-	(265)	3,632	-	3,632
Prepaid expenses and other assets	(4,307)	-	(4,307)	4,614	(93)	4,521
Increase in lease liabilities	(118)	-	(118)	27,125	-	27,125
Accrued income on statutory deposit	-	(308)	(308)	-	(496)	(496)
Policyholders claims payable	5,389	-	5,389	9,259	-	9,259
Accrued expense and other liabilities	18,326	-	18,326	(11,661)	-	(11,661)
Reinsurers' balances payable	5,740	-	5,740	726	-	726
Unearned premiums	13,728	-	13,728	(50,562)	-	(50,562)
Unearned reinsurance commission	447	-	447	841	-	841
Outstanding claims	(13,730)	-	(13,730)	(16,389)	-	(16,389)
Claims incurred but not reported	(19,512)	-	(19,512)	(14,238)	-	(14,238)
Premium deficiency reserves	(5,858)	-	(5,858)	15,251	-	15,251
Other technical reserves	(1,036)	-	(1,036)	-	-	-
Accrued commission income payable to SAMA	-	308	308	-	496	496
Zakat paid	-	-	-	-	(630)	(630)
Employee benefits obligations paid	(941)	-	(941)	-	-	-
Net cash flows from / (used in) operating activities	14,781	7,596	22,377	1,252	(69,736)	(68,484)

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

17. SUPPLEMENTARY INFORMATION – (continued)

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

	Nine-month period ended			Nine-month period ended		
	30 September 2020			30 September 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(81,931)	-	(81,931)	(120,000)	(4,982)	(124,982)
Proceeds from sale of investments	4,643	-	4,643	138,290	3,672	141,962
Placement of term deposits	(50,000)	(100,000)	(150,000)	-	(101,148)	(101,148)
Proceeds from term deposits	159,143	200,201	359,344	100,379	99,507	199,886
Right of use assets – net	3,409	-	3,409	(28,387)	-	(28,387)
Purchase of property and equipment	(121)	-	(121)	(2,610)	-	(2,610)
Purchase of intangible assets	-	-	-	(835)	-	(835)
Net cash flows from / (used in) investing activities	35,143	100,201	135,344	86,837	(2,951)	83,886
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to shareholders' operations	107,731	(107,731)	-	(69,188)	69,188	-
Net cash flows from / (used in) financing activities	107,731	(107,731)	-	(69,188)	69,188	-
Net change in cash and cash equivalents	157,655	66	157,721	18,901	(3,499)	15,402
Cash and cash equivalents, beginning of the period	26,834	1,577	28,411	81,792	5,077	86,869
Cash and cash equivalents, end of the period	184,489	1,643	186,132	100,693	1,578	102,271

18. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

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

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

19. IMPACT OF COVID-19

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

19. IMPACT OF COVID-19 – (continued)

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

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

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

Medical technical reserves

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

Motor technical reserves

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

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

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

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

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

20. COMPARATIVE FIGURES

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

21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 19 Rabie Alawal 1442H, corresponding to 5 November 2020.