

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTHS PERIOD ENDED
31 MARCH 2020**

**ALLIED COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders of Allied Cooperative Insurance Group (ACIG)
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Allied Cooperative Insurance Group (ACIG) - a Saudi Joint Stock Company (the "Company") as at 31 March 2020, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-months period then ended and a summary of significant accounting policies and related notes from 1 to 21 which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

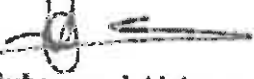
Scope of review

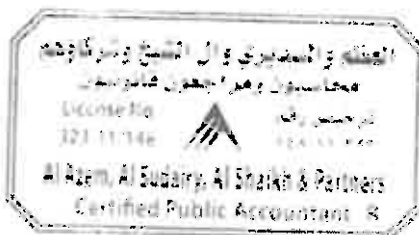
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of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

Conclusion

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

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Shawwal 25, 1441H
17 June 2020

ALLIED COOPERATIVE INSURANCE GROUP
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 March 2020

	Notes	31 March 2020 (Unaudited) SR' 000	31 December 2019 (Audited) SR' 000
ASSETS			
Cash and cash equivalents	4	258,995	77,479
Term deposits	5	-	194,583
Premiums and reinsurers' receivable – net	6	106,329	88,140
Reinsurers' share of unearned premiums	8.2	27,599	21,323
Reinsurers' share of outstanding claims	8.1	10,860	9,718
Reinsurers' share of claims incurred but not reported	8.1	7,246	6,597
Deferred policy acquisition cost		13,214	14,157
Due from a related party		1,985	1,760
Property and equipment, net		3,299	3,598
Intangible assets		4,974	5,008
Right of use asset – net	9	6,592	7,227
Available-for-sale investments	7	48,000	51,106
Prepayments and other receivables		59,777	50,481
Accrued commission on statutory deposit		1,719	1,653
Statutory deposit	12	30,000	30,000
TOTAL ASSETS		580,589	562,830
LIABILITIES			
Policyholders claim payable		10,670	1,506
Accrued and other payables	11	13,505	10,345
Reinsurances' balances payable		25,248	16,470
Unearned commission income		1,725	1,339
Unearned premiums	8.2	257,815	254,360
Premium deficiency reserve	8.1	2,332	2,308
Other technical reserve	8.1	1,486	1,716
Outstanding claims	8.1	28,621	34,024
Claims incurred but not reported	8.1	60,756	61,887
Employees' terminal benefits		12,472	12,011
Lease liabilities	10	6,063	7,122
Surplus distribution payable		6,299	5,982
Zakat and income tax	15	9,127	8,479
Accrued commission on statutory deposit payable to SAMA		1,719	1,653
TOTAL LIABILITIES		437,833	419,202
SHAREHOLDERS' EQUITY			
Share capital	16	200,000	200,000
Accumulated losses		(57,285)	(59,514)
Fair value reserve on investments		867	3,973
TOTAL SHAREHOLDERS' EQUITY		143,582	144,459
Re-measurement reserve of employees' terminal benefits		(831)	(831)
TOTAL EQUITY		142,751	143,628
TOTAL LIABILITIES AND EQUITY		580,589	562,830
COMMITMENTS AND CONTINGENCIES		2,998	2,998

Dr. M. Y. Al-Fayez

[Signature]

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

Notes	<i>Three-months period ended</i>	
	<i>31 March 2020</i> <i>(Unaudited)</i>	<i>31 March 2019</i> <i>(Unaudited)</i> <i>(Restated)</i>
	<i>SR' 000</i>	<i>SR' 000</i>
<u>REVENUES</u>		
Gross premiums written	133,996	144,393
Less: Reinsurance premium ceded		
- Local	(1,168)	(1,271)
- Foreign	(18,328)	(14,945)
	(19,496)	(16,216)
Less: Excess of loss premiums		
- Local	(666)	(776)
- Foreign	(301)	(874)
	(967)	(1,650)
Net premiums written	113,533	126,527
Changes in unearned premiums, net	2,821	(9,318)
Net premiums earned	116,354	117,209
Reinsurance commission earned	1,066	875
Other underwriting income	966	421
Net revenues	118,386	118,505
<u>UNDERWRITING COSTS AND EXPENSES</u>		
Gross claims paid	112,725	93,686
Less: Reinsurers' share of claims paid	(9,204)	(9,627)
Net claims paid	103,521	84,059
Changes in outstanding claims, net	(6,544)	5,629
Changes in claims incurred but not reported, net	(1,780)	(774)
Changes in loss adjustment expenses	(230)	41
Net claims incurred	94,967	88,955
Change in premium deficiency reserve	23	(40)
Policy acquisition costs	7,600	7,025
Other underwriting expenses	1,138	1,598
Total underwriting cost and expenses	103,728	97,538
Net underwriting income	14,658	20,967
<u>OTHER OPERATING (EXPENSE) / INCOME</u>		
Release of / (Allowance for) doubtful debts	6,491	(118)
General and administrative expenses	(19,495)	(20,540)
Commission income on deposits	1,091	1,522
Realized gain on available-for-sale investments	448	346
Other income	1	-
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(11,464)	(18,790)
Total income for the period	3,194	2,177
Zakat charge for the period	(648)	(983)
Total income for the period after zakat	2,546	1,194
Total income attributed to the insurance operations	(317)	(198)
Total income for the period attributable to the shareholders	2,229	996
Earnings per share (Expressed in SAR per share)		
Basic earnings per share	0.11	0.05

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ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

Notes	<i>Three-months period ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR' 000</i>	<i>(Restated)</i>
		<i>SR' 000</i>
Total income for the period	2,546	1,194
Other comprehensive income / (loss)		
<i>Items that will not be reclassified to statement of income in subsequent period</i>		
<i>Items that are or may be reclassified to statements of income in subsequent periods</i>		
- Available-for-sale investments:		
Net change in fair value	(3,106)	1,900
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(560)	3,094
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE INSURANCE OPERATIONS	(317)	(198)
TOTAL COMPREHENSIVE (LOSS) / INCOME ATTRIBUTABLE TO THE SHAREHOLDERS	(877)	2,896

Dr. [Signature]

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**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

	Share capital	Accumulated losses	Fair value reserve on investments	Re-measurement reserve of employees' terminal benefits	To Equ
Three-months period ended 31 March 2020 – unaudited					
Balance as at 31 December 2019 (audited)	SR'000 200,000	SR'000 (59,514)	SR'000 3,973	SR'000 (831)	SR'000 143,6
Change in fair value reserve on available-for-sale investments Net income for the period attributable to shareholders	- -	- 2,229	(3,106) -	- -	(3,106) 2,229
Balance as at 31 March 2020 (unaudited)	200,000	(57,285)	867	(831)	142,7
Three-months period ended 31 March 2019 – unaudited					
Balance as at 31 December 2018 (audited)	SR'000 200,000	SR'000 (61,233)	SR'000 (759)	SR'000 (360)	SR'000 137,6
Change in fair value reserve on available-for-sale investments Net income for the period attributable to shareholders	- -	- 996	1,900 -	- -	1,900 996
Balance as at 31 March 2019 (unaudited)	200,000	(60,237)	1,141	(360)	140,4

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The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASHFLOWS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

	<i>Three-months period ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Cash flows from operating activities:		
Net profit for the period before zakat	3,194	2,177
Adjustments for non-cash items:		
Depreciation of property and equipment	276	544
Amortisation of Intangible assets	240	221
Employees' terminal benefits	497	424
(Reversal of) / allowance for doubtful debts	(6,586)	118
Realized gain on available-for-sale investments	-	(346)
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	(11,503)	(13,297)
Reinsurers' share of unearned premiums	(6,276)	(5,468)
Reinsurers' share of outstanding claims	(1,142)	(1,267)
Due from a related party	(225)	-
Reinsurers' share of claims incurred but not reported	(549)	(769)
Deferred policy acquisition cost	943	(247)
Prepayments and other receivables	(9,296)	(8,955)
Decrease in right of use assets – net	635	(9,305)
Decrease in lease liabilities	(1,059)	8,650
Policyholders claims payable	9,164	(2,649)
Reinsurance payables	8,778	7,391
Unearned commission income	386	626
Unearned premiums	3,455	14,786
Outstanding claims	(5,403)	6,894
Claims incurred but not reported and other technical reserves	(1,337)	(4)
Accrued and other payables	3,168	7,066
Employees' terminal benefits paid	(12,848)	6,590
Net cash (used in) / from operating activities	(12,884)	6,551
Cash Flows From Investing Activities		
Purchase of property and equipment	(117)	(75)
Purchase of Intangible assets	(266)	(875)
Maturity / (placement) of term deposits	194,583	(3,012)
Purchase of available-for-sale investments	-	(1,723)
Proceeds on sale of property and equipment	140	-
Proceed from sale of available-for-sale investments	-	3,528
Net cash generated from / (used in) investing activities	194,400	(2,157)
Net increase in cash and cash equivalents	181,516	4,394
Cash and cash equivalents at the beginning of the period	77,479	93,495
Cash and cash equivalents at the end of the period	258,995	97,889
NON – CASH INFORMATION:		
Change in fair value of available-for-sale investments	(3,106)	1,900

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**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171999 dated 9 Shabaan 1428H, corresponding to 22 August 2007.

The activities of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. On 4 April 2009, the Company received a license from the Saudi Arabian Monetary Authority ("SAMA") to engage in insurance in Saudi Arabia. The Company commenced its commercial operations on 1 July 2009. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 August 2007.

There are 3 registered branches as set out below:

Branch	Commercial Registration Number	Place of issuance	Date
Branch of ACIG	2051043671	Al Khobar	12 Ramadan 1439 H
Branch of ACIG	5855035150	Khamis Mushayt	12 Ramadan 1439 H
Branch of ACIG	4030204059	Jeddah	12 Ramadan 1439 H

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed financial statements of the Company as at and for the period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia.

The financial statements of the Company as at and for the period ended 31 March 2019, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia.

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3) and the effects of this change are below;

Financial statement impact	Account	Balance as previously reported as at / for the period ended 31 March 2019	Effect of restatement	Balance as restated as at / for the period ended 31 March 2019
Statement of changes in equity	Zakat and income tax	983	(983)	-
Statement of income	Zakat charge for the period	-	983	983
Statement of income	Earnings per share	0.10	(0.04)	0.06

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

2. BASIS OF PREPARATION-(Continued)

(a) Statement of compliance-(Continued)

These interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, term deposits, premiums and reinsurers' receivable - net, reinsurers' share of unearned premium, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported, deferred policy acquisitions cost, due from related parties, prepaid expenses and other assets, policyholders claim payable, accrued and other liabilities, unearned premiums, unearned reinsurance commission, outstanding claims, claims incurred but not reported, other technical reserves, surplus distribution payable and zakat and income tax. The following balances would generally be classified as non-current: end-of-service indemnities, investments, statutory deposit, accrued income on statutory deposit and property and equipment.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (note 18). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in Note 18 of the interim condensed financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

2. BASIS OF PREPARATION-(Continued)

(a) Statement of compliance-(Continued)

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	<u>100%</u>

In case of deficit, the whole deficit will be transferred to Shareholders' operations.

(c) Functional and presentation currency

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest thousands, except where otherwise indicated.

(d) Fiscal year

The Company follows a fiscal year ending December 31.

(e) Significant accounting estimates and judgements

The preparation of condensed interim 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 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. Further, the Company has considered the following:

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

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

Also refer subsequent event note 20 in relation to SAMA Circular 189 issued on 8 May 2020 in response to the Covid-19 pandemic

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

2. BASIS OF PREPARATION-(Continued)

(e) Significant accounting estimates and judgements

Impact of Covid-19 on the medical technical reserves and financial assets

Medical technical reserves

Notwithstanding these challenges, the Company's management believes that the technical reserves for the medical line of business remain largely unaffected as the insurance industry is facilitated by the Saudi Arabian Government initiative of bearing all costs associated with Covid-19 pandemic, which include testing and treatment costs. Moreover, there is a general decrease in trend in medical claims which are of a routine nature. Furthermore, the industry has not experienced a significantly high number of reported claims. Based on these factors, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three-month period ended 31 March 2020. The Company's management continues to monitor the situation closely.

Financial assets

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets are 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. In the case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three-months period ended 31 March 2020. The Company's management continues to monitor the situation closely.

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at the granular economic sector, region and counterparty level and the Company has taken appropriate action where required. Based on the review, the Company has identified the certain sectors such as government contracting, airlines, retail sector and hospitality industry as being impacted significantly by the Covid-19 pandemic and lower oil prices.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except for the new standards and adoption of the amendments to existing standards which have had either insignificant effect or no financial impact on the interim condensed financial information of the Company on the current period or prior periods and are expected to have a insignificant effect in future period.

Change in accounting for zakat and income tax

As mentioned in note 2(a) above, the basis of preparation has been changed from the period ended 30 June 2019 as a result of the issuance of instructions from SAMA dated 23 July 2019. The Company has accounted for this change in the accounting for zakat and income tax retrospectively (see note 2(a) and the effects of the above change are also disclosed in note 2(a) to these interim condensed financial statements.

Standards issued but not yet effective

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting year beginning on 1 January 2020 and is currently assessing their impact.

3. SIGNIFICANT ACCOUNTING POLICIES-(Continued)

Standards issued but not yet effective-(Continued)

IFRS 17 - “Insurance Contracts”

Overview

This standard has been published in 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:

- embedded derivatives, if they meet certain specified criteria;
- distinct investment components; and
- 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 Measurement Model (GMM) 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.

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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, in addition to the adjustment under GMM, the CSM is also adjusted for:

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

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020**

3. SIGNIFICANT ACCOUNTING POLICIES-(Continued)

Standards issued but not yet effective-(Continued)

IFRS 17 - “Insurance Contracts” -(Continued)

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 Measurement 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 Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently 1 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 1 January 2023. This is a deferral of 1 year compared to the previous date of 1 January 2022. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends 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 is currently assessing the impact of the application and implementation of IFRS 17. As of 31 March 2020, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has started with their implementation process and have set up an implementation committee. Further, the Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

<u>Impact area</u>	<u>Summary of impact</u>
Financial impact	Not yet fully assessed by the Company.
Data impact	The Company believes that the data impact is not likely to be significant as a major proportion of the company’s business would qualify for measurement under the premium allocation approach.
IT systems	The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17
Process impact	The process impact is under evaluation, but no significant process changes are anticipated.
Impact on reinsurance arrangements	The Company’s reinsurance arrangements are currently under testing to determine the suitable measurement approach
Impact on policies & control’s frameworks	The Company is currently working with an external consultant to review and modify the current policy control framework
Human resources	The Company needs to recruit suitably qualified personnel who have a comprehensive understanding of IFRS 17

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3. SIGNIFICANT ACCOUNTING POLICIES-(Continued)

Standards issued but not yet effective-(Continued)

IFRS 9 - “Financial instruments”

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

a) Classification and measurement:

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

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”). The financial asset is measured at fair value through other comprehensive income and realized gains or losses are recycled through profit or loss upon sale, if both conditions are met:
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale; and
- the contractual terms of cash flows are SPPI,

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

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss. Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

b) Impairment:

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

c) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES-(Continued)

Standards issued but not yet effective-(Continued)

IFRS 9 - “Financial instruments”-(Continued)

Effective date

The published effective date of IFRS 9 was 1st 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:

- Apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - the effective date of a new insurance contract standard; or
 - 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 2022. 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
- 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.

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4. CASH AND CASH EQUIVALENTS

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

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
<i>Insurance operations</i>		
Bank balances and cash	47,586	65,320
Deposits maturing within 3 months from the acquisition date	<u>140,483</u>	<u>-</u>
	<u>188,069</u>	<u>65,320</u>
<i>Shareholders' operations</i>		
Bank balances and cash	14,825	12,159
Deposits maturing within 3 months from the acquisition date *	<u>56,101</u>	<u>-</u>
	<u>70,926</u>	<u>12,159</u>

These deposits earn commission at an average rate of 0.65% per annum as at 31 March 2020 (31 December 2019: nil).

5. TERM DEPOSITS

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
<i>Insurance Operations</i>		
Term deposits	<u>-</u>	<u>138,920</u>
<i>Shareholders' Operations</i>		
Term deposits	<u>-</u>	<u>55,663</u>

The term deposits are held with the commercial banks. These term deposits are denominated in Saudi Arabian Riyals and have been 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.

6. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Due from policyholders	88,764	74,438
Due from policyholders – related parties	2,227	2,248
Due from brokers and agents	15,437	19,547
Receivables from reinsurers	<u>6,392</u>	<u>4,984</u>
	<u>112,820</u>	<u>101,217</u>
Provision for doubtful debts	<u>(6,491)</u>	<u>(13,077)</u>
Premiums and reinsurers' receivable – net	<u>106,329</u>	<u>88,140</u>

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6. PREMIUMS AND REINSURERS' RECEIVABLE - NET –(CONTINUED)

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

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Balance at the beginning of the period / year	13,077	13,304
Reversal for the period / year	<u>(6,586)</u>	<u>(227)</u>
Balance at the end of the period / year	<u>6,491</u>	<u>13,077</u>

7. AVAILABLE-FOR-SALE INVESTMENT

i) Shareholders' operations

Investments of the shareholders' operations comprise the following:

a) Investment securities are classified as follows:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Investment in sukuk	25,000	25,000
Quoted securities	9,628	11,256
Unquoted securities	1,923	1,923
Units in quoted local real estate fund	11,449	12,927
Total	<u>48,000</u>	<u>51,106</u>

i) Available-for-sale investments

Movements in available-for-sale investments are as follows:

	Investment in sukuk SR'000	Quoted securities SR'000	Unquoted Securities SR'000	Units in quoted local real estate fund SR'000	Total SR'000
As at 1 January 2020	25,000	11,256	1,923	12,927	51,106
Changes in fair value of investments	-	(1,628)	-	(1,478)	(3,106)
As at 31 March 2020	<u>25,000</u>	<u>9,628</u>	<u>1,923</u>	<u>11,449</u>	<u>48,000</u>

	Investment in sukuk SR'000	Quoted securities SR'000	Unquoted Securities SR'000	Units in quoted local real estate fund SR'000	Total SR'000
As at 1 January 2019	25,000	20,712	1,923	10,099	57,734
Purchases	-	10,218	-	-	10,218
Disposals	-	(21,578)	-	-	(21,578)
Changes in fair value of investments	-	1,904	-	2,828	4,732
As at 31 December 2019	<u>25,000</u>	<u>11,256</u>	<u>1,923</u>	<u>12,927</u>	<u>51,106</u>

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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8. TECHNICAL RESERVES (INSURANCE OPERATIONS)

8.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Claims payable to policyholders		
Gross outstanding claims	28,621	34,024
	28,621	34,024
Claims incurred but not reported	60,756	61,887
Additional premium deficiency reserves	2,332	2,308
Other technical reserves	1,486	1,716
	93,195	99,935
Less:		
- Reinsurers' share of outstanding claims	(10,860)	(9,718)
- Reinsurers' share of claims incurred but not reported	(7,246)	(6,597)
	(18,106)	(16,315)
Net outstanding claims and reserves	75,089	83,620

8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

For the period ended 31 March 2020 (Unaudited)

	Gross	Reinsurance	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at the beginning of the period	254,360	(21,323)	233,037
Premium written during the period	133,996	(20,463)	113,533
Premium earned during the period	(130,541)	14,187	(116,354)
Balance as at the end of the period	257,815	(27,599)	230,216

For the year ended 31 December 2019 (Audited)

	Gross	Reinsurance	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at the beginning of the year	252,007	(22,738)	229,269
Premium written during the year	529,352	(58,485)	470,867
Premium earned during the year	(526,999)	59,900	(467,099)
Balance as at the end of the year	254,360	(21,323)	233,037

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9. RIGHT OF USE ASSETS, NET

	Building	Total	Total
		31 March	31 December
		2020	2019
		(Unaudited)	(Audited)
	SR'000	SR'000	SR'000
Cost:			
Impact of adoption of IFRS 16	7,227	7,227	9,985
As at end of period / year	7,227	7,227	9,985
Accumulated amortization			
January 1			-
Charge for the period	(635)	(635)	(2,758)
As at end of period / year	(635)	(635)	(2,758)
Net book value			
March 31, 2020	6,592	6,592	-
December 31, 2019	-	-	7,227

10. LEASE LIABILITIES

	Building	Total	Total
		31 March	31 December
		2020	2019
		(Unaudited)	(Audited)
	SR'000	SR'000	SR'000
Liability			
At beginning of the period / year	7,122	7,122	-
Impact of adoption of IFRS 16	-	-	9,985
Finance cost	62	62	321
At end of the period / year	7,184	7,184	10,306
Payments			
At beginning of the period / year	-	-	-
Paid during period / year	(1,121)	(1,121)	(3,184)
At end of the period / year	6,063	6,063	7,122

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11. ACCRUED AND OTHER PAYABLES

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Accrued expenses	1,839	1,561
Other payable	8,011	5,675
Brokers payable	3,655	2,922
VAT payable	-	187
	<u>13,505</u>	<u>10,345</u>

12. STATUTORY DEPOSIT

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
<i>Shareholders' operations</i>		
Statutory deposit	<u>30,000</u>	<u>30,000</u>

As required by Saudi Arabian Insurance Regulations, the Company deposited 15% (31 December 2019: 15%) of its paid up capital, amounting to SR 30 million in a bank designated by the Saudi Arabian Monetary Authority (SAMA). The Company cannot withdraw this deposit without SAMA's approval and commission accruing on this deposit is payable to SAMA.

13. SEGMENTAL INFORMATION

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

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

Segment results do not include general and administrative expenses, provision for doubtful debts and other income.

Segment assets do not include cash and cash equivalents, investments, prepayments and other receivables, and property and equipment, net.

Segment liabilities do not include reinsurance payables, accrued expenses and other liabilities, due to shareholders' operations and employees' terminal benefits.

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13. SEGMENTAL INFORMATION – (continued)

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

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 March 2020 and 31 December 2019, its total revenues, expenses, and net income for the period then ended, are as follows:

As at 31 March 2020 (Unaudited)							
Operating segments	Insurance operations					Shareholders operations	Total
	Medical	Motor	General Accident	Others	Total - Insurance operations		
	SR'000	SR'000	SR'000	SR'000	SR'000		
Assets							
Cash and cash equivalents	-	-	-	-	188,069	70,926	258,995
Term Deposits	-	-	-	-	-	-	-
Premiums and reinsurers' receivable - net	-	-	-	-	106,329	-	106,329
Reinsurers' share of unearned premiums	11,385	-	5,229	10,985	27,599	-	27,599
Reinsurers' share of outstanding claims	5,056	2,869	2,370	565	10,860	-	10,860
Reinsurers' share of claims incurred but not reported	5,701	-	668	877	7,246	-	7,246
Deferred policy acquisition costs	3,216	8,628	791	579	13,214	-	13,214
Unallocated assets	-	-	-	-	72,259	84,087	156,346
Total assets	25,358	11,497	9,058	13,006	425,576	155,013	580,589
Liabilities							
Policyholders claims payable	-	-	-	-	10,670	-	10,670
Reinsurers' balances payable	-	-	-	-	25,248	-	25,248
Unearned reinsurance commission	-	-	537	1,188	1,725	-	1,725
Unearned premiums	54,272	175,767	15,662	12,114	257,815	-	257,815
Premium deficiency reserves	2,332	-	-	-	2,332	-	2,332
Other technical reserves	181	1,082	183	40	1,486	-	1,486
Outstanding claims	17,055	5,208	5,632	726	28,621	-	28,621
Claims incurred but not reported	19,187	38,059	2,552	958	60,756	-	60,756
Unallocated liabilities and equity	-	-	-	-	36,923	155,013	191,936
Total liabilities	93,027	220,116	24,566	15,026	425,576	155,013	580,589

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13. SEGMENTAL INFORMATION - (continued)

As at 31 December 2019 (Audited)							
Operating segments	Insurance operations					Shareholders operations	Total
	Medical	Motor	General Accident	Others	Total - Insurance operations		
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Assets							
Cash and cash equivalents	-	-	-	-	65,320	12,159	77,479
Term Deposits	-	-	-	-	138,920	55,663	194,583
Premiums and reinsurers' receivable - net	-	-	-	-	88,140	-	88,140
Reinsurers' share of unearned premiums	11,952	-	5,111	4,260	21,323	-	21,323
Reinsurers' share of outstanding claims	4,640	2,869	1,731	478	9,718	-	9,718
Reinsurers' share of claims incurred but not reported	5,053	-	667	877	6,597	-	6,597
Deferred policy acquisition costs	4,407	8,478	733	539	14,157	-	14,157
Unallocated assets	-	-	-	-	63,863	86,970	150,833
Total assets	26,052	11,347	8,242	6,154	408,038	154,792	562,830
Liabilities							
Policyholders claims payable	-	-	-	-	1,506	-	1,506
Reinsurers' balances payable	-	-	-	-	16,470	-	16,470
Unearned reinsurance commission	-	-	450	889	1,339	-	1,339
Unearned premiums	56,922	177,232	15,023	5,183	254,360	-	254,360
Premium deficiency reserves	2,308	-	-	-	2,308	-	2,308
Other technical reserves	171	1,322	183	40	1,716	-	1,716
Outstanding claims	16,303	12,309	4,776	636	34,024	-	34,024
Claims incurred but not reported	17,790	40,587	2,552	958	61,887	-	61,887
Unallocated liabilities and equity	-	-	-	-	34,428	154,792	189,220
Total liabilities	93,494	231,450	22,984	7,706	408,038	154,792	562,830

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13. SEGMENTAL INFORMATION - (continued)

Operating segments	For the three-months period ended 31 March 2020 (Unaudited)				
	Medical SR'000	Motor SR'000	General Accident SR'000	Others SR'000	Total SR'000
REVENUES					
Gross premiums written	31,393	85,931	4,560	12,112	133,996
Less: Reinsurance premiums ceded					
-Local	(648)	-	(62)	(458)	(1,168)
-Foreign	(5,829)	-	(1,585)	(10,914)	(18,328)
Excess of loss premiums					
-Local	-	(153)	(466)	(47)	(666)
-Foreign	-	(230)	(2)	(69)	(301)
Net written premiums	24,916	85,548	2,445	624	113,533
Changes in net unearned premiums	2,082	1,465	(521)	(205)	2,821
Net premiums earned	26,998	87,013	1,924	419	116,354
Other Underwriting Income	-	966	-	-	966
Reinsurance Commission earned	-	-	172	894	1,066
TOTAL REVENUES	26,998	87,979	2,096	1,313	118,386
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	32,962	78,725	1,038	-	112,725
Less: Reinsurers' share of claims paid	(9,194)	-	(10)	-	(9,204)
Net claims paid	23,768	78,725	1,028	-	103,521
Changes in outstanding claims, net	337	(7,101)	217	3	(6,544)
Changes in claims incurred but not reported, net	748	(2,528)	-	-	(1,780)
Change in loss adjustment expenses	11	(241)	-	-	(230)
Net claims incurred	24,864	68,855	1,245	3	94,967
Changes in premium deficiency reserve	23	-	-	-	23
Policy acquisition costs	2,339	4,641	205	415	7,600
Other underwriting expenses	175	963	-	-	1,138
TOTAL UNDERWRITING COSTS AND EXPENSES	27,401	74,459	1,450	418	103,728
NET UNDERWRITING (LOSS)/ INCOME	(403)	13,520	646	895	14,658
OTHER OPERATING (EXPENSES)/ INCOME					
Release of doubtful debts					6,491
General and administrative expenses					(19,495)
Commission income on deposits					1,091
Realized gain on available-for-sale investments					448
Other income					1
TOTAL OTHER OPERATING (EXPENSES) / INCOME					(11,464)
NET SURPLUS					3,194
Surplus transferred to Shareholders					(2,877)
NET RESULT AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS					317

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13. SEGMENTAL INFORMATION - (continued)

Operating segments	For the three-months period ended 31 March 2019 (Unaudited)				
	Medical SR'000	Motor SR'000	General Accident SR'000	Others SR'000	Total SR'000
REVENUES					
Gross premiums written	34,738	97,585	3,384	8,686	144,393
Less: Reinsurance premiums ceded					
- Local	(679)	-	(75)	(517)	(1,271)
- Foreign	(5,904)	-	(1,744)	(7,297)	(14,945)
Excess of loss premiums					
- Local	-	(525)	(198)	(53)	(776)
- Foreign	-	(787)	(8)	(79)	(874)
Net written premiums	28,155	96,273	1,360	739	126,527
Changes in net unearned premiums	4,593	(14,304)	764	(371)	(9,318)
Net premiums earned	32,748	81,969	2,124	368	117,209
Other Underwriting Income	-	421	-	-	421
Reinsurance Commission earned	-	4	153	718	875
TOTAL REVENUES	32,748	82,394	2,277	1,086	118,505
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	33,033	60,459	119	75	93,686
Less: Reinsurers' share of claims paid	(7,934)	(1,575)	(58)	(60)	(9,627)
Net claims paid	25,099	58,884	61	15	84,059
Changes in outstanding claims, net	1,796	3,585	112	136	5,629
Changes in claims incurred but not reported, net	1,487	(2,261)	-	-	(774)
Change in loss adjustment expenses	21	20	-	-	41
Net claims incurred	28,403	60,228	173	151	88,955
Changes in premium deficiency reserve	(40)	-	-	-	(40)
Other technical reserves	-	-	-	-	-
Policy acquisition costs	2,669	3,865	235	256	7,025
Other underwriting expenses	390	1,208	-	-	1,598
TOTAL UNDERWRITING COSTS AND EXPENSES	31,422	65,301	408	407	97,538
NET UNDERWRITING (LOSS) / INCOME	1,326	17,093	1,869	679	20,967
OTHER OPERATING (EXPENSES) / INCOME					
Allowance for doubtful debts					(118)
General and administrative expenses					(20,540)
Commission income on deposits					1,522
Realized gain on available-for-sale investments					346
TOTAL OTHER OPERATING (EXPENSES) / INCOME					(18,790)
NET SURPLUS					2,177
Surplus transferred to Shareholders					(1,979)
NET RESULT AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS					198

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

13. SEGMENTAL INFORMATION - (continued)

For the three-months ended 31 March 2020 (Unaudited)					
	Medical	Motor	Properties and accident	Protection and savings	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premium					
Retail	2,686	84,923	2,223	-	89,832
Micro	5,998	337	-	-	6,335
Small	13,372	930	647	-	14,949
Medium	4,993	212	2,118	-	7,323
Large	4,344	(471)	11,684	-	15,557
Total	31,393	85,931	16,672	-	133,996

For the three-months period ended 31 March 2019 (Unaudited)					
	Medical	Motor	Properties and accident	Protection and savings	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Gross written premium					
Retail	3,092	94,230	1,320	-	98,642
Micro	4,917	471	664	-	6,052
Small	10,107	1,069	3,040	-	14,216
Medium	4,478	1,059	661	-	6,198
Large	12,144	756	6,385	-	19,285
Total	34,738	97,585	12,070	-	144,393

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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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. The following are the details of the major related party transactions during the period and the related balances:

Related party	Nature of transaction	Transactions for the three-months period ended		Closing balance Receivables / (Payables)	
		31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Abiat (Affiliate)	Premium written	-	2	76	77
	Claim paid	(12)	(14)	-	(1)
Fuji Saudi Arabia (Affiliate)	Premium written	-	28	1,047	1,048
	Claim paid	(210)	(291)	(10)	(100)
GEEC (Affiliate)	Premium written	-	127	570	570
	Claim paid	(72)	(97)	(12)	(36)
Mayar Holding (Affiliate)	Premium written	(5)	-	171	177
	Claim paid	(45)	23	(1)	(1)
Taya Feed Mill Factory (Affiliate)	Premium written	-	35	131	131
	Claim paid	(36)	(13)	-	(16)
Taya Real Estate (Affiliate)	Premium written	11	-	12	3
	Claim paid	(48)	23	(1)	(15)
Taya Holding (Affiliate)	Premium written	-	27	-	-
	Claim paid	(38)	37	(27)	(37)
GCP Co. (Affiliate)	Premium written	-	4	66	66
	Claim paid	(5)	9	-	(1)
Al Huda Charity Trust (Affiliate)	Premium written	-	3	-	-
	Claim paid	(3)	2	(1)	(2)
Saudi Wings Co. (Affiliate)	Premium written	-	-	2	3
	Claim paid	(3)	(468)	-	(1)
Taya Agriculture Co. (Affiliate)	Premium written	-	-	35	35
	Claim paid	(21)	39	(1)	(4)

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

14. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

Related party	Nature of transaction	Transactions for the three-months period ended		Closing balance Receivables / (Payables)	
		31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Bakri and sons Holding Co. (Affiliate)	Premium written	-	-	-	-
	Claim paid	-	-	(879)	(200)
Saudi Drip Irrigation system Co. (Affiliate)	Premium written	-	-	-	-
	Claim paid	(55)	(75)	(3)	(36)
Red Sea Marine Services Co. (Affiliate)	Premium written	6	-	71	65
	Claim paid	-	9	-	-
Edama Co.	Premium written	(1)	12	-	-
	Claim paid	-	-	-	-
M/S Gulf Elevators and Escalators Co. Ltd.	Premium written	-	-	-	-
	Claim paid	45	-	-	-
Abdullah Al Rayes Est. (Affiliate)	Premium written	25	15	-	20
	Claim paid	(1)	8	-	-
NAMA Real Estate Co	Premium written	-	16	-	2
	Claim paid	(1)	-	-	-
M/s Valie Real Estate	Premium written	-	1	-	-
	Claim paid	(1)	-	-	-
VEION	Premium written	-	-	42	42
	Claim paid	33	-	(17)	-
ACIG Bahrain (Shareholder) Board and audit committee	Claims paid on behalf of ACIG Bahrain	1,760	2,391	-	-
	Meetings fee	12	82	-	-
	Short term benefits	1,369	1,369	-	-
Key management personnel	Long term benefits	102	101	-	-

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15. ZAKAT AND INCOME TAX

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Balance at the beginning of the period / year	8,479	5,086
Provided during the period / year	648	3,393
Payments during the period / year	-	-
Balance at the end of the period / year	<u>9,127</u>	<u>8,479</u>

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

Zakat base has been computed based on the Company's understanding of the Zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declarations filed by the Company.

Status of assessments

Zakat and income tax returns have been filed with the General Authority of Zakat and Tax ("GAZT") for the years ended up to 31 December 2018. Final certificate has been received from GAZT for the year ended 31 December 2008. However, GAZT has raised an additional assessment in respect of the returns filed for the years ended 31 December 2008, 2009 and 2010 amounting to SR 1.86 million which has been paid. The major difference of additional assessment relates to disallowance of a portion of pre incorporation expenses and withholding tax. The Company has filed an objection against this additional assessment with the preliminary tax objection Committee subsequent to the year end, as adverse decision was received from the preliminary Tax Objection Committee, upon which the Company filed appeal with the Higher Objection Committee. The high appeal committee issued its decision in favour of the Company with respect to Zakat and rejected the appeal related to withholding tax. The Company has referred the matter to the board of grievance. In this regard, the Company has issued a letter of guarantee amounting to SAR 1.83 million in favour of GAZT (see contingency and commitment notes). And they have paid the amount of tax SAR 1,274,012. The company has raised an objection for unfavourable assessment raised by GAZT for the years 31 December 2013 till 2015 with the amount of SAR 4,981,048. The objection is currently under study by GAZT

Income tax:

Foreign shareholder, being Islamic Development Bank (IDB) is exempted from income tax.

16. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 200 Million at 31 March 2020 (31 December 2019: SAR 200 Million) consisting of 20 Million shares

On 16 January 2020, the Company's board of directors approved the decrease in share capital amounting to SAR 59 million in order to absorb the accumulated losses and also approved to increase the share capital by SAR 150 million through the issuance of right shares to the existing shareholders. The Capital decrease has been approved by SAMA on 15 March 2020. Subsequent to the period end on 15 May 2020, Capital Market authority has also approved the said capital decrease.

17. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the period by the weighted average number of issued and outstanding shares for the period.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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18. SUPPLEMENTARY INFORMATION

Statement of financial position

	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS						
Cash and cash equivalents	188,069	70,926	258,995	65,320	12,159	77,479
Term deposits	-	-	-	138,920	55,663	194,583
Premiums and reinsurers' receivable – net	106,329	-	106,329	88,140	-	88,140
Reinsurers' share of unearned premiums	27,599	-	27,599	21,323	-	21,323
Reinsurers' share of outstanding claims	10,860	-	10,860	9,718	-	9,718
Reinsurers' share of claims incurred but not reported	7,246	-	7,246	6,597	-	6,597
Deferred policy acquisition cost	13,214	-	13,214	14,157	-	14,157
Due from a related party	1,985	-	1,985	1,760	-	1,760
Property and equipment, net	3,299	-	3,299	3,598	-	3,598
Intangible assets	4,974	-	4,974	5,008	-	5,008
Right of use asset –net	6,592	-	6,592	7,227	-	7,227
Available-for-sale investments	-	48,000	48,000	-	51,106	51,106
Prepayments and other receivables	55,409	4,368	59,777	46,270	4,211	50,481
Statutory deposit	-	30,000	30,000	-	30,000	30,000
Accrued commission on statutory deposit	-	1,719	1,719	-	1,653	1,653
Total Assets	425,576	155,013	580,589	408,038	154,792	562,830
LIABILITIES						
Policyholders claim payable	10,670	-	10,670	1,506	-	1,506
Accrued and other payables	12,920	585	13,505	10,144	201	10,345
Reinsurances' balances payable	25,248	-	25,248	16,470	-	16,470
Unearned commission income	1,725	-	1,725	1,339	-	1,339
Unearned premiums	257,815	-	257,815	254,360	-	254,360
Premium deficiency reserve	2,332	-	2,332	2,308	-	2,308
Other technical reserve	1,486	-	1,486	1,716	-	1,716
Outstanding claims	28,621	-	28,621	34,024	-	34,024
Claims incurred but not reported	60,756	-	60,756	61,887	-	61,887
Employees' terminal benefits	12,472	-	12,472	12,011	-	12,011
Lease liabilities	6,063	-	6,063	7,122	-	7,122
Surplus distribution payable	6,299	-	6,299	5,982	-	5,982
Accrued zakat and income tax	-	9,127	9,127	-	8,479	8,479
Accrued commission on statutory deposit payable to SAMA	-	1,719	1,719	-	1,653	1,653
TOTAL LIABILITIES	426,407	11,431	437,838	408,869	10,333	419,202
SHAREHOLDER'S EQUITY						
Share capital	-	200,000	200,000	-	200,000	200,000
Accumulated losses	-	(57,285)	(57,285)	-	(59,514)	(59,514)
Fair value reserve on investments	-	867	867	-	3,973	3,973
TOTAL SHAREHOLDER'S EQUITY	-	143,582	143,582	-	144,459	144,459
Re-measurement reserve of employees' terminal benefits	(831)	-	(831)	(831)	-	(831)
TOTAL EQUITY	(831)	143,582	142,751	(831)	144,459	143,628
TOTAL LIABILITIES AND EQUITY	425,576	155,013	580,589	408,038	154,792	562,830

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18. SUPPLEMENTARY INFORMATION – (continued)

Statement of income

	For the three-months period ended 31 March 2020 (Unaudited)			For the three-months period ended 31 March 2019 (Unaudited) (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUES						
Gross premiums written	133,996	-	133,996	144,393	-	144,393
Less: Reinsurance premiums ceded						
Local	(1,168)	-	(1,168)	(1,271)	-	(1,271)
Foreign	(18,328)	-	(18,328)	(14,945)	-	(14,945)
	(19,496)	-	(19,496)	(16,216)	-	(16,216)
Less: excess of loss premiums						
Local	(666)	-	(666)	(776)	-	(776)
Foreign	(301)	-	(301)	(874)	-	(874)
	(967)	-	(967)	(1,650)	-	(1,650)
Net premiums written	113,533	-	113,533	126,527	-	126,527
Changes in unearned premiums, net	2,821	-	2,821	(9,318)	-	(9,318)
Net premiums earned	116,354	-	116,354	117,209	-	117,209
Reinsurance commission earned	1,066	-	1,066	875	-	875
Other underwriting income	966	-	966	421	-	421
Net Revenues	118,386	-	118,386	118,505	-	118,505
Gross claims paid	112,725	-	112,725	93,686	-	93,686
Less: Reinsurers' share of claims paid	(9,204)	-	(9,204)	(9,627)	-	(9,627)
Net claims paid	103,521	-	103,521	84,059	-	84,059
Changes in outstanding claims, net	(6,544)	-	(6,544)	5,629	-	5,629
Changes in incurred but not reported, net	(1,780)	-	(1,780)	(774)	-	(774)
Changes in loss adjustment expenses	(230)	-	(230)	41	-	41
Net claims incurred	94,967	-	94,967	88,955	-	88,955
Change in premium deficiency reserve	23	-	23	(40)	-	(40)
Policy acquisition costs	7,600	-	7,600	7,025	-	7,025
Other underwriting expenses	1,138	-	1,138	1,598	-	1,598
Total underwriting cost and expenses	103,728	-	103,728	97,538	-	97,538
Net result of insurance operations	14,658	-	14,658	20,967	-	20,967
OTHER OPERATING (EXPENSE) / INCOME						
Release of / (allowance for) doubtful debts	6,491	-	6,491	(118)	-	(118)
General and administrative expenses	(18,882)	(613)	(19,495)	(20,048)	(492)	(20,540)
Commission income on deposits	902	189	1,091			
Realized gain on available-for-sale investments		448	448	-	346	346
Investment income		-	-	1,184	338	1,522
Other income	1	-	1		-	-
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(11,488)	24	(11,464)	(18,982)	192	(18,790)
Net Surplus	3,170	24	3,194	1,985	192	2,177
Surplus transferred to Shareholders	(2,853)	2,853	-	(1,787)	1,787	-
Net result after transfer of surplus to shareholders	317	2,877	3,194	198	1,979	2,177

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

18. SUPPLEMENTARY INFORMATION – (continued)

Statement of income - (continued)

	For the three-months period ended			For the three-months period ended		
	31 March 2020 (Unaudited)			31 March 2019 (Unaudited) (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Zakat expense for the period	-	(648)	(648)	-	(983)	(983)
Net result after zakat	317	2,229	2,546	198	996	1,194
Earnings Per share	0.02	0.11	0.13	0.01	0.05	0.06
<u>Other comprehensive income / (loss)</u>						
Shareholder's absorption of deficit/surplus	317	2,229	2,546	198	996	1,194
Items that will not be reclassified to statement of income in subsequent periods						
- Actuarial gains / (losses) on employees' terminal benefits	-	-	-	-	-	-
Items that are or may be reclassified to statements of income in subsequent period						
- Available-for-sale investments:	-	-	-	-	-	-
- Net change in fair value	-	(3,106)	(3,106)	-	1,900	1,900
<u>TOTAL COMPREHENSIVE (LOSS) /</u>						
<u>INCOME FOR THE PERIOD</u>	317	(877)	(560)	198	2,896	3,094

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

18. SUPPLEMENTARY INFORMATION – (continued)

Statement of cash flows

	For the three-months period ended 31 March 2020 (Unaudited)			For the three-months period ended 31 March 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the period	317	2,877	3,194	198	1,979	2,177
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	276	-	276	765	-	765
Amortization of intangible assets	240	-	240	-	-	-
Provision for employees' terminal benefits	497	-	497	424	-	424
(Reversal of) / allowance for doubtful debts	(6,586)	-	(6,586)	118	-	118
Realized gain on available-for-sale investment	-	-	-	-	(346)	(346)
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	(11,603)	-	(11,603)	(13,297)	-	(13,297)
Reinsurers' share of unearned premiums	(6,276)	-	(6,276)	(5,468)	-	(5,468)
Reinsurers' share of outstanding claims	(1,142)	-	(1,142)	(1,267)	-	(1,267)
Due from related party	(225)	-	(225)	-	-	-
Reinsurers' share of claims Incurred but not reported	(649)	-	(649)	(769)	-	(769)
Deferred policy acquisition costs	943	-	943	(247)	-	(247)
Prepayments and other receivables	(9,139)	(157)	(9,296)	(8,403)	(552)	(8,955)
Decrease of right of use assets	635	-	635	(9,305)	-	(9,305)
Decrease in lease liability	(1,059)	-	(1,059)	8,650	-	8,650
Policyholders claim payables	9,164	-	9,164	(2,649)	-	(2,649)
Reinsurers' balances payable	8,778	-	8,778	7,391	-	7,391
Unearned commission income	386	-	386	626	-	626
Unearned premiums	3,455	-	3,455	14,786	-	14,786
Outstanding claims	(5,403)	-	(5,403)	6,894	-	6,894
Claims incurred but not reported and other technical reserves	(1,337)	-	(1,337)	(4)	-	(4)
Accrued and other payables	2,776	384	3,160	6,827	239	7,066
	(15,952)	3,104	(12,848)	5,270	1,320	6,590
End-of-service indemnities paid	(36)	-	(36)	(39)	-	(39)
Net cash (used in) / generated from operating activities	(15,988)	3,104	(12,884)	5,231	1,320	6,551
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in property and equipment	(117)	-	(117)	(75)	-	(75)
Additions in intangible assets	(206)	-	(206)	(875)	-	(875)
(Placement) / maturity of in term deposits	138,920	55,663	194,583	4,440	(7,452)	(3,012)
Purchase of available-for-sale investments	-	-	-	-	(1,723)	(1,723)
Proceed from property and equipment	140	-	140	-	-	-
Proceed from sale of available-for-sale investment	-	-	-	-	3,528	3,528
Net cash from / (used in) investing activities	138,737	55,663	194,400	3,490	(5,647)	(2,157)
Net change in cash and cash equivalents	122,749	58,767	181,516	8,721	(4,327)	4,394
Cash and cash equivalents, beginning of the period	65,320	12,159	77,479	83,409	10,086	93,495
Cash and cash equivalents, end of the period	188,069	70,926	258,995	92,130	5,759	97,889

19. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation (if applicable).

20. SUBSEQUENT EVENTS

- a) Subsequent to the period end, the Company obtained CMA approval for ongoing process for capital decrease, for details refer to Note 16.
- b) In response to the Covid-19 pandemic, SAMA issued a decree 189 (the “Decree”) dated 8 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Among various other matters relating to the insurance sector, the Decree instructs all the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this Decree and allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. The management believes that such requirements of the Decree are a non-adjusting event and therefore the interim condensed financial information have not been adjusted.

21. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 11 June 2020 corresponding to 19 Shawwal 1441H.