
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 2021

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2021

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of **Salama Cooperative Insurance Company** (A Saudi Joint Stock Company) (the "Company") as at 30 September 2021, and the related interim condensed statements of income and comprehensive income for the three month and nine month periods then ended, and the related 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 as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS OF QUALIFIED CONCLUSION

As stated in Note 8 to the interim condensed financial statements, the Company has other receivables of SR 4.8 million as of 30 September 2021 (31 December 2020: 15.1 million), which represent accounting system's processing differences related to the insurance operations due to the limitations and difficulties in the new IT system. The matter has been escalated to the Board of Directors as well as upper management of the IT system developer. Further, the excess of loss expenses also resulted in credit balance instead of debit balance. We were unable to obtain sufficient appropriate evidence in respect of the above mentioned balances. In light of the above, we were unable to determine whether any adjustments to other receivables and excess of loss premiums were required and determine the possible impact on the financial statements for the period ended 30 September 2021 and year ended 31 December 2020.

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

QUALIFIED CONCLUSION

Based on our review, except for the effects of the matters described in the basis of qualified conclusion paragraph mentioned above, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

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



Abdullah M. AlAzem
Certified Public Accountant
License No. 335



For Al-Bassam & Co.
Certified Public Accountants



Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337



06 Rabi ul thani 1443H
Corresponding to 11 November 2021
Jeddah Kingdom of Saudi Arabia

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2021

	Notes	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
ASSETS			
Cash and cash equivalents	4 (a)	121,375	159,246
Term deposits	4 (b)	97,890	148,318
Premiums and reinsurers' receivable – net	5	78,203	40,896
Reinsurers' share of unearned premiums	7.2	26,523	23,270
Reinsurers' share of outstanding claims	7.1	15,069	20,910
Reinsurers' share of claims incurred but not reported	7.1	12,838	11,782
Deferred policy acquisition costs		28,639	21,020
Investments	6	199,347	168,874
Prepaid expenses and other assets	8	28,525	42,232
Right of use assets – net		19,201	21,927
Property and equipment – net		4,808	7,150
Intangible assets – net		5,869	4,539
Statutory deposit	9	37,500	37,500
Accrued commission on statutory deposit	9	3,817	3,668
TOTAL ASSETS		679,604	711,332
LIABILITIES			
Policyholders claims payable		11,402	13,522
Accrued expenses and other liabilities	10	42,320	30,365
Lease liabilities		20,346	19,922
Reinsurers' balances payable		2,592	7,037
Unearned premiums	7.2	237,660	218,302
Unearned reinsurance commission		4,408	3,733
Outstanding claims	7.1	14,345	27,754
Claims incurred but not reported	7.1	117,210	121,706
Other technical reserves	7.1	6,886	3,096
Employee benefit obligations		8,722	9,701
Surplus distribution payable		15,149	15,149
Provision for zakat	15	26,843	31,131
Accrued commission income payable to SAMA	9	3,817	3,668
TOTAL LIABILITIES		511,700	505,086
SHAREHOLDERS' EQUITY			
Share capital	16	250,000	250,000
Statutory reserve		5,003	5,003
Accumulated losses		(87,047)	(48,705)
TOTAL SHAREHOLDERS' EQUITY		167,956	206,298
Re-measurement reserve of defined benefit obligations – related to insurance operations		(52)	(52)
TOTAL EQUITY		167,904	206,246
TOTAL LIABILITIES AND EQUITY		679,604	711,332
COMMITMENTS AND CONTINGENCIES	11	10,200	10,200

Chief Executive Officer

Chief Financial Officer

Chairman

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

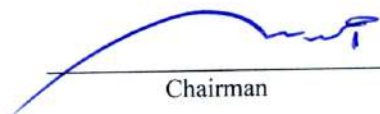
SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME - UNAUDITED
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	2021	2020	2021	2020
	SR'000	SR'000	SR'000	SR'000
<u>REVENUES</u>				
Gross premiums written	125,322	157,522	360,617	339,939
Reinsurance premiums ceded				
- Local	(4,260)	(441)	(6,443)	(833)
- Foreign	(10,350)	(16,209)	(33,865)	(35,612)
	(14,610)	(16,650)	(40,308)	(36,445)
Excess of loss expenses				
- Local	(1,351)	(680)	(2,499)	(795)
- Foreign	(552)	(10,429)	1,264	(15,223)
	(1,903)	(11,109)	(1,235)	(16,018)
Net premiums written	108,809	129,763	319,074	287,476
Changes in unearned premiums – net	(7,854)	(41,813)	(16,105)	(10,454)
Net premiums earned	100,955	87,950	302,969	277,022
Reinsurance commissions	2,176	1,805	6,215	5,174
Other underwriting income	367	4,425	397	5,310
<u>TOTAL REVENUES</u>	103,498	94,180	309,581	287,506
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	113,708	85,612	282,858	249,474
Reinsurers' share of claims paid	(10,125)	(17,450)	(28,531)	(25,657)
Net claims paid	103,583	68,162	254,327	223,817
Changes in outstanding claims – net	(2,135)	(277)	(7,568)	(14,995)
Changes in claims incurred but not reported - net	4,266	(2,126)	(5,551)	(15,373)
Net claims incurred	105,714	65,759	241,208	193,449
Change in premium deficiency reserve	-	(5,519)	-	(5,858)
Change in other technical reserves	1,190	126	3,790	(1,036)
Policy acquisition costs	5,397	3,993	16,077	13,438
Other underwriting expenses	13,522	17,419	34,716	26,062
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	125,823	81,778	295,791	226,055
NET UNDERWRITING (LOSS) / INCOME	(22,325)	12,402	13,790	61,451


Chief Executive Officer


Chief Financial Officer


Chairman

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME - UNAUDITED (continued)
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021

		<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
		2021	2020	2021	2020
	<i>Notes</i>	SR'000	SR'000	SR'000	SR'000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
Allowance for doubtful debts	5	(1,094)	(292)	(2,266)	(2,927)
General and administrative expenses		(20,162)	(18,984)	(61,451)	(61,021)
Investment income		2,726	2,306	6,210	8,460
Unrealized gain on investments	6.a	2,752	7,664	8,289	4,429
Other income		9	-	86	-
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(15,769)</u>	<u>(9,306)</u>	<u>(49,132)</u>	<u>(51,059)</u>
(Loss) / income before surplus and zakat		<u>(38,094)</u>	3,096	<u>(35,342)</u>	10,392
Income / (loss) attributed to the insurance operations		-	86	-	(789)
(Loss) / income for the period attributable to the shareholders before zakat		<u>(38,094)</u>	3,182	<u>(35,342)</u>	9,603
Zakat	15	-	(1,500)	<u>(3,000)</u>	<u>(4,500)</u>
Net (loss) / income for the period – attributable to the shareholders		<u>(38,094)</u>	1,682	<u>(38,342)</u>	5,103
Weighted average number of ordinary shares outstanding		<u>25,000</u>	25,000	<u>25,000</u>	25,000
Basic and diluted (loss) / earnings per share	18	<u>(1.52)</u>	0.07	<u>(1.53)</u>	0.20


Chief Executive Officer


Chief Financial Officer


Chairman


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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	2021	2020	2021	2020
	SR'000	SR'000	SR'000	SR'000
NET (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(38,094)	1,682	(38,342)	5,103
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(38,094)</u>	<u>1,682</u>	<u>(38,342)</u>	<u>5,103</u>


Chief Executive Officer


Chief Financial Officer


Chairman

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

<u>2021</u>	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
Balance as at 31 December 2020 (audited)	250,000	5,003	(48,705)	(52)	206,246
Total comprehensive income for the period					
Net loss for the period – Attributable to shareholders	-	-	(38,342)	-	(38,342)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(38,342)	-	(38,342)
Balance as at 30 September 2021 (unaudited)	250,000	5,003	(87,047)	(52)	167,904

<u>2020</u>	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
Balance as at 31 December 2019 (audited)	250,000	5,003	(52,407)	(800)	201,796
Total comprehensive income for the period					
Net income for the period – Attributable to 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


Chief Executive Officer


Chief Financial Officer


Chairman

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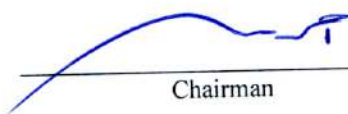
SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – UNAUDITED
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

	<i>Nine month period ended</i>	
	30 September 2021 (Unaudited) SR'000	30 September 2020 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / income for the period before zakat	(35,342)	9,603
<i>Adjustments for non-cash items:</i>		
Income attributed to the insurance operations	-	789
Depreciation of property and equipment	2,756	3,840
Amortization of intangible assets	2,720	1,328
Depreciation of right of use assets	2,726	3,409
Finance cost on lease liabilities	842	976
Allowance for doubtful debts	2,266	2,927
Unrealized gain on investments at fair value through statement of income	(8,289)	(4,429)
Realized gain on investments	(1,200)	-
	(33,521)	18,443
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurers' receivable	(39,573)	10,856
Reinsurers' share of unearned premiums	(3,253)	(3,274)
Reinsurers' share of outstanding claims	5,841	(1,265)
Reinsurers' share of claims incurred but not reported	(1,056)	4,139
Deferred policy acquisition costs	(7,619)	(265)
Prepaid expenses and other assets	13,707	(4,307)
Accrued income on statutory deposit	(149)	(308)
Policyholders and claims payables	(2,120)	5,389
Accrued expense and other liabilities	11,955	18,326
Reinsurers' balances payable	(4,445)	5,740
Unearned premiums	19,358	13,728
Unearned reinsurance commission	675	447
Outstanding claims	(13,409)	(13,730)
Claims incurred but not reported	(4,496)	(19,512)
Premium deficiency reserve	-	(5,858)
Other technical reserves	3,790	(1,036)
Accrued commission income payable to SAMA	149	308
	(54,166)	27,821
Employee benefit obligation paid	(980)	(941)
Zakat paid	(7,288)	-
Net cash flows (used in) / generated from operating activities	(62,434)	26,880


Chief Executive Officer


Chief Financial Officer


Chairman

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – UNAUDITED – (continued)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

	<i>Nine month period ended</i>	
	30 September 2021	30 September 2020
	(Unaudited)	(Unaudited)
	SR'000	SR'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,499)	(81,931)
Purchases of held to maturity investments	(50,000)	-
Proceeds from sale of investments	33,515	4,643
Placement of term deposits	(200,000)	(150,000)
Proceeds from maturity of term deposit	250,428	359,344
Purchase of intangible assets	(4,050)	-
Purchase of property and equipment	(414)	(121)
Net cash flows generated from investing activities	24,980	131,935
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(417)	(1,094)
Net cash flows used in financing activities	(417)	(1,094)
Net change in cash and cash equivalents	(37,871)	157,721
Cash and cash equivalents, beginning of the period	159,246	28,411
Cash and cash equivalents, end of the period	121,375	186,132


Chief Executive Officer


Chief Financial Officer


Chairman

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021

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

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 30 September 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

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

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

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

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2020.

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021

2. BASIS OF PREPARATION – (continued)

b. Critical accounting judgments, estimates and assumptions

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies, and the key sources of estimation uncertainty including the risk management policies, were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2020. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management is unable at this time to reasonably quantify the estimation uncertainties as disclosed in note 21 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

b. Standards issued but not yet effective

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

<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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Transition

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

- Modified Retrospective Approach
- or A Fair Value Approach.

Presentation and Disclosures

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

Impact

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact (continued)

Impact Area	Summary of impact
Financial Impact	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all of the portfolio are eligible for PAA measurement model.
Data Impact	IFRS 17 has additional data requirements. During the phase 2, the Company carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and came up with a data dictionary required under phase 3.
IT Systems	The Company has on boarded the solution vendor Green 13 for IRIS solution implementation, and is in the process of implementing IRIS IFRS 17 Solution which will facilitate the implementation of IFRS 17.
Impact on RI Arrangements	Detailed assessment was also performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA. Company has opted to apply PAA for eligible products.
Impact on Policies & Control Frameworks	<p>The Company is in the process of updating Accounting and Finance Policies and Procedures to cover the following new and additional requirements:</p> <ul style="list-style-type: none"> • Unbundling • Level of aggregation • Measurement models • Risk Adjustment Methodologies <p>The revised manual will be followed by Finance function to ensure that financial statements are in conformity with International Financial Reporting Standards 17 (IFRS 17) on effective date.</p>
Human resources	The Company has identified the suitably qualified human resources that have to be recruited, possessing a comprehensive understanding of IFRS 17.
Implementation Plan	<p>The Company recently completed the design phase of IFRS 17 implementation which required developing and designing new processes and procedures for the business including the system developments required under IFRS 17 and detailed assessment of business requirements. Following were the main areas under design phase, which the company recently completed:</p> <p>Governance and Control The Company put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders</p> <p>Operational Framework The Company designed the operational aspects of the design phase which included establishing comprehensive data policy and data dictionary. Also the Company finalized the architectural designs for various sub-systems. The Company also progressed through assessment of business requirements and selected the IRIS (Green 13) IFRS 17 Solution, finalized various processes needed for transition and carried out assessment of new resources needed</p> <p>Technical and Financial Framework The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions have been taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.</p>
Implementation	After the design phase, the company has started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs and has started the implementation of the IRIS IFRS 17 solution, to come up with IFRS 17 numbers by performing the dry runs, on a timely basis. The company is required to prepare the complete set of financial statement under IFRS 17 based on FY 2020 data, and provide comparison between IFRS 17 and IFRS 4 under the first dry run, which is due on November 30th, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Classification and measurement

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

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

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

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

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

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

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

Impairment

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

Hedge accounting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

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

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

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

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

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

Impact assessment

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

4. CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

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

	Insurance operations	
	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Bank balances and cash	15,844	47,892

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

	Shareholders' operations	
	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Bank balances	105,531	111,354
Total	121,375	159,246

b) Term deposits

	Insurance operations	
	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Term deposits	97,890	148,318

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

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Policyholders	108,391	74,563
Receivables from reinsurers	9,446	3,701
	117,837	78,264
Allowances for doubtful receivables	(39,634)	(37,368)
Premiums and reinsurers' receivable – net	78,203	40,896

Movement in allowances for doubtful receivables during the period / year was as follows:

	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Balance at the beginning of the period / year	37,368	37,130
Provision for the period / year	2,266	238
Balance at the end of the period / year	39,634	37,368

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6. INVESTMENTS

Investments are classified as follows:

		Insurance operations	
		30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
- Held as FVSI (6- a)		76,397	103,021
- Held to maturity (6- c)		10,000	10,000
<i>Total – Insurance operations</i>		86,397	113,021
		Shareholders' operations	
		30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
- Held as FVSI (6- a)		56,044	48,947
- Available for sale (6- b)		1,923	1,923
- Held to maturity (6- c)		54,983	4,983
<i>Total – Shareholders' operations</i>		112,950	55,853
<i>Total</i>		199,347	168,874

a) FVSI

Movement in FVSI investment balance is as follows:

		Insurance operations	
		30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Opening balance		103,021	25,926
Purchases during the period / year		1,461	81,931
Disposals during the period / year		(27,461)	(4,644)
		77,021	103,213
Changes in fair value		(624)	(192)
Closing balance		76,397	103,021
		Source of Fair Value	
		30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Investment in equity securities	Quoted	32,565	31,661
Units in local sukuk funds	NAV**	33,545	55,068
Local DPM*money market securities	NAV**	10,287	16,292
		76,397	103,021

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6. INVESTMENTS – (continued)

a) FVSI – (continued)

		Shareholders' operations	
		30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Opening balance		48,947	53,562
Purchased during the period / year		3,038	-
Disposals during the period / year		(4,854)	(8,427)
		47,131	45,135
Changes in fair value		8,913	3,812
Closing balance		56,044	48,947
		30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
	Source of Fair Value		
Units in local real estate funds	NAV**	9,670	10,041
Local DPM* money market securities	NAV**	15,705	15,705
Local DPM* equity securities	Quoted	30,669	23,201
Total		56,044	48,947

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

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

b) Available for sale investments

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

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

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

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6. INVESTMENTS – (continued)

c) Held to maturity

Movement in held to maturity investment balance is as follows:

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

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

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Gross outstanding claims	49,559	56,863
Less: Realizable value of salvage and subrogation	(35,214)	(29,109)
Net outstanding claims	14,345	27,754
Claims incurred but not reported	117,210	121,706
Other technical reserves	6,886	3,096
	138,441	152,556
Less:		
- Reinsurers' share of outstanding claims	(15,069)	(20,910)
- Reinsurers' share of claims incurred but not reported	(12,838)	(11,782)
	(27,907)	(32,692)
Net outstanding claims and reserves	110,534	119,864

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7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

Nine month ended 30 September 2021			
(Unaudited)			
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the period	218,302	(23,270)	195,032
Premium written during the period	360,617	(41,543)	319,074
Premium earned during the period	(341,259)	38,290	(302,969)
Balance as at the end of the period	237,660	(26,523)	211,137

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

8. PREPAID EXPENSES AND OTHER ASSETS

		Insurance operations	
	30 September 2021	31 December 2020	
	(Unaudited)	(Audited)	
	SR'000	SR'000	
Prepayments	2,822	2,115	
Advances to staff	2,893	2,728	
Deposits	300	300	
Accrued commission	-	178	
Other receivables *	22,434	36,726	
	28,449	42,047	

		Shareholders' operations	
	30 September 2021	31 December 2020	
	(Unaudited)	(Audited)	
	SR'000	SR'000	
Other receivables	76	185	
Total	28,525	42,232	

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8. PREPAID EXPENSES AND OTHER ASSETS (continued)

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

9. STATUTORY DEPOSIT

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

As required by Saudi Arabian Insurance Regulations, the Company has deposited an amount equivalent to 15% of its paid up capital amount of SR 37.5 million (2020: SR 37.5 million) in a bank designated by the Saudi Central Bank ("SAMA"). Accrued income on this deposit is payable to SAMA amounting to SR 3.82 million (2020: SR 3.67 million) and this deposit cannot be withdrawn without approval from SAMA.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Accrued expenses	8,175	6,704
Payables to brokers and agents	14,873	11,298
Other supplies and payables	19,272	12,363
	42,320	30,365

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11. COMMITMENTS AND CONTINGENCIES

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

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

- b. The Company enters into insurance contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position, however management has made provisions to cover any eventualities.
- c. The Company's bankers have given guarantees to non-government customers amounting to SR 0.7 million (2020: SR 0.7 million) in respect of motor insurance and to Zakat, Tax and Customs Authority (ZATCA) amounting to SR 9.5 million (2020: SR 9.5 million) in respect of zakat assessments for years 2008 to 2012.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value – (continued)

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
30 September 2021 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	32,565	-	43,832	76,397
	32,565	-	43,832	76,397
Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2020 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	31,661	-	71,360	103,021
	31,661	-	71,360	103,021
Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
30 September 2021 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	30,669	-	25,375	56,044
	30,669	-	25,375	56,044
Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2020 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	23,201	-	25,746	48,947
	23,201	-	25,746	48,947

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13. OPERATING SEGMENTS

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

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

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

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

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

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 30 September 2021 and 31 December 2020, its total revenues, expenses, and net income for the three-month and nine-months period then ended, are as follows:

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13. OPERATING SEGMENTS – (continued)

As at 30 September 2021 (Unaudited)						
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Others	Insurance operations		
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	18,060	8,463	26,523	-	26,523
Reinsurers' share of outstanding claims	-	(1,885)	16,954	15,069	-	15,069
Reinsurers' share of claims incurred but not reported	857	9,671	2,310	12,838	-	12,838
Deferred policy acquisition costs	3,991	22,319	2,329	28,639	-	28,639
Unallocated assets				336,661	259,874	596,535
Total assets				419,730	259,874	679,604
Liabilities						
Unearned premiums	38,976	180,601	18,083	237,660	-	237,660
Unearned reinsurance commission	-	2,097	2,311	4,408	-	4,408
Outstanding claims	8,149	(18,360)	24,556	14,345	-	14,345
Claims incurred but not reported	8,998	104,686	3,526	117,210	-	117,210
Other technical reserves	2,433	3,820	633	6,886	-	6,886
Unallocated liabilities and surplus				100,531	30,660	131,191
Total liabilities				481,040	30,660	511,700
Shareholders' equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(87,047)	(87,047)
Total Shareholders' equity				-	167,956	167,956
Re-measurement reserve of defined benefit obligation – related to insurance operations				(52)	-	(52)
Total equity				(52)	167,956	167,904
Total liabilities and equity				480,988	198,616	679,604

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13. OPERATING SEGMENTS – (continued)

As at 31 December 2020

(Audited)

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

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13. OPERATING SEGMENTS – (continued)

	For the three month period ended 30 September 2021 (Unaudited)			
	Medical	Motor	Others	Total
	SR'000			
REVENUES				
Individual	-	82,342	671	83,013
Large	2,222	442	1,401	4,065
Medium	4,152	6,687	3,619	14,458
Small	1,998	2,671	1,835	6,504
Very small	16,994	-	288	17,282
Gross premiums written	25,366	92,142	7,814	125,322
Reinsurance premiums ceded				
- Local	-	-	(4,260)	(4,260)
- Foreign	-	(9,181)	(1,169)	(10,350)
	-	(9,181)	(5,429)	(14,610)
Excess of loss expenses				
- Local	(677)	(321)	(353)	(1,351)
- Foreign	(1,016)	464	-	(552)
	(1,693)	143	(353)	(1,903)
Net premiums written	23,673	83,104	2,032	108,809
Changes in unearned premiums, net	(3,632)	(4,509)	287	(7,854)
Net premiums earned	20,041	78,595	2,319	100,955
Reinsurance commissions	-	995	1,181	2,176
Other underwriting income / (expense)	9	394	(36)	367
TOTAL REVENUES	20,050	79,984	3,464	103,498
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	17,824	95,462	422	113,708
Reinsurers' share of claims paid	(866)	(9,126)	(133)	(10,125)
Net claims paid	16,958	86,336	289	103,583
Changes in outstanding claims, net	(46)	(1,977)	(112)	(2,135)
Changes in claims incurred but not reported, net	(1,249)	5,248	267	4,266
Net claims incurred	15,663	89,607	444	105,714
Changes in other technical reserves	963	207	20	1,190
Policy acquisition costs	1,469	3,116	812	5,397
Other underwriting expenses	1,787	11,679	56	13,522
TOTAL UNDERWRITING COSTS AND EXPENSES	19,882	104,609	1,332	125,823
NET UNDERWRITING INCOME / (LOSS)	168	(24,625)	2,132	(22,325)
OTHER OPERATING (EXPENSES) / INCOME				
Allowance for doubtful debts				(1,094)
General and administrative expenses				(20,162)
Investment income				2,726
Unrealized gain on investments				2,752
Other income				9
TOTAL OTHER OPERATING EXPENSES				(15,769)
LOSS FOR THE PERIOD BEFORE ZAKAT				(38,094)
Zakat				-
NET LOSS FOR THE PERIOD				(38,094)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to the shareholders'				(38,094)

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13. OPERATING SEGMENTS – (continued)

For the nine month period ended 30 September 2021 (Unaudited)				
	Medical	Motor	Others	Total
	SR'000			
REVENUES				
Individual	-	249,362	3,191	252,553
Large	12,434	4,452	6,633	23,519
Medium	7,356	15,827	5,890	29,073
Small	6,522	6,115	4,422	17,059
Very small	35,612	1,106	1,695	38,413
Gross premiums written	61,924	276,862	21,831	360,617
Reinsurance premiums ceded				
- Local	-	-	(6,443)	(6,443)
- Foreign	-	(27,489)	(6,376)	(33,865)
	-	(27,489)	(12,819)	(40,308)
Excess of loss expenses				
- Local	(1,286)	(485)	(728)	(2,499)
- Foreign	(703)	2,212	(245)	1,264
	(1,989)	1,727	(973)	(1,235)
Net premiums written	59,935	251,100	8,039	319,074
Changes in unearned premiums, net	4,959	(18,760)	(2,304)	(16,105)
Net premiums earned	64,894	232,340	5,735	302,969
Reinsurance commissions	-	2,925	3,290	6,215
Other underwriting income / (expense)	9	424	(36)	397
TOTAL REVENUES	64,903	235,689	8,989	309,581
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	52,469	228,569	1,820	282,858
Reinsurers' share of claims paid	(2,630)	(24,933)	(968)	(28,531)
Net claims paid	49,839	203,636	852	254,327
Changes in outstanding claims, net	(758)	(6,833)	23	(7,568)
Changes in claims incurred but not reported, net	(8,570)	2,397	622	(5,551)
Net claims incurred	40,511	199,200	1,497	241,208
Changes in other technical reserves	2,164	1,450	176	3,790
Policy acquisition costs	4,611	9,141	2,325	16,077
Other underwriting expenses	3,491	31,056	169	34,716
TOTAL UNDERWRITING COSTS AND EXPENSES	50,777	240,847	4,167	295,791
NET UNDERWRITING INCOME / (LOSS)	14,126	(5,158)	4,822	13,790
OTHER OPERATING (EXPENSES) / INCOME				
Allowance for doubtful debts				(2,266)
General and administrative expenses				(61,451)
Investment income				6,210
Unrealized gain on investments				8,289
Other income				86
TOTAL OTHER OPERATING EXPENSES				(49,132)
LOSS FOR THE PERIOD BEFORE ZAKAT				(35,342)
Zakat				(3,000)
NET LOSS FOR THE PERIOD				(38,342)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to the shareholders'				(38,342)

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13. 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 reserves		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>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 the shareholders'					1,682

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13. OPERATING SEGMENTS – (continued)

	For the nine month period ended 30 September 2020 (Unaudited)			
	Medical	Motor	Others	Total
	SR'000			
<u>REVENUES</u>				
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
<u>TOTAL REVENUES</u>	72,637	206,866	8,003	287,506
<u>UNDERWRITING COSTS AND EXPENSES</u>				
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 reserves	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
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	72,154	149,130	4,771	226,055
NET UNDERWRITING INCOME	483	57,736	3,232	61,451
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
Allowance for doubtful debts				(2,927)
General and administrative expenses				(61,021)
Investment income				8,460
Unrealized gain on investments				4,429
<u>TOTAL OTHER OPERATING EXPENSES</u>				(51,059)
<u>INCOME FOR THE PERIOD BEFORE ZAKAT</u>				10,392
Zakat				(4,500)
<u>NET INCOME FOR THE PERIOD</u>				5,892
Net income for the period attributable to insurance operations				(789)
Net income for the period attributable to the shareholders'				5,103

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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 Company has no transactions during the period ended 30 September 2021 and 30 September 2020.

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

	30 September 2021 (Unaudited) SR'000	30 September 2020 (Unaudited) SR'000
Salaries and other allowances	1,480	2,293
End of service indemnities	1,726	1,225
	3,206	3,518
Remuneration to those charged with governance – Board of Directors	1,480	1,290

15. ZAKAT

a. Charge for the period / year

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

Movements in provision during the period / year

	30 September 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Balance at the beginning of the period / year	31,131	25,131
Charge for the period / year	3,000	6,000
Paid during the period / year*	(7,288)	-
Balance at the end of the period / year	26,843	31,131

* included a withholding tax payment of SR 4.963 million.

b. Status of zakat assessments

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

The ZATCA has issued assessments for the years from 2006 to 2012 amounting to SR 17.1 million which represents SR 9.3 million as zakat differences and SR 4.4 million as withholding tax differences and SR 3.4 million as withholding tax delay fines. The Company has settled the amount of withholding tax differences amounting to SR 4.4 million and partially settled the delay fines amounting to SR 3.1 million and accordingly issued a letter of guarantee amounting to SR 9.5 million on the favour of ZATCA for the zakat differences for the said years (note 11). On 31 July 2021, the Appeal Committee of the General Secretariat of the Tax Committees decided the zakat liability and withholding tax amounting to 4.7 million.

The ZATCA has issued an assessment for the year 2014, which has requested an additional Zakat liability amounting to SR 1.2 million. The assessment was objected, and the objection was rejected by ZATCA. The case has been escalated to the Preliminary Committee of the Tax Committees and their decision is awaited. The management believes that the volume of Zakat liability will reach to SR 1.2 million.

The ZATCA raised an assessment for the years from 2015 to 2018, which has requested an additional Zakat liability amounting to SR 14.1 million, and withholding tax liability for the years from 2014 to 2018, amounting to SR 7 million. During the period, the Company has settled the withholding tax differences to get the benefits of governmental revised 1st phase amnesty period (full exemption of penalty). The management believes that the volume of zakat liability will reach to SR 14.7 million.

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15. ZAKAT – (continued)

b. Status of zakat assessments – (continued)

Subsequent to the period ended 30 September 2021, on 28 October 2021, ZATCA raised an assessment for the years from 2019 to 2020, which has requested an additional Zakat liability amounting to SR 9.07 million. The management is currently in the process of submitting the appeal against such assessment and confident of a favourable outcome. The management believes that the current provision is sufficient to cover the zakat liability as of the date of the financial statements.

16. SHARE CAPITAL

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

17. CAPITAL MANAGEMENT

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

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

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

18. EARNINGS / (LOSS) PER SHARE

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

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19. SUPPLEMENTARY INFORMATION

a) Interim condensed statement of financial position

	30 September 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
ASSETS						
Cash and cash equivalents	15,844	105,531	121,375	47,892	111,354	159,246
Term deposits	97,890	-	97,890	148,318	-	148,318
Premiums and reinsurers' receivable – net	78,203	-	78,203	40,896	-	40,896
Reinsurers' share of unearned premiums	26,523	-	26,523	23,270	-	23,270
Reinsurers' share of outstanding claims	15,069	-	15,069	20,910	-	20,910
Reinsurers' share of claims incurred but not reported	12,838	-	12,838	11,782	-	11,782
Deferred policy acquisition costs	28,639	-	28,639	21,020	-	21,020
Investments	86,397	112,950	199,347	113,021	55,853	168,874
Prepaid expenses and other assets	28,449	76	28,525	42,047	185	42,232
Right of use assets – net	19,201	-	19,201	21,927	-	21,927
Property and equipment	4,808	-	4,808	7,150	-	7,150
Intangible assets	5,869	-	5,869	4,539	-	4,539
Statutory deposit	-	37,500	37,500	-	37,500	37,500
Accrued commission on statutory deposit	-	3,817	3,817	-	3,668	3,668
Due from insurance operations	-	61,258	61,258	-	32,537	32,537
	419,730	321,132	740,862	502,772	241,097	743,869
Less: Inter-operations eliminations	-	(61,258)	(61,258)	-	(32,537)	(32,537)
TOTAL ASSETS	419,730	259,874	679,604	502,772	208,560	711,332

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19. SUPPLEMENTARY INFORMATION (continued)

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

	30 September 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>LIABILITIES</u>						
Policyholders claims payable	11,402	-	11,402	13,522	-	13,522
Accrued and other liabilities	42,320	-	42,320	30,365	-	30,365
Lease liabilities	20,346	-	20,346	19,922	-	19,922
Reinsurers' balances payable	2,592	-	2,592	7,037	-	7,037
Unearned premiums	237,660	-	237,660	218,302	-	218,302
Unearned reinsurance commission	4,408	-	4,408	3,733	-	3,733
Outstanding claims	14,345	-	14,345	27,754	-	27,754
Claims incurred but not reported	117,210	-	117,210	121,706	-	121,706
Other technical reserves	6,886	-	6,886	3,096	-	3,096
Employee benefits obligation	8,722	-	8,722	9,701	-	9,701
Surplus distribution payable	15,149	-	15,149	15,149	-	15,149
Provision for zakat	-	26,843	26,843	-	31,131	31,131
Accrued commission income payable to SAMA	-	3,817	3,817	-	3,668	3,668
Due to shareholders' operations	61,258	-	61,258	32,537	-	32,537
	542,298	30,660	572,958	502,824	34,799	537,623
Less: Inter-operations eliminations	(61,258)	-	(61,258)	(32,537)	-	(32,537)
<u>TOTAL LIABILITIES</u>	481,040	30,660	511,700	470,287	34,799	505,086
<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 loss	-	(87,047)	(87,047)	-	(48,705)	(48,705)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	167,956	167,956	-	206,298	206,298
Re-measurement reserve of defined benefit obligation – related to insurance operations	(52)	-	(52)	(52)	-	(52)
<u>TOTAL EQUITY</u>	(52)	167,956	167,904	(52)	206,298	206,246
<u>TOTAL LIABILITIES AND EQUITY</u>	480,988	198,616	679,604	470,235	241,097	711,332
COMMITMENTS AND CONTINGENCIES	700	9,500	10,200	700	9,500	10,200

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19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income

	Three month period ended					
	30 September 2021			30 September 2020		
	(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	125,322	-	125,322	157,522	-	157,522
Reinsurance premiums ceded						
- Local	(4,260)	-	(4,260)	(441)	-	(441)
- Foreign	(10,350)	-	(10,350)	(16,209)	-	(16,209)
	(14,610)	-	(14,610)	(16,650)	-	(16,650)
Excess of loss expenses						
- Local	(1,351)	-	(1,351)	(680)	-	(680)
- Foreign	(552)	-	(552)	(10,429)	-	(10,429)
	(1,903)	-	(1,903)	(11,109)	-	(11,109)
Net premiums written	108,809	-	108,809	129,763	-	129,763
Changes in unearned premiums, net	(7,854)	-	(7,854)	(41,813)	-	(41,813)
Net premiums earned	100,955	-	100,955	87,950	-	87,950
Reinsurance commissions	2,176	-	2,176	1,805	-	1,805
Other underwriting income	367	-	367	4,425	-	4,425
<u>TOTAL REVENUES</u>	103,498	-	103,498	94,180	-	94,180
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	113,708	-	113,708	85,612	-	85,612
Reinsurers' share of claims paid	(10,125)	-	(10,125)	(17,450)	-	(17,450)
Net claims paid	103,583	-	103,583	68,162	-	68,162
Changes in outstanding claims, net	(2,135)	-	(2,135)	(277)	-	(277)
Changes in claims incurred but not reported, net	4,266	-	4,266	(2,126)	-	(2,126)
Net claims incurred	105,714	-	105,714	65,759	-	65,759
Change in premium deficiency reserve	-	-	-	(5,519)	-	(5,519)
Change in other technical reserves	1,190	-	1,190	126	-	126
Policy acquisition costs	5,397	-	5,397	3,993	-	3,993
Other underwriting expenses	13,522	-	13,522	17,419	-	17,419
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	125,823	-	125,823	81,778	-	81,778
NET UNDERWRITING (LOSS) / INCOME	(22,325)	-	(22,325)	12,402	-	12,402

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19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income – (continued)

	Three month period ended					
	30 September 2021			30 September 2020		
	(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
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Allowance for doubtful debts	(1,094)	-	(1,094)	(292)	-	(292)
General and administrative expenses	(19,840)	(322)	(20,162)	(18,580)	(404)	(18,984)
Investment income	1,373	1,353	2,726	1,713	593	2,306
Unrealized (loss) / gain on investments	(48)	2,800	2,752	3,902	3,762	7,664
Other income	9	-	9	-	-	-
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(19,600)	3,831	(15,769)	(13,257)	3,951	(9,306)
<u>NET (LOSS) / INCOME BEFORE ZAKAT</u>	(41,925)	3,831	(38,094)	(855)	3,951	3,096
Zakat	-	-	-	-	(1,500)	(1,500)
<u>NET (LOSS) / INCOME AFTER ZAKAT</u>	(41,925)	3,831	(38,094)	(855)	2,451	1,596
Transferred to Shareholders	41,925	(41,925)	-	769	(2,451)	(1,682)
<u>NET RESULT FROM INSURANCE OPERATIONS</u>	-	(38,094)	(38,094)	(86)	-	(86)
(Loss) / earnings per share						
(Expressed in SR per share)						
Weighted average number of shares outstanding (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted (loss) / earnings per share	-	(1.52)	(1.52)	-	0.07	0.07

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19. SUPPLEMENTARY INFORMATION – (continued)

c) Interim condensed statement of comprehensive income

	Three month period ended					
	30 September 2021			30 September 2020		
	(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
NET (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	-	(38,094)	(38,094)	(86)	1,682	1,596
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income for the period	-	(38,094)	(38,094)	(86)	1,682	1,596

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19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income

	Nine month period ended					
	30 September 2021			30 September 2020		
	(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	360,617	-	360,617	339,939	-	339,939
Reinsurance premiums ceded						
- Local	(6,443)	-	(6,443)	(833)	-	(833)
- Foreign	(33,865)	-	(33,865)	(35,612)	-	(35,612)
	(40,308)	-	(40,308)	(36,445)	-	(36,445)
Excess of loss expenses						
- Local	(2,499)	-	(2,499)	(795)	-	(795)
- Foreign	1,264	-	1,264	(15,223)	-	(15,223)
	(1,235)	-	(1,235)	(16,018)	-	(16,018)
Net premiums written	319,074	-	319,074	287,476	-	287,476
Changes in unearned premiums, net	(16,105)	-	(16,105)	(10,454)	-	(10,454)
Net premiums earned	302,969	-	302,969	277,022	-	277,022
Reinsurance commissions	6,215	-	6,215	5,174	-	5,174
Other underwriting income	397	-	397	5,310	-	5,310
<u>TOTAL REVENUES</u>	309,581	-	309,581	287,506	-	287,506
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	282,858	-	282,858	249,474	-	249,474
Reinsurers' share of claims paid	(28,531)	-	(28,531)	(25,657)	-	(25,657)
Net claims paid	254,327	-	254,327	223,817	-	223,817
Changes in outstanding claims, net	(7,568)	-	(7,568)	(14,995)	-	(14,995)
Changes in claims incurred but not reported, net	(5,551)	-	(5,551)	(15,373)	-	(15,373)
Net claims incurred	241,208	-	241,208	193,449	-	193,449
Change in premium deficiency reserve	-	-	-	(5,858)	-	(5,858)
Change in other technical reserves	3,790	-	3,790	(1,036)	-	(1,036)
Policy acquisition costs	16,077	-	16,077	13,438	-	13,438
Other underwriting expenses	34,716	-	34,716	26,062	-	26,062
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	295,791	-	295,791	226,055	-	226,055
NET UNDERWRITING INCOME	13,790	-	13,790	61,451	-	61,451

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19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income – (continued)

	Nine month period ended					
	30 September 2021			30 September 2020		
	(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 for doubtful debts	(2,266)	-	(2,266)	(2,927)	-	(2,927)
General and administrative expenses	(59,381)	(2,070)	(61,451)	(59,364)	(1,657)	(61,021)
Investment income	3,565	2,645	6,210	6,308	2,152	8,460
Unrealized (loss) / gain on investments	(624)	8,913	8,289	2,422	2,007	4,429
Other income	86	-	86	-	-	-
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(58,620)	9,488	(49,132)	(53,561)	2,502	(51,059)
<u>NET (LOSS) / INCOME BEFORE ZAKAT</u>	(44,830)	9,488	(35,342)	7,890	2,502	10,392
Zakat	-	(3,000)	(3,000)	-	(4,500)	(4,500)
<u>NET (LOSS) / INCOME AFTER ZAKAT</u>	(44,830)	6,488	(38,342)	7,890	(1,998)	5,892
Transferred to Shareholders	44,830	(44,830)	-	(7,101)	1,998	(5,103)
<u>NET RESULT FROM INSURANCE OPERATIONS</u>	-	(38,342)	(38,342)	789	-	789
(Loss) / earnings per share						
(Expressed in SR per share)						
Weighted average number of shares outstanding (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted (loss) / earnings per share	-	(1.53)	(1.53)	-	0.20	0.20

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19. SUPPLEMENTARY INFORMATION – (continued)

e) Interim condensed statement of comprehensive income

	Nine month period ended					
	30 September 2021			30 September 2020		
	(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
NET (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	-	(38,342)	(38,342)	789	5,103	5,892
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income for the period	-	(38,342)	(38,342)	789	5,103	5,892

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FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021

19. SUPPLEMENTARY INFORMATION – (continued)

f) Interim condensed statement of cash flows

	Nine month period ended					
	30 September 2021			30 September 2020		
	(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 OPERATING ACTIVITIES						
Income for the period before zakat	-	(35,342)	(35,342)	789	9,603	10,392
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	2,756	-	2,756	3,840	-	3,840
Amortization of intangible assets	2,720	-	2,720	1,328	-	1,328
Depreciation of right of use assets	2,726	-	2,726	3,409	-	3,409
Finance cost of lease liabilities	842	-	842	976	-	976
Allowance for doubtful debts	2,266	-	2,266	2,927	-	2,927
Unrealized loss / (gain) on investments at fair value through statement of income	624	(8,913)	(8,289)	(2,422)	(2,007)	(4,429)
Realized gain on investment	(1,103)	(97)	(1,200)	-	-	-
	10,831	(44,352)	(33,521)	10,847	7,596	18,443
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	(39,573)	-	(39,573)	10,856	-	10,856
Reinsurers' share of unearned premiums	(3,253)	-	(3,253)	(3,274)	-	(3,274)
Reinsurers' share of outstanding claims	5,841	-	5,841	(1,265)	-	(1,265)
Reinsurers' share of claims incurred but not reported	(1,056)	-	(1,056)	4,139	-	4,139
Deferred policy acquisition costs	(7,619)	-	(7,619)	(265)	-	(265)
Prepaid expenses and other assets	13,598	109	13,707	(4,307)	-	(4,307)
Accrued income on statutory deposit	-	(149)	(149)	-	(308)	(308)
Policyholders and claims payables	(2,120)	-	(2,120)	5,389	-	5,389
Accrued expense and other liabilities	11,955	-	11,955	18,326	-	18,326
Reinsurers' balances payable	(4,445)	-	(4,445)	5,740	-	5,740
Unearned premiums	19,358	-	19,358	13,728	-	13,728
Unearned reinsurance commission	675	-	675	447	-	447
Outstanding claims	(13,409)	-	(13,409)	(13,730)	-	(13,730)
Claims incurred but not reported	(4,496)	-	(4,496)	(19,512)	-	(19,512)
Premium deficiency reserves	-	-	-	(5,858)	-	(5,858)
Other technical reserves	3,790	-	3,790	(1,036)	-	(1,036)
Accrued commission income payable to SAMA	-	149	149	-	308	308
	(9,923)	(44,243)	(54,166)	20,225	7,596	27,821
End of service benefits paid	(980)	-	(980)	(941)	-	(941)
Zakat paid	-	(7,288)	(7,288)	-	-	-
Net cash flows (used in) / generated from operating activities	(10,903)	(51,531)	(62,434)	19,284	7,596	26,880

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19. SUPPLEMENTARY INFORMATION – (continued)

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

	Nine month period ended					
	30 September 2021			30 September 2020		
	(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	(1,461)	(3,038)	(4,499)	(81,931)	-	(81,931)
Purchase of held to maturity investments	-	(50,000)	(50,000)	-	-	-
Proceeds from sale of investments	28,564	4,951	33,515	4,643	-	4,643
Placement of term deposits	-	(200,000)	(200,000)	(50,000)	(100,000)	(150,000)
Proceeds from maturity of term deposit	50,428	200,000	250,428	159,143	200,201	359,344
Purchase of intangible assets	(4,050)	-	(4,050)	-	-	-
Purchase of property and equipment	(414)	-	(414)	(121)	-	(121)
Net cash flows generated from / (used in) investing activities	73,067	(48,087)	24,980	31,734	100,201	131,935
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of lease liabilities	(417)	-	(417)	(1,094)	-	(1,094)
Due to shareholders' operations	(93,795)	93,795	-	107,731	(107,731)	-
Net cash flows (used in) / generated from financing activities	(94,212)	93,795	(417)	106,637	(107,731)	(1,094)
Net change in cash and cash equivalents	(32,048)	(5,823)	(37,871)	157,655	66	157,721
Cash and cash equivalents, beginning of the period	47,892	111,354	159,246	26,834	1,577	28,411
Cash and cash equivalents, end of the period	15,844	105,531	121,375	184,489	1,643	186,132

20. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

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

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

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21. IMPACT OF COVID-19

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

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

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

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

Medical technical reserves

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

Motor technical reserves

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

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

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

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

Based on these assessments, the Company’s management believes that the Covid-19 pandemic has had no material effects on Company’s reported results for the period ended 30 September 2021 and the year ended 31 December 2020. The Company’s management continues to monitor the situation closely.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 02 Rabi ul thani 1443H, corresponding to 07 November 2021.