

ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY

A SAUDI JOINT STOCK COMPANY

INDEPENDENT AUDITORS' REVIEW REPORT

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

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COMPANY DETAILS

Chairman

HH Prince Naif Bin Sultan Bin Saud Al Kabeer

Vice Chairman

Mr. Sameer Al Wazzan

Board of Directors

HH Prince Naif Bin Sultan Bin Saud Al Kabeer

Mr. Sameer Al Wazzan

Mr. Abdallah Al Obeikan

Mr. Turki Al Mutawa

Mr. Mohammed Bin Ali

Mr. Raed Al Saif

Chief Executive Officer

Mr. Bassef Al Abdulkarim

Board Secretary

Mr. Abdulaziz Bin Saeed

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Saudi Arabia

Telephone

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Commercial Registration

CR No. 1010234323

Principal Bankers

The Saudi British Bank (SABB)

Riyadh, Saudi Arabia

Auditors

Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants

Member Crowe Global

Riyadh, Saudi Arabia

Ibrahim Ahmed Al-Bassam & Co.

Certified Public Accountants – Al-Bassam & Co.

Riyadh, Saudi Arabia

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Arabian Shield Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company") as at 30 June 2021 and the related interim condensed statements of income and comprehensive income for the three and six months periods then ended and changes in equity and cash flows for the six-month period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information 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 this interim condensed financial information 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 financial information 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 information is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

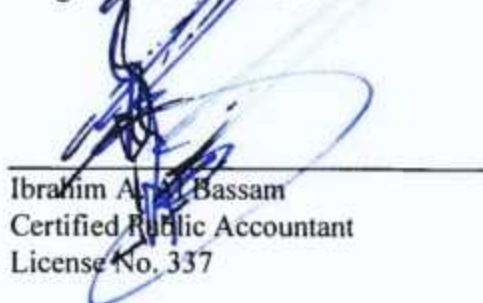
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12 August 2021
4 Muharram 1443 H



UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	30 Jun 2021	Audited 31 Dec 2020
ASSETS			
Cash and cash equivalents	6	411,949	517,745
Premiums and reinsurers' receivable – net	8	64,560	70,138
Reinsurers' share of unearned gross premiums	11	95,029	71,532
Reinsurers' share of outstanding gross claims	12	64,846	96,840
Reinsurers' share of gross claims incurred but not reported	12	47,869	54,631
Deferred excess of loss expenses		1,658	0
Deferred policy acquisition costs		6,147	7,032
Deferred third party administrator expenses		2,793	1,842
Deferred withholding tax		4,557	3,493
Deferred regulators' levies		2,338	1,764
Investments	9	325,088	246,555
Due from related parties – net	8 & 18	57,143	6,522
Prepaid expenses and other assets		29,624	37,623
Property and equipment – net		2,540	3,049
Intangible assets – net		9,061	10,003
Goodwill	21	46,794	46,794
Statutory deposit	7	30,000	30,000
Accrued income on statutory deposit	7	3,040	3,002
TOTAL ASSETS		1,205,036	1,208,565
LIABILITIES			
Accrued and other liabilities		54,150	59,738
Reinsurers' balances payable		17,359	18,826
Unearned gross premiums	11	249,787	190,453
Unearned reinsurance commission		16,277	14,148
Outstanding gross claims	12	94,017	126,934
Gross claims incurred but not reported	12	160,310	170,884
Premium deficiency reserve	12	10,300	15,500
Other technical reserves	12	10,248	13,000
Due to related parties	18	498	29,395
Accounts payable		41,016	41,554
Withholding tax provision		9,638	9,561
Regulators' levies provision		2,290	2,944
End-of-service indemnities		8,780	7,917
Policyholders' surplus distribution payable		6,142	4,570
Zakat	13	35,916	36,483
Income tax	13	1,187	1,752
Accrued commission income payable to SAMA	7	3,040	3,002
TOTAL LIABILITIES		720,955	746,661
EQUITY			
Share capital	14	400,000	300,000
Statutory reserve		20,866	40,866
Retained earnings		59,941	123,464
Fair value reserve gain / (loss) on investments	9	3,274	(2,426)
TOTAL EQUITY		484,081	461,904
TOTAL LIABILITIES AND EQUITY		1,205,036	1,208,565
COMMITMENTS AND CONTINGENCIES			

COMMITMENTS AND CONTINGENCIES

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The accompanying Notes 1 to 26 form an integral part of these unaudited interim condensed Financial Statements.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF INCOME

	Notes	Three months to		Year to date to	
		30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
REVENUES					
Gross premiums written	11	70,483	72,951	329,344	330,716
Reinsurance premiums ceded – local		(3,299)	(3,544)	(14,299)	(12,787)
Reinsurance premiums ceded – foreign		(17,082)	(25,553)	(111,957)	(127,035)
Excess of loss expenses		(838)	(537)	(2,121)	(1,073)
Net premiums written		49,264	43,317	200,967	189,821
Change in unearned gross premiums	11	64,915	52,920	(59,334)	(71,379)
Change in reinsurers' share of unearned gross premiums	11	(30,474)	(11,362)	23,497	55,416
Net premiums earned		83,705	84,875	165,130	173,858
Reinsurance commissions		9,055	7,863	19,501	16,084
Other underwriting income		7,170	322	13,667	4,672
TOTAL REVENUES		99,930	93,060	198,298	194,614
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(97,976)	(43,706)	(188,667)	(133,680)
Reinsurers' share of claims paid		23,827	10,323	46,370	22,120
Net claims paid		(74,149)	(33,383)	(142,297)	(111,560)
Change in outstanding gross claims		28,788	6,251	32,917	14,322
Change in reinsurers' share of outstanding gross claims		(25,545)	(10,844)	(31,994)	(12,410)
Change in gross IBNR		13,542	(11,366)	10,574	(4,054)
Change in reinsurers' share of gross IBNR		(7,801)	(1,999)	(6,762)	(5,616)
Net claims incurred		(65,165)	(51,341)	(137,562)	(119,318)
Premium deficiency reserve		(1,300)	(5,600)	5,200	(5,600)
Other technical reserves		(1,598)	0	2,752	0
Policy acquisition costs		(3,329)	(3,680)	(6,637)	(8,013)
Third party administrator expenses		(1,615)	(1,772)	(3,243)	(3,710)
Withholding tax		(2,349)	(1,733)	(4,136)	(3,330)
Regulators' levies		(1,263)	(1,324)	(2,495)	(2,711)
Other underwriting expenses		(2,471)	(929)	(3,321)	(2,418)
TOTAL UNDERWRITING COSTS AND EXPENSES		(79,090)	(66,379)	(149,442)	(145,100)
NET UNDERWRITING INCOME		20,840	26,681	48,856	49,514
OTHER OPERATING INCOME / (EXPENSE)					
Allowance for doubtful debts		(5,690)	(6,425)	(9,190)	(9,930)
General and administrative expenses		(14,921)	(13,984)	(26,158)	(27,732)
Depreciation and amortisation		(1,142)	(702)	(2,292)	(1,202)
Commission income on deposits		1,372	1,381	2,773	3,681
Commission income on sukuk		1,097	1,070	2,092	2,148
Dividend income		614	724	1,037	1,725
Realised gains on investments	9	6,012	0	7,772	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)		(12,658)	(17,936)	(23,966)	(31,310)
INCOME BEFORE ZAKAT AND INCOME TAX		8,182	8,745	24,890	18,204
Attributable to Insurance Operations		(199)	(715)	(1,572)	(1,412)
SHAREHOLDERS' INCOME BEFORE ZAKAT AND INCOME TAX		7,983	8,030	23,318	16,792
Zakat charge		(3,010)	(3,155)	(6,413)	(5,697)
Income tax charge		(142)	(225)	(428)	(505)
SHAREHOLDERS' INCOME AFTER ZAKAT AND INCOME TAX		4,831	4,650	16,477	10,590
Basic and diluted SAR earnings per share restated	16	0.12	0.12	0.41	0.26

The accompanying Notes 1 to 26 form an integral part of these unaudited interim condensed Financial Statements.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months to		Year to date to	
		30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
Shareholders' income after zakat and income tax		4,831	4,650	16,477	10,590
Other comprehensive income / (loss)					
<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 of investments		4,441	(3,381)	13,472	(9,111)
Realised gains transferred to statement of income	9	(6,012)	0	(7,772)	0
Net change in unrealised fair value of investments		(1,571)	(3,381)	5,700	(9,111)
COMPREHENSIVE INCOME FOR THE PERIOD		3,260	1,269	22,177	1,479





The accompanying Notes 1 to 26 form an integral part of these unaudited interim condensed Financial Statements.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Year to Date to 30 Jun 2021	Notes	Share Capital	Statutory Reserve	Retained Earnings	Fair Value Reserve gain/(loss) on investments	Total Equity
Balance at start of year		300,000	40,866	123,464	(2,426)	461,904
Shareholders' income after zakat and income tax				16,477		16,477
Net change in fair value of investments	9				13,472	13,472
Realised gains transferred to statement of income	9				(7,772)	(7,772)
Net change in unrealised fair value of investments					5,700	5,700
Comprehensive income for the period				16,477	5,700	22,177
Issuance of bonus shares	14	100,000	(20,000)	(80,000)	0	0
Balance at end of period		400,000	20,866	59,941	3,274	484,081

Year to Date to 30 Jun 2020	Notes	Share Capital	Statutory Reserve	Retained Earnings	Fair Value Reserve gain/(loss) on investments	Total Equity
Balance at start of year		300,000	34,535	98,138	4,986	437,659
Shareholders' income after zakat and income tax				10,590		10,590
Net change in fair value of investments	9				(9,111)	(9,111)
Realised gains transferred to statement of income	9				0	0
Net change in unrealised fair value of investments					(9,111)	(9,111)
Comprehensive income for the period				10,590	(9,111)	1,479
Balance at end of period		300,000	34,535	108,728	(4,125)	439,138





The accompanying Notes 1 to 26 form an integral part of these unaudited interim condensed Financial Statements.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Notes	Year to date to 30 Jun 2021	30 Jun 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Shareholders' income after zakat and income tax		16,477	10,590
Adjustments for non-cash items:			
Depreciation of property and equipment		869	893
Amortisation of intangible assets		1,423	309
Gain on disposal of property and equipment		(2)	(15)
Allowance for doubtful debts		9,190	9,930
Provision for withholding tax		5,200	5,995
Provision for regulators' levies		3,069	3,056
Provision for end-of-service indemnities		2,218	974
Realised gain on disposal of investments	9	(7,772)	0
Zakat charge		6,413	5,697
Income tax charge		428	505
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		3,053	31,302
Reinsurers' share of unearned gross premiums	11	(23,497)	(55,416)
Reinsurers' share of outstanding gross claims		31,994	12,410
Reinsurers' share of gross claims incurred but not reported		6,762	5,616
Deferred excess of loss expenses		(1,658)	(1,073)
Deferred policy acquisition costs		885	1,864
Deferred third party administrator expenses		(951)	(404)
Deferred withholding tax		(1,064)	(2,665)
Deferred regulators' levies		(574)	(345)
Due from related parties		(57,286)	(48,636)
Prepaid expenses and other assets		7,999	(4,935)
Accounts payable		(553)	3,598
Third party administrator payable		15	(364)
Policyholders' surplus		1,572	1,412
Accrued and other liabilities		(5,588)	(3,033)
Reinsurers' balances payable		(1,467)	27,317
Unearned gross premiums	11	59,334	71,379
Unearned reinsurance commission		2,129	8,348
Outstanding gross claims		(32,917)	(14,322)
Gross claims incurred but not reported		(10,574)	4,054
Premium deficiency reserve		(5,200)	5,600
Other technical reserves		(2,752)	0
Due to related parties		(28,897)	(18,993)
Payments:			
End-of-service indemnities paid		(1,355)	(1,314)
Withholding tax paid		(5,123)	(3,168)
Regulators' levies paid		(3,723)	(4,126)
Surplus paid to policyholders		0	(1,266)
Zakat paid		(6,980)	747
Income tax paid		(993)	(748)
Net cash (used in) / generated from operating activities		(39,896)	50,773





The accompanying Notes 1 to 26 form an integral part of these unaudited interim condensed Financial Statements.

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS (Continued)

	Notes	Year to date to 30 Jun 2021	30 Jun 2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of investments	9	(170,000)	(10,000)
Proceeds from disposal of investments	9	104,939	11,000
Additions of property and equipment		(360)	(871)
Proceeds from disposal of property and equipment		2	458
Additions of intangible assets		(481)	(1,095)
Net cash used in investing activities		(65,900)	(508)
Net change in cash and cash equivalents		(105,796)	50,265
Cash and cash equivalents at start of year		517,745	403,376
Cash and cash equivalents at end of period		411,949	453,641
NON-CASH INFORMATION			
Net change in unrealised fair value of investments	9	5,700	(9,111)
Issuance of bonus shares		100,000	0





1. GENERAL

The insurance industry in Saudi Arabia is regulated by the Law on Supervision of Cooperative Insurance Companies ("Cooperative Insurance Law") together with the Implementing Regulations ("Implementing Regulations") promulgated by Royal Decree No. M32 dated 22 Jumad Thani 1424 corresponding to 21 August 2003. Supervision is under the auspices of the Saudi Central Bank ("SAMA" or "Regulator").

Arabian Shield Cooperative Insurance Company ("Company") is a Saudi Joint Stock Company incorporated in Riyadh, Saudi Arabia through Ministerial Resolution issued on 19 May 2007 with Commercial Registration No. 1010234323 issued on 13 June 2007 following on from Royal Decree No. M60 dated 18 Ramadan 1427 corresponding to 11 October 2006. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 June 2007. The registered address of the head office is as follows: 5th Floor, Cercon Building No. 15, Olaya Street, PO Box 61352, Riyadh 11565, Saudi Arabia.

The principal activities for which the Company was licensed were the conducting of insurance and reinsurance business in general and medical classes in Saudi Arabia in accordance with License No. TMN/6/20079 issued on 11 September 2007 by SAMA and the License was renewed for three year periods on 10 August 2010, 07 July 2013, 03 June 2016 and 28 January 2020. SAMA gave approval to the Company to conduct business in the protection and savings class on 26 April 2018. At the Company's request, SAMA approved an amendment to the License to exclude reinsurance business with effect from 30 September 2013.

As per the Articles of Association ("Articles"), the Company may undertake all activities required to transact cooperative insurance operations and related activities and to invest its funds. Its principal lines of business include motor, medical, marine, property, engineering, casualty and protection and savings.

In accordance with the Implementing Regulations, within six months from the date of publication of the annual financial statements each year, the Board of Directors approve the distribution of the surplus from insurance operations as follows:

- The shareholders of the Company receive 90% of the surplus from insurance operations including any surplus from investment activities of the policyholders' invested funds and the policyholders retain the remaining 10%.
- Any deficit arising on insurance operations is transferred to shareholders' operations in full.

The Company and its shareholders own and retain custody of all net assets related to both insurance operations and shareholders' operations and funds are allocated to insurance operations as required.

The fiscal year of the Company runs from 1 January to 31 December.

Cooperative insurance operations commenced with effect from 1 January 2009 following acquisition of the insurance portfolio and related business, assets and liabilities from Arabian Shield Insurance Company EC.

The Company entered into a Memorandum of Understanding ("MoU") on 11 April 2021 (corresponding to 29 Sha'ban 1442) with Al Ahli Takaful Company ("ATC") to begin a reciprocal due diligence process and to negotiate the final terms and conditions of the potential merger ("Proposed transaction") between ATC with the company.

The two companies have agreed the following on a non-binding basis:

- that the Proposed Transaction, should it proceed, will be completed by way of a merger (pursuant to the Companies Law and the Merger and Acquisitions Regulations issued by the Board of the Capital Market Authority and other relevant laws and regulations) with ATC (being the merged company) merging into the company (being the merging company).
- The two companies have initially agreed that the basis of the valuation will be using 'Adjusted Equity Book Value' (after any mutually agreed due diligence adjustments), in addition to the 'Embedded Value' of the 'Protection and Savings Portfolio' of ATC.
- Shareholders of ATC will receive newly issued share of the company in exchange for every share they hold in ATC.
- The parties will also agree (i) the final structure of the Proposed Transaction, (ii) the final exchange ratio, subject to due diligence and valuation analysis, (iii) the composition of the board and (iv) the management structure for the combined entity.
- The future merged entity will continue to be branded as The Company and continue to be headquartered in Riyadh.
- The merger expect to absorb all of ATC's employees into the Company and should not result in any involuntary redundancies.

The above mentioned merger is subject to the approval of General Authority for Competition, SAMA, Capital Markets Authority "CMA", Saudi Stock Exchange (Tadawul), and the shareholders of both companies.

The Company has appointed AlJazira Capital as its financial advisor in connection with the Proposed Transaction.

Refer to Note 23 on page 32 for the subsequent event.

2. STATEMENT OF COMPLIANCE

These interim condensed financial statements for the three and six month periods ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, therefore, these should be read in conjunction with the Company's annual audited financial statements as at and for the year ended 31 December 2020.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**IFRS 17: Insurance Contracts****Overview**

This standard was 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 and to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts.

It requires separating 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 three different measurement models:

1. The General Measurement Model (GMM) is based on the following "building blocks":
 - a) The Fulfilment Cash Flows (FCF) which comprise:
 - A probability-weighted estimate of future cash flows; and
 - An adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with the future cash flows; and
 - A risk adjustment for non-financial risk.
 - b) The Contractual Service Margin (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 and 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 re-measured 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
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.

2. 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; and

The effect of changes in the time value of money and in financial risks not relating to the underlying items.

3. The Premium Allocation Approach (PAA), a simplified approach, is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less.

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 International Accounting Standards Board ("IASB") issued an Exposure Draft in June 2019 - Amendments to IFRS 17 proposing certain amendments to IFRS 17 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 01 January 2021. Under this exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 01 January 2022. This was a deferral of 1 year compared to the previous date of 01 January 2021. Further, on 17 March 2020, The International Accounting Standards Board (IASB) completed its discussions on the amendments to IFRS 17 and decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 01 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 intends to apply the Standard on its effective date 01 January 2023.

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 the new standard will result in a change to the accounting policies for insurance contracts, reinsurance contracts and to any investment contracts with discretionary participating features together with amendments to presentation and disclosures.

Impact

The Company had performed the Financial Impact Assessment in order to assess the financial impact of implementing IFRS 17 and this work was completed on 30 April 2020.

The Company is currently in Phase III of IFRS 17 implementation design phase that requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements.

Following are the main areas under design phase and the status of the progress made so far by the Company:

Impact Area	Summary of Progress
Governance and control framework	The Company has put a comprehensive IFRS 17 governance program in place, which includes establishing a Steering Committee to monitor the progress of implementation and assign roles and responsibilities to various stakeholders. The Steering Committee is reporting to the Company's Audit Committee.
Technical and Financial Impact	The initial assessment of products offered by the Company concluded that all products qualify to be measured using the Premium Allocation Approach "PAA". The process impact have been assessed and documented during the gap assessment process covering actuarial valuation, accounting processes, disclosures and other relevant matters. 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 are taken after due deliberations among various stakeholders. Currently, the majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
Data	Based on the measurement model adopted, the Company believes that the impact of data is not significant, and the Company will be able to manage the data requirements accordingly. As part of the implementation phase, the Company has developed a comprehensive data policy and data dictionary.
IT Systems	Following a thorough assessment of the business requirements and the capabilities of the various IFRS 17 systems available in the region, the Company has selected the most suitable IFRS 17 tool. In coordination with the Company's appointed advisor and appointed actuary, implementation of the newly selected IFRS 17 tool has commenced and the Company is expecting to perform a parallel run in the fourth quarter of 2021 – in line with the implementation timeline –.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.
Other areas impacted	None.

IFRS 9: Financial Instruments (including amendments to IFRS 4, Insurance Contracts)**Overview**

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, 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 of the following 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

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").

A 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 the following 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 subsequent changes in the fair value of the instruments (including realized gains and losses) in other comprehensive income with dividends recognized in profit or loss.

Additionally, for financial liabilities that are designated as 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.

Effective date

The published effective date of IFRS 9 was 01 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 as follows:

1. 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 01 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.

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.

To date the Company has performed a preliminary assessment which reviewed two factors as follows:

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
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 this preliminary assessment 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, IFRS 17. Disclosures related to financial assets required during the deferral period are set out in the impact assessment below.

Impact assessment

At 30 June 2021, the Company's total financial assets and total insurance related assets amount to 1,035,777 and 215,549 respectively. Financial assets and insurance related assets are not necessarily mutually exclusive in terms of classification. The total financial assets are composed of financial assets held at amortized cost and other financial assets.

Financial assets held at amortized cost amount to 709,031 and consist of cash and cash equivalents, short-term fixed deposits, premium and reinsurance receivables and other receivables.

Other financial assets amount to 325,088 and consist of available for sale investments. The Company may use the FVOCI classification for these other financial assets based on the business model of the Company for debt securities and the strategic nature of equity investments. The Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

The foregoing is based on a preliminary high-level impact assessment of IFRS 9 based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being available in the future.

The Company expects some impacts from implementing IFRS 9, however it is not possible to provide a reasonable estimate of these impacts until the Company has performed a detailed review.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and risk management policy used in the preparation of the interim condensed financial statements for the period ended 30 June 2021 are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2020.

5. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The accounting policies, estimates and assumptions used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020 and no new or amended accounting policies or accounting standards were adopted by the Company during 2021 to date.

Interim condensed financial statements are prepared under the going concern convention using the accrual basis of accounting. The historical cost convention is followed except for the measurement at fair value of available for sale investments.

Financial assets and financial liabilities are offset and the net amount reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset unless required or permitted by an accounting standard or interpretation as specifically disclosed in the accounting policies.

Presentation is in Saudi Riyals, the functional currency of the Company. All amounts are derived from Arabic and English computerised accounting records and except where otherwise indicated are rounded to thousands using the standard rounding convention.

As required by the Implementing Regulations, the Company maintains separate books of account for insurance operations and shareholders' operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and approved by the Board of Directors.

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

The interim condensed statement of financial position and interim condensed statements of income, comprehensive income and cash flows of insurance operations and shareholders' operations presented in Note 26 on pages 33 to 39 of the interim condensed financial statements have been provided as supplementary financial information to comply with the Implementing Regulations which require the clear segregation of the assets, liabilities, income and expenses of insurance operations and shareholders' operations.

Accordingly, the interim condensed statement of financial position and interim condensed statements of income, comprehensive income and cash flows of insurance operations and shareholders' operations presented in Note 26 on pages 33 to 39 of the interim condensed financial statements reflect the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

The inclusion of separate information of insurance operations and shareholders' operations in the interim condensed statement of financial position and interim condensed statements of income, comprehensive income and cash flows as well as certain relevant notes to the interim condensed financial statements represent supplementary information required by the Implementing Regulations but not required by IFRS.

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, the reported amount of assets and liabilities, contingent assets and liabilities, resultant provisions, changes in fair value and the reported amounts of income and expense.

These judgements and estimates are based on the Company's best knowledge of current events and actions and are continually evaluated and updated, however future events could result in outcomes requiring material adjustments to the reported amounts.

In preparing the interim condensed financial statements significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied 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. For further details, please see Note 22 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

The following judgments and estimates have the most significant effect on the amounts recognised.

Impairment losses on receivables

The Company assesses impairment for receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company establishes if there is objective evidence that all amounts due may not be collectible in accordance with the original terms of the contract and evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies IBNR claims form a significant part of the liability. The primary technique adopted by the Company in estimating the cost of reported and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends.

Historical claims development is analyzed by underwriting year, accident year and further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected to reflect their future expected development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or other factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

In addition a range of technical methods are used by the Company's actuaries to independently assess and critically review the estimates made by the Company.

Prior claims estimates are continually reviewed and adjusted as claims develop.

Insurance contract liabilities are not discounted for the time value of money as substantially all claims are expected to be paid within one year of the reporting date. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

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Impairment of financial instruments

Financial instruments are considered impaired when it is determined there has been a significant or prolonged decline in fair value relative to cost. This determination requires judgement. In making this judgement factors are considered such as normal share price volatility, financial status of the investee including cash flow and sector and technology status and development.

c) Seasonality of operations

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

d) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	30 Jun 2021	Audited 31 Dec 2020
Insurance operations		
Bank balances and cash	96,300	73,386
Deposits maturing within 3 months from the acquisition date	176,052	285,117
Total	272,352	358,503
Shareholders' operations		
Bank balances and cash	6,177	5,933
Deposits maturing within 3 months from the acquisition date	133,420	153,309
Total	139,597	159,242
Combined balances		
Bank balances and cash	102,477	79,319
Deposits maturing within 3 months from the acquisition date	309,472	438,426
Total	411,949	517,745

All bank balances and deposits are placed with SAMA regulated local banks with sound credit ratings under Standard and Poor's and Moody's rating methodology. The deposits earn commission at an average rate of 1.42% per annum as at 30 June 2021 (31 December 2020: 1.34%).

7. STATUTORY DEPOSIT

In compliance with the Insurance Implementation Regulation of SAMA, the Company maintains a deposit of 30,000 (31 December 2020: 30,000) in a deposit account at The Saudi British Bank. This deposit cannot be withdrawn without SAMA's consent and the Company does not earn commission from the deposit.

Following the share capital increase from 300,000 to 400,000, the Company is in the process of increasing the statutory deposit by 10,000.

The accrued income on the deposit as at 30 June 2021 is 3,040 (31 December 2020: 3,002) and has been disclosed as "Accrued income on statutory deposit" and the corresponding commission is shown in liabilities as "Accrued commission income payable to SAMA".

8. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivable comprise amounts due from the following:

	30 June 2021	Audited 31 Dec 2020
Non related parties		
Policyholders	36,089	27,939
Brokers and agents	17,217	43,173
Receivables from reinsurers	20,639	5,886
Premiums and reinsurers' receivable – gross	73,945	76,998
Provision for doubtful receivables	(9,385)	(6,860)
Premiums and reinsurers' receivable – net	64,560	70,138
Related parties		
Policyholders	65,308	8,022
Provision for doubtful receivables	(8,165)	(1,500)
Due from related parties – net	57,143	6,522
Movement in the combined provision		
Balance at start of year	8,360	7,120
Provided	9,190	1,240
Balance at end of period	17,550	8,360

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9. INVESTMENTS

There are no investments for insurance operations at 30 June 2021 (31 December 2020: None).

All investments shown below are for shareholders' operations.

Classification of investment balances	30 Jun 2021	30 Jun 2020	Audited 31 Dec 2020
Available for sale	325,088	224,023	246,555
Total investments	325,088	224,023	246,555

Movement in investments	30 Jun 2021	30 Jun 2020	Audited 31 Dec 2020
Investments at cost	248,981	229,148	229,148
Cumulative unrealised gains / (losses)	(2,426)	4,986	4,986
Total balance at start	246,555	234,134	234,134

Purchases at cost	170,000	10,000	115,000
Disposals at cost	(97,167)	(11,000)	(95,167)
Net movement at cost	72,833	(1,000)	19,833

Net change in fair value of investments	13,472	(9,111)	358
Net realised amounts transferred to statement of income	(7,772)	0	(7,770)
Net change in unrealised fair value of investments	5,700	(9,111)	(7,412)

Investments at cost	321,814	228,148	248,981
Cumulative unrealised gains / (losses)	3,274	(4,125)	(2,426)
Total balance at end	325,088	224,023	246,555

Realised gains / (losses) to statement of income	Three Months to 30 Jun 2021	Year to Date to 30 Jun 2021	Three Months to 30 Jun 2020	Year to Date to 30 Jun 2020	Audited Full Year to 31 Dec 2020
Proceeds from disposal of investments	72,096	104,939	9,083	11,000	102,937
Costs of investments sold	(66,084)	(97,167)	(9,083)	(11,000)	(95,167)
Realised gains	6,012	7,772	0	0	7,770

10. FAIR VALUES OF FINANCIAL INSTRUMENTS**Determination of fair value**

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants at the measurement date.

Underlying the definition of fair value is a presumption that the enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms and 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 advantageous accessible market for the asset or liability.

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined, they are calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

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.

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

Carrying amounts and fair values

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

No financial instruments measured at fair value exist for Insurance Operations at 30 June 2021 (31 December 2020: None).

Available for sale investments are the only financial instruments measured at fair value for Shareholders' Operations.

Available for Sale Investments	Level 1	Level 2	Level 3	Carrying Value
Mutual funds	0	163,865	0	163,865
Sukuk	0	146,846	0	146,846
Equities	12,454	0	1,923	14,377
Total 30 Jun 2021	12,454	310,711	1,923	325,088
Mutual funds	0	115,723	0	115,723
Sukuk	0	94,846	0	94,846
Equities	11,531	0	1,923	13,454
Total 30 Jun 2020	11,531	210,569	1,923	224,023
Mutual funds	0	114,868	0	114,868
Sukuk	0	117,346	0	117,346
Equities	12,418	0	1,923	14,341
Total 31 Dec 2020 – Audited	12,418	232,214	1,923	246,555

There were no transfers or reclassifications between or within levels during the six month period ended 30 June 2021 (31 December 2020: None).

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Measurement of fair values for above level categories

- The Level 1 equities are valued based on quoted market price.
- Fair values for the Level 2 mutual funds are determined based on net assets value as provided by fund manager and Sukuk holdings are determined based on broker quotes.
- The Level 3 unquoted equity investment represents the Company's holding in Najm for Insurance Services ("Najm"), a service provider to the motor insurance industry in Saudi Arabia. Najm is jointly owned by the insurance companies participating in motor class. Carrying value is currently reflected at historical cost. The annual financial statements of Najm are examined and analysed to assess any need for impairment.

The analysis of available for sale investments held at fair value is shown in Note 9.

11. MOVEMENT IN UNEARNED PREMIUMS

	Gross	Reinsurance	Net
Three Months to 30 Jun 2021			
Balance at start of period	314,702	(125,502)	189,200
Premium written during period	70,483	(21,219)	49,264
Premium earned during period	(135,398)	51,693	(83,705)
Balance at end of period	249,787	(95,029)	154,759
Change in unearned premiums	(64,915)	30,474	(34,441)
Year to Date to 30 Jun 2021			
Balance at start of period	190,453	(71,532)	118,921
Premium written during period	329,344	(128,377)	200,967
Premium earned during period	(270,010)	104,880	(165,130)
Balance at end of period	249,787	(95,029)	154,758
Change in unearned premiums	59,334	(23,497)	35,837
Three Months to 30 Jun 2020			
Balance at start of period	291,678	(103,218)	188,460
Premium written during period	72,951	(29,634)	43,317
Premium earned during period	(125,871)	40,996	(84,875)
Balance at end of period	238,758	(91,856)	146,902
Change in unearned premiums	(52,920)	11,362	(41,558)
Year to Date to 30 Jun 2020			
Balance at start of period	167,379	(36,440)	130,939
Premium written during period	330,716	(140,895)	189,821
Premium earned during period	(259,337)	85,479	(173,858)
Balance at end of period	238,758	(91,856)	146,902
Change in unearned premiums	71,379	(55,416)	15,963
Full Year ended 31 Dec 2020 – Audited			
Balance at start of year	167,379	(36,440)	130,939
Premium written during year	552,708	(215,715)	336,993
Premium earned during year	(529,634)	180,623	(349,011)
Balance at end of year	190,453	(71,532)	118,921
Change in unearned premiums	23,074	(35,092)	(12,018)

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12. NET OUTSTANDING CLAIMS AND TECHNICAL RESERVES

	30 Jun 2021	Audited 31 Dec 2020
Outstanding gross claims	94,017	126,934
Gross claims incurred but not reported	160,310	170,884
Premium deficiency reserve	10,300	15,500
Other technical reserves	10,248	13,000
Outstanding gross claims and technical reserves	274,875	326,318
Less reinsurers' share of outstanding gross claims	(64,846)	(96,840)
Less reinsurers' share of gross claims incurred but not reported	(47,869)	(54,631)
Outstanding claims and technical reserves, net	162,160	174,847

13. PROVISION FOR ZAKAT AND INCOME TAX

Zakat and income tax have been provided in accordance with regulations currently in force in Saudi Arabia.

The temporary and permanent differences between financial and adjusted taxable results are mainly due to adjustments to depreciation, provisions and other items in accordance with the income tax regulations. Deferred tax arising out of these differences is not significant and accordingly was not provided for.

Zakat is calculated on Saudi shareholders' share of adjusted equity subject to a minimum base equal to the relevant share of adjusted net profit. Foreign shareholders are subject to income tax calculated on the relevant share of adjusted net profit.

	30 Jun 2021	31 Dec 2020
<u>Percentages applicable to zakat and income tax</u>		
Shareholding percentage subject to zakat	94%	94%
Shareholding percentage subject to income tax	6%	6%

Movement on zakat account

Balance 31 Dec 2019	31,059
Provided	11,321
Paid	(5,897)
Balance 31 Dec 2020 – Audited	36,483
Balance 31 Dec 2020 – Audited	36,483
Provided	6,413
Paid	(6,980)
Balance 30 Jun 2021	35,916

Movement on income tax account

Balance 31 Dec 2019	952
Provided	624
Paid	176
Balance 31 Dec 2020 – Audited	1,752
Balance 31 Dec 2020 – Audited	1,752
Provided	428
Paid	(993)
Balance 30 Jun 2021	1,187

Status of assessments

The Company has filed zakat and income tax returns for the period from incorporation to 31 December 2008 and for each of the years ended 31 December 2009 to 31 December 2020.

The returns filed covering periods to 31 December 2014 have been agreed and finalised with Zakat, Tax and Customs Authority and zakat and income tax liabilities arising thereon have been discharged in full. Final assessments are awaited for the remaining outstanding years.

14. SHARE CAPITAL

The Board of Directors resolved in their meeting held on 12 January 2021 to increase the share capital subject to receiving the required approvals of the relevant authorities and thereafter the approval of shareholders.

The resolution provided for a share capital increase from 300,000 to 400,000 by issuing one bonus share for every three shares held thereby increasing the number of shares in issue from 30,000,000 shares to 40,000,000 shares with the additional 100,000 share capital generated by capitalising 80,000 from retained earnings and 20,000 from statutory reserve.

Approval was received from the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA) on 08 April 2021 and 06 May 2021, respectively. Approval from shareholders was obtained in the general assembly meeting held on 09 June 2021 and the bonus shares were issued on 10 June 2021.

The total transaction costs relating to the bonus share issue amounted to 42.

The Company has filed for the amended Commercial Registration Certificate to reflect the increase in share capital following the bonus share issue and is under process from the regulatory authority.

15. STATUTORY RESERVE

In compliance with the Cooperative Insurance Law, the Implementing Regulations and the By-Laws, 20% of shareholders' net profit (as defined below) is transferred to statutory reserve at the end of each financial year until the statutory reserve amounts to 100% of the paid capital.

In calculating Statutory Reserve, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

The Statutory Reserve is not available for distribution but it may be converted to share capital in funding a bonus share issue.

16. EARNINGS PER SHARE

Earnings per share is calculated by dividing shareholders' net profit (as defined below) by the weighted average number of issued shares during the period.

In calculating earnings per share, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

Earnings per share is calculated based on the revised number of shares in issue following the bonus share issue on 10 June 2021 and prior comparatives have been restated accordingly.

As there are no dilutive effects, basic and diluted SAR earnings per share are the same.

17. CAPITAL MANAGEMENT

Objectives are set by the Company to optimise the structure and sources of capital and maintain healthy capital ratios to support its business objectives and consistently maximise returns to shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximising the return to stakeholders. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, statutory reserves, retained earnings and fair value reserve on investments.

The Implementing Regulations detail a minimum solvency margin requirement calculated as the highest of the following:

- Minimum net assets of 100,000 – calculated after adjusting for admissibility factors
- Premium solvency margin calculation
- Claims solvency margin calculation

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The Company is in compliance with all externally imposed capital requirements. The capital structure of the Company as shown in the statement of interim condensed financial position as at 30 June 2021 totals 484,081 consisting of paid-up share capital 400,000, statutory reserves 20,866, retained earnings 59,941 and fair value reserve gain on investments 3,274 at 31 December 2020 totals 461,904 consisting of paid-up share capital 300,000, statutory reserves 40,866, retained earnings 123,464 and fair value reserve loss on investments (2,426).

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

18. RELATED PARTY TRANSACTIONS AND BALANCES

Definitions and explanations

Related parties represent shareholders, both individual and corporate, directors, members of the audit, executive, investment, risk and nomination and remuneration committees, the board secretary, key executives and entities controlled (including jointly controlled) or significantly influenced by such parties. The immediate families of the above are related parties.

Key Executives, in the context of defining Related Parties, for the six month period ended 30 June 2021 means the following six people (six month period ended 30 June 2020: five people) – the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the four other executives (six month period ended 30 June 2020: three other executives) who earned the highest remuneration.

All transactions with related parties are made on an arm's length basis and no conflicts or potential conflicts of interest were identified during the six month period ended 30 June 2021 and 2020. Amounts due to related parties do not include amounts provided for outstanding claims under processing or IBNR. Balances due to or from related parties are unsecured, interest free and are settled in cash and no guarantees have been made or received in relation to any related party transaction or balance.

An impairment assessment is undertaken by examining the financial position of and the market in which each related party operates. For the six month period ended 30 June 2021, the Company has not recorded any impairment of receivables relating to amounts due from related parties (six month period ended 30 June 2020: Nil).

Transactions with related parties are in respect of purchase of insurance portfolio and related business, investments, remuneration and annual insurance contracts.

Remuneration of Board of Directors and Committee Members for year ended 31 December 2020

A provision amounting to 1,700 was made in the financial statements for year ended 31 December 2020 in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees and approval to pay up to this amount was granted at the Annual General Assembly held on 09 June 2021 and 1,670 was subsequently paid.

Remuneration of Board Secretary for year ended 31 December 2020

A provision amounting to 50 was made in the financial statements for year ended 31 December 2020, in respect of remuneration for the Board Secretary and approval to pay up to this amount was granted at the Annual General Assembly held on 09 June 2021 and 30 was subsequently paid.

Remuneration of Board of Directors and Committee Members for the six month period ended 30 June 2021

A provision amounting to 1,095 was made in the interim condensed financial statements for the six month period ended 30 June 2021 (six month period ended 30 June 2020: 850) in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees. The full year provision for 2021 will be determined at 31 December 2021 following which approval for payment shall be sought at the General Assembly to be held in 2022.

Remuneration of Board Secretary for six month period ended 30 June 2021

A provision amounting to 30 was made in the interim condensed financial statements for the six month period ended 30 June 2021 (six month period ended 30 June 2020: 25), in respect of remuneration for the Board Secretary. The full year provision for 2021 will be determined at 31 December 2021 following which approval for payment shall be sought at the General Assembly to be held in 2022.

Salaries and Allowances of Key Executives and Board Secretary

Salaries and Allowances encompass all elements of compensation including provision for end of service benefit.

Salaries and Allowances	Three Months to	
	30 Jun 2021	30 Jun 2020
Provided and paid for key executives	2,087	1,259

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

Transactions with and amounts due to and from related parties

Transactions with related parties	Three Months to		Year to Date to	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
Gross written premiums from related parties				
Shareholders	0	(80)	231	122
Committees, board secretary and key executives	0	(3)	24	15
Entities controlled or significantly influenced	26,102	27,425	206,672	195,002
Ceded written premiums to related parties				
Entities controlled or significantly influenced	19	1	57	31
Commissions from related parties				
Entities controlled or significantly influenced	5	0	13	6
Commissions to related parties				
Entities controlled or significantly influenced	0	(1)	0	(1)
Gross claims paid by related parties				
Shareholders	11	9	35	12
Entities controlled or significantly influenced	29,522	13,492	61,676	45,371

Amounts due to and from related parties	Audited	
	30 Jun 2021	31 Dec 2020
Amounts due from related parties		
Shareholders	0	46
Entities controlled or significantly influenced	65,308	7,976
Provision	(8,165)	(1,500)
Total due from related parties, net	57,143	6,522
Amounts due to related parties		
Entities controlled or significantly influenced	498	29,395
Total due to related parties	498	29,395

19. SEGMENT REPORTING

Segment reporting is not undertaken for shareholders' operations, assets and liabilities.

Insurance operations - geographic segments:

The Company has since incorporation operated primarily in Saudi Arabia.

Insurance operations - operating segments:

Operating segments are identified on the basis of internal reports concerning 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 segments and assess performance.

Transactions between operating segments are on normal commercial terms and conditions.

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of income.

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

Unallocated assets not subject to segmentation are cash and cash equivalents, short term fixed income deposits, premiums and reinsurers' receivable – net, investments, due from related parties – net, prepaid expenses and other assets, property and equipment – net, intangible assets – net, goodwill, statutory deposits and accrued income on statutory deposits.

Unallocated liabilities not subject to segmentation are accrued and other liabilities, due to related parties, accounts payable, withholding tax provision, regulators' levies provision, end-of-service indemnities, policyholders' surplus distribution payable, zakat, income tax and accrued commission income payable to SAMA.

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

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

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 June 2021 and 31 December 2020 and for its total revenues, expenses and net income for the three and six month periods then ended are as follows:

Operating segments 30 Jun 2021	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	37,954	0	49,826	7,249	95,029	0	95,029
Reinsurers' share of outstanding gross claims	22,625	0	36,874	5,347	64,846	0	64,846
Reinsurers' share of gross claims incurred but not reported	40,000	0	6,799	1,070	47,869	0	47,869
Deferred excess of loss expenses	918	0	458	282	1,658	0	1,658
Deferred policy acquisition costs	2,237	2,140	960	810	6,147	0	6,147
Deferred third party administrator expenses	0	2,793	0	0	2,793	0	2,793
Deferred withholding tax	1,899	0	2,296	362	4,557	0	4,557
Deferred regulators' levies	361	1,662	267	48	2,338	0	2,338
Total allocated assets	105,994	6,595	97,480	15,168	225,237	0	225,237
Unallocated assets:							
Cash and cash equivalents					272,352	139,597	411,949
Premiums and reinsurers' receivable – net					64,560	0	64,560
Investments					0	325,088	325,088
Due from related parties – net					57,143	0	57,143
Prepaid expenses and other assets					26,228	3,396	29,624
Property and equipment – net					2,540	0	2,540
Intangible assets – net					9,061	0	9,061
Goodwill					0	46,794	46,794
Statutory deposit					0	30,000	30,000
Accrued income and statutory deposit					0	3,040	3,040
Total unallocated assets					431,884	547,915	979,799
TOTAL ASSETS					657,121	547,915	1,205,036
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	1,526	0	11,408	4,425	17,359	0	17,359
Unearned gross premiums	72,170	110,806	57,258	9,553	249,787	0	249,787
Unearned reinsurance commission	7,481	0	7,120	1,676	16,277	0	16,277
Outstanding gross claims	39,152	4,105	45,005	5,755	94,017	0	94,017
Gross claims incurred but not reported	80,000	70,500	8,516	1,294	160,310	0	160,310
Premium deficiency reserve	2,000	8,300	0	0	10,300	0	10,300
Other technical reserves	4,752	2,639	2,669	188	10,248	0	10,248
Total allocated liabilities	207,081	196,350	131,976	22,891	558,298	0	558,298
Unallocated liabilities:							
Accrued and other liabilities					52,444	1,706	54,150
Due to related parties					498	0	498
Accounts payable					41,016	0	41,016
Withholding tax provision					9,638	0	9,638
Regulators' levies provision					2,290	0	2,290
End-of-service indemnities					8,780	0	8,780
Policyholders' surplus distribution payable					6,142	0	6,142
Zakat					0	35,916	35,916
Income tax					0	1,187	1,187
Accrued commission income payable to SAMA					0	3,040	3,040
Total unallocated liabilities					120,808	41,849	162,657
TOTAL LIABILITIES					679,106	41,849	720,955

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ALL AMOUNTS IN SAR '000

Operating segments 31 Dec 2020 – Audited	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	49,080	0	16,859	5,593	71,532	0	71,532
Reinsurers' share of outstanding gross claims	23,122	0	43,494	30,224	96,840	0	96,840
Reinsurers' share of gross claims incurred but not reported	40,599	0	7,987	6,045	54,631	0	54,631
Deferred policy acquisition costs	2,324	3,174	974	560	7,032	0	7,032
Deferred third party administrator expenses	0	1,842	0	0	1,842	0	1,842
Deferred withholding tax	2,454	0	759	280	3,493	0	3,493
Deferred regulators' levies	416	1,229	88	31	1,764	0	1,764
Total allocated assets	117,995	6,245	70,161	42,733	237,134	0	237,134
Unallocated assets:							
Cash and cash equivalents					358,503	159,242	517,745
Premiums and reinsurers' receivable – net					70,138	0	70,138
Investments					0	246,555	246,555
Due from related parties – net					6,522	0	6,522
Prepaid expenses and other assets					28,526	9,097	37,623
Property and equipment – net					3,049	0	3,049
Intangible assets – net					10,003	0	10,003
Goodwill					0	46,794	46,794
Statutory deposit					0	30,000	30,000
Accrued income and statutory deposit					0	3,002	3,002
Total unallocated assets					476,741	494,690	971,431
TOTAL ASSETS					713,875	494,690	1,208,565
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	13,888	0	2,284	2,654	18,826	0	18,826
Unearned gross premiums	82,951	81,954	19,367	6,181	190,453	0	190,453
Unearned reinsurance commission	9,411	0	3,676	1,061	14,148	0	14,148
Outstanding gross claims	39,832	3,040	52,200	31,862	126,934	0	126,934
Gross claims incurred but not reported	81,200	73,500	9,809	6,375	170,884	0	170,884
Premium deficiency reserve	3,250	12,250	0	0	15,500	0	15,500
Other technical reserves	6,850	3,880	1,290	980	13,000	0	13,000
Total allocated liabilities	237,382	174,624	88,626	49,113	549,745	0	549,745
Unallocated liabilities:							
Accrued and other liabilities					56,780	2,958	59,738
Due to related parties					29,395	0	29,395
Accounts payable					41,554	0	41,554
Withholding tax provision					9,561	0	9,561
Regulators' levies provision					2,944	0	2,944
End-of-service indemnities					7,917	0	7,917
Policyholders' surplus distribution payable					4,570	0	4,570
Zakat					0	36,483	36,483
Income tax					0	1,752	1,752
Accrued commission income payable to SAMA					0	3,002	3,002
Total unallocated liabilities					152,721	44,195	196,916
TOTAL LIABILITIES					702,466	44,195	746,661

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

Operating segments For the three month period ended 30 Jun 2021	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	18,805	2,835	3,888	0	25,528
• Very small corporate entities	3,110	907	467	0	4,484
• Small corporate entities	135	533	1,004	0	1,672
• Medium corporate entities	63	1,024	6	0	1,093
• Large corporate entities	321	31,120	1,660	4,605	37,706
Gross premiums written – total	22,434	36,419	7,025	4,605	70,483
Reinsurance premiums ceded – local	(2,245)	0	(1,024)	(30)	(3,299)
Reinsurance premiums ceded – foreign	(8,879)	0	(4,524)	(3,679)	(17,082)
Excess of loss expenses	(360)	0	(403)	(75)	(838)
Net premiums written	10,950	36,419	1,074	821	49,264
Change in unearned gross premiums	19,956	24,206	19,496	1,257	64,915
Change in reinsurers' share of unearned gross premiums	(12,441)	0	(17,150)	(883)	(30,474)
Net premiums earned	18,465	60,625	3,420	1,195	83,705
Reinsurance commissions	4,584	0	3,461	1,010	9,055
Other underwriting income	1,858	5,312	0	0	7,170
TOTAL REVENUES	24,907	65,937	6,881	2,205	99,930
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(38,159)	(57,397)	(1,215)	(1,205)	(97,976)
Reinsurers' share of gross claims paid	21,696	0	1,084	1,047	23,827
Net claims paid	(16,463)	(57,397)	(131)	(158)	(74,149)
Change in outstanding gross claims	(297)	2,022	4,720	22,343	28,788
Change in reinsurers' share of outstanding gross claims	(120)	0	(4,212)	(21,213)	(25,545)
Change in gross IBNR	5,000	3,000	1,211	4,331	13,542
Change in reinsurers' share of gross IBNR	(2,500)	0	(1,056)	(4,245)	(7,801)
Net claims incurred	(14,380)	(52,375)	532	1,058	(65,165)
Premium deficiency reserve	0	(1,300)	0	0	(1,300)
Other technical reserves	(252)	361	(1,619)	(88)	(1,598)
Policy acquisition costs	(1,196)	(1,265)	(364)	(504)	(3,329)
Third party administrator expenses	(31)	(1,584)	0	0	(1,615)
Withholding tax	(1,081)	0	(1,036)	(232)	(2,349)
Regulators' levies	(201)	(909)	(123)	(30)	(1,263)
Other underwriting expenses	(1,563)	(307)	(365)	(236)	(2,471)
TOTAL UNDERWRITING COSTS AND EXPENSES	(18,704)	(57,379)	(2,975)	(32)	(79,090)
NET UNDERWRITING INCOME	6,203	8,558	3,906	2,173	20,840
OTHER OPERATING INCOME / (EXPENSES)					
Allowance for doubtful debts	(876)	(3,382)	(1,367)	(65)	(5,690)
General and administrative expenses	(4,047)	(5,792)	(2,538)	(566)	(12,943)
Depreciation and amortisation	(358)	(511)	(223)	(50)	(1,142)
Commission income on deposits	285	409	179	40	913
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(4,996)	(9,276)	(3,949)	(641)	(18,862)
NET SURPLUS FROM INSURANCE OPERATIONS	1,207	(718)	(43)	1,532	1,978
Transfer of surplus to Shareholders' Operations	(1,085)	646	39	(1,379)	(1,779)
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	122	(72)	(4)	153	199

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
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ALL AMOUNTS IN SAR '000

Operating segments For the year to date to 30 Jun 2021	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	40,508	6,234	4,128	0	50,870
• Very small corporate entities	5,817	2,150	975	0	8,942
• Small corporate entities	4,770	1,282	7,758	0	13,810
• Medium corporate entities	2,013	1,104	904	0	4,021
• Large corporate entities	19,967	138,634	77,286	15,814	251,701
Gross premiums written – total	73,075	149,404	91,051	15,814	329,344
Reinsurance premiums ceded – local	(7,291)	0	(6,894)	(114)	(14,299)
Reinsurance premiums ceded – foreign	(28,876)	0	(71,493)	(11,588)	(111,957)
Excess of loss expenses	(918)	0	(921)	(282)	(2,121)
Net premiums written	35,990	149,404	11,743	3,830	200,967
Change in unearned gross premiums	10,780	(28,852)	(37,890)	(3,372)	(59,334)
Change in reinsurers' share of unearned gross premiums	(11,125)	0	32,966	1,656	23,497
Net premiums earned	35,645	120,552	6,819	2,114	165,130
Reinsurance commissions	9,169	0	8,224	2,108	19,501
Other underwriting income	5,710	7,957	0	0	13,667
TOTAL REVENUES	50,524	128,509	15,043	4,222	198,298
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(70,384)	(111,029)	(1,721)	(5,533)	(188,667)
Reinsurers' share of gross claims paid	40,672	0	1,510	4,188	46,370
Net claims paid	(29,712)	(111,029)	(211)	(1,345)	(142,297)
Change in outstanding gross claims	680	(1,065)	7,196	26,106	32,917
Change in reinsurers' share of outstanding gross claims	(497)	0	(6,620)	(24,877)	(31,994)
Change in gross IBNR	1,200	3,000	1,293	5,081	10,574
Change in reinsurers' share of gross IBNR	(598)	0	(1,189)	(4,975)	(6,762)
Net claims incurred	(28,927)	(109,094)	469	(10)	(137,562)
Premium deficiency reserve	1,250	3,950	0	0	5,200
Other technical reserves	2,098	1,241	(1,379)	792	2,752
Policy acquisition costs	(2,301)	(2,443)	(804)	(1,089)	(6,637)
Third party administrator expenses	(97)	(3,146)	0	0	(3,243)
Withholding tax	(2,038)	0	(1,587)	(511)	(4,136)
Regulators' levies	(383)	(1,808)	(242)	(62)	(2,495)
Other underwriting expenses	(1,714)	(650)	(693)	(264)	(3,321)
TOTAL UNDERWRITING COSTS AND EXPENSES	(32,112)	(111,950)	(4,236)	(1,144)	(149,442)
NET UNDERWRITING INCOME	18,412	16,559	10,807	3,078	48,856
OTHER OPERATING INCOME / (EXPENSES)					
Allowance for doubtful debts	(906)	(6,329)	(1,541)	(414)	(9,190)
General and administrative expenses	(7,328)	(10,535)	(4,646)	(1,087)	(23,596)
Depreciation and amortisation	(712)	(1,023)	(451)	(106)	(2,292)
Commission income on deposits	604	868	383	90	1,945
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(8,342)	(17,019)	(6,255)	(1,517)	(33,133)
NET SURPLUS FROM INSURANCE OPERATIONS	10,070	(460)	4,552	1,561	15,723
Transfer of surplus to Shareholders' Operations	(9,063)	414	(4,097)	(1,405)	(14,151)
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	1,007	(46)	455	156	1,572

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

Operating segments For the three month period ended 30 Jun 2020	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	11,375	3,498	274	0	15,147
• Very small corporate entities	426	1,447	129	0	2,002
• Small corporate entities	1,794	101	788	0	2,683
• Medium corporate entities	964	592	633	0	2,189
• Large corporate entities	1,814	28,764	15,436	4,916	50,930
Gross premiums written – total	16,373	34,402	17,260	4,916	72,951
Reinsurance premiums ceded – local	(1,626)	0	(1,917)	(1)	(3,544)
Reinsurance premiums ceded – foreign	(8,119)	0	(12,852)	(4,582)	(25,553)
Excess of loss expenses	(225)	0	(312)	0	(537)
Net premiums written	6,403	34,402	2,179	333	43,317
Change in unearned gross premiums	6,147	36,605	6,898	3,270	52,920
Change in reinsurers' share of unearned gross premiums	(3,677)	0	(5,097)	(2,588)	(11,362)
Net premiums earned	8,873	71,007	3,980	1,015	84,875
Reinsurance commissions	2,573	0	4,109	1,181	7,863
Other underwriting income	86	236	0	0	322
TOTAL REVENUES	11,532	71,243	8,089	2,196	93,060
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(8,388)	(29,489)	(1,314)	(4,515)	(43,706)
Reinsurers' share of gross claims paid	4,859	0	1,214	4,250	10,323
Net claims paid	(3,529)	(29,489)	(100)	(265)	(33,383)
Change in outstanding gross claims	(393)	(7,069)	13,596	117	6,251
Change in reinsurers' share of outstanding gross claims	1,495	0	(12,249)	(90)	(10,844)
Change in gross IBNR	0	(13,611)	2,245	0	(11,366)
Change in reinsurers' share of gross IBNR	0	0	(1,999)	0	(1,999)
Net claims incurred	(2,427)	(50,169)	1,493	(238)	(51,341)
Premium deficiency reserve	0	(5,600)	0	0	(5,600)
Policy acquisition costs	(735)	(1,675)	(704)	(566)	(3,680)
Third party administrator expenses	(10)	(1,762)	0	0	(1,772)
Withholding tax	(600)	0	(774)	(359)	(1,733)
Regulators' levies	(104)	(1,065)	(114)	(41)	(1,324)
Other underwriting expenses	(522)	(219)	(45)	(143)	(929)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,398)	(60,490)	(144)	(1,347)	(66,379)
NET UNDERWRITING INCOME	7,134	10,753	7,945	849	26,681
OTHER OPERATING INCOME / (EXPENSES)					
Allowance for doubtful debts	(1,103)	(3,631)	(1,231)	(460)	(6,425)
General and administrative expenses	(4,648)	(3,983)	(3,320)	(1,328)	(13,279)
Depreciation and amortisation	(246)	(210)	(176)	(70)	(702)
Commission income on deposits	304	261	218	87	870
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(5,693)	(7,563)	(4,509)	(1,771)	(19,536)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	1,441	3,190	3,436	(922)	7,145
Absorption of deficit by / transfer of surplus to Shareholders' Operations	(1,297)	(2,871)	(3,092)	830	(6,430)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	144	319	344	(92)	715

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

Operating segments For the year to date to 30 Jun 2020	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	36,290	6,715	1,243	0	44,248
• Very small corporate entities	523	2,800	193	0	3,516
• Small corporate entities	2,711	2,122	1,474	0	6,307
• Medium corporate entities	2,280	1,449	1,472	0	5,201
• Large corporate entities	24,718	133,656	83,513	29,557	271,444
Gross premiums written – total	66,522	146,742	87,895	29,557	330,716
Reinsurance premiums ceded – local	(6,573)	0	(6,301)	87	(12,787)
Reinsurance premiums ceded – foreign	(33,044)	0	(67,995)	(25,996)	(127,035)
Excess of loss expenses	(449)	0	(624)	0	(1,073)
Net premiums written	26,456	146,742	12,975	3,648	189,821
Change in unearned gross premiums	(23,914)	59	(38,359)	(9,165)	(71,379)
Change in reinsurers' share of unearned gross premiums	14,194	0	33,446	7,776	55,416
Net premiums earned	16,736	146,801	8,062	2,259	173,858
Reinsurance commissions	4,875	0	7,806	3,403	16,084
Other underwriting income	2,796	1,876	0	0	4,672
TOTAL REVENUES	24,407	148,677	15,868	5,662	194,614
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(19,129)	(102,987)	(1,636)	(9,928)	(133,680)
Reinsurers' share of gross claims paid	11,287	0	1,506	9,327	22,120
Net claims paid	(7,842)	(102,987)	(130)	(601)	(111,560)
Change in outstanding gross claims	(995)	(25)	13,392	1,950	14,322
Change in reinsurers' share of outstanding gross claims	1,758	0	(12,250)	(1,918)	(12,410)
Change in gross IBNR	7,200	(13,500)	2,146	100	(4,054)
Change in reinsurers' share of gross IBNR	(3,600)	0	(1,946)	(70)	(5,616)
Net claims incurred	(3,479)	(116,512)	1,212	(539)	(119,318)
Premium deficiency reserve	0	(5,600)	0	0	(5,600)
Policy acquisition costs	(1,480)	(3,437)	(1,379)	(1,717)	(8,013)
Third party administrator expenses	(78)	(3,632)	0	0	(3,710)
Withholding tax	(962)	0	(1,460)	(908)	(3,330)
Regulators' levies	(180)	(2,202)	(227)	(102)	(2,711)
Other underwriting expenses	(1,492)	(440)	(180)	(306)	(2,418)
TOTAL UNDERWRITING COSTS AND EXPENSES	(7,671)	(131,823)	(2,034)	(3,572)	(145,100)
NET UNDERWRITING INCOME	16,736	16,854	13,834	2,090	49,514
OTHER OPERATING INCOME / (EXPENSES)					
Allowance for doubtful debts	(1,631)	(5,621)	(1,897)	(781)	(9,930)
General and administrative expenses	(9,232)	(7,912)	(6,594)	(2,638)	(26,376)
Depreciation and amortisation	(421)	(360)	(301)	(120)	(1,202)
Commission income on deposits	737	632	527	210	2,106
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(10,547)	(13,261)	(8,265)	(3,329)	(35,402)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	6,189	3,593	5,569	(1,239)	14,112
Absorption of deficit by / transfer of surplus to Shareholders' Operations	(5,569)	(3,234)	(5,012)	1,115	(12,700)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	620	359	557	(124)	1,412

20. COMMITMENTS AND CONTINGENCIES

At 30 June 2021 Letters of Guarantee were outstanding in favour of various beneficiaries as follows:

	30 Jun 2021	Audited 31 Dec 2020
Medical provider	1,000	1,000
Group medical insurance policy – Request for proposal	119	1,819
Capital commitments for systems software	637	1,764
Total	1,756	4,583

The Company is subject to legal proceedings in the ordinary course of business.

At 30 June 2021 there were no other commitments, contingencies or outstanding legal proceedings or disputes of a material nature.

21. PURCHASE OF INSURANCE PORTFOLIO AND RELATED BUSINESS, ASSETS AND LIABILITIES OF ARABIAN SHIELD INSURANCE COMPANY EC

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 1 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of 49,100.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to 20,826 as per the audited financial statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to 69,926.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by 2,306 to 46,794. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from 69,926 to 67,619 which has been fully paid with no further amounts owing.

The company carried out an assessment of impairment, annually concluding the fair value less cost to sell approach to determine the reasonable value, based on the assessment the goodwill is not consider to be impaired.

22. IMPACT OF COVID-19

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

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

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

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at 30 June 2021 for its liability adequacy test.

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 policies written as per above circular, the premium is earned over the period of coverage i.e. 14 month as per the Company accounting policy. There is no significant impact of two months extension in earned premium as of 30 June 2021 as no material amounts of premium have been written during the one month period.

Financial assets

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged 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 six month period ended 30 June 2021.

23. SUBSEQUENT EVENT

The Company announced the signing of a binding agreement on 12 July 2021 (corresponding to 2 Dhul Hijjah 1442), with Al Ahli Takaful Company "ATC" (the "Merger Agreement", information on the Merger Agreement is presented in Note 1 on page 10) in an effort to acquire all shares held by the shareholders of ATC through the submission of an offer to exchange shares without any cash considerations, such exchange to be effected by way of increasing the capital of the Company through issuance of new ordinary shares to all shareholders in ATC.

24. COMPARATIVE FIGURES

Certain prior period amounts or balances may have been reclassified to conform with the current presentation.

25. BOARD OF DIRECTORS' APPROVAL

The interim condensed financial statements were approved by the Board of Directors on 04 August 2021.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
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26. SUPPLEMENTARY INFORMATION

UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION	30 Jun 2021			Audited 31 Dec 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
ASSETS						
Cash and cash equivalents	272,352	139,597	411,949	358,503	159,242	517,745
Premiums and reinsurers' receivable – net	64,560	0	64,560	70,138	0	70,138
Reinsurers' share of unearned gross premiums	95,029	0	95,029	71,532	0	71,532
Reinsurers' share of outstanding gross claims	64,846	0	64,846	96,840	0	96,840
Reinsurers' share of gross claims incurred but not reported	47,869	0	47,869	54,631	0	54,631
Deferred excess of loss expenses	1,658	0	1,658	0	0	0
Deferred policy acquisition costs	6,147	0	6,147	7,032	0	7,032
Deferred third party administrator expenses	2,793	0	2,793	1,842	0	1,842
Deferred withholding tax	4,557	0	4,557	3,493	0	3,493
Deferred regulators' levies	2,338	0	2,338	1,764	0	1,764
Investments	0	325,088	325,088	0	246,555	246,555
Due to / from shareholders' / insurance operations	21,985	(21,985)	0	(11,409)	11,409	0
Due from related parties – net	57,143	0	57,143	6,522	0	6,522
Prepaid expenses and other assets	26,228	3,396	29,624	28,526	9,097	37,623
Property and equipment – net	2,540	0	2,540	3,049	0	3,049
Intangible assets – net	9,061	0	9,061	10,003	0	10,003
Goodwill	0	46,794	46,794	0	46,794	46,794
Statutory deposit	0	30,000	30,000	0	30,000	30,000
Accrued income on statutory deposit	0	3,040	3,040	0	3,002	3,002
TOTAL ASSETS	679,106	525,930	1,205,036	702,466	506,099	1,208,565
LIABILITIES						
Accrued and other liabilities	52,444	1,706	54,150	56,780	2,958	59,738
Reinsurers' balances payable	17,359	0	17,359	18,826	0	18,826
Unearned gross premiums	249,787	0	249,787	190,453	0	190,453
Unearned reinsurance commission	16,277	0	16,277	14,148	0	14,148
Outstanding gross claims	94,017	0	94,017	126,934	0	126,934
Gross claims incurred but not reported	160,310	0	160,310	170,884	0	170,884
Premium deficiency reserve	10,300	0	10,300	15,500	0	15,500
Other technical reserves	10,248	0	10,248	13,000	0	13,000
Due to related parties	498	0	498	29,395	0	29,395
Accounts payable	41,016	0	41,016	41,554	0	41,554
Withholding tax provision	9,638	0	9,638	9,561	0	9,561
Regulators' levies provision	2,290	0	2,290	2,944	0	2,944
End-of-service indemnities	8,780	0	8,780	7,917	0	7,917
Policyholders' surplus distribution payable	6,142	0	6,142	4,570	0	4,570
Zakat	0	35,916	35,916	0	36,483	36,483
Income tax	0	1,187	1,187	0	1,752	1,752
Accrued commission income payable to SAMA	0	3,040	3,040	0	3,002	3,002
TOTAL LIABILITIES	679,106	41,849	720,955	702,466	44,195	746,661
EQUITY						
Share capital	0	400,000	400,000	0	300,000	300,000
Statutory reserve	0	20,866	20,866	0	40,866	40,866
Retained earnings	0	59,941	59,941	0	123,464	123,464
Fair value reserve gain / (loss) on investments	0	3,274	3,274	0	(2,426)	(2,426)
TOTAL EQUITY	0	484,081	484,081	0	461,904	461,904
TOTAL LIABILITIES AND EQUITY	679,106	525,930	1,205,036	702,466	506,099	1,208,565

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UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME	Three Months to 30 Jun 2021			Three Months to 30 Jun 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	70,483	0	70,483	72,951	0	72,951
Reinsurance premiums ceded – local	(3,299)	0	(3,299)	(3,544)	0	(3,544)
Reinsurance premiums ceded – foreign	(17,082)	0	(17,082)	(25,553)	0	(25,553)
Excess of loss expenses	(838)	0	(838)	(537)	0	(537)
Net premiums written	49,264	0	49,264	43,317	0	43,317
Change in unearned gross premiums	64,915	0	64,915	52,920	0	52,920
Change in reinsurers' share of unearned gross premiums	(30,474)	0	(30,474)	(11,362)	0	(11,362)
Net premiums earned	83,705	0	83,705	84,875	0	84,875
Reinsurance commissions	9,055	0	9,055	7,863	0	7,863
Other underwriting income	7,170	0	7,170	322	0	322
TOTAL REVENUES	99,930	0	99,930	93,060	0	93,060
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(97,976)	0	(97,976)	(43,706)	0	(43,706)
Reinsurers' share of gross claims paid	23,827	0	23,827	10,323	0	10,323
Net claims paid	(74,149)	0	(74,149)	(33,383)	0	(33,383)
Change in outstanding gross claims	28,788	0	28,788	6,251	0	6,251
Change in reinsurers' share of outstanding gross claims	(25,545)	0	(25,545)	(10,844)	0	(10,844)
Change in gross IBNR	13,542	0	13,542	(11,366)	0	(11,366)
Change in reinsurers' share of gross IBNR	(7,801)	0	(7,801)	(1,999)	0	(1,999)
Net claims incurred	(65,165)	0	(65,165)	(51,341)	0	(51,341)
Premium deficiency reserve	(1,300)	0	(1,300)	(5,600)	0	(5,600)
Other technical reserves	(1,598)	0	(1,598)	0	0	0
Policy acquisition costs	(3,329)	0	(3,329)	(3,680)	0	(3,680)
Third party administrator expenses	(1,615)	0	(1,615)	(1,772)	0	(1,772)
Withholding tax	(2,349)	0	(2,349)	(1,733)	0	(1,733)
Regulators' levies	(1,263)	0	(1,263)	(1,324)	0	(1,324)
Other underwriting expenses	(2,471)	0	(2,471)	(929)	0	(929)
TOTAL UNDERWRITING COSTS AND EXPENSES	(79,090)	0	(79,090)	(66,379)	0	(66,379)
NET UNDERWRITING INCOME	20,840	0	20,840	26,681	0	26,681
OTHER OPERATING INCOME / (EXPENSES)						
Allowance for doubtful debts	(5,690)	0	(5,690)	(6,425)	0	(6,425)
General and administrative expenses	(12,943)	(1,978)	(14,921)	(13,279)	(705)	(13,984)
Depreciation and amortisation	(1,142)	0	(1,142)	(702)	0	(702)
Commission income on deposits	913	459	1,372	870	511	1,381
Commission income on sukuk	0	1,097	1,097	0	1,070	1,070
Dividend income	0	614	614	0	724	724
Realised gains on investments	0	6,012	6,012	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(18,862)	6,204	(12,658)	(19,536)	1,600	(17,936)
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX	1,978	6,204	8,182	7,145	1,600	8,745
Absorption of deficit by / transfer of surplus to Shareholders	(1,779)	1,779	0	(6,430)	6,430	0
INCOME BEFORE ZAKAT AND INCOME TAX	199	7,983	8,182	715	8,030	8,745
Zakat charge	0	(3,010)	(3,010)	0	(3,155)	(3,155)
Income tax charge	0	(142)	(142)	0	(225)	(225)
INCOME AFTER ZAKAT AND INCOME TAX	199	4,831	5,030	715	4,650	5,365

Basic and diluted SAR earnings per share

0.12

0.12

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UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	Three Months to 30 Jun 2021			Three Months to 30 Jun 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Income after zakat and income tax	199	4,831	5,030	715	4,650	5,365
Other comprehensive income / (loss)						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
Net change in fair value of investments	0	4,441	4,441	0	(3,381)	(3,381)
Realised gains transferred to statement of income	0	(6,012)	(6,012)	0	0	0
Net change in unrealised fair value of investments	0	(1,571)	(1,571)	0	(3,381)	(3,381)
COMPREHENSIVE INCOME FOR THE PERIOD	199	3,260	3,459	715	1,269	1,984

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UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME	Year to date to 30 Jun 2021			Year to date to 30 Jun 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	329,344	0	329,344	330,716	0	330,716
Reinsurance premiums ceded – local	(14,299)	0	(14,299)	(12,787)	0	(12,787)
Reinsurance premiums ceded – foreign	(111,957)	0	(111,957)	(127,035)	0	(127,035)
Excess of loss expenses	(2,121)	0	(2,121)	(1,073)	0	(1,073)
Net premiums written	200,967	0	200,967	189,821	0	189,821
Change in unearned gross premiums	(59,334)	0	(59,334)	(71,379)	0	(71,379)
Change in reinsurers' share of unearned gross premiums	23,497	0	23,497	55,416	0	55,416
Net premiums earned	165,130	0	165,130	173,858	0	173,858
Reinsurance commissions	19,501	0	19,501	16,084	0	16,084
Other underwriting income	13,667	0	13,667	4,672	0	4,672
TOTAL REVENUES	198,298	0	198,298	194,614	0	194,614
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(188,667)	0	(188,667)	(133,680)	0	(133,680)
Reinsurers' share of gross claims paid	46,370	0	46,370	22,120	0	22,120
Net claims paid	(142,297)	0	(142,297)	(111,560)	0	(111,560)
Change in outstanding gross claims	32,917	0	32,917	14,322	0	14,322
Change in reinsurers' share of outstanding gross claims	(31,994)	0	(31,994)	(12,410)	0	(12,410)
Change in gross IBNR	10,574	0	10,574	(4,054)	0	(4,054)
Change in reinsurers' share of gross IBNR	(6,762)	0	(6,762)	(5,616)	0	(5,616)
Net claims incurred	(137,562)	0	(137,562)	(119,318)	0	(119,318)
Premium deficiency reserve	5,200	0	5,200	(5,600)	0	(5,600)
Other technical reserves	2,752	0	2,752	0	0	0
Policy acquisition costs	(6,637)	0	(6,637)	(8,013)	0	(8,013)
Third party administrator expenses	(3,243)	0	(3,243)	(3,710)	0	(3,710)
Withholding tax	(4,136)	0	(4,136)	(3,330)	0	(3,330)
Regulators' levies	(2,495)	0	(2,495)	(2,711)	0	(2,711)
Other underwriting expenses	(3,321)	0	(3,321)	(2,418)	0	(2,418)
TOTAL UNDERWRITING COSTS AND EXPENSES	(149,442)	0	(149,442)	(145,100)	0	(145,100)
NET UNDERWRITING INCOME	48,856	0	48,856	49,514	0	49,514
OTHER OPERATING INCOME / (EXPENSES)						
Allowance for doubtful debts	(9,190)	0	(9,190)	(9,930)	0	(9,930)
General and administrative expenses	(23,596)	(2,562)	(26,158)	(26,376)	(1,356)	(27,732)
Depreciation and amortisation	(2,292)	0	(2,292)	(1,202)	0	(1,202)
Commission income on deposits	1,945	828	2,773	2,106	1,575	3,681
Commission income on sukuk	0	2,092	2,092	0	2,148	2,148
Dividend income	0	1,037	1,037	0	1,725	1,725
Realised gains on investments	0	7,772	7,772	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(33,133)	9,167	(23,966)	(35,402)	4,092	(31,310)
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX	15,723	9,167	24,890	14,112	4,092	18,204
Absorption of deficit by / transfer of surplus to Shareholders	(14,151)	14,151	0	(12,700)	12,700	0
INCOME BEFORE ZAKAT AND INCOME TAX	1,572	23,318	24,890	1,412	16,792	18,204
Zakat charge	0	(6,413)	(6,413)	0	(5,697)	(5,697)
Income tax charge	0	(428)	(428)	0	(505)	(505)
INCOME AFTER ZAKAT AND INCOME TAX	1,572	16,477	18,049	1,412	10,590	12,002

Basic and diluted SAR earnings per share restated

0.41

0.26

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UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	Year to date to 30 Jun 2021			Year to date to 30 Jun 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Income after zakat and income tax	1,572	16,477	18,049	1,412	10,590	12,002
Other comprehensive income / (loss)						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
Net change in fair value of investments	0	13,472	13,472	0	(9,111)	(9,111)
Realised gains transferred to statement of income	0	(7,772)	(7,772)	0	0	0
Net change in unrealised fair value of investments	0	5,700	5,700	0	(9,111)	(9,111)
COMPREHENSIVE INCOME FOR THE PERIOD	1,572	22,177	23,749	1,412	1,479	2,891

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UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS	Year to date to 30 Jun 2021			Year to date to 30 Jun 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Income after zakat and income tax	1,572	16,477	18,049	1,412	10,590	12,002
Adjustments for non-cash items:						
Depreciation of property and equipment	869	0	869	893	0	893
Amortisation of intangible assets	1,423	0	1,423	309	0	309
Gain on disposal of property and equipment	(2)	0	(2)	(15)	0	(15)
Allowance for doubtful debts	9,190	0	9,190	9,930	0	9,930
Provisions for withholding tax	5,200	0	5,200	5,995	0	5,995
Provisions for regulatory levies	3,069	0	3,069	3,056	0	3,056
Provision for end-of-service indemnities	2,218	0	2,218	974	0	974
Realised gain on disposal of investments	0	(7,772)	(7,772)	0	0	0
Zakat charge	0	6,413	6,413	0	5,697	5,697
Income tax charge	0	428	428	0	505	505
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	3,053	0	3,053	31,302	0	31,302
Reinsurers' share of gross unearned premiums	(23,497)	0	(23,497)	(55,416)	0	(55,416)
Reinsurers' share of outstanding gross claims	31,994	0	31,994	12,410	0	12,410
Reinsurers' share of gross claims incurred but not reported	6,762	0	6,762	5,616	0	5,616
Deferred excess of loss expenses	(1,658)	0	(1,658)	(1,073)	0	(1,073)
Deferred policy acquisition costs	885	0	885	1,864	0	1,864
Deferred third party administrator expenses	(951)	0	(951)	(404)	0	(404)
Deferred withholding tax	(1,064)	0	(1,064)	(2,665)	0	(2,665)
Deferred regulators' levies	(574)	0	(574)	(345)	0	(345)
Due from related parties	(57,286)	0	(57,286)	(48,636)	0	(48,636)
Prepaid expenses and other assets	2,298	5,701	7,999	(133)	(4,802)	(4,935)
Accounts payable	(553)	0	(553)	3,598	0	3,598
Third party administrator payable	15	0	15	(364)	0	(364)
Accrued and other liabilities	(4,336)	(1,252)	(5,588)	(3,921)	888	(3,033)
Reinsurers' balances payable	(1,467)	0	(1,467)	27,317	0	27,317
Unearned gross premiums	59,334	0	59,334	71,379	0	71,379
Unearned reinsurance commission	2,129	0	2,129	8,348	0	8,348
Outstanding gross claims	(32,917)	0	(32,917)	(14,322)	0	(14,322)
Gross claims incurred but not reported	(10,574)	0	(10,574)	4,054	0	4,054
Premium deficiency reserve	(5,200)	0	(5,200)	5,600	0	5,600
Other technical reserves	(2,752)	0	(2,752)	0	0	0
Due to shareholders' operations	(33,394)	33,394	0	12,357	(12,357)	0
Due to related parties	(28,897)	0	(28,897)	(18,993)	0	(18,993)
Payments:						
End-of-service indemnities paid	(1,355)	0	(1,355)	(1,314)	0	(1,314)
Withholding tax paid	(5,123)	0	(5,123)	(3,168)	0	(3,168)
Regulators' levies paid	(3,723)	0	(3,723)	(4,126)	0	(4,126)
Surplus paid to policyholders	0	0	0	(1,266)	0	(1,266)
Zakat paid	0	(6,980)	(6,980)	0	747	747
Income tax paid	0	(993)	(993)	0	(748)	(748)
Net cash (used in) / generated from operating activities	(85,312)	45,416	(39,896)	50,253	520	50,773

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021

ALL AMOUNTS IN SAR '000

UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS (continued)	Year to date to 30 Jun 2021			Year to date to 30 Jun 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions of investments	0	(170,000)	(170,000)	0	(10,000)	(10,000)
Proceeds from disposal of investments	0	104,939	104,939	0	11,000	11,000
Additions of property and equipment	(360)	0	(360)	(871)	0	(871)
Proceeds from disposal of property and equipment	2	0	2	458	0	458
Additions of intangible assets	(481)	0	(481)	(1,095)	0	(1,095)
Increase in statutory deposit	0	0	0	0	0	0
Net cash (used in) / generated from investing activities	(839)	(65,061)	(65,900)	(1,508)	1,000	(508)
Net change in cash and cash equivalents	(86,151)	(19,645)	(105,796)	48,745	1,520	50,265
Cash and cash equivalents at start of year	358,503	159,242	517,745	216,609	186,767	403,376
Cash and cash equivalents at end of period	272,352	139,597	411,949	265,354	188,287	453,641
NON-CASH INFORMATION						
Net change in unrealised fair value of investments	0	5,700	5,700	0	(9,111)	(9,111)
Issuance of bonus shares	0	100,000	100,000	0	0	0