

**Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)**

**Interim Condensed Financial Statements
(Unaudited)
Together with Independent Auditors' Review Report**

**For the three-months period ended
31 March 2021**

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021**

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

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

SCOPE OF REVIEW


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

CONCLUSION

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

For Al-Bassam & Co.
Certified Public Accountants

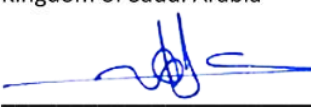
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19 May 2021
7 Shawwal 1442H
Jeddah, Kingdom of Saudi Arabia

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 March 2021**

		31 March 2021	31 December 2020
	Notes	(Unaudited)	(Audited)
		SAR '000	
ASSETS			
Cash and cash equivalents	5	116,438	115,226
Short term murabaha deposits	6	25,641	40,068
Premiums receivable, net	7	52,659	49,116
Reinsurer receivable, net		191	191
Reinsurer share of outstanding claims	11	61	119
Deferred policy acquisition costs		4,125	3,230
Investments	8	68,460	68,376
Prepaid expenses and other assets		11,655	6,780
Property and equipment, net		2,056	2,173
Intangible assets, net		999	1,082
Right of use assets, net	9	2,234	2,743
Statutory deposit	10	22,500	22,500
Accrued commission income on statutory deposit		4,434	4,377
TOTAL ASSETS		311,453	315,981
LIABILITIES			
Accrued and other liabilities		39,332	36,025
Unearned premiums	11	74,485	67,504
Outstanding claims	11	39,527	39,307
Claims incurred but not reported	11	14,167	12,974
Premium deficiency reserve	11	19,421	14,545
Other technical reserves	11	339	326
End-of-service indemnities		5,208	4,970
Lease liabilities	9	2,242	2,218
Zakat and income tax	16	12,449	12,000
Accrued commission income payable to SAMA		4,434	4,377
TOTAL LIABILITIES		211,604	194,246
SHAREHOLDERS' EQUITY			
Share capital	17	150,000	150,000
Accumulated losses	4	(51,159)	(29,273)
TOTAL SHAREHOLDERS' EQUITY		98,841	120,727
Re-measurement reserve of defined indemnities obligation		1,008	1,008
TOTAL EQUITY		99,849	121,735
TOTAL LIABILITIES AND EQUITY		311,453	315,981
COMMITMENTS AND CONTINGENCIES			
	12	12,545	12,545


Chairman


Chief Financial Officer


Chief Executive Officer

The accompanying notes from 1 – 23 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INCOME – (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH

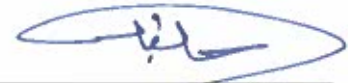
Notes	Three-months period ended 31 March	
	2021	2020
	SAR '000	
<u>REVENUES</u>		
Gross premiums written	45,070	60,979
Excess of loss expenses	-	-
Net premiums written	45,070	60,979
Changes in unearned premiums, net	(6,981)	(15,446)
Net premiums earned	38,089	45,533
<u>TOTAL REVENUES</u>	38,089	45,533
<u>UNDERWRITING COSTS AND EXPENSES</u>		
Gross claims paid	35,737	34,540
Reinsurers' share of claims paid	-	(445)
Net claims paid	35,737	34,095
Changes in outstanding claims, net	278	5,724
Changes in claims incurred but not reported, net	1,193	3,066
Net claims incurred	37,208	42,885
Premium deficiency reserve	4,876	2,729
Other technical reserves	13	277
Policy acquisition costs	1,735	1,650
Other underwriting expenses	1,418	1,005
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	45,250	48,546
NET UNDERWRITING RESULT	(7,161)	(3,013)



Chairman



Chief Financial Officer



Chief Executive Officer

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**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF INCOME – (UNAUDITED) – (CONTINUED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH**

Notes	Three-months period ended 31 March	
	2021	2020
	SAR '000	
<u>OTHER OPERATING (EXPENSES) / INCOME</u>		
(Allowance for) / release of doubtful debts	(2,753)	4,438
General and administrative expenses	(12,312)	(12,211)
Investment income	840	1,330
Unrealized gain / (loss) on investments	44	(837)
Amortization of discount, net	40	39
Other income	166	-
<u>TOTAL OTHER OPERATING EXPENSES</u>	<u>(13,975)</u>	<u>(7,241)</u>
Net loss for the period	(21,136)	(10,254)
Net income attributed to the insurance operations	-	-
Net loss for the period attributable to the shareholders before zakat	(21,136)	(10,254)
Zakat expense	(750)	(600)
Net loss for the period attributable to the shareholders	<u>(21,886)</u>	<u>(10,854)</u>
loss per share (Expressed in SAR per share)		
Weighted average number of ordinary shares outstanding (in thousands)	15,000	15,000
Basic and diluted loss per share for the period (SR) – restated – 2020	19 (1.46)	(0.72)


Chairman


Chief Financial Officer


Chief Executive Officer

The accompanying notes from 1 – 23 form an integral part of these interim condensed financial statements.

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF COMPREHENSIVE INCOME – (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH**

	Three-months period ended 31 March	
	2021	2020
	SAR '000	
Net loss for the period	(21,886)	(10,854)
Other comprehensive income / (loss)	-	-
<u>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</u>	<u>(21,886)</u>	<u>(10,854)</u>
Total comprehensive loss attributable to the insurance operations	-	-
Total comprehensive loss for the period attributable to the shareholders	<u>(21,886)</u>	<u>(10,854)</u>


Chairman


Chief Financial Officer


Chief Executive Officer

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**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF CHANGES IN EQUITY – (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH**

	Related to shareholders'				Total equity
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of defined indemnities obligation – related to insurance operations	
	SAR '000				
2021					
Balance as at 31 December 2020 (Audited)	150,000	(29,273)	120,727	1,008	121,735
<i>Comprehensive loss for the period</i>					
Net loss for the period	-	(21,886)	(21,886)	-	(21,886)
Other comprehensive income / (loss)	-	-	-	-	-
<i>Total comprehensive loss for the period</i>	-	(21,886)	(21,886)	-	(21,886)
Balance as at 31 March 2021 (Unaudited)	150,000	(51,159)	98,841	1,008	99,849
2020					
Balance as at 31 December 2019 (Audited)	300,000	(150,860)	149,140	224	149,364
<i>Total comprehensive loss for the period</i>					
Net loss for the period	-	(10,854)	(10,854)	-	(10,854)
Other comprehensive income	-	-	-	-	-
<i>Total comprehensive loss for the period</i>	-	(10,854)	(10,854)	-	(10,854)
Balance as at 31 March 2020 (Unaudited)	300,000	(161,714)	138,286	224	138,510

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 23 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASH FLOWS – (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH

	2021	2020
	SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period before zakat	(21,136)	(10,254)
<u>Adjustments for non-cash items:</u>		
Depreciation of property and equipment	215	259
Depreciation of right of use assets	509	-
Finance cost on lease liabilities	24	-
Amortization of intangible assets	124	124
Allowance for / (release of) doubtful debts	2,753	(4,438)
Unrealized (gain) / loss on investments	(44)	837
Amortization of discount, net	(40)	(39)
Provision for end-of-service indemnities	292	670
	(17,303)	(12,841)
<u>Changes in operating assets and liabilities:</u>		
Premiums receivable	(6,296)	(21,861)
Reinsurer receivable	-	(445)
Reinsurer share of outstanding claims	58	653
Reinsurer share of incurred but not reported claims	-	51
Deferred policy acquisition costs	(895)	131
Prepaid expenses and other assets	(4,875)	737
Accrued and other liabilities	3,307	1,774
Accrued commission income on statutory deposit	(57)	(345)
Unearned premiums	6,981	15,446
Outstanding claims	220	5,070
Claims incurred but not reported claims	1,193	3,016
Premium deficiency reserve	4,876	2,729
Other technical reserves	13	278
Accrued commission income payable to SAMA	57	345
Cash used in operations activities	(12,721)	(5,262)
End-of-service indemnities paid	(54)	(656)
Zakat and income tax paid	(301)	-
Net cash used in operating activities	(13,076)	(5,918)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturing of short term murabaha deposits	14,427	27,179
Purchase of property and equipment	(98)	-
Purchase of intangible assets	(41)	(159)
Net cash from investing activities	14,288	27,020
Net change in cash and cash equivalents	1,212	21,102
Cash and cash equivalents, beginning of the period	115,226	77,375
Cash and cash equivalents, end of the period	116,438	98,477


Chairman


Chief Financial Officer


Chief Executive Officer

The accompanying notes from 1 – 23 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

1. GENERAL

Saudi Enaya Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 98/Q dated 16 Rabi Al-Awwal 1433H (corresponding to 8 February 2012). The Commercial Registration number of the Company is 4030223528 dated 27 Rabi Al-Awwal 1433H (corresponding to 19 February 2012).

The Registered Office address of the Company is:

Building No. 8433
Prince Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435
Kingdom of Saudi Arabia

Following is the branch of the Company:

Branch
Riyadh

Commercial Registration Number:
1010421871

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/49 dated 27 Rajab 1432H (corresponding to 29 June 2011) pursuant to the Council of Ministers' Resolution No 224 dated 25 Rajab 1432H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi shareholders and the general public and 23% owned by non-Saudi shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 February 2012.

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and brokerage, in the Kingdom of Saudi Arabia in accordance with its Articles or "By-laws", and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only. The Company commenced its commercial operations on 7 January 2013.

On 29 Rabi Al-Awwal 1442H corresponding to 15 November 2020, the Company signed a non-binding Memorandum of Understanding ("MOU") with Amana Cooperative Insurance Company ("Amana") to evaluate a potential merger between the two companies. As at 31 March 2021, both companies are engaged in conducting technical, financial, legal and actuarial due diligence on the terms and conditions of the potential merger.

2. BASIS OF PREPARATION

a. Basis of presentation

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

The interim condensed financial statement were prepared under the going concern basis (note 4) and the historical cost convention, except for the measurement of investments at their fair value. The Company's interim statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, investment in Murabaha deposits, premiums receivable-net, due from reinsurers-net, reinsurers' share of unearned premiums, deferred policy acquisition costs, prepayments and other assets, due to policyholders, reinsurers and brokers, accrued expenses, lease liabilities, unearned premiums and reinsurance commission, outstanding claims and claims IBNR, provision for premium deficiency reserve, other technical reserves and Zakat and income tax. The following balances would generally be classified as non-current: end-of-service indemnities, lease liabilities related parties balances, accrued interest on statutory deposit, investments held at fair value through income statement, available-for-sale investment, statutory deposit, Right of use assets, property and equipment, and intangible assets.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. Similarly, in the past, the Company's interim condensed and annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 27 to 32 of the interim condensed financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by Saudi Central Bank (SAMA) implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

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

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

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

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

b. Critical accounting judgments, estimates and assumptions

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2020.

c. Seasonality of operations

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

3. SIGNIFICANT ACCOUNTING POLICIES

a. New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 and has been explained in annual Financial Statements, but they do not have material effect on the Company's Condensed Interim Financial Statements.

b. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

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

- A) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows,
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - and a risk adjustment for non-financial risk;
- B) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
 - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
 - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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

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

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

Effective date

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. In May 2017, the International Accounting Standards Board ("IASB") published the final version of IFRS 17 Insurance Contracts. On 17 March 2020, IASB has tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2023. The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional one year of deferral, meaning they could apply as at both standards for the first time in reporting periods beginning on or after 1 January 2023. In June 2020, the IASB amended IFRS 17 Insurance Contracts. The amendments are aimed at helping companies implement the IFRS 17 and making it easier for them to explain their financial performance. IFRS 17 incorporating the amendments is effective from annual reporting periods beginning on or after 1 January 2023. SAMA is rolling out instructions for design phase. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

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

Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021****3. SIGNIFICANT ACCOUNTING POLICIES – (continued)****b. Standards issued but not yet effective (continued)****IFRS 17 – Insurance Contracts (continued)****Impact (continued)**

Impact Area	Summary of Impact
Financial Impact	Company is still assessing Financial Impact
Data Impact / IT Systems	<ul style="list-style-type: none">▪ Conceptual design of New chart of accounts has been developed for PAA/ GMM▪ Actuarial and accounting data requirements have been developed at more granular level▪ Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM▪ Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment.▪ Conceptual design for identification of key inputs for onerous contracts test as well as defining 'facts and circumstance' for PAA contracts has been developed▪ Conceptual design for calculation and tracking of contractual service margin
Process Impact	<ul style="list-style-type: none">▪ Conceptual design for Finance, actuarial, underwriting and IT processes has been built suitable for ifrs 17 together with new set of governance framework. New controls dealing with IFRS 17 will be developed during the implementation phase▪ New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources▪ Conceptual design for new accounting policies each suitable for measurement model and technical decisions have been identified for each area▪ Monitor terms and conditions attaching to insurance contracts▪ Conceptual design for new expense allocation process, acquisition costs, claims settlement costs and underwriting costs has been put in place to identify profitability at a contract level.▪ System to track coverage period for future products need to be put in place
Impact on Policies & Control Frameworks	<ul style="list-style-type: none">▪ New Steering committee for IFRS 17 has been established▪ Project plan for design and implementation has been set up at activities level

The Company has started with their implementation process and have set up an implementation committee. The company has submitted IFRS 17 Phase 3 Implementation plan report to SAMA on 15th April 2021 to comply with the regulatory requirement for the design phase.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

a) Classification and measurement:

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

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

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

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

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

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

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

b) Impairment:

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

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

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

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a. the effective date of a new insurance contract standard; or
 - b. annual reporting periods beginning on or after 1 January 2023. On 17 March 2020, the International Accounting Standards Board (“IASB”) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning Jan 01, 2018:

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

Impact assessment

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

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4. GOING CONCERN

On 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company appointed a Financial Advisor to initiate the reduction process. On 22 April 2020, in an Extraordinary General Assembly Meeting, it resolved to reduce the Company's share capital from SR 300 million to SR 150 million. As at 31 March 2021, the Company's accumulated losses reached 34.11% of its share capital (31 December 2020: 19.52%). The Company Board of Directors has approved the revised business plan. The Management is confident of having positive outcome of the strategy and contented that the Company's operations shall continue for foreseeable future under normal course of business and is satisfied that the going concern basis of preparation of the interim condensed financial statements is appropriate. Accordingly, the interim condensed financial statements has been prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Bank balances and cash	5,847	13,641
	Shareholders' operations	
	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Bank balances and cash	79	79
Murabaha deposits with an original maturity of 3 months from acquisition date	110,512	101,506
	110,591	101,585
Total	116,438	115,226

6. SHORT TERM MURABAHA DEPOSITS

Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 25.641 million (2020: SR 40.068 million), held in Saudi Arabian Riyals and are presented in the statement of financial position of the shareholders separately (note 21). As at 31 March 2021, the deposit carrying commission rates ranges from 0.58% to 3.70% (31 December 2020: 1.2% to 3.3%).

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7. PREMIUMS RECEIVABLE – NET

Receivables comprise amounts due from the following:

	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Policyholders	33,857	32,122
Brokers and agents	17,798	11,184
Related parties (note 15)	23,428	25,481
	75,083	68,787
Provision for doubtful premiums receivables	(22,424)	(19,671)
Premiums receivable, net	52,659	49,116

Note: Premium balance receivable from brokers and agents at 31 March 2021 amounting to SAR 17.8 million (31 December 2020: SAR 11.2 million) are ultimately due from customers that are insured through brokers and agents.

Movement in the allowance for doubtful premiums receivable during the period was as follows:

	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Balance at beginning of the period / year	19,671	23,290
Provided / (released) during the period / year	2,753	(3,619)
Balance at end of the period / year	22,424	19,671

8. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
- Held as FVSI	8,091	8,047
- Held to maturity	60,369	60,329
Total	68,460	68,376

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8. INVESTMENTS – (continued)

Movement in the Fair value through statement of income (FVSI) investment balance is as follows:

	Shareholders' operations	
	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Opening balance	8,047	12,780
Disposals during the period/ year	-	(4,919)
Unrealized gain on investment	44	186
<i>Closing balance</i>	8,091	8,047
	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Al Badr Murabaha Fund	7,284	7,275
Saudi Fransi GCC IPO Fund	807	772
	8,091	8,047

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Opening balance	60,329	60,170
Amortization of held to maturity investments, net	40	159
Closing balance	60,369	60,329

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9. LEASES

9.1 RIGHT-OF-USE ASSET, NET

	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Building		
Cost:		
At beginning of the period / year	3,784	-
Additions during the period / year	-	3,784
At end of the period / year	3,784	3,784
Accumulated depreciation:		
At beginning of the period / year	1,041	-
Change during the period / year	509	1,041
At end of the period / year	1,550	1,041
Net book value	2,234	2,743

9.2 LEASE LIABILITIES

	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
At beginning of the period / year	2,218	-
Additions during the period / year	-	3,784
Finance cost	24	49
Payment made during the period / year	-	(1,615)
At end of the period / year	2,242	2,218

10. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. On 22 April 2020, the Company has reduced its share capital by SR 150 million and did not withdraw the surplus deposit. However, on 1 October 2020, the Company received SAMA approval to withdraw the surplus deposit and accordingly withdrawn on 23 November 2020. Statutory deposit as at 31 March 2021 amounting to SR 22.5 million (2020: SR 22.5 million).

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11. TECHNICAL RESERVES

11.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Outstanding claims reserve	39,527	39,307
Claims incurred but not reported	14,167	12,974
	53,694	52,281
Premium deficiency reserve	19,421	14,545
Other technical reserves	339	326
	73,454	67,152
Less:		
- Reinsurer share of outstanding claims reserve	(61)	(119)
	(61)	(119)
Net outstanding claims and reserves	73,393	67,033

11.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three-months period ended 31 March 2021 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	67,504	-	67,504
Premium written during the period	45,070	-	45,070
Premium earned during the period	(38,089)	-	(38,089)
Balance as at the end of the period	74,485	-	74,485
	Year ended 31 December 2020 (Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	75,920	-	75,920
Premium written during the year	165,874	-	165,874
Premium earned during the year	(174,290)	-	(174,290)
Balance as at the end of the year	67,504	-	67,504

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12. COMMITMENTS AND CONTINGENCIES

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

	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Letters of guarantee	12,545	12,545

- b. There were no capital commitments outstanding as at 31 March 2021 (31 December 2020: Nil).
- c. As at 31 March 2021, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2020: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT), which is secured against the Company's murabaha deposit of SR 14 million (31 December 2020: SR 14 million) with Saudi Arabian British Bank (SABB). During 2020, the Company requested to release the bank guarantee and the same is under process as communicated by GAZT.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

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13 FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)
a. Carrying amounts and fair value

Shareholders' Operations	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
	SAR'000				
31 March 2021 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	8,091	807	7,284	-	8,091
	8,091	807	7,284	-	8,091
Financial assets not measured at fair value					
- Held to maturity investments	60,369	-	61,172	-	61,172
- Short term murabaha deposits	25,641	-	-	25,809	25,809
	86,010	-	61,172	25,809	86,981
Shareholders' Operations	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
	SAR'000				
31 December 2020					
Financial assets measured at fair value					
- Investments held as FVSI	8,047	772	7,275	-	8,047
	8,047	772	7,275	-	8,047
Financial assets not measured at fair value					
- Held to maturity investments	60,329	-	60,873	-	60,873
- Murabaha deposits	40,068	-	-	40,068	40,068
	100,397	-	60,873	40,068	100,941

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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The Company only issues insurance contracts for providing health care services ('medical insurance') and all the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. The insurance operations are being monitored by management under one segment; hence no separate information is required.

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of Transactions	Transactions for the Three-months period ended		Balance receivable / (payable) as at	
		31 March 2021	31 March 2020	31 March 2021	31 December 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		SAR'000			
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Related parties of Juffali Group (affiliates)	Insurance premium written	1	(4)	1,439	1,647
	Claims paid	352	353	-	-
	Purchase of computer equipment, licenses, vehicles and other services	-	410	-	-
	Commission paid	28	12	(118)	(90)
Related parties of Dr. Soliman Fakeeh Group– (affiliates)	Insurance premium written	6	382	8,046	8,038
	Claims paid	3,558	3,830	(4,964)	(1,479)
Related parties of International Medical Center – (affiliates)	Insurance premium written	32	32,313	13,943	15,796
	Claims paid	6,526	805	(10,596)	(5,923)

The above balances are included in premiums receivables, net, prepaid expenses and other assets and accrued expenses and other liabilities.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021****15. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)**

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company. The compensation of key management personnel during the Three-months period is as follows:

	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
	SAR'000	
Salaries and other allowances	1,078	736
End of service indemnities	40	27
	1,118	763

16. ZAKAT AND INCOME TAX**a. Charge for the period / year**

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

Movements in provision during the period / year

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
	SAR'000	
Balance at the beginning of the period / year	12,000	15,498
Release of zakat provision for prior periods / years	-	(5,298)
Charge for the period / year	750	1,800
Paid for the period / year	(301)	-
Balance at the end of the period / year	12,449	12,000

b. Status of zakat assessments

The Company has filed its Zakat and tax returns until years ended 31 December 2020.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. During 2017, the Company filed an appeal to the Tax Violations and Disputes Appellate Committee ("TVDAC") against the Tax Violations and Disputes Resolution Committee ("TVDR") decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

In 2020, TVDAC issued its decision on the above years accepting certain points and as such the zakat liability reduced to SR 2.1 million. The GAZT issued a revised assessment based on TVDAC's decision and released the bank guarantee lodged against the liabilities under dispute.

During the year, the GAZT has raised assessments for the years 2015 through 2018 with additional zakat of SR 9.49 million. The Company has submitted an appeal to the TVDR against the GAZT's assessment and TVDR's review is awaited.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declarations filed by the Company. The Zakat is applicable on 81% of the shareholders' while Income Tax on 19% of the shareholders'.

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17. SHARE CAPITAL

As at 31 December 2019, the authorized, subscribed and paid up share capital of the Company was SR 300 million, divided into 30 million shares of SR 10 each.

On 18 January 2020, the Board of Directors had recommended reducing the Company's share capital from SR 300 million to SR 150 million divided into 15 million shares by off-setting with accumulated losses. In an extra-ordinary general meeting (second meeting) held on 29 Sha'ban 1441H corresponding to 22 April 2020, the shareholders' of the Company approved the reduction and the required changes in the Company by-laws relating to this reduction. Accordingly, the share capital and accumulated losses have been reduced by SR 150 million. The capital reduction is through reduction of 1 share for every 2 shares held by the shareholder. The purpose of capital reduction is to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There was no impact of capital reduction on the Company's financial obligations.

As at 31 March 2021, the authorized, subscribed and paid up share capital of the Company is SR 150 million, divided into 15 million shares of SR 10 each.

18. CAPITAL MANAGEMENT

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors that the Company has fully complied with the externally imposed capital requirements during the reported financial period. The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

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Loss per share for the period has been calculated by dividing the net loss for the period by the weighted average number of issued and outstanding shares for the period. The Company have reduced its share capital by offsetting with accumulated loss (note 17), as result the weighted average number of ordinary shares issued and outstanding in the prior year has been restated to 15 million shares and accordingly loss per share is restated.

- A) The weighted average number of shares has been retrospectively adjusted for prior period to reflect the reduction in share capital as required by IAS 33 “Earnings per share” as follows:

	Three-months period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited) Restated
	SAR’000	
Issued and outstanding ordinary shares as at 1 January	150,000	30,000
Effect of reduction of share capital	-	(15,000)
Weighted average number of ordinary shares outstanding	150,000	15,000

- B) The basic and diluted loss per share is calculated as follows:

	Three-month period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited) (Restated)
	SAR’000	
Net loss for the period	(21,886)	(10,854)
Weighted average number of ordinary shares outstanding	15,000	15,000
Basic and diluted loss per share (SR)	(1.46)	(0.72)

20. SUBSEQUENT EVENT

Subsequent to the period ended, on 29 April 2021 corresponding to 17 Ramadan 1442H, the Company (“Enaya”) announced that it has signed a binding merger agreement with Amana. Whereas Board of Directors of both companies has reached an agreement regarding the conditions under which Enaya will be merged into Amana and all the assets and liabilities of Enaya will be transferred to Amana. The Merger also requires the approval from Saudi Central Bank (“SAMA”), Capital Market Authority (CMA), General Authority for Competition and Tadawul. The two companies expect to be able to meet all the requirements for regulatory approvals for the Merger.

Based on the Merger Agreement, and in the event that the Merger has been approved by all the relevant government entities and by the extraordinary general meetings of both companies, Amana will issue new ordinary shares (see below) in consideration of the purchase of all the issued shares in Enaya and all the assets and liabilities of Enaya will be transferred to Amana.

- In the event that the Amana capital reduction is not consummated prior to the completion of the Merger, Amana will issue 29,276,353 new ordinary shares with a nominal value of SAR 10 per share.
- In the event that the Amana capital reduction is consummated prior to the completion of the Merger, Amana will issue 15,858,024 new ordinary shares with a nominal value of SAR 10 per share.

Upon completion of the Merger, Enaya shareholders’ will own 55% whereas Amana shareholders’ will own 45% of the merged entity’s share capital.

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21. SUPPLEMENTARY INFORMATION
a) Interim statement of financial position

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	5,847	110,591	116,438	13,641	101,585	115,226
Short term murabaha deposits	-	25,641	25,641	-	40,068	40,068
Premiums receivable, net	52,659	-	52,659	49,116	-	49,116
Reinsurer receivable	191	-	191	191	-	191
Reinsurer share of outstanding claims	61	-	61	119	-	119
Deferred policy acquisition costs	4,125	-	4,125	3,230	-	3,230
Investments	-	68,460	68,460	-	68,376	68,376
Due from shareholders' operations	116,718	-	116,718	99,230	-	99,230
Prepaid expenses and other assets	10,556	1,099	11,655	5,956	824	6,780
Property and equipment, net	2,056	-	2,056	2,173	-	2,173
Intangible assets, net	999	-	999	1,082	-	1,082
Right of use assets, net	2,234	-	2,234	2,743	-	2,743
Statutory deposit	-	22,500	22,500	-	22,500	22,500
Accrued commission income on statutory deposit	-	4,434	4,434	-	4,377	4,377
	<u>195,446</u>	<u>232,725</u>	<u>428,171</u>	<u>177,481</u>	<u>237,730</u>	<u>415,211</u>
Less: Inter-operations eliminations	(116,718)	-	(116,718)	(99,230)	-	(99,230)
TOTAL ASSETS	<u>78,728</u>	<u>232,725</u>	<u>311,453</u>	<u>78,251</u>	<u>237,730</u>	<u>315,981</u>

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21. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – (continued)

	31 March 2021			31 December 2020		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
LIABILITIES						
Accrued and other liabilities	39,049	283	39,332	34,629	1,396	36,025
Unearned premiums	74,485	-	74,485	67,504	-	67,504
Outstanding claims	39,527	-	39,527	39,307	-	39,307
Claims incurred but not reported	14,167	-	14,167	12,974	-	12,974
Premium deficiency reserve	19,421	-	19,421	14,545	-	14,545
Other technical reserves	339	-	339	326	-	326
Due to insurance operations	-	116,718	116,718	-	99,230	99,230
End-of-service indemnities	5,208	-	5,208	4,970	-	4,970
Lease liabilities	2,242	-	2,242	2,218	-	2,218
Zakat and income tax	-	12,449	12,449	-	12,000	12,000
Accrued commission income payable to SAMA	-	4,434	4,434	-	4,377	4,377
	<u>194,438</u>	<u>133,884</u>	<u>328,322</u>	<u>176,473</u>	<u>117,003</u>	<u>293,476</u>
Less: Inter-operations eliminations	-	(116,718)	(116,718)	-	(99,230)	(99,230)
TOTAL LIABILITIES	<u>194,438</u>	<u>17,166</u>	<u>211,604</u>	<u>176,473</u>	<u>17,773</u>	<u>194,246</u>
SHAREHOLDERS' EQUITY						
Share capital	-	150,000	150,000	-	150,000	150,000
Accumulated losses	-	(51,159)	(51,159)	-	(29,273)	(29,273)
TOTAL SHAREHOLDERS' EQUITY	-	<u>98,841</u>	<u>98,841</u>	-	<u>120,727</u>	<u>120,727</u>
Re-measurement reserve of defined indemnities obligation	1,008	-	1,008	1,008	-	1,008
TOTAL EQUITY	<u>1,008</u>	<u>98,841</u>	<u>99,849</u>	<u>1,008</u>	<u>120,727</u>	<u>121,735</u>
TOTAL LIABILITIES AND EQUITY	<u>195,446</u>	<u>116,007</u>	<u>311,453</u>	<u>177,481</u>	<u>138,500</u>	<u>315,981</u>
COMMITMENTS AND CONTINGENCIES	-	12,545	12,545	-	12,545	12,545

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(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021
21. SUPPLEMENTARY INFORMATION – (continued)
b) Interim statement of income
For the three-months period ended 31 March

	2021			2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written:						
- Individual	1,498	-	1,498	1,089	-	1,089
- Micro enterprises	4,128	-	4,128	2,786	-	2,786
- Small enterprises	13,661	-	13,661	7,559	-	7,559
- Medium enterprises	12,946	-	12,946	13,341	-	13,341
- Large enterprises	12,837	-	12,837	36,204	-	36,204
Total gross premiums written	45,070	-	45,070	60,979	-	60,979
Excess of loss expenses – foreign	-	-	-	-	-	-
Net premiums written	45,070	-	45,070	60,979	-	60,979
Changes in unearned premiums	(6,981)	-	(6,981)	(15,446)	-	(15,446)
Net premiums earned	38,089	-	38,089	45,533	-	45,533
TOTAL REVENUES	38,089	-	38,089	45,533	-	45,533
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	35,737	-	35,737	34,540	-	34,540
Reinsurers' share of claims paid	-	-	-	(445)	-	(445)
Net claims paid	35,737	-	35,737	34,095	-	34,095
Changes in outstanding claims	278	-	278	5,724	-	5,724
Changes in claims incurred but not reported	1,193	-	1,193	3,066	-	3,066
Net claims incurred	37,208	-	37,208	42,885	-	42,885
Premium deficiency reserve	4,876	-	4,876	2,729	-	2,729
Other technical reserves	13	-	13	277	-	277
Policy acquisition costs	1,735	-	1,735	1,650	-	1,650
Other underwriting expenses	1,418	-	1,418	1,005	-	1,005
TOTAL UNDERWRITING COSTS AND EXPENSES	45,250	-	45,250	48,546	-	48,546
NET UNDERWRITING RESULT	(7,161)	-	(7,161)	(3,013)	-	(3,013)

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FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

21. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income – (continued)

For the three-months period ended 31 March

	2021			2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
OTHER OPERATING (EXPENSES) / INCOME						
(Allowance for) / release of doubtful debts	(2,753)	-	(2,753)	4,438	-	4,438
General and administrative expenses	(11,175)	(1,137)	(12,312)	(11,815)	(396)	(12,211)
Investment income	-	840	840	-	1,330	1,330
Unrealized gain / (loss) on investments	-	44	44	-	(837)	(837)
Amortization of discount, net	-	40	40	-	39	39
Other income	166	-	166	-	-	-
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(13,762)	(213)	(13,975)	(7,377)	136	(7,241)
NET LOSS FOR THE PERIOD	(20,923)	(213)	(21,136)	(10,390)	136	(10,254)
Net Income attributable to the insurance operations	-	-	-	-	-	-
Net loss for the period attributable to shareholders' operations before zakat	(20,923)	(213)	(21,136)	(10,390)	136	(10,254)
Zakat expense	-	(750)	(750)	-	(600)	(600)
Net loss for the period attributable to shareholders	(20,923)	(963)	(21,886)	(10,390)	(464)	(10,854)
Loss per share (Expressed in SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)	-		15,000	-		15,000
Basic and diluted loss per share for the period (SR) – restated – 2019	=		(1.46)	-		(0.72)

c) Interim statement of comprehensive income

For the three-months period ended 31 March

	2021			2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	-	(21,886)	(21,886)	-	(10,854)	(10,854)
Other comprehensive income / (loss)	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	(21,886)	(21,886)	-	(10,854)	(10,854)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021
21. SUPPLEMENTARY INFORMATION – (continued)
d) Interim statement of cash flows

	Insurance operations	2021 Share- holders' operations	Total	Insurance operations	2020 Share- holders' operations	Total
	SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period before zakat	-	(21,136)	(21,136)	-	(10,254)	(10,254)
Adjustments for non-cash items:						
Depreciation of property and equipment	215	-	215	259	-	259
Depreciation of right of use assets	509	-	509	-	-	-
Finance cost on lease liabilities	24	-	24	-	-	-
Amortization of intangible assets	124	-	124	124	-	124
Allowance for / (release of) doubtful debts	2,753	-	2,753	(4,438)	-	(4,438)
Unrealized (gain) / loss on investments	-	(44)	(44)	-	837	837
Amortization of discount – net	-	(40)	(40)	-	(39)	(39)
Provision for end-of-service indemnities	292	-	292	670	-	670
	3,917	(21,220)	(17,303)	(3,385)	(9,456)	(12,841)
Changes in operating assets and liabilities:						
Premiums receivable	(6,296)	-	(6,296)	(21,861)	-	(21,861)
Reinsurer receivable	-	-	-	(445)	-	(445)
Reinsurer share of outstanding claims	58	-	58	653	-	653
Reinsurer share of IBNR	-	-	-	51	-	51
Deferred policy acquisition costs	(895)	-	(895)	131	-	131
Prepaid expenses and other assets	(4,600)	(275)	(4,875)	(214)	951	737
Accrued commission income on statutory deposit	-	(57)	(57)	-	(345)	(345)
Accrued and other liabilities	4,420	(1,113)	3,307	2,816	(1,042)	1,774
Unearned premiums	6,981	-	6,981	15,446	-	15,446
Outstanding claims reserve	220	-	220	5,070	-	5,070
Claims incurred but not reported	1,193	-	1,193	3,016	-	3,016
Premium deficiency reserve	4,876	-	4,876	2,729	-	2,729
Other technical reserves	13	-	13	278	-	278
Accrued commission income payable to SAMA	-	57	57	-	345	345
Due to Insurance Operations		17,488	17,488	-	1,757	1,757
Due from Shareholders' Operations	(17,488)	-	(17,488)	(1,757)	-	(1,757)
Cash used in operations	(7,601)	(5,120)	(12,721)	2,528	(7,790)	(5,262)
End-of-service indemnities paid	(54)	-	(54)	(656)	-	(656)
Zakat and income tax paid	-	(301)	(301)	-	-	-
Net cash used in operating activities	(7,655)	(5,421)	(13,076)	1,872	(7,790)	(5,918)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

21. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of cash flows – (continued)

	2021			2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturity of short term murabaha deposits	-	14,427	14,427	-	27,179	27,179
Purchase of property and equipment	(98)	-	(98)	-	-	-
Purchase of intangible assets	(41)	-	(41)	(159)	-	(159)
Net cash flows from investing activities	(139)	14,427	14,288	(159)	27,179	27,020
 Net change in cash and cash equivalents	 (7,794)	 9,006	 1,212	 1,713	 19,389	 21,102
Cash and cash equivalents, beginning of the period	13,641	101,585	115,226	14,590	62,785	77,375
Cash and cash equivalents, end of the period	5,847	110,591	116,438	16,303	82,174	98,477

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

22. IMPACT OF COVID-19 OUTBREAK

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 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 line 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 unfavorable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. 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 cash flows of the insurance contracts in force as at 31 March 2021 for its liability adequacy test. Based on the results, the Company has booked an amount of Nil (31 December 2020: SR 319 thousands) as a premium deficiency reserve.

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by Board of Directors, on 27 Ramadan 1442H, corresponding to 9 May 2021.