

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS PERIOD**  
**ENDED 30 JUNE 2020 (UNAUDITED)**  
**WITH**  
**INDEPENDENT AUDITORS' REVIEW REPORT**

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS’  
REVIEW REPORT (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**

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**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	5	171,792,356	105,651,008
Premiums and reinsurance balances receivable, net	6	93,087,754	102,144,942
Reinsurers' share of unearned premiums	17.2	81,812,060	74,196,879
Reinsurers' share of outstanding claims	17.1	43,798,356	37,167,238
Reinsurers' share of claims incurred but not reported	17.1	35,370,430	38,629,609
Deferred policy acquisition costs	17.3	6,943,609	5,323,677
Investments held for trading	7	95,239,522	96,506,696
Investments available-for-sale	7	1,932,078	1,932,078
Prepayments and other assets		17,966,002	16,853,649
Term deposits		94,459,881	132,081,773
Property and equipment		678,978	589,134
Right-of-use-assets		1,617,749	2,156,999
Intangible assets		668,954	799,989
Goodwill	8	43,774,750	43,774,750
Statutory deposit	11	20,000,000	20,000,000
Accrued income on statutory deposit	11	2,064,668	1,854,812
<b>TOTAL ASSETS</b>		<b>711,207,147</b>	<b>679,663,233</b>



Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

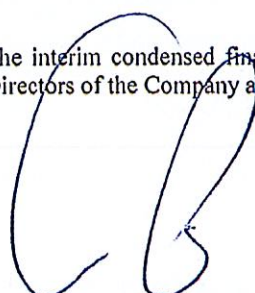
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 30 JUNE 2020**


(All amounts expressed in Saudi Riyals unless otherwise stated)


	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>LIABILITIES</b>			
Accounts payable		22,948,970	22,146,161
Accrued expenses and other liabilities		7,308,811	11,954,914
Lease liabilities		1,097,527	2,195,455
Reinsurance balances payable	10	63,328,375	64,807,468
Unearned premiums	17.2	121,899,624	101,027,961
Unearned reinsurance commission income		10,106,164	8,851,869
Outstanding claims	17.1	55,322,383	49,002,619
Claims incurred but not reported	17.1	52,136,830	58,267,707
Additional premium reserves	17.1	5,957,752	3,088,645
Other technical reserves	17.1	1,795,457	1,801,064
End-of-service indemnities		8,885,199	8,410,730
Statutory deposit commission income payable	11	2,064,668	1,854,812
Provision for Zakat and income tax	14	19,066,805	16,501,196
Accumulated surplus payable	15	5,879,840	9,184,671
<b>TOTAL LIABILITIES</b>		<b>377,798,405</b>	<b>359,095,272</b>
<b>EQUITY</b>			
Share capital	12	200,000,000	200,000,000
Statutory reserve		35,005,807	32,437,651
Retained earnings		100,249,240	89,976,615
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>335,255,047</b>	<b>322,414,266</b>
Re-measurement reserve of end of service indemnities		(1,846,305)	(1,846,305)
<b>TOTAL EQUITY</b>		<b>333,408,742</b>	<b>320,567,961</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>711,207,147</b>	<b>679,663,233</b>

Contingencies and commitments

The interim condensed financial statements appearing on pages 1 to 37 were approved by the Board of Directors of the Company and have been signed on their behalf by:

  
Chief Financial Officer

  
Chief Executive Officer

  
Board Member

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.



**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	For the three month period ended 30 June		For the six month period ended 30 June	
		2020	2019	2020	2019
<b>REVENUE</b>					
Gross premiums written	9,16	49,508,882	50,863,583	146,602,269	143,904,854
Less: Reinsurance premiums ceded					
- Local		(2,198,568)	(198,039)	(4,610,207)	(3,874,891)
- Foreign		(28,642,987)	(32,447,690)	(82,930,380)	(74,425,565)
Excess of loss expenses		(968,566)	(934,192)	(2,172,828)	(1,868,380)
Net premiums written		17,698,761	17,283,662	56,888,854	63,736,018
Changes in unearned premiums		14,247,582	5,028,078	(20,871,663)	(33,242,650)
Changes in reinsurer share of unearned premiums		(9,968,513)	(487,148)	7,615,181	13,057,152
Net premiums earned		21,977,830	21,824,592	43,632,372	43,550,520
Reinsurance commission		5,902,605	5,350,610	11,871,098	10,933,696
<b>TOTAL REVENUE</b>		<b>27,880,435</b>	<b>27,175,202</b>	<b>55,503,470</b>	<b>54,484,216</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>					
Gross claims paid		(5,150,940)	(14,300,795)	(13,132,486)	(26,852,442)
Expenses incurred related to claims		(853,852)	(672,213)	(1,504,291)	(1,325,624)
Reinsurers' share of gross claims paid		1,353,186	6,939,924	3,289,475	11,641,235
Net claims and other benefits paid		(4,651,606)	(8,033,084)	(11,347,302)	(16,536,831)
Changes in outstanding claims		3,117,332	3,416,117	(6,319,764)	3,286,507
Changes in reinsurance share of outstanding claims		(1,393,541)	(4,180,451)	6,631,118	(5,372,150)
Changes in claims incurred but not reported ("IBNR")		6,811,088	(167,026)	6,130,877	7,128,087
Changes in reinsurance share of IBNR		(3,608,493)	(953,742)	(3,259,179)	(3,258,181)
Net claims incurred		274,780	(9,918,186)	(8,164,250)	(14,752,568)
Changes in additional premium reserves		(3,384,042)	82,628	(2,869,107)	(1,417,419)
Changes in other technical reserves		286,935	909,212	5,607	1,262,987
Policy acquisition costs	17.3	(4,168,506)	(3,412,352)	(8,203,993)	(7,375,638)
Other underwriting expenses		(733,353)	(815,785)	(1,539,286)	(1,659,703)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>(7,724,186)</b>	<b>(13,154,483)</b>	<b>(20,771,029)</b>	<b>(23,942,341)</b>
<b>NET UNDERWRITING INCOME</b>		<b>20,156,249</b>	<b>14,020,719</b>	<b>34,732,441</b>	<b>30,541,875</b>

Chief Financial Officer

Chief Executive Officer

Board Member



The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.



**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED) (CONTINUED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

		For the three month period ended 30 June		For the six month period ended 30 June	
	Notes	2020	2019	2020	2019
<b>OTHER OPERATING (EXPENSES) / INCOME</b>					
Allowance for doubtful debts		(7,564,296)	(5,495,409)	(6,880,765)	(6,413,330)
General and administrative expenses		(8,587,702)	(8,811,510)	(17,720,952)	(17,257,129)
Dividend, interest and commission income		1,870,910	2,678,551	4,133,519	4,904,089
Realized (losses) / gains on disposal of investments held for trading		(173,654)	(1,634)	(233,898)	80,126
Unrealised gains / (losses) on investments held for trading		4,492,667	1,088,037	(513,069)	1,834,963
Other income, net		2,855,910	638,446	3,588,078	1,047,914
<b>TOTAL OTHER OPERATING EXPENSES</b>		<b>(7,106,165)</b>	<b>(9,903,519)</b>	<b>(17,627,087)</b>	<b>(15,803,367)</b>
<b>Total income for the period before Zakat, income tax and surplus attribution</b>		<b>13,050,084</b>	<b>4,117,200</b>	<b>17,105,354</b>	<b>14,738,508</b>
Zakat	14	(889,015)	(515,178)	(1,510,820)	(1,807,144)
Income tax	14	(843,327)	(267,246)	(1,054,789)	(924,738)
<b>Total income for the period</b>		<b>11,317,742</b>	<b>3,334,776</b>	<b>14,539,745</b>	<b>12,006,626</b>
<b>Total income attributed to insurance Operations for the period</b>	21	<b>(1,020,564)</b>	<b>(293,830)</b>	<b>(1,698,964)</b>	<b>(1,280,117)</b>
<b>Net income attributable to shareholders</b>		<b>10,297,178</b>	<b>3,040,946</b>	<b>12,840,781</b>	<b>10,726,509</b>
<b>Earnings per share</b>					
Basic and Diluted EPS	20	<b>0.51</b>	<b>0.15</b>	<b>0.64</b>	<b>0.54</b>
<b>Weighted average number of outstanding shares</b>	12	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>







Chief Financial Officer                      Chief Executive Officer                      Board Member

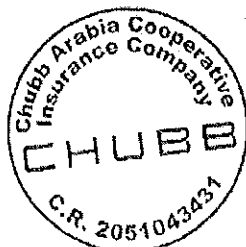
The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**

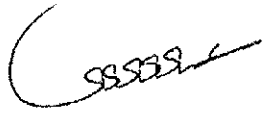
(All amounts expressed in Saudi Riyals unless otherwise stated)

	For the three month period ended 30 June		For the six month period ended 30 June	
	2020	2019	2020	2019
Total income for the period	11,317,742	3,334,776	14,539,745	12,006,626
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>				
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>11,317,742</b>	<b>3,334,776</b>	<b>14,539,745</b>	<b>12,006,626</b>
Net comprehensive income attributed to the insurance operations	(1,020,564)	(293,830)	(1,698,964)	(1,280,117)
Net comprehensive income for the period attributable to the shareholders	<u>10,297,178</u>	<u>3,040,946</u>	<u>12,840,781</u>	<u>10,726,509</u>



  
Chief Financial Officer

  
Chief Executive Officer

  
Board Member

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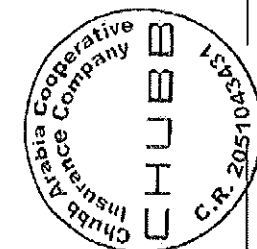
**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total Shareholders' Equity	Re-measurement reserve of end-of-service indemnities	Total Equity
Balance at 1 January 2020 (Audited)	200,000,000	32,437,651	89,976,615	322,414,266	(1,846,305)	320,567,961
Net income for the period attributable to shareholders	-	-	12,840,781	12,840,781	-	12,840,781
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	12,840,781	12,840,781	-	12,840,781
Transfer to statutory reserve	-	2,568,156	(2,568,156)	-	-	-
Balance at 30 June 2020 (Unaudited)	200,000,000	35,005,807	100,249,240	335,255,047	(1,846,305)	333,408,742
Balance at 1 January 2019 (Audited)	200,000,000	28,207,777	64,861,051	293,068,828	(899,371)	292,169,457
Net income for the period attributable to shareholders	-	-	10,726,509	10,726,509	-	10,726,509
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	10,726,509	10,726,509	-	10,726,509
Transfer to statutory reserve	-	2,145,302	(2,145,302)	-	-	-
Balance at 30 June 2019 (Unaudited)	200,000,000	30,353,079	73,442,258	303,795,337	(899,371)	302,895,966



*[Signature]*  
Chief Financial Officer

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Chief Executive Officer

*[Signature]*  
Board Member

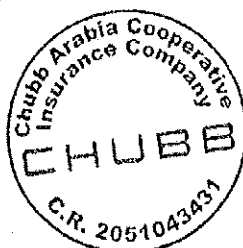
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**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

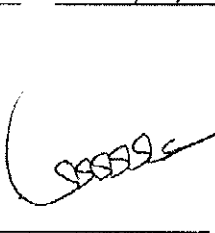
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

	30 June 2020	30 June 2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period before Zakat and income tax	17,105,354	14,738,508
<b>Adjustments for non-cash items:</b>		
Depreciation of property and equipment	165,573	109,833
Amortization of intangible assets	65,517	113,868
Depreciation of right-of-use-assets	539,250	539,250
Allowance for doubtful debts	6,880,765	6,413,330
Unrealised losses / (gains) on investments held for trading	513,069	(1,834,963)
Realised losses / (gains) on investments held for trading	233,898	(80,126)
Interest on finance lease obligations	24,300	40,699
Provision for end-of-service indemnities	707,068	673,794
	26,234,794	20,714,193
<b>Changes in operating assets and liabilities:</b>		
Premiums and insurance balances receivable	2,176,423	(32,392,433)
Reinsurers' share of unearned premiums	(7,615,181)	(13,057,152)
Reinsurers' share of outstanding claims	(6,631,118)	5,372,150
Reinsurers' share of claims incurred but not reported	3,259,179	3,258,181
Deferred policy acquisition costs	(1,619,932)	(2,626,110)
Prepayments and other assets	(1,112,353)	68,127
Accounts payable	802,809	3,544,081
Accrued expenses and other liabilities	(4,646,103)	2,277,612
Reinsurance balances payable	(1,479,093)	10,913,586
Unearned premiums	20,871,663	33,242,650
Unearned reinsurance commission income	1,254,295	3,747,002
Outstanding claims	6,319,764	(3,286,507)
Claims incurred but not reported	(6,130,877)	(7,128,087)
Additional premium reserves	2,869,107	1,417,419
Other technical reserves	(5,607)	(1,262,987)
Cash generated from operations	34,547,770	24,801,725
Surplus distribution to policyholders	(5,003,795)	(293,080)
Zakat and income tax paid	-	(4,474,422)
End-of-service indemnities paid	(232,599)	(497,913)
<b>Net cash generated from operating activities</b>	<b>29,311,376</b>	<b>19,536,310</b>



  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Board Member

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

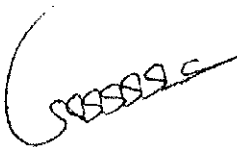
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED) (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

	30 June 2020	30 June 2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments held for trading	(22,590,910)	(25,932,839)
Proceeds from disposal of investments held for trading	23,111,117	17,870,814
Proceeds from / (addition in) term deposits - net	37,621,892	(102,163,446)
Purchase of property and equipment	(189,900)	(38,265)
Purchase of intangible assets	-	(189,061)
<b>Net cash generated from / (used in) investing activities</b>	<u>37,952,199</u>	<u>(110,452,797)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Payment under finance lease obligations	(1,122,227)	(1,122,227)
<b>Net cash used in financing activity</b>	<u>(1,122,227)</u>	<u>(1,122,227)</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	66,141,348	(92,038,714)
Cash and cash equivalents at the beginning of the period	105,651,008	141,510,319
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>171,792,356</u>	<u>49,471,605</u>



  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Board Member

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

CHUBB Arabia Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company registered on 28 Rajab 1430H (corresponding to 21 July 2009) under commercial registration number 2050066029 which was later amended to 2051043431 dated 9 Sha'aban 1431H (corresponding to 21 July 2010), issued in Al-Khobar, Kingdom of Saudi Arabia. The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

The activities of the Company are to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 21 Dhul-Hijjah, 1430H (corresponding to 8 December 2009), the Company received the license from Saudi Arabian Monetary Agency ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia.

Surplus from insurance operations is distributed in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

On Tuesday 18 February 2020, the Board of Directors of the Company resolve to enter into preliminary discussions with Al Ahli Takaful Company to study the possibility of merging the two companies. The entry into these discussions does not mean that a merger will happen between the two companies, but only that the potential for a mutually beneficial arrangement for both companies' shareholders is being explored. If a merger discussion is agreed, both companies will sign a non-binding Memorandum of Understanding (the MOU) to evaluate a potential merger between the two companies, but it will still be necessary to obtain official regulatory approvals before completing the merger.

**2. ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO**

The Company started its insurance operations on 1 February 2010. The Company acquired the insurance portfolio and the net assets of Ace Arabia Insurance Company BSC and International Insurance Company BSC with effect from 1 January 2009 as set forth in SAMA's guidelines in this respect, following the approval on the transfer from the respective authorities in 2012.

**3. BASIS OF PREPARATION**

**(a) Basis of presentation**

The interim condensed financial statements of the Company as at and for the period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments, investment held for trading and end-of-service benefits on present value. The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, right of use assets, intangible assets, statutory deposit, goodwill, investment available for sale accrued income on statutory deposit, end-of-service indemnities and certain engineering related unearned premiums, reinsurance share of unearned premiums, reinsurance unearned commission, deferred policy acquisition cost and accrued commission income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

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**3. 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. 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, interim condensed statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in note 21 of the financial statements have been provided only as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require 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 unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

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

Amounts in this interim condensed financial statements are expressed in Saudi Arabian Riyals ("SR") unless otherwise stated.

**(b) Seasonality of operations**

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

**(c) Critical accounting judgements estimates and assumptions**

The preparation of interim condensed financial statements requires management to make judgements, 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 this interim condensed financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. 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.



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**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019.

*Standards issued but not yet effective*

The following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim condensed financial statements are disclosed below. The Company intends to adopt these standards, when they become effective and applicable on the Company. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect date in future dates.

**i) IFRS 9 Financial Instruments**

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

*Classification and measurement*

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

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

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

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

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

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

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

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i) IFRS 9 Financial Instruments (continued)**

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

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of:
  - a) the effective date of a new insurance contract standard; or
  - b) annual reporting periods beginning on or after 1 January 2023. 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 1 January 2021 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented.

The company is eligible and has chosen to apply temporary exemption under IFRS 9.

***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.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ii) IFRS 17 Insurance Contracts**

**Overview**

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

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

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

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

**Measurement**

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

The General Measurement Model (GMM) is based on the following “building blocks”:

- a) the fulfilment cash flows (FCF), which comprise:
  - probability-weighted estimates of future cash flows,
  - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
  - and a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

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

The CSM is adjusted subsequently for changes in cash flows related to future services 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 statement of income or other comprehensive income, determined by an accounting policy choice.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ii) IFRS 17 Insurance Contracts (continued)**

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 adjustment under GMM, the CSM is also adjusted for:

- i) the entity's share of the changes in the fair value of underlying items;
- ii) the effect of changes in the time value of money and in 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 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. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

***Effective date***

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

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 and reinsurance and investment contracts with discretionary participating features, if applicable together with amendments to presentation and disclosures.

***Impact assessment:***

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 started its implementation process and has set up a project team, supervised by a steering committee.



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**5. CASH AND CASH EQUIVALENTS**

	<b>Insurance operations</b>	
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Cash in hand	20,000	-
Cash at banks		
- Current accounts	13,501,170	14,073,914
- Time deposits	57,525,236	44,436,980
<b>Total</b>	<b>71,046,406</b>	<b>58,510,894</b>
	<b>Shareholders' operations</b>	
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Cash at banks		
- Current accounts	4,629,616	2,607,805
- Time deposits	96,116,334	44,532,309
<b>Total</b>	<b>100,745,950</b>	<b>47,140,114</b>
<b>Total cash and cash equivalents</b>	<b>171,792,356</b>	<b>105,651,008</b>

Deposits are placed with local banks with maturities of less than three-months and earn financial income at an average rate of 0.6% to 1.60% (31 December 2019: 2.4% to 2.6%).

**6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET**

	<b>Insurance operations</b>	
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Policyholders	37,693,652	25,718,715
Brokers	73,008,061	86,502,724
Receivables from insurance and reinsurance companies	1,032,519	1,567,753
Premiums and reinsurance receivables from related parties (note 9)	55,278	176,741
	<b>111,789,510</b>	<b>113,965,933</b>
Less: allowance for doubtful debts	(18,701,756)	(11,820,991)
<b>Premium and reinsurance receivable, net</b>	<b>93,087,754</b>	<b>102,144,942</b>
<b>Movement in provision for doubtful receivables</b>		
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Balance at 1 January	11,820,991	9,248,567
Allowance for doubtful debts for the period / year	6,880,765	2,572,424
<b>Closing balance</b>	<b>18,701,756</b>	<b>11,820,991</b>

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**7. INVESTMENTS**

		<b>Insurance operations</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2020</b>	<b>2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Investments held for trading		<b>37,426,542</b>	38,013,460
Total		<b>37,426,542</b>	38,013,460
		<b>Shareholders' operations</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2020</b>	<b>2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Investments held for trading		<b>57,812,980</b>	58,493,236
Investments available for sale *		<b>1,932,078</b>	1,932,078
Total		<b>59,745,058</b>	60,425,314
Total investments held for trading		<b>95,239,522</b>	96,506,696
Total investments available for sale		<b>1,932,078</b>	1,932,078
<b>Total investments</b>		<b>97,171,600</b>	98,438,774

\*This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value. There has been no movement in this investment between the period ended 30 June 2020 and during the year ended 31 December 2019.

Investment securities are classified as follows:

**i) Investments held for trading:**

a) Category wise analysis is as follows:

<b><u>Insurance Operations</u></b>	<b>Domestic</b>		<b>International</b>		<b>Total</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Sukuk and bonds	18,105,560	12,306,982	8,763,174	14,607,656	26,868,734	26,914,638
Equity securities	10,557,808	11,098,822	-	-	10,557,808	11,098,822
Total	28,663,368	23,405,804	8,763,174	14,607,656	37,426,542	38,013,460
<b><u>Shareholders' Operations</u></b>	<b>Domestic</b>		<b>International</b>		<b>Total</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Sukuk and bonds	31,307,081	23,581,682	11,368,170	18,950,019	42,675,251	42,531,701
Equity securities	15,137,729	15,961,535	-	-	15,137,729	15,961,535
Total	46,444,810	39,543,217	11,368,170	18,950,019	57,812,980	58,493,236

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**7. INVESTMENTS (CONTINUED)**

Movement in the investment held for trading balance is as follows

	Insurance operations		Shareholders' operations	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
At the beginning of the period / year	38,013,460	36,028,138	58,493,236	46,738,086
Purchase during the period / year	9,833,823	11,438,551	12,757,087	23,758,110
Disposals during the period / year	(10,060,269)	(10,613,964)	(13,050,848)	(13,769,137)
Unrealised (losses) / gain	(258,656)	1,072,429	(254,413)	1,651,620
Realised (losses) / gains	(101,816)	88,306	(132,082)	114,557
At the end of the period / year	<u>37,426,542</u>	<u>38,013,460</u>	<u>57,812,980</u>	<u>58,493,236</u>

**8. GOODWILL**

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Ace Arabia Insurance Company BSC and International Insurance Company BSC. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA and the value of goodwill was estimated at SR 43.77 million.

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent shareholders, companies related to shareholders ("affiliates") and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of major related parties' transactions during the period and the related balances at the end of the period:

Related parties	Nature of transactions	For the six-months period ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Affiliates	Gross written premiums	320,703	533,287
	Rent	643,750	643,750
	Claim expenses	947,181	1,652,928
	Expenses	-	9,000
Board of Directors	Remuneration	712,500	712,500
	Meeting fee and expenses	931,237	1,063,136
Shareholders	Reinsurance premiums ceded	24,165,072	27,104,879
	Reinsurers' share of gross claims	1,214,976	1,537,322
	Reinsurance commission income	4,077,927	4,356,335

The following are the details of related party balances as at:

Nature	Relationship	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Premiums and reinsurance receivables	Affiliates	55,278	176,741
Reinsurance payables	Affiliates	20,527,639	12,856,490

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**9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**Remuneration and compensation of BOD Members and Executives**

Key management personnel of the Company includes all directors, executive and non-executive, and senior management. The following table shows the salaries, remuneration and allowances obtained by the Board members and key management personnel for the period ended 30 June 2020 and 2019:

<b>Period-ended 30 June 2020</b>	<b>BOD members (Executives) (Unaudited)</b>	<b>BOD members (Non-Executive) (Unaudited)</b>	<b>Key management (Unaudited)</b>
Salaries and compensation	-	-	1,892,256
End of service indemnities	-	-	169,004
Traveling expenses	13,695	131,042	-
Annual remuneration and meeting fees	172,500	1,326,500	-
<b>Total</b>	<b>186,195</b>	<b>1,457,542</b>	<b>2,061,260</b>
<b>Period-ended 30 June 2019</b>	<b>BOD members (Executives) (Unaudited)</b>	<b>BOD members (Non-Executive) (Unaudited)</b>	<b>Key management (Unaudited)</b>
Salaries and compensation	-	-	2,079,736
End of service indemnities	-	-	141,576
Traveling expenses	25,107	311,529	-
Annual remuneration and meeting fees	163,500	1,275,500	-
<b>Total</b>	<b>188,607</b>	<b>1,587,029</b>	<b>2,221,312</b>

**10. REINSURANCE BALANCES PAYABLE**

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Related parties (note 9)	20,527,639	12,856,490
Others	42,800,736	51,950,978
	<b>63,328,375</b>	<b>64,807,468</b>

**11. STATUTORY DEPOSIT**

The statutory deposit represents 10% of the paid-up share capital, which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. SAMA is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

In accordance with the instruction received from the Saudi Arabian Monetary Agency (SAMA) vide their circular dated 1 March 2016, the Company has disclosed the commission due on statutory deposit as at 30 June 2020 as an asset and a liability in these interim condensed financial statements.



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**12. SHARE CAPITAL**

The authorised, issued and paid-up share capital is SR 200 million at 30 June 2020 consisting of 20 million shares (31 December 2019: SR 200 million consisting of 20 million shares) of SR 10 each.

Shareholding structure of the Company is as below:

	<b>30 June 2020 (Unaudited) / 31 December 2019 (Audited)</b>		
	<b>Authorized, issued and</b>	<b>Paid-up</b>	
	<b>No. of Shares "000"</b>	<b>SR "000"</b>	
International Corporation For Trade and Contract Services	1,000	10,000	10,000
El-Khereiji Construction Company	1,000	10,000	10,000
El-Khereiji Trading & Electronics Company	1,000	10,000	10,000
El-Kehreiji Real Estate	1,000	10,000	10,000
El-Khereiji Investment Company	2,000	20,000	20,000
Chubb INA International Holding Ltd	6,000	60,000	60,000
General Public	8,000	80,000	80,000
<b>Total</b>	<b>20,000</b>	<b>200,000</b>	<b>200,000</b>

**13. CONTINGENCIES AND COMMITMENTS**

**Legal proceedings**

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholder's insurance claims. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material impact on the Company's results or financial position.

**14. ZAKAT AND INCOME TAX**

- (a) Income tax has been provided for based on the estimated taxable profit at the rate of 20% per annum.

The differences between the financial results and taxable income are mainly due to adjustments for certain costs/claims based on the relevant fiscal regulations.

**Movement in the provision for Zakat and income tax during the period / year**

The movement in Zakat and income tax provision is as follows:

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
At the beginning of the period / year	16,501,196	18,134,513
Zakat charge for the period / year	1,510,820	955,945
Tax charge for the period / year	1,054,789	1,885,160
Paid during the period / year	-	(4,474,422)
At the end of the period / year	<u>19,066,805</u>	<u>16,501,196</u>

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**14. ZAKAT AND INCOME TAX (CONTINUED)**

**(b) Shareholding subject to Zakat and income tax**

The following is the shareholding percentage for computation as at the end of the period / year:

	<b>30 June 2020 %</b>	<b>31 December 2019 %</b>
Shareholding subject to Zakat	<b>70</b>	70
Shareholding subject to income tax	<b>30</b>	30

**(c) Status of assessments**

In 2015, the General Authority of Zakat and Tax ("the GAZT") raised final assessments for the years ended 31 December 2009 to 2012 and claimed additional Zakat and income tax liability including withholding tax amounting to SR 13.79 million. The management has filed an appeal against these assessments and believes that the outcome of this appeal will be in the favor of the Company. However, the Company has paid SR 14.9 million (including delay penalties and withholding tax) and also furnished a bank guarantee of SR 3.3 million in favor of GAZT to avoid any further delay penalties until the appeal against the assessments is finalized.

The Company has also received a provisional assessment for the years 2013 to 2015 where GAZT had requested for an additional Zakat and income tax liability of SR 6.2 million. The management has also filed an appeal against this assessment. However, the Company has submitted an additional bank guarantee amounting to SR 6.2 million to cover the full additional liability and to avoid delay penalties.

Zakat and income tax assessments have not been raised by the GAZT for the year 2016 to 2018.

**15. ACCUMULATED SURPLUS PAYABLE**

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Opening surplus distribution payable	<b>9,184,671</b>	6,764,250
Total income attributed to the insurance operations	<b>1,698,964</b>	3,211,552
Surplus paid to policy holders	<b>(5,003,795)</b>	(791,131)
Closing surplus distribution payable	<b>5,879,840</b>	9,184,671

**16. GROSS PREMIUMS WRITTEN**

<b>Gross Premiums Written - For the three months period 30 June 2020 (Unaudited)</b>						
<b>Class</b>	<b>Individual</b>	<b>Very small</b>	<b>Small</b>	<b>Medium</b>	<b>Corporate</b>	<b>Total</b>
Motor	875,731	220,556	908,728	1,934,278	6,403,912	10,343,205
Property and casualty	24,593	2,215,013	2,567,498	1,812,718	32,545,855	39,165,677
<b>Total</b>	<b>900,324</b>	<b>2,435,569</b>	<b>3,476,226</b>	<b>3,746,996</b>	<b>38,949,767</b>	<b>49,508,882</b>

<b>Gross Premiums Written - For the three months period 30 June 2019 (Unaudited)</b>						
<b>Class</b>	<b>Individual</b>	<b>Very small</b>	<b>Small</b>	<b>Medium</b>	<b>Corporate</b>	<b>Total</b>
Motor	1,508,123	229,873	726,461	2,344,391	5,315,395	10,124,243
Property and casualty	76,422	962,631	3,146,583	1,295,952	35,257,752	40,739,340
<b>Total</b>	<b>1,584,545</b>	<b>1,192,504</b>	<b>3,873,044</b>	<b>3,640,343</b>	<b>40,573,147</b>	<b>50,863,583</b>

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**16. GROSS PREMIUMS WRITTEN (CONTINUED)**

Gross Premiums Written - For the six months period 30 June 2020 (Unaudited)						
Class	Individual	Very small	Small	Medium	Corporate	Total
Motor	4,021,996	1,155,637	2,164,660	6,408,329	20,550,165	34,300,787
Property and casualty	146,268	2,995,647	6,110,421	5,518,880	97,530,266	112,301,482
Total	4,168,264	4,151,284	8,275,081	11,927,209	118,080,431	146,602,269

Gross Premiums Written - For the six months period 30 June 2019 (Unaudited)						
Class	Individual	Very small	Small	Medium	Corporate	Total
Motor	5,475,505	684,751	2,225,202	6,946,663	33,357,164	48,689,285
Property and casualty	363,790	1,591,133	5,013,088	7,723,555	80,524,003	95,215,569
Total	5,839,295	2,275,884	7,238,290	14,670,218	113,881,167	143,904,854

**17. TECHNICAL RESERVES**

**17.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Outstanding claims	57,183,040	50,194,024
Less: Realizable value of salvage and subrogation	(1,860,657)	(1,191,405)
	55,322,383	49,002,619
Claims incurred but not reported	52,136,830	58,267,707
Additional premium reserve	5,957,752	3,088,645
Other technical reserve	1,795,457	1,801,064
	115,212,422	112,160,035
Less:		
- Reinsurers' share of outstanding claims	(43,798,356)	(37,167,238)
- Reinsurers' share of claims incurred but not reported	(35,370,430)	(38,629,609)
<b>Net outstanding claims and reserves</b>	<b>36,043,636</b>	<b>36,363,188</b>

**17.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

Six-months ended 30 June 2020 (Unaudited)		
	Gross	Reinsurance Net
Balance as at the beginning of the period	101,027,961	(74,196,879)
Premium written during the period	146,602,269	(89,713,415)
Premium earned during the period	(125,730,606)	82,098,234
Balance as at the end of the period	121,899,624	(81,812,060)

Year-ended 31 December 2019 (Audited)		
	Gross	Reinsurance Net
Balance as at the beginning of the year	77,264,897	(51,629,690)
Premium written during the year	258,223,251	(169,588,095)
Premium earned during the year	(234,460,187)	147,020,906
Balance as at the end of the year	101,027,961	(74,196,879)

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**17. TECHNICAL RESERVES (CONTINUED)**

**17.3 Deferred policy acquisition costs**

Movement in deferred policy acquisition costs comprise of the following:

	<b>30 June 2020</b>	31 December 2019
	<b>(Unaudited)</b>	(Audited)
Balance as at the beginning of the period / year	5,323,677	4,305,281
Incurred during the period / year	9,823,925	15,988,375
Amortised during the period / year	<u>(8,203,993)</u>	<u>(14,969,979)</u>
<b>Balance at the end of the period / year</b>	<b><u>6,943,609</u></b>	<b><u>5,323,677</u></b>

**18. OPERATING SEGMENTS**

For management purposes, the Company is organized into business segments classified as: Property, Engineering, Motor, Casualty and Others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information.

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities.

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

Segment assets do not include cash and cash equivalents, premiums and insurance balances receivable - net, due from shareholders' operations, prepayments investments and other assets, term deposits, property and equipment, rights-to-use assets, intangible assets, goodwill, statutory reserves and accrued commission income. Accordingly, they are included in unallocated assets.

Segment liabilities do not include accounts payables, accrued expenses and other liabilities, lease liabilities, reinsurance balances payable, due to shareholders' operations, end-of-service indemnities, statutory deposit commission income payable, provision for Zakat and income tax and accumulated surplus from insurance. Accordingly, they are included in unallocated liabilities.

Segments do not include shareholders' assets and liabilities hence these are presented under unallocated assets/liabilities accordingly.

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

The segment statements provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 30 June 2020 and 31 December 2019, its total revenues, expenses, and net income for the three and six-months period ended 30 June 2020 and 30 June 2019 as follows:

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**18. OPERATING SEGMENTS (CONTINUED)**

Interim condensed statement of income  
for the three - months period ended 30  
June 2020

	Property	Engineering	Motor	Casualty	Others	Total
	(Unaudited)					
<b>REVENUE</b>						
Gross written premiums	20,904,893	3,464,902	10,343,204	12,163,660	2,632,223	49,508,882
Less: Reinsurance premiums ceded						
Local	(1,747,902)	(323,069)	(19,889)	(14,251)	(93,457)	(2,198,568)
Foreign	(17,730,661)	(2,502,659)	(9,324)	(7,084,666)	(1,315,677)	(28,642,987)
Excess of loss expenses	(360,782)	(79,969)	(198,990)	(142,511)	(186,314)	(968,566)
<b>Net premiums written</b>	<b>1,065,548</b>	<b>559,205</b>	<b>10,115,001</b>	<b>4,922,232</b>	<b>1,036,775</b>	<b>17,698,761</b>
Change in unearned premiums,	2,578,756	2,792,154	1,737,950	(705,816)	7,844,538	14,247,582
Changes in reinsurer share of unearned premiums	(2,488,860)	(2,637,714)	(628,559)	1,180,783	(5,394,163)	(9,968,513)
<b>Net premiums earned</b>	<b>1,155,444</b>	<b>713,645</b>	<b>11,224,392</b>	<b>5,397,199</b>	<b>3,487,150</b>	<b>21,977,830</b>
Reinsurance commission income	2,847,273	1,121,696	201,091	631,472	1,101,073	5,902,605
<b>TOTAL REVENUE</b>	<b>4,002,717</b>	<b>1,835,341</b>	<b>11,425,483</b>	<b>6,028,671</b>	<b>4,588,223</b>	<b>27,880,435</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	2,620	(53,975)	(4,089,920)	(654,478)	(355,187)	(5,150,940)
Expenses incurred related to claims	(13,923)	(9,765)	(239,365)	(543,876)	(46,923)	(853,852)
Reinsurers' share of gross claims paid	10,045	53,473	440,616	683,080	165,972	1,353,186
<b>Net claims and other benefits paid</b>	<b>(1,258)</b>	<b>(10,267)</b>	<b>(3,888,669)</b>	<b>(515,274)</b>	<b>(236,138)</b>	<b>(4,651,606)</b>
Changes in outstanding claims	(4,635,422)	(967,293)	1,694,434	6,954,260	71,353	3,117,332
Changes in reinsurers' share of outstanding claims	4,569,934	504,113	(566,878)	(5,507,640)	(393,070)	(1,393,541)
Changes in claims incurred but not reported ("IBNR")	3,538,283	(981,889)	2,253,346	1,216,318	785,030	6,811,088
Changes in reinsurance share of IBNR	(3,147,063)	979,010	(754,137)	(697,729)	11,426	(3,608,493)
<b>Net claims incurred</b>	<b>324,474</b>	<b>(476,326)</b>	<b>(1,261,904)</b>	<b>1,449,935</b>	<b>238,601</b>	<b>274,780</b>
Changes in additional premium reserve	(35,174)	-	(2,337,070)	(1,011,798)	-	(3,384,042)
Changes in other technical reserves	74,575	(27,099)	80,737	128,293	30,429	286,935
Policy acquisition costs	(1,309,067)	(333,072)	(1,059,126)	(795,291)	(671,950)	(4,168,506)
Other underwriting expenses	(175,199)	(95,124)	(151,351)	(140,159)	(171,520)	(733,353)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,120,391)</b>	<b>(931,621)</b>	<b>(4,728,714)</b>	<b>(369,020)</b>	<b>(574,440)</b>	<b>(7,724,186)</b>
<b>NET UNDERWRITING INCOME</b>	<b>2,882,326</b>	<b>903,720</b>	<b>6,696,769</b>	<b>5,659,651</b>	<b>4,013,783</b>	<b>20,156,249</b>
<b>OTHER OPERATING (EXPENSES) / INCOME</b>						
Allowance for doubtful debts						(7,564,296)
General and administrative expenses						(8,587,702)
Dividend, interest and commission Income						1,870,910
Realized losses on disposal of investments held for trading						(173,654)
Unrealised gains on investments held for trading						4,492,667
Other income, net						2,855,910
<b>TOTAL OTHER OPERATING EXPENSES</b>						<b>(7,106,165)</b>
<b>Total income for the period before Zakat and income tax</b>						<b>13,050,084</b>
Zakat						(889,015)
Income tax						(843,327)
<b>TOTAL INCOME FOR THE PERIOD</b>						<b>11,317,742</b>
<b>Total income for the period attributable to insurance operations</b>						<b>(1,020,564)</b>
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>						<b>10,297,178</b>



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**18. OPERATING SEGMENTS (CONTINUED)**

Interim condensed statement of income  
the six months period ended 30 June 2020

	Property	Engineering	Motor	Casualty	Others	Total
	(Unaudited)					
<b>REVENUE</b>						
Gross written premiums	45,503,757	28,059,115	34,300,788	24,646,617	14,091,992	146,602,269
Less: Reinsurance premiums ceded						
Local	(3,229,474)	(960,600)	(39,788)	(28,502)	(351,843)	(4,610,207)
Foreign	(38,251,240)	(25,317,858)	(59,041)	(11,233,554)	(8,068,687)	(82,930,380)
Excess of loss expenses	(721,563)	(159,937)	(397,980)	(285,021)	(608,327)	(2,172,828)
<b>Net premiums written</b>	<b>3,301,480</b>	<b>1,620,720</b>	<b>33,803,979</b>	<b>13,099,540</b>	<b>5,063,135</b>	<b>56,888,854</b>
Change in unearned premiums, net	1,335,737	(14,964,128)	(8,650,171)	(1,515,807)	2,922,706	(20,871,663)
Changes in reinsurer share of unearned Premiums	(2,049,967)	15,055,542	(1,925,281)	(639,901)	(2,825,212)	7,615,181
<b>Net premiums earned</b>	<b>2,587,250</b>	<b>1,712,134</b>	<b>23,228,527</b>	<b>10,943,832</b>	<b>5,160,629</b>	<b>43,632,372</b>
Reinsurance commission income	5,672,789	2,470,602	620,881	1,221,860	1,884,966	11,871,098
<b>TOTAL REVENUE</b>	<b>8,260,039</b>	<b>4,182,736</b>	<b>23,849,408</b>	<b>12,165,692</b>	<b>7,045,595</b>	<b>55,503,470</b>

**UNDERWRITING COSTS AND EXPENSES**

Gross claims paid and other expenses	(307,888)	(390,990)	(10,410,268)	(814,109)	(1,209,231)	(13,132,486)
Expenses incurred related to claims	(37,034)	(57,186)	(732,331)	(574,394)	(103,346)	(1,504,291)
Reinsurers' share of gross claims paid	231,623	301,615	1,239,402	832,063	684,772	3,289,475
<b>Net claims and other benefits paid</b>	<b>(113,299)</b>	<b>(146,561)</b>	<b>(9,903,197)</b>	<b>(556,440)</b>	<b>(627,805)</b>	<b>(11,347,302)</b>
Changes in outstanding claims	(5,204,561)	(1,126,140)	543,713	4,175,751	(4,708,527)	(6,319,764)
Changes in reinsurers' share of outstanding Claims	5,185,775	522,949	(505,546)	(2,718,108)	4,146,048	6,631,118
Changes in claims incurred but not reported ("IBNR")	3,479,732	(719,934)	1,759,378	1,333,547	278,154	6,130,877
Changes in reinsurance share of IBNR	(3,098,556)	720,899	(372,600)	(879,834)	370,912	(3,259,179)
<b>Net claims incurred</b>	<b>249,091</b>	<b>(748,787)</b>	<b>(8,478,252)</b>	<b>1,354,916</b>	<b>(541,218)</b>	<b>(8,164,250)</b>
Changes in additional premium reserve	929,084	-	(2,786,393)	(1,011,798)	-	(2,869,107)
Changes in other technical reserves	19,742	(41,085)	(3,318)	76,982	(46,714)	5,607
Policy acquisition costs	(2,582,196)	(780,541)	(2,161,028)	(1,630,819)	(1,049,409)	(8,203,993)
Other underwriting expenses	(337,852)	(268,633)	(322,923)	(256,230)	(353,648)	(1,539,286)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,722,131)</b>	<b>(1,839,046)</b>	<b>(13,751,914)</b>	<b>(1,466,949)</b>	<b>(1,990,989)</b>	<b>(20,771,029)</b>
<b>NET UNDERWRITING INCOME</b>	<b>6,537,908</b>	<b>2,343,690</b>	<b>10,097,494</b>	<b>10,698,743</b>	<b>5,054,606</b>	<b>34,732,441</b>

**OTHER OPERATING (EXPENSES) / INCOME**

Allowance for doubtful debts	(6,880,765)
General and administrative expenses	(17,720,952)
Dividend, interest and commission income	4,133,519
Realized losses on disposal of investments held for trading	(233,898)
Unrealised losses on investments held for trading	(513,069)
Other income, net	3,588,078
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(17,627,087)</b>
<b>Total income for the period before Zakat and income tax and surplus distribution</b>	<b>17,105,354</b>
Zakat	(1,510,820)
Income tax	(1,054,789)
<b>NET INCOME FOR THE PERIOD</b>	<b>14,539,745</b>

<b>Total income for the period attributable to insurance operations</b>	<b>(1,698,964)</b>
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>12,840,781</b>

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**18. OPERATING SEGMENTS (CONTINUED)**

Interim condensed statement of income for the three - months period ended 30 June 2019	Property	Engineering	Motor	Casualty	Others	Total
	(Unaudited)					
<b>REVENUE</b>						
Gross written premiums	19,959,823	5,260,597	10,124,243	11,331,391	4,187,529	50,863,583
Less: Reinsurance premiums ceded						
Local	(135,838)	(372,685)	-	-	310,484	(198,039)
Foreign	(18,253,666)	(4,306,066)	(1,521,752)	(5,978,316)	(2,387,890)	(32,447,690)
Excess of loss expenses	(356,848)	(83,777)	(207,071)	(119,179)	(167,317)	(934,192)
Net premiums written	1,213,471	498,069	8,395,420	5,233,896	1,942,806	17,283,662
Change in unearned premiums	(524,659)	(1,207,731)	5,767,768	(2,634,429)	3,627,129	5,028,078
Changes in reinsurer share of unearned premiums	523,180	1,105,598	(468,616)	997,981	(2,645,291)	(487,148)
Net premiums earned	1,211,992	395,936	13,694,572	3,597,448	2,924,644	21,824,592
Reinsurance commission income	2,563,593	828,294	586,443	618,820	753,460	5,350,610
<b>TOTAL REVENUE</b>	<b>3,775,585</b>	<b>1,224,230</b>	<b>14,281,015</b>	<b>4,216,268</b>	<b>3,678,104</b>	<b>27,175,202</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(1,801,566)	(3,514,878)	(7,511,669)	(636,019)	(836,663)	(14,300,795)
Expenses incurred related to claims	(150,641)	21,715	(471,625)	(31,365)	(40,297)	(672,213)
Reinsurers' share of gross claims paid	1,914,380	3,339,304	1,191,774	55,643	438,823	6,939,924
Net claims and other benefits paid	(37,827)	(153,859)	(6,791,520)	(611,741)	(438,137)	(8,033,084)
Changes in outstanding claims	3,457,492	2,013,771	988,777	(3,556,172)	512,249	3,416,117
Changes in reinsurers' share of outstanding claims	(3,528,567)	(2,590,751)	(40,006)	2,367,641	(388,768)	(4,180,451)
Changes in claims incurred but not reported ("IBNR")	-	-	(167,026)	-	-	(167,026)
Changes in reinsurance share of IBNR	-	-	(953,742)	-	-	(953,742)
Net claims incurred	(108,902)	(730,839)	(6,963,517)	(1,800,272)	(314,656)	(9,918,186)
Changes in additional premium reserve	-	82,628	-	-	-	82,628
Changes in other technical reserves	735,135	151,365	(125,534)	53,686	94,560	909,212
Policy acquisition costs	(1,116,668)	(258,358)	(1,025,192)	(625,609)	(386,525)	(3,412,352)
Other underwriting expenses	(258,822)	(132,072)	(173,710)	(164,288)	(86,893)	(815,785)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(749,257)</b>	<b>(887,276)</b>	<b>(8,287,953)</b>	<b>(2,536,483)</b>	<b>(693,514)</b>	<b>(13,154,483)</b>
<b>NET UNDERWRITING INCOME</b>	<b>3,026,328</b>	<b>336,954</b>	<b>5,993,062</b>	<b>1,679,785</b>	<b>2,984,590</b>	<b>14,020,719</b>
<b>OTHER OPERATING (EXPENSES) / INCOME</b>						
Allowance for doubtful debts						(5,495,409)
General and administrative expenses						(8,811,510)
Dividend, interest and commission Income						2,678,551
Realized losses on disposal of investment held for trading						(1,634)
Unrealised gains on investments held for trading						1,088,037
Other income, net						638,446
<b>TOTAL OTHER OPERATING EXPENSES</b>						<b>(9,903,519)</b>
Total income for the period before Zakat and income tax and surplus distribution						4,117,200
Zakat						(515,178)
Income tax						(267,246)
<b>TOTAL INCOME FOR THE PERIOD</b>						<b>3,334,776</b>
Total income for the period attributable to insurance operations						(293,830)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>						<b>3,040,946</b>

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**18. OPERATING SEGMENTS (CONTINUED)**

Interim condensed statement of income  
for the six months period ended 30 June 2019

	Property	Engineering	Motor	Casualty	Others	Total
	(Unaudited)					
REVENUE						
Gross written premiums	48,194,842	10,225,234	48,689,285	23,758,321	13,037,172	143,904,854
Less: Reinsurance premiums ceded						
Local	(2,877,638)	(779,144)	-	-	(218,109)	(3,874,891)
Foreign	(41,121,588)	(7,965,295)	(7,308,067)	(11,091,636)	(6,938,979)	(74,425,565)
Excess of loss expenses	(713,698)	(167,552)	(414,140)	(238,360)	(334,630)	(1,868,380)
Net premiums written	3,481,918	1,313,243	40,967,078	12,428,325	5,545,454	63,736,018
Change in unearned premiums, net	(8,843,412)	(1,533,820)	(16,482,031)	(4,806,846)	(1,576,541)	(33,242,650)
Changes in reinsurer share of unearned Premiums	8,180,923	1,311,533	2,244,796	738,903	580,997	13,057,152
Net premiums earned	2,819,429	1,090,956	26,729,843	8,360,382	4,549,910	43,550,520
Reinsurance commission income	5,020,947	1,790,839	1,423,152	1,414,501	1,284,257	10,933,696
TOTAL REVENUE	7,840,376	2,881,795	28,152,995	9,774,883	5,834,167	54,484,216
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and other expenses	(1,951,578)	(7,055,834)	(15,308,118)	(1,351,175)	(1,185,737)	(26,852,442)
Expenses incurred related to claims	(189,356)	(61,215)	(912,452)	(90,515)	(72,086)	(1,325,624)
Reinsurers' share of gross claims paid	2,098,575	6,507,759	2,182,276	120,204	732,421	11,641,235
Net claims and other benefits paid	(42,359)	(609,290)	(14,038,294)	(1,321,486)	(525,402)	(16,536,831)
Changes in outstanding claims	2,389,015	5,739,584	(1,393,942)	(3,405,313)	(42,837)	3,286,507
Changes in reinsurers' share of outstanding Claims	(2,407,804)	(5,853,541)	364,667	2,655,832	(131,304)	(5,372,150)
Changes in claims incurred but not reported ("IBNR")	5,683,283	979,765	2,809,506	(1,671,712)	(672,755)	7,128,087
Changes in reinsurance share of IBNR	(5,644,318)	(121,197)	(907,126)	2,693,022	721,438	(3,258,181)
Net claims incurred	(22,183)	135,321	(13,165,189)	(1,049,657)	(650,860)	(14,752,568)
Changes in additional premium reserve	(813,234)	111,661	-	-	(715,846)	(1,417,419)
Changes in other technical reserves	951,162	283,183	(20,137)	(15,887)	64,666	1,262,987
Policy acquisition costs	(2,222,248)	(559,657)	(2,488,621)	(1,417,816)	(687,296)	(7,375,638)
Other underwriting expenses	(442,099)	(223,258)	(426,886)	(327,338)	(240,122)	(1,659,703)
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,548,602)	(252,750)	(16,100,833)	(2,810,698)	(2,229,458)	(23,942,341)
NET UNDERWRITING INCOME	5,291,774	2,629,045	12,052,162	6,964,185	3,604,709	30,541,875
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts						(6,413,330)
General and administrative expenses						(17,257,129)
Dividend, interest and commission Income						4,904,089
Realized gains on disposal of investments held for trading						80,126
Unrealised gains on investments held for trading						1,834,963
Other income, net						1,047,914
TOTAL OTHER OPERATING EXPENSES						(15,803,367)
Total income for the period before Zakat and income tax and surplus distribution						14,738,508
Zakat						(1,807,144)
Income tax						(924,738)
NET INCOME FOR THE PERIOD						12,006,626
Total income for the period attributable to insurance operations						(1,280,117)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						10,726,509

# CHUBB ARABIA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020

(All amounts expressed in Saudi Riyals unless otherwise stated)

### 18. OPERATING SEGMENTS (CONTINUED)

Interim condensed statement of financial position as at 30 June 2020	Insurance operations					Total - Insurance operations	Shareholders' operations	Total
	Property	Engineering	Motor	Casualty	Others			
						(Unaudited)		
Assets								
Reinsurers' share of unearned premiums	41,983,492	25,279,739	461,623	12,222,703	1,864,503	81,812,060	-	81,812,060
Reinsurers' share of outstanding claims	31,353,885	3,073,767	436,626	3,640,102	5,293,976	43,798,356	-	43,798,356
Reinsurers' share of claims incurred but not reported	21,077,308	5,835,946	978,401	3,589,805	3,888,970	35,370,430	-	35,370,430
Deferred policy acquisition costs	2,170,486	863,356	2,131,646	1,454,970	323,151	6,943,609	-	6,943,609
Unallocated assets	-	-	-	-	-	208,937,473	334,345,219	543,282,692
Total assets	96,585,171	35,052,808	4,008,296	20,907,580	11,370,600	376,861,928	334,345,219	711,207,147
Liabilities								
Unearned premiums	44,805,178	26,686,098	24,560,250	21,959,126	3,888,972	121,899,624	-	121,899,624
Unearned reinsurance commission	5,627,021	2,880,661	136,317	1,157,239	304,926	10,106,164	-	10,106,164
Outstanding claims	32,554,072	4,449,354	4,808,651	6,491,520	7,018,786	55,322,383	-	55,322,383
Claims incurred but not reported	22,926,498	6,510,193	9,962,738	6,557,626	6,179,775	52,136,830	-	52,136,830
Additional premium reserves	2,057,154	-	2,888,800	1,011,798	-	5,957,752	-	5,957,752
Other technical reserves	882,080	196,535	278,259	220,576	218,007	1,795,457	-	1,795,457
Unallocated liabilities	-	-	-	-	-	107,386,389	23,193,806	130,580,195
Total liabilities	108,852,003	40,722,841	42,635,015	37,397,885	17,610,466	354,604,599	23,193,806	377,798,405

**CHUBB ARABIA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**  
(All amounts expressed in Saudi Riyals unless otherwise stated)

**18. OPERATING SEGMENTS (CONTINUED)**

**Statement of financial position as  
at 31 December 2019**

	Insurance operations					
	(Audited)					Total
	Property	Engineering	Motor	Casualty	Others	
<b>Assets</b>						
Reinsurers' share of unearned premiums	44,033,459	10,224,197	2,386,904	12,862,604	4,689,715	74,196,879
Reinsurers' share of outstanding claims	26,168,110	2,550,818	942,172	6,358,210	1,147,928	37,167,238
Reinsurers' share of claims incurred but not reported	24,175,864	5,115,047	1,351,001	4,469,639	3,518,058	38,629,609
Deferred policy acquisition costs	1,386,577	1,052,385	1,145,218	1,284,766	454,731	5,323,677
Unallocated assets	-	-	-	-	-	-
<b>Total assets</b>	<b>95,764,010</b>	<b>18,942,447</b>	<b>5,825,295</b>	<b>24,975,219</b>	<b>9,810,432</b>	<b>318,620,156</b>
						<b>679,663,233</b>
<b>Liabilities</b>						
Unearned premiums	46,140,915	11,721,970	15,910,079	20,443,319	6,811,678	101,027,961
Unearned reinsurance commission	3,361,862	2,611,072	736,419	1,158,582	783,934	8,851,869
Outstanding claims	27,349,511	3,323,214	5,352,364	10,667,271	2,310,259	49,002,619
Claims incurred but not reported	26,406,230	5,790,259	11,722,116	7,891,173	6,457,929	58,267,707
Additional premium reserves	2,986,238	-	102,407	-	-	3,088,645
Other technical reserves	901,822	155,450	274,941	297,558	171,293	1,801,064
Unallocated liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>107,346,578</b>	<b>23,601,965</b>	<b>34,098,326</b>	<b>40,457,903</b>	<b>16,535,093</b>	<b>21,785,507</b>
						<b>337,309,765</b>
						<b>359,095,272</b>

**Geographical segments**

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain investments held in countries domiciled in the Gulf Cooperation Council ("GCC").

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**19. FAIR VALUE 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 advantageous 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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 June 2020 (Unaudited)					
	Carrying value	Level 1	Level 2	Level 3	Total
Investments held for trading	95,239,522	95,239,522	-	-	95,239,522
Investments available for sale	1,932,078	-	-	1,932,078	1,932,078
	<u>97,171,600</u>	<u>95,239,522</u>	<u>-</u>	<u>1,932,078</u>	<u>97,171,600</u>
31 December 2019 (Audited)					
	Carrying value	Level 1	Level 2	Level 3	Total
Investments held for trading	96,506,696	96,506,696	-	-	96,506,696
Investments available for sale	1,932,078	-	-	1,932,078	1,932,078
	<u>98,438,774</u>	<u>96,506,696</u>	<u>-</u>	<u>1,932,078</u>	<u>98,438,774</u>

During the period, there has been no transfer between level 1, level 2 and level 3.

**20. EARNINGS PER SHARE FOR THE PERIOD**

Earnings per share for the period has been calculated by dividing the net income for the period by the weighted average number of outstanding shares during the period.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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(All amounts expressed in Saudi Riyals unless otherwise stated)

**21. SUPPLEMENTARY STATEMENTS**

As required by the Implementing Regulations, the interim statement of financial position, interim statement of income and interim statement of cash flows are separately disclosed for both insurance operations and shareholders operations are as follows:

a) Statement of financial position	30 June 2020 - (Unaudited)			31 December 2019 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	71,046,406	100,745,950	171,792,356	58,510,894	47,140,114	105,651,008
Premiums and reinsurance balances receivable, net	93,087,754	-	93,087,754	102,144,942	-	102,144,942
Reinsurers' share of unearned premiums	81,812,060	-	81,812,060	74,196,879	-	74,196,879
Reinsurers' share of outstanding claims	43,798,356	-	43,798,356	37,167,238	-	37,167,238
Reinsurers' share of claims incurred but not reported	35,370,430	-	35,370,430	38,629,609	-	38,629,609
Deferred policy acquisition costs	6,943,609	-	6,943,609	5,323,677	-	5,323,677
Investments held for trading	37,426,542	57,812,980	95,239,522	38,013,460	58,493,236	96,506,696
Investments available for sale	-	1,932,078	1,932,078	-	1,932,078	1,932,078
Due from insurance operations	-	24,103,634	24,103,634	3,324,349	28,903,966	32,228,315
Prepayments and other assets	4,411,090	13,554,912	17,966,002	3,510,256	13,343,393	16,853,649
Term deposits	-	94,459,881	94,459,881	-	132,081,773	132,081,773
Property and equipment	678,978	-	678,978	589,134	-	589,134
Right of use assets	1,617,749	-	1,617,749	2,156,999	-	2,156,999
Intangible assets	668,954	-	668,954	799,989	-	799,989
Goodwill	-	43,774,750	43,774,750	-	43,774,750	43,774,750
Statutory deposit	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Statutory deposit commission income	-	2,064,668	2,064,668	-	1,854,812	1,854,812
<b>TOTAL ASSETS</b>	<b>376,861,928</b>	<b>358,448,853</b>	<b>735,310,781</b>	<b>364,367,426</b>	<b>347,524,122</b>	<b>711,891,548</b>
Less: inter-operations elimination	-	(24,103,634)	(24,103,634)	(3,324,349)	(28,903,966)	(32,228,315)
<b>TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION</b>	<b>376,861,928</b>	<b>334,345,219</b>	<b>711,207,147</b>	<b>361,043,077</b>	<b>318,620,156</b>	<b>679,663,233</b>



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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**  
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**21. SUPPLEMENTARY STATEMENTS (CONTINUED)**

a) Statement of financial position (continued)	30 June 2020 - (Unaudited)			31 December 2019- (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
<b>LIABILITIES</b>						
Accounts payable	22,948,970	-	22,948,970	22,146,161	-	22,146,161
Accrued expenses and other liabilities	5,246,478	2,062,333	7,308,811	8,525,416	3,429,498	11,954,914
Lease liabilities	1,097,527	-	1,097,527	2,195,455	-	2,195,455
Reinsurance balances payable	63,328,375	-	63,328,375	64,807,468	-	64,807,468
Unearned premiums	121,899,624	-	121,899,624	101,027,961	-	101,027,961
Unearned reinsurance commission income	10,106,164	-	10,106,164	8,851,869	-	8,851,869
Outstanding claims	55,322,383	-	55,322,383	49,002,619	-	49,002,619
Claims incurred but not reported	52,136,830	-	52,136,830	58,267,707	-	58,267,707
Additional premium reserves	5,957,752	-	5,957,752	3,088,645	-	3,088,645
Other technical reserves	1,795,457	-	1,795,457	1,801,064	-	1,801,064
Due to shareholders'	24,103,634	-	24,103,634	28,903,966	3,324,349	32,228,315
End-of-service indemnities	8,885,199	-	8,885,199	8,410,730	-	8,410,730
Statutory deposit commission income payable	-	2,064,668	2,064,668	-	1,854,812	1,854,812
Provision for Zakat and income tax	-	19,066,805	19,066,805	-	16,501,196	16,501,196
Accumulated surplus from insurance operations	5,879,840	-	5,879,840	9,184,671	-	9,184,671
<b>TOTAL LIABILITIES</b>	<b>378,708,233</b>	<b>23,193,806</b>	<b>401,902,039</b>	<b>366,213,732</b>	<b>25,109,855</b>	<b>391,323,587</b>
<b>Less: inter-operations elimination</b>	<b>(24,103,634)</b>	<b>-</b>	<b>(24,103,634)</b>	<b>(28,903,966)</b>	<b>(3,324,349)</b>	<b>(32,228,315)</b>
<b>TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION</b>	<b>354,604,599</b>	<b>23,193,806</b>	<b>377,798,405</b>	<b>337,309,766</b>	<b>21,785,506</b>	<b>359,095,272</b>
<b>EQUITY</b>						
Share capital	-	200,000,000	200,000,000	-	200,000,000	200,000,000
Statutory reserve	-	35,005,807	35,005,807	-	32,437,651	32,437,651
Retained earnings	-	100,249,240	100,249,240	-	89,976,615	89,976,615
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>335,255,047</b>	<b>335,255,047</b>	<b>-</b>	<b>322,414,266</b>	<b>322,414,266</b>
Re-measurement of defined benefit obligation	(1,846,305)	-	(1,846,305)	(1,846,305)	-	(1,846,305)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>352,758,294</b>	<b>358,448,853</b>	<b>711,207,147</b>	<b>335,463,461</b>	<b>344,199,772</b>	<b>679,663,233</b>

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**21. SUPPLEMENTARY STATEMENTS (CONTINUED)**

b) Interim condensed statement of income	Six months period ended 30 June 2020			Six months period ended 30 June 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
<b>REVENUE</b>						
Gross written premiums	146,602,269	-	146,602,269	143,904,854	-	143,904,854
Less: Reinsurance premiums ceded						
Local	(4,610,207)	-	(4,610,207)	(3,874,891)	-	(3,874,891)
Foreign	(82,930,380)	-	(82,930,380)	(74,425,565)	-	(74,425,565)
Excess of loss expenses	(2,172,828)	-	(2,172,828)	(1,868,380)	-	(1,868,380)
<b>Net premiums written</b>	<b>56,888,854</b>	<b>-</b>	<b>56,888,854</b>	<b>63,736,018</b>	<b>-</b>	<b>63,736,018</b>
Changes in unearned premiums	(20,871,663)	-	(20,871,663)	(33,242,650)	-	(33,242,650)
Changes in reinsurer share of unearned premiums	7,615,181	-	7,615,181	13,057,152	-	13,057,152
<b>Net premiums earned</b>	<b>43,632,372</b>	<b>-</b>	<b>43,632,372</b>	<b>43,550,520</b>	<b>-</b>	<b>43,550,520</b>
Reinsurance commissions	11,871,098	-	11,871,098	10,933,696	-	10,933,696
<b>TOTAL REVENUE</b>	<b>55,503,470</b>	<b>-</b>	<b>55,503,470</b>	<b>54,484,216</b>	<b>-</b>	<b>54,484,216</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid and other expenses	(13,132,486)	-	(13,132,486)	(26,852,442)	-	(26,852,442)
Expenses incurred related to claims	(1,504,291)	-	(1,504,291)	(1,325,624)	-	(1,325,624)
Reinsurers' share of gross claims paid	3,289,475	-	3,289,475	11,641,235	-	11,641,235
<b>NET CLAIMS AND OTHER BENEFITS PAID</b>	<b>(11,347,302)</b>	<b>-</b>	<b>(11,347,302)</b>	<b>(16,536,831)</b>	<b>-</b>	<b>(16,536,831)</b>
Changes in outstanding claims	(6,319,764)	-	(6,319,764)	3,286,507	-	3,286,507
Changes in reinsurer outstanding claims	6,631,118	-	6,631,118	(5,372,150)	-	(5,372,150)
Changes in claims incurred but not reported ("IBNR")	6,130,877	-	6,130,877	7,128,087	-	7,128,087
Changes in reinsurer share of IBNR	(3,259,179)	-	(3,259,179)	(3,258,181)	-	(3,258,181)
<b>Net claims incurred</b>	<b>(8,164,250)</b>	<b>-</b>	<b>(8,164,250)</b>	<b>(14,752,568)</b>	<b>-</b>	<b>(14,752,568)</b>
Changes in additional premium reserve	(2,869,107)	-	(2,869,107)	(1,417,419)	-	(1,417,419)
Changes in other technical reserves	5,607	-	5,607	1,262,987	-	1,262,987
Policy acquisition costs	(8,203,993)	-	(8,203,993)	(7,375,638)	-	(7,375,638)
Other underwriting expenses	(1,539,286)	-	(1,539,286)	(1,659,703)	-	(1,659,703)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(20,771,029)</b>	<b>-</b>	<b>(20,771,029)</b>	<b>(23,942,341)</b>	<b>-</b>	<b>(23,942,341)</b>
<b>NET UNDERWRITING INCOME</b>	<b>34,732,441</b>	<b>-</b>	<b>34,732,441</b>	<b>30,541,875</b>	<b>-</b>	<b>30,541,875</b>
<b>OTHER OPERATING (EXPENSES) / INCOME</b>						
Allowance for doubtful debts	(6,880,765)	-	(6,880,765)	(6,413,330)	-	(6,413,330)
General and administrative expenses	(15,089,468)	(2,631,484)	(17,720,952)	(14,477,207)	(2,779,922)	(17,257,129)
Dividend, interest and Commission Income	999,827	3,133,692	4,133,519	1,287,218	3,616,871	4,904,089
Realized gain/(loss) on disposal of investment held for	(101,816)	(132,082)	(233,898)	34,879	45,247	80,126
Unrealised gains/(losses) on investments held at fair	(258,656)	(254,413)	(513,069)	779,824	1,055,139	1,834,963
Others income, net	3,588,078	-	3,588,078	1,047,914	-	1,047,914
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(17,742,800)</b>	<b>115,713</b>	<b>(17,627,087)</b>	<b>(17,740,702)</b>	<b>1,937,335</b>	<b>(15,803,367)</b>
<b>Total income for the period before Zakat and income tax</b>	<b>16,989,641</b>	<b>115,713</b>	<b>17,105,354</b>	<b>12,801,173</b>	<b>1,937,335</b>	<b>14,738,508</b>
Zakat	-	(1,510,820)	(1,510,820)	-	(1,807,144)	(1,807,144)
income tax	-	(1,054,789)	(1,054,789)	-	(924,738)	(924,738)
<b>NET INCOME FOR THE PERIOD</b>	<b>16,989,641</b>	<b>(2,449,896)</b>	<b>14,539,745</b>	<b>12,801,173</b>	<b>(794,547)</b>	<b>12,006,626</b>
Surplus transferred to Shareholders	(15,290,677)	15,290,677	-	(11,521,056)	11,521,056	-
<b>Net result from insurance operations after transfer of surplus to shareholders</b>	<b>1,698,964</b>	<b>12,840,781</b>	<b>14,539,745</b>	<b>1,280,117</b>	<b>10,726,509</b>	<b>12,006,626</b>
Weighted average number of outstanding shares	-	20,000,000	20,000,000	-	20,000,000	20,000,000
<b>Earnings per share for the period</b>	<b>0.64</b>			<b>0.54</b>		

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**21. SUPPLEMENTARY STATEMENTS (CONTINUED)**

c) Interim condensed statement of comprehensive income	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
Total income from the period	1,698,964	12,840,781	14,539,745	1,280,117	10,726,509	12,006,626
Items that will not be reclassified to statement of income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,698,964</b>	<b>12,840,781</b>	<b>14,539,745</b>	<b>1,280,117</b>	<b>10,726,509</b>	<b>12,006,626</b>
d) Interim condensed statement of income	Three months ended 30 June 2020			Three months ended 30 June 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
<b>REVENUE</b>						
Gross written premiums	49,508,882	-	49,508,882	50,863,583	-	50,863,583
Less: Reinsurance premiums ceded						
Local	(2,198,568)	-	(2,198,568)	(198,039)	-	(198,039)
Foreign	(28,642,987)	-	(28,642,987)	(32,447,690)	-	(32,447,690)
Excess of loss expenses	(968,566)	-	(968,566)	(934,192)	-	(934,192)
<b>Net premiums written</b>	<b>17,698,761</b>	<b>-</b>	<b>17,698,761</b>	<b>17,283,662</b>	<b>-</b>	<b>17,283,662</b>
Changes in unearned premiums	14,247,582	-	14,247,582	5,028,078	-	5,028,078
Changes in reinsurer share of unearned premiums	(9,968,513)	-	(9,968,513)	(487,148)	-	(487,148)
<b>Net premiums earned</b>	<b>21,977,830</b>	<b>-</b>	<b>21,977,830</b>	<b>21,824,592</b>	<b>-</b>	<b>21,824,592</b>
Reinsurance commissions	5,902,605	-	5,902,605	5,350,610	-	5,350,610
<b>TOTAL REVENUE</b>	<b>27,880,435</b>	<b>-</b>	<b>27,880,435</b>	<b>27,175,202</b>	<b>-</b>	<b>27,175,202</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid and other expenses	(5,150,940)	-	(5,150,940)	(14,300,795)	-	(14,300,795)
Expenses incurred related to claims	(853,852)	-	(853,852)	(672,213)	-	(672,213)
Reinsurers' share of gross claims paid	1,353,186	-	1,353,186	6,939,924	-	6,939,924
<b>NET CLAIMS AND OTHER BENEFITS PAID</b>	<b>(4,651,606)</b>	<b>-</b>	<b>(4,651,606)</b>	<b>(8,033,084)</b>	<b>-</b>	<b>(8,033,084)</b>
Changes in outstanding claims	3,117,332	-	3,117,332	3,416,117	-	3,416,117
Changes in reinsurer share of outstanding claims	(1,393,541)	-	(1,393,541)	(4,180,451)	-	(4,180,451)
Changes in claims incurred but not reported	6,811,088	-	6,811,088	(167,026)	-	(167,026)
Changes in reinsurer share of incurred but not reported	(3,608,493)	-	(3,608,493)	(953,742)	-	(953,742)
<b>Net claims incurred</b>	<b>274,780</b>	<b>-</b>	<b>274,780</b>	<b>(9,918,186)</b>	<b>-</b>	<b>(9,918,186)</b>
Changes in additional premium reserve	(3,384,042)	-	(3,384,042)	82,628	-	82,628
Changes in other technical reserves	286,935	-	286,935	909,212	-	909,212
Policy acquisition costs	(4,168,506)	-	(4,168,506)	(3,412,352)	-	(3,412,352)
Other underwriting expenses	(733,353)	-	(733,353)	(815,785)	-	(815,785)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(7,724,186)</b>	<b>-</b>	<b>(7,724,186)</b>	<b>(13,154,483)</b>	<b>-</b>	<b>(13,154,483)</b>
<b>NET UNDERWRITING INCOME</b>	<b>20,156,249</b>	<b>-</b>	<b>20,156,249</b>	<b>14,020,719</b>	<b>-</b>	<b>14,020,719</b>
<b>OTHER OPERATING (EXPENSES) / INCOME</b>						
Reversal of allowance for doubtful debts	(7,564,296)	-	(7,564,296)	(5,495,409)	-	(5,495,409)
General and administrative expenses	(7,274,288)	(1,313,414)	(8,587,702)	(7,346,112)	(1,465,398)	(8,811,510)
Dividend, interest and commission Income	441,860	1,429,050	1,870,910	666,679	2,011,872	2,678,551
Realized gain/(loss) on disposal of investment held for trading	(69,510)	(104,144)	(173,654)	(711)	(923)	(1,634)
Unrealised gains/(losses) on investments held at fair value	1,659,718	2,832,949	4,492,667	454,687	633,350	1,088,037
Other income, net	2,855,910	-	2,855,910	638,446	-	638,446

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**21.SUPPLEMENTARY STATEMENTS (CONTINUED)**

**d) Interim condensed statement of income (continued)**

	Three months ended 30 June 2020			Three months ended 30 June 2019		
	(Unaudited)			(Unaudited)		
<b>TOTAL OTHER OPERATING (EXPENSES) / INCOME</b>	(9,950,606)	2,844,441	(7,106,165)	(11,082,420)	1,178,901	(9,903,519)
Total income for the period before Zakat and income tax	10,205,643	2,844,441	13,050,084	2,938,299	1,178,901	4,117,200
Zakat	-	(889,015)	(889,015)	-	(515,178)	(515,178)
Income tax	-	(843,327)	(843,327)	-	(267,246)	(267,246)
<b>Total income for the period</b>	<b>10,205,643</b>	<b>1,112,099</b>	<b>11,317,742</b>	<b>2,938,299</b>	<b>396,477</b>	<b>3,334,776</b>
Surplus transferred to Shareholders	(9,185,079)	9,185,079	-	(2,644,469)	2,644,469	-
<b>Net result from insurance operations after shareholders' transfer of surplus to Shareholders</b>	<b>1,020,564</b>	<b>10,297,178</b>	<b>11,317,742</b>	<b>293,830</b>	<b>3,040,946</b>	<b>3,334,776</b>
Weighted average number of outstanding shares	-	20,000,000	20,000,000	-	20,000,000	20,000,000
<b>Earnings per share for the period</b>	<b>0.51</b>			<b>0.15</b>		

**e) Interim condensed statement of comprehensive income**

	Three months ended 30 June 2020			Three months ended 30 June 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
<b>Total income</b>	<b>1,020,564</b>	<b>10,297,178</b>	<b>11,317,742</b>	<b>293,830</b>	<b>3,040,946</b>	<b>3,334,776</b>
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>						
Other comprehensive income	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,020,564</b>	<b>10,297,178</b>	<b>11,317,742</b>	<b>293,830</b>	<b>3,040,946</b>	<b>3,334,776</b>

**f) Interim condensed statement of cash flows**

	30 June 2020			30 June 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
<b>OPERATING ACTIVITIES</b>						
Total income for the period	1,698,964	15,406,390	17,105,354	1,280,117	13,458,391	14,738,508
Adjustments for:						
Depreciation of property and equipment	165,573	-	165,573	109,833	-	109,833
Amortisation of intangible assets	65,517	-	65,517	113,868	-	113,868
Depreciation and amortization right of use Assets	539,250	-	539,250	539,250	-	539,250
Allowance for/(Reversal of) doubtful debts	6,880,765	-	6,880,765	6,413,330	-	6,413,330
Unrealized (gain)/loss on investments	258,656	254,413	513,069	(779,824)	(1,055,139)	(1,834,963)
Realized (gain) /loss on Investment	101,816	132,082	233,898	(34,879)	(45,247)	(80,126)
Interest on finance lease obligations	24,300	-	24,300	40,699	-	40,699
Provision for end-of-service indemnities	707,068	-	707,068	673,794	-	673,794
	10,441,909	15,792,885	26,234,794	8,356,188	12,358,005	20,714,193
Working capital adjustments:						
Premiums and insurance balances receivable	2,176,423	-	2,176,423	(32,392,433)	-	(32,392,433)
Reinsurers' share of unearned premiums	(7,615,181)	-	(7,615,181)	(13,057,152)	-	(13,057,152)
Reinsurers' share of outstanding claims	(6,631,118)	-	(6,631,118)	5,372,150	-	5,372,150
Reinsurers' share of claims Incurred but not reported	3,259,179	-	3,259,179	3,258,181	-	3,258,181
Deferred policy acquisition costs	(1,619,932)	-	(1,619,932)	(2,626,110)	-	(2,626,110)
Prepayments and other assets	(900,834)	(211,519)	(1,112,353)	497,864	(429,737)	68,127
Accounts payable	802,809	-	802,809	3,544,081	-	3,544,081
Accrued expenses and other liabilities	(3,278,937)	(1,367,166)	(4,646,103)	2,256,278	21,334	2,277,612
Reinsurance balances payable	(1,479,093)	-	(1,479,093)	10,913,586	-	10,913,586
Gross unearned premiums	20,871,663	-	20,871,663	33,242,650	-	33,242,650

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**21. SUPPLEMENTARY STATEMENTS (CONTINUED)**

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

	30 June 2020			30 June 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(Unaudited)			(Unaudited)		
Unearned reinsurance commission income	1,254,295	-	1,254,295	3,747,002	-	3,747,002
Gross outstanding claims	6,319,764	-	6,319,764	(3,286,507)	-	(3,286,507)
Claims incurred but not reported	(6,130,877)	-	(6,130,877)	(7,128,087)	-	(7,128,087)
Additional premium reserves	2,869,107	-	2,869,107	1,417,419	-	1,417,419
Other technical reserves	(5,607)	-	(5,607)	(1,262,987)	-	(1,262,987)
<b>Cash generated from operations</b>	<b>20,333,570</b>	<b>14,214,200</b>	<b>34,547,770</b>	<b>12,852,123</b>	<b>11,949,602</b>	<b>24,801,725</b>
Surplus distribution payable to policyholders	(5,003,795)	-	(5,003,795)	(293,080)	-	(293,080)
Zakat and income tax paid	-	-	-	-	(4,474,422)	(4,474,422)
End-of-service indemnities paid	(232,599)	-	(232,599)	(497,913)	-	(497,913)
<b>Net cash generated from operating activities</b>	<b>15,097,176</b>	<b>14,214,200</b>	<b>29,311,376</b>	<b>12,061,130</b>	<b>7,475,180</b>	<b>19,536,310</b>
<b>INVESTING ACTIVITIES</b>						
Purchase of investments held for trading	(9,833,823)	(12,757,087)	(22,590,910)	(8,023,814)	(17,909,025)	(25,932,839)
Proceeds from disposal of investments held for trading	10,060,269	13,050,848	23,111,117	7,779,165	10,091,649	17,870,814
Additions/disposals in long term/fixed income deposits	-	37,621,892	37,621,892	(8,061,293)	(94,102,153)	(102,163,446)
Purchase of property and equipment	(189,900)	-	(189,900)	(38,265)	-	(38,265)
Purchase of intangible assets	-	-	-	(189,061)	-	(189,061)
<b>Net cash generated / (used in) investing activities</b>	<b>36,546</b>	<b>37,915,653</b>	<b>37,952,199</b>	<b>(8,533,268)</b>	<b>(101,919,529)</b>	<b>(110,452,797)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment under finance lease obligations	(1,122,227)	-	(1,122,227)	(1,122,227)	-	(1,122,227)
Interoperation balances	(4,800,332)	4,800,332	-	(30,892,030)	30,892,030	-
Due to / (from) shareholders/insurance operations	3,324,349	(3,324,349)	-	2,381,296	(2,381,296)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(2,598,210)</b>	<b>1,475,983</b>	<b>(1,122,227)</b>	<b>(29,632,961)</b>	<b>28,510,734</b>	<b>(1,122,227)</b>
<b>NET CHANGE CASH AND CASH EQUIVALENTS</b>	<b>12,535,512</b>	<b>53,605,836</b>	<b>66,141,348</b>	<b>(26,105,099)</b>	<b>(65,933,615)</b>	<b>(92,038,714)</b>
Cash and cash equivalents at the beginning of the period	58,510,894	47,140,114	105,651,008	73,042,726	68,467,593	141,510,319
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>71,046,406</b>	<b>100,745,950</b>	<b>171,792,356</b>	<b>46,937,627</b>	<b>2,533,978</b>	<b>49,471,605</b>

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**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 motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgement 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 judgemental, and the Company will continue to reassess its position and the related impact on a regular basis.

**Motor technical reserves**

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the “circular”) dated 8 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.

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

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated , level for motor line of business and recorded an additional premium deficiency reserve amounting to SR 0.61 million as at 30 June 2020.

**Impact of Covid-19 on financial assets**

**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 three and six-months period ended 30 June 2020. The Company’s management continues to monitor the situation closely.

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**23. COMPARATIVE BALANCES**

Comparative figures have been reclassified to comply with the current period presentation, which are as follows:

<b>Statement of Financial Position as at 31 December 2019</b>	<b>As previously stated</b>	<b>Effects due to reclassification</b>	<b>After reclassification</b>
Property and equipment	2,746,133	(2,156,999)	<b>589,134</b>
Right-of-use-assets	-	2,156,999	<b>2,156,999</b>
Accrued expenses and other liabilities	14,150,369	(2,195,455)	<b>11,954,914</b>
Lease liabilities	-	2,195,455	<b>2,195,455</b>

**24. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors on xx August 2020 corresponding to XX XXX 1441H.