

**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
AND
INDEPENDENT AUDITORS' REVIEW REPORT**

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

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Aldar Audit Bureau
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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL INFORMATION

The Shareholders

AlinmaTokio Marine Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of AlinmaTokio Marine Company (the "Company") as of 31st March 2020 and the related interim condensed statements of income, comprehensive income, cash flows and changes in shareholders' equity for the three-month period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

For Al-Bassam & Co.

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[Handwritten signature of Abdullah M. Al Basri]

Date: June 14, 2020

Corresponding to: Shawwal 22, 1441H




ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Note	31-Mar-20 Unaudited SAR' 000	31-Dec-19 Audited SAR' 000
ASSETS			
Cash and cash equivalents	4	167,398	219,182
Investments	5	38,333	39,823
Premiums and reinsurance receivables, net	7	132,440	73,111
Reinsurers' share of unearned premiums	8.1	76,737	58,844
Reinsurers' share of outstanding claims	8.2	69,816	137,583
Reinsurers' share of incurred but not reported claims	8.2	14,351	15,204
Deferred policy acquisition costs		10,692	8,171
Prepayments and other assets		10,261	13,580
Due from related parties	9	206	206
Murabaha deposits	6	55,828	96,728
Statutory deposit		45,000	45,000
Property and equipment		6,410	7,076
Right of use assets		5,838	6,140
Intangible assets		5,228	5,439
Unit linked investments		36,436	35,941
TOTAL ASSETS		674,974	762,028
LIABILITIES			
Outstanding claims	8.2	106,400	172,767
Incurred but not reported claims	8.2	36,556	31,895
Other reserves	8.2	2,294	1,838
Premium deficiency reserves	8.3	5,086	4,487
Unearned premiums	8.1	131,138	107,765
Reinsurance balances payable		47,962	36,559
Unearned reinsurance commission		11,931	7,878
Accrued expenses and other liabilities		83,833	137,978
Lease liabilities		4,891	5,439
Due to related party	9	66	66
Zakat and income tax payable	10	6,804	5,979
Unit linked liabilities		36,436	35,941
Mathematical reserves		757	688
Retirement benefit obligation		6,076	5,698
TOTAL LIABILITIES		480,230	554,978
EQUITY			
Issued, authorised and paid up share capital	11	300,000	300,000
Accumulated losses		(104,713)	(92,604)
Remeasurement of retirement benefit obligation		(543)	(346)
TOTAL EQUITY		194,744	207,050
TOTAL LIABILITIES AND EQUITY		674,974	762,028
CONTINGENCIES AND COMMITMENTS			
	12	-	-

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.


Director



Chief Financial Officer
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Chief Executive Officer

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)
For the three months ended 31 March

	Note	2020 SAR' 000	2019 - Restated SAR' 000
REVENUES			
Gross premiums written		99,030	134,934
- Corporate		55,161	76,599
- Medium business		21,690	26,327
- Small business		5,890	24,009
- Very small business		1,280	2,351
- Retail		15,009	5,648
Fee income from insurance contracts		10	12
Reinsurance premiums ceded			
- Local		(788)	(1,590)
- Foreign		(50,080)	(51,550)
Excess of loss expenses		(1,341)	(1,167)
Net premiums written		46,831	80,639
Changes in unearned premiums	8.1	(23,373)	(53,865)
Changes in reinsurers' share of unearned premiums	8.1	17,893	16,368
Net premiums earned		41,351	43,142
Reinsurance commission earned		5,614	5,774
Other underwriting income		419	408
Total revenues		47,384	49,324
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(104,898)	(37,345)
Surrenders		(1,572)	(233)
Reinsurers' share of claims paid		84,728	7,767
Net claims and other benefits paid		(21,742)	(29,811)
Changes in outstanding claims	8.2	66,367	(1,932)
Changes in reinsurers' share of outstanding claims	8.2	(67,767)	2,286
Changes in incurred but not reported claims	8.2	(4,661)	523
Changes in reinsurers' share of incurred but not reported claims	8.2	(853)	(516)
Changes in other reserves	8.2	(456)	-
Changes in premium deficiency reserves	8.3	(599)	-
Net claims and other benefits incurred		(29,711)	(29,450)
Changes in unit linked reserves		(495)	(5,162)
Changes in mathematical reserves		(69)	-
Policy acquisition costs		(6,977)	(8,151)
Other underwriting expenses		(492)	(743)
Total underwriting costs and expenses		(37,744)	(43,506)
NET UNDERWRITING INCOME		9,640	5,818
OTHER OPERATING INCOME / (EXPENSES)			
General and administrative expenses		(14,729)	(16,290)
Provision for doubtful receivables	7	(2,751)	(857)
Unrealized (loss)/gain on unit linked investments		(3,566)	1,045
Unrealized (loss)/gain on investments		(767)	2,097
Realized gain on investments		889	1,047
Total other operating expenses		(20,924)	(12,958)
Total loss for the period before zakat		(11,284)	(7,140)
Zakat for the period	10	(825)	(1,050)
Net loss for the period		(12,109)	(8,190)
Loss per share (expressed in SAR per share)		(0.40)	(0.27)

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.


Director


Chief Financial Officer



Chief Executive Officer

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended 31 March

	2020	2019 - Restated
	SAR' 000	SAR' 000
Net loss for the period	(12,109)	(8,190)
Other comprehensive loss:		
Items that will not be reclassified to statement of income in subsequent period		
- Actuarial loss on remeasurement of retirement benefit obligations	(197)	(72)
Total comprehensive loss for the period	(12,306)	(8,262)
Total comprehensive loss for the period attributed to insurance operations	(197)	(72)
Total comprehensive loss for the period attributed to shareholders	(12,109)	(8,190)

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.



 Director



 Chief Financial Officer




 Chief Executive Officer

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the three months ended 31 March

	Note	Share capital	Accumulated losses	Remeasurement of retirement benefit obligation	Total
		SAR'000	SAR'000	SAR'000	SAR'000
2020					
Balance as at 31 December 2019 (audited)	11	300,000	(92,604)	(346)	207,050
Total comprehensive loss for the period		-	(12,109)	-	(12,109)
Actuarial loss on retirement benefit obligations		-	-	(197)	(197)
Balance as at 31 March 2020		300,000	(104,713)	(543)	194,744
2019					
Balance as at 31 December 2018 (audited)	11	300,000	(54,373)	(629)	244,998
Total comprehensive loss for the period		-	(8,190)	-	(8,190)
Actuarial loss on retirement benefit obligations		-	-	(72)	(72)
Balance as at 31 March 2019		300,000	(62,563)	(701)	236,736

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.


Director


Chief Financial Officer


Chief Executive Officer

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For the three months ended 31 March

	Note	2020	2019
		SAR' 000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(12,109)	(8,190)
Adjustments for non cash items:			
Depreciation and amortisation		1,108	1,226
Depreciation of right to use asset		302	-
Financing cost on lease liabilities		65	-
Provision for doubtful receivables	7	2,751	858
Realized gain on FVSI		-	(366)
Unrealized loss / (gain) on FVSI	5.2	1,490	(1,096)
Provision for retirement benefit obligations		378	397
Provision for zakat		825	1,050
		(5,190)	(6,121)
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		(62,080)	(61,726)
Reinsurers' share of unearned premiums		(17,893)	(16,368)
Reinsurers' share of outstanding claims		67,767	(2,286)
Reinsurers' share of incurred but not reported claims		853	516
Deferred policy acquisition costs		(2,521)	(5,291)
Prepayments and other assets		3,319	(3,563)
Due from related parties		-	(162)
Unit linked investments		(495)	(5,162)
Outstanding claims		(66,367)	1,932
Incurred but not reported claims		4,661	(523)
Other reserves		456	-
Premium deficiency reserves		599	-
Mathematical reserves		69	-
Unearned premiums		23,373	53,865
Reinsurance balances payable		11,403	11,156
Unearned reinsurance commission		4,053	4,694
Accrued expenses and other liabilities		(54,145)	18,754
Lease liabilities		(613)	6,338
Due to related party		-	(45)
Unit linked liabilities		495	5,162
Cash (used in) / generated from operations		(92,256)	1,170
Retirement benefit obligations paid		(197)	(113)
Net cash (used in) / generated from operating activities		(92,453)	1,057
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement of murabaha deposits		(74,807)	-
Proceeds from maturity of murhaba deposits		115,707	71,598
Purchase of intangible assets		(231)	(532)
Purchase of investments	5	-	(47,000)
Proceeds from disposal of investments	5	-	47,961
Purchase of property and equipment		-	(56)
Right to use assets		-	(7,349)
Net cash generated from investing activities		40,669	64,622
Net cash (used in) / generated from all activities		(51,784)	65,679
Cash and cash equivalents at the beginning of the period		219,182	52,710
Cash and cash equivalents at the end of the period	4	167,398	118,389
Non cash transactions			
Actuarial loss on retirement benefit obligations		(197)	(72)

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.


Director


Chief Financial Officer


Chief Executive Officer

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

1 GENERAL

Alinma Tokio Marine Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 309/Q dated 19 Rajab 1433H (corresponding to 9 June 2012). The Commercial Registration number of the Company is 1010342527, dated 28 Rajab 1433H (corresponding to 18 June 2012). The Company is listed on the Saudi Arabian Stock Exchange ("Tadawul") since 24 June 2012. The Registered address of the Company's head office is as follows:

King Fahad Road
P.O. Box 643
Riyadh 11421
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 25/M, dated 3 Jumada-Al Thani 1430H (corresponding to 27 June 2009), pursuant to the Council of Ministers' Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009).

The objectives of the Company is to transact in cooperative insurance operations and all related activities in accordance with its By Laws and applicable regulations in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The interim condensed financial statements of the Company for the three month period ended 31 March 2020 has been prepared using the International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax, and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). As per Circular no. 2019/23099 dated 26 shaban 1440H, (corresponding to 1 May 2019) SAMA instructed the Insurance Companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRSs and its interpretations as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 - Accounting Policies Changes in Accounting Estimates and Errors and the effects of this change are disclosed in note 3 and 10 to the interim condensed financial statements. Accordingly, the comparative for 31 March 2020 have been reclassified.

In accordance with Article 70 of the SAMA Implementing Regulations, as per the Articles of Association of the Company, the Company maintains separate accounts for both insurance operations and shareholders' operations. It distributes the net annual insurance surplus as set forth in the Company's Articles of Association and the insurance policy in terms of cooperative insurance, The customer (insurance policy) is valid and paid to date at the time of payment of the cooperative distribution amount.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

2 BASIS OF PREPARATION (Continued)

2.1 Statement of Compliance (Continued)

The interim condensed financial statements have been prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investment held as FVSI. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Property and Equipment, Intangible Assets, Unit linked Investments, Statutory Deposit, Murabaha Deposits maturing over one year, Available for sale investments, Held to maturity investments and Retirement benefit obligations. All other financial statement line items would generally be classified as current.

The Company presents its interim condensed statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and present same supplementary information in the financial statements (note 14). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 14 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the 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. Inter-operation balances and transactions, 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 accumulated losses as at 31 March 2020 are 34.91% (31 December 2019: 30.87%) of the share capital. The reason for these losses is high expense ratio and deterioration in loss ratio. The Company has put together a two-pillar plan under which the growth in topline is planned along with a firm control on expenses.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

2 BASIS OF PREPARATION (Continued)

2.2 Critical accounting judgement, estimates and assumptions

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements for the year ended 31 December 2019.

Impact of covid-19 on the technical reserves and financial assets

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

Also refer subsequent event note 17 in relation to SAMA Circular 189 issued on 8 May 2020 in response to the Covid-19 pandemic.

This necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an preliminary assessment on the overall Company's operations and business aspects including factors like dealing with customers and service providers, claims processing, collections protocol, travel restrictions, oil prices, etc., concluded that, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving and the future remains uncertain, the management will continue to assess the impact based on prospective developments.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

2 BASIS OF PREPARATION (Continued)

2.3 Functional and presentation currency

The interim condensed financial statements have been prepared in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in SAR has been rounded off to the nearest thousand, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.2 Deferred Tax

Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the period ended 31 March 2020 since the Company does not anticipate availability of future taxable profit to utilize any tax credits. The amount of deferred tax asset as at 31 March 2020 is estimated to be SAR 2.07 Million (31 December 2019: SAR 2.21 Million).

3.3 Standards issued but not yet effective

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

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Standards issued but not yet effective (Continued)

IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts) (Continued)

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Company is eligible and have chosen to apply the temporary exemption under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. IASB through its amendments to IFRS 4 issued in September 2016 had allowed temporary exemption if a Company meets the following criteria:

- a) the Company has not previously applied any version of IFRS 9; and
- b) its activities are predominantly connected with insurance that is defined as total percentage of carrying amount of insurance liabilities is greater than 90% of its total liabilities.

IFRS 17 Insurance Contracts

Overview

This standard has been published on May 18, 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).

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Standards issued but not yet effective (Continued)

IFRS 17 Insurance Contracts (Continued)

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:
 - i. probability-weighted estimates of future cash flows,
 - ii. an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - iii. 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:
 - i. the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
 - ii. and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Standards issued but not yet effective (Continued)

IFRS 17 Insurance Contracts (Continued)

In addition, a simplified **Premium Allocation Approach (PAA)** is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the GMM 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 GMM remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition

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

Presentation and Disclosures

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

4 CASH AND CASH EQUIVALENTS

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SAR'000			SAR'000		
Cash in hand	45	-	45	45	-	45
Cash at banks – current accounts	37,816	11,207	49,023	133,736	11,244	144,980
Short term murabah deposits	50,438	67,892	118,330	50,000	24,157	74,157
Total	88,299	79,099	167,398	183,781	35,401	219,182

Cash at bank includes an amount of SAR 42.32 million (2019: SR 76.18 million) held with Alinma Bank, a related party.

5 INVESTMENTS

This represents investment in Najm for Insurance Services Company (classified as available for sale), equity shares, Shari'ah compliant mutual funds, discretionary portfolios and real estate fund (classified as investment at fair value through income statement "FVSI") and sukuk (classified as held to maturity investments).

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Available for sale investments	-	1,923	1,923	-	1,923	1,923
Investments at fair value through statement of income (FVSI)	242	31,168	31,410	240	32,660	32,900
Investments at held to maturity	-	5,000	5,000	-	5,000	5,000
Total	242	38,091	38,333	240	39,583	39,823

The movement during the period is as follows:

5.1 Available for sale investments

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SAR'000			SAR'000		
Balance at the beginning and end	-	1,923	1,923	-	1,923	1,923

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

5 INVESTMENTS (continued)

5.2 Investments at fair value through statement of income (FVSI)

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SAR'000			SAR'000		
Balance at the beginning	240	32,660	32,900	411	36,490	36,901
Purchases	-	-	-	139,600	2,210	141,810
Disposals	-	-	-	(140,245)	(7,053)	(147,298)
Realised gain	-	-	-	470	331	801
Unrealised gain / (loss)	2	(1,492)	(1,490)	4	682	686
Balance at the end	242	31,168	31,410	240	32,660	32,900

5.3 Investments at held to maturity

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SAR'000			SAR'000		
Balance at the beginning	-	5,000	5,000	-	12,974	12,974
Redemptions	-	-	-	-	(7,974)	(7,974)
Balance at the end	-	5,000	5,000	-	5,000	5,000

Investments held to maturity have a tenure of ten years, yielding an average profit rate of SIBOR (3M) + 2.125% per annum (31 December 2019 SIBOR (3M) + 2.125%).

5.4 Determination of fair value and fair value hierarchy

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. Underlying the definition of fair value there is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, premiums and reinsurance receivables, Murabaha deposits, reinsurance share of unearned premium, deferred policy acquisition cost, reinsurance share of outstanding claims, reinsurance share of incurred but not reported claims, reinsurance share of other reserves, investments and its financial liabilities consist of reinsurance balance payables, unearned premium, unearned commission income, outstanding claims, incurred but not reported claims, other reserves, premium deficiency reserve. The fair values of financial assets and liabilities are not materially different from their carrying values at the interim condensed statement of financial position date.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

5 INVESTMENTS (continued)

5.4 Determination of fair value and fair value hierarchy (continued)

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Shareholders' operations

	As at 31 March 2020 (Unaudited)			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in discretionary portfolios	14,521	-	-	14,521
- Investments in real estate fund	-	9,434	5,131	14,565
- Investments in quoted equity	2,082	-	-	2,082
Investments at held to maturity				
- Sukuks	-	5,000	-	5,000
Total	16,603	14,434	7,054	38,091

	As at 31 December 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in discretionary portfolios	15,661	-	-	15,661
- Investments in real estate funds	-	9,434	5,131	14,565
- Investments in quoted equity	2,434	-	-	2,434
Investments at held to maturity				
- Sukuks	-	5,000	-	5,000
Total	18,095	14,434	7,054	39,583

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

5 INVESTMENTS (continued)

5.4 Determination of fair value and fair value hierarchy (continued)

Transfer between levels

There were no transfers between levels during the three months period ended 31 March 2020. The following table presents the transfer between levels for the year ended 31 December 2019:

Shareholders' operations	As at 31 December 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Transfer between level 1 and level 2				
Units in real estate fund	(10,780)	10,780	-	-
Transfer between level 1 and level 3				
Units in real estate fund	(5,140)	-	5,140	-

The units in the real estate funds were transferred to level 2 and level 3 due to unavailability of quoted prices.

Insurance operations

	As at 31 March 2020 (Unaudited)			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Investments at fair value through statement of income				
- Investments in mutual funds	242	-	-	242

	As at 31 December 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Investments at fair value through statement of income				
- Investments in mutual funds	240	-	-	240

6 MURABAHA DEPOSITS

Murabaha deposits represents deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months to two years from the date of acquisition, yielding an average profit rate of 3.73% per annum (31 December 2019, 3.73% per annum).

7 PREMIUMS AND REINSURANCE RECEIVABLES - NET

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Policyholders	112,761	-	112,761	63,963	-	63,963
Related party (note 9)	6,070	-	6,070	7,463	-	7,463
Reinsurance receivables	46,716	-	46,716	32,041	-	32,041
	165,547	-	165,547	103,467	-	103,467
Provision for doubtful receivables	(33,107)	-	(33,107)	(30,356)	-	(30,356)
	132,440	-	132,440	73,111	-	73,111

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

8 TECHNICAL RESERVES

8.1 MOVEMENT IN UNEARNED PREMIUMS

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SAR'000			SAR'000		
Balance at the beginning	107,765	(58,844)	48,921	80,827	(39,641)	41,186
Premium written	99,030	(52,209)	46,821	331,141	(161,890)	169,251
Policy fee	10	-	10	30	-	30
Premium earned	(75,667)	34,316	(41,351)	(304,233)	142,687	(161,546)
Balance at the end	131,138	(76,737)	54,401	107,765	(58,844)	48,921

8.2 NET OUTSTANDING CLAIMS AND RESERVES

	As at 31 March 2020 (Unaudited) SAR'000	As at 31 December 2019 (Audited) SAR'000
Outstanding claims	116,816	182,078
Less: Realizable value of salvage and subrogation	(10,416)	(9,311)
	106,400	172,767
Incurred but not reported claims	36,556	31,895
Other reserves	2,294	1,838
Premium deficiency reserves	5,086	4,487
	150,336	210,987
Less:		
Reinsurers' share of outstanding claims	(69,816)	(137,583)
Reinsurers' share of Incurred but not reported claims	(14,351)	(15,204)
	(84,167)	(152,787)
Net outstanding claims and reserves	66,169	58,200

8.3 PREMIUM DEFICIENCY RESERVE

The Company has created a provision in respect of premium deficiency reserves ('PDR') for its motor line of businesses amounting to SAR 5.1 million (2019: motor SAR 4.3 million, medical SAR 0.1 million). The PDR has been created with respect to additional reserve required to cover expected claims not initially built in the premium. The Company expected this provision based on the assumption that the unearned premiums will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of policies in force at the date of interim condensed statement of financial position.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

9 TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of business, the Company transacts with related parties. Transactions with related parties are carried out on an arm's length basis.

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. In addition to the notes 4 and 7, following are the details of major related party transactions during and the related balances

Nature of transactions	For the three months ended 31 March 2020 (Unaudited)			For the three months ended 31 March 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
<u>Shareholders:</u>						
Gross written premiums	6,799	-	6,799	5,367	-	5,367
Reinsurance premiums ceded	3,420	-	3,420	2,890	-	2,890
Claims paid - net of recoveries	2,228	-	2,228	2,447	-	2,447
Reinsurance commission	942	-	942	827	-	827
Reinsurance share of claims	4,214	-	4,214	15	-	15
General and administrative expenses	218	-	218	234	19	253
<u>Other Related parties:</u>						
Investments	7,464	-	7,464	4,298	162	4,460
Agency commission	872	-	872	568	-	568
General and administrative expenses	-	-	-	58	10	68
<u>Closing Balances</u>						
	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
<u>Shareholders:</u>						
Premium Receivable	6,070	-	6,070	7,463	-	7,463
Reinsurance premiums payable	6,018	-	6,018	7,045	-	7,045
Claims payable	84	-	84	89	-	89
Bank Balance	31,111	11,207	42,318	64,937	11,243	76,180
General and administrative expenses	(66)	-	(66)	(66)	-	(66)
<u>Other related parties</u>						
Investments	36,436	29,086	65,522	35,941	30,225	66,166
Dividend receivable	-	206	-	-	206	206
Agency commission	490	-	490	224	-	224

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

9 TRANSACTIONS WITH RELATED PARTIES (continued)

Information relating to key management personnel:

	For the three months ended 31 March 2020 (Unaudited)			For the three months ended 31 March 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Short term benefits	1,093	-	1,093	1,125	-	1,125
Long term benefits	76	-	76	111	-	111

Short-term benefits include salaries and allowances whilst long term benefits include employees' retirement benefit obligations.

Board and sub committees related

	For the three months ended 31 March 2020 (Unaudited)			For the three months ended 31 March 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Directors' remuneration	-	350	350	-	400	400
Attendance fees	-	90	90	-	92	92

Board and sub-committees attendance fees represent allowance for attending board and sub-committee meetings.

10 ZAKAT AND INCOME TAX PAYABLE

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Zakat payable	-	6,838	6,838	-	6,013	6,013
Income tax payable	-	(34)	(34)	-	(34)	(34)
Zakat and Income tax payable	-	6,804	6,804	-	5,979	5,979

The difference between the accounting income and the adjusted net loss is mainly due to provisions which are not allowed in the calculation of adjustable net income. Local shareholding used for the Zakat calculation is 71.25%

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

10 ZAKAT AND INCOME TAX PAYABLE (Continued)

The movement in Zakat provision is as follows:

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	6,013	6,013	-	5,586	5,586
Zakat charge	-	825	825	-	3,331	3,331
Additional charge for prior years	-	-	-	-	869	-
Zakat payment made	-	-	-	-	(3,763)	(3,763)
Advance tax paid	-	-	-	-	(10)	-
Balance at the end	-	6,838	6,838	-	6,013	5,154

Income tax:

Provision for income tax is required to be made at 20% of the adjusted net income attributable to the foreign shareholder of the Company. Foreign shareholder subject to income tax is 28.75%. The movement in income tax provision is as follows:

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	(34)	(34)	-	-	-
Income tax paid	-	-	-	-	(34)	(34)
Balance at the end	-	(34)	(34)	-	(34)	(34)

Status of Assessments

During 2017, the General Authority for Zakat and Tax (GAZT) has issued assessments for the years from 2012 to 2015, requiring an additional zakat and WHT liability amounting to SAR 5.5 million and SAR 2.9 million respectively. The Company has filed an appeal against the assessment of GAZT for the additional liability arising out of various disallowances for years from 2012 to 2015 with Preliminary Appeal Committee (PAC). Further, the Company has booked an additional zakat liability of SAR 0.87 million in 2019 and no additional liability in current period. The Company has obtained limited certificates for the year from 2012 to 2019.

11 ISSUED, AUTHORISED AND PAID UP SHARE CAPITAL

The issued, authorised and paid up share capital of the Company was SAR 300 million as at 31 March 2020 (31 December 2019: SAR 300 million) consisting of 30 million shares (31 December 2019: 30 million) of SAR 10 each.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	No. of shares	Value per share	Share Capital SAR	No. of shares	Value per share	Share Capital SAR
Alinma Bank	8,625,000	10	86,250,000	8,625,000	10	86,250,000
Tokio Marine & Nichido Fire						
Insurance	8,625,000	10	86,250,000	8,625,000	10	86,250,000
Others	12,750,000	10	127,500,000	12,750,000	10	127,500,000
	30,000,000	10	300,000,000	30,000,000	10	300,000,000

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
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12 CONTINGENCIES AND COMMITMENT

As at 31 March 2020 the Company's banker has issued letters of guarantee of SAR 2.88 million (31 December 2019: SAR 2.38 million) to various customers, motor agencies, workshops and health service providers as per the terms of their respective agreements which have been classified under prepayments and other assets in the interim condensed statement of financial position. The Company has no capital commitments as at 31 March 2020.

Following table lists the legal proceedings in the ordinary course of business that the Company is subject to.

	2020	2019
	SR'000	SR'000
Motor claims related compensation	330	330

13 SEGMENT REPORTING

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

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

Segment information is presented in respect of the Company's business segments which are fire, marine, general accident, engineering, motor and protection and savings based on the Company's management and internal reporting structure.

Operating segments do not include shareholders' operations of the Company.

Segment assets do not include cash and bank balances, investments, premiums and reinsurance receivables, due from shareholders' operations, prepayments and other assets and fixed assets.

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and retirement benefit obligation.

Segment results do not include general and administrative expenses.

The unallocated assets and liabilities are reported to the Chief Executive Officer on a cumulative basis and not reported under the related segment.

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. Information disclosed in the note is based on current reporting to the Chief Executive Officer.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
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13 SEGMENT REPORTING (Continued)

For the three months ended 31 March 2020 (Unaudited)						
Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
SAR'000						
REVENUES						
Gross premiums written	54,180	30,034	14,768	48	99,030	99,030
- Corporate	38,520	9,210	7,431	-	55,161	55,161
- Medium business	11,233	10,098	359	-	21,690	21,690
- Small business	3,891	1,951	-	48	5,890	5,890
- Very small business	536	744	-	-	1,280	1,280
- Retail	-	8,031	6,978	-	15,009	15,009
Fee income from Insurance contracts	10	-	-	-	10	10
Reinsurance premiums ceded - Local	(788)	-	-	-	(788)	(788)
Reinsurance premiums ceded - Foreign	(46,556)	-	(3,524)	-	(50,080)	(50,080)
Excess of loss expenses	(1,024)	(317)	-	-	(1,341)	(1,341)
Net premiums written	5,822	29,717	11,244	48	46,831	46,831
Net change in unearned premiums	(2,821)	(2,917)	(204)	462	(5,480)	(5,480)
Net premiums earned	3,001	26,800	11,040	510	41,351	41,351
Reinsurance commission earned	5,614	-	-	-	5,614	5,614
Other underwriting income	-	419	-	-	419	419
Total insurance revenues	8,615	27,219	11,040	510	47,384	47,384
UNDERWRITING COSTS AND EXPENSES						
Net claims incurred	(1,095)	(26,518)	(2,146)	48	(29,711)	(29,711)
Changes in unit linked reserves	-	-	(495)	-	(495)	(495)
Changes in mathematical reserves	-	-	(69)	-	(69)	(69)
Policy acquisition costs	(3,477)	(2,591)	(876)	(33)	(6,977)	(6,977)
Other underwriting expenses	(267)	(150)	(74)	(1)	(492)	(492)
Total underwriting costs and expenses	(4,839)	(29,259)	(3,660)	14	(37,744)	(37,744)
NET UNDERWRITING INCOME	3,776	(2,040)	7,380	524	9,640	9,640
OTHER OPERATING INCOME / (EXPENSES)						
General and administrative expenses				(13,848)	(881)	(14,729)
Provision for doubtful receivables				(2,751)	-	(2,751)
Unrealized loss on unit linked investments				(3,566)	-	(3,566)
Unrealized gain/(loss) on investments				4	(771)	(767)
Realized gain on investments				433	456	889
Total other operating expenses				(19,728)	(1,196)	(20,924)
Total loss for the period before zakat				(10,088)	(1,196)	(11,284)
Zakat for the period						(825)
Net loss for the period						(12,109)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

13 SEGMENT REPORTING (Continued)

For the three months ended 31 March 2019 (Unaudited)

	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
REVENUES							
Gross premiums written	58,374	57,310	11,644	7,606	134,934		134,934
- Corporate	30,380	39,796	6,423	-	76,599	-	76,599
- Medium business	15,055	10,905	367	-	26,327	-	26,327
- Small business	11,752	4,651	-	7,606	24,009	-	24,009
- Very small business	1,187	1,164	-	-	2,351	-	2,351
- Retail	-	794	4,854	-	5,648	-	5,648
Fee income from Insurance contracts	12	-	-	-	12	-	12
Reinsurance premiums ceded - Local	(1,590)	-	-	-	(1,590)	-	(1,590)
Reinsurance premiums ceded - Foreign	(48,516)	-	(3,034)	-	(51,550)	-	(51,550)
Excess of loss expenses	(844)	(323)	-	-	(1,167)	-	(1,167)
Net premiums written	7,436	56,987	8,610	7,606	80,639	-	80,639
Net change in unearned premiums	(4,371)	(29,903)	1,787	(5,010)	(37,497)	-	(37,497)
Net premiums earned	3,065	27,084	10,397	2,596	43,142	-	43,142
Reinsurance commission earned	5,774	-	-	-	5,774	-	5,774
Other underwriting income	-	408	-	-	408	-	408
Total insurance revenues	8,839	27,492	10,397	2,596	49,324	-	49,324
UNDERWRITING COSTS AND EXPENSES							
Net claims incurred	(1,118)	(22,200)	(3,890)	(2,242)	(29,450)	-	(29,450)
Changes in unit linked reserves	-	-	(5,162)	-	(5,162)	-	(5,162)
Policy acquisition costs	(4,084)	(3,107)	(854)	(106)	(8,151)	-	(8,151)
Other underwriting expenses	(283)	(288)	(58)	(114)	(743)	-	(743)
Total underwriting costs and expenses	(5,485)	(25,595)	(9,964)	(2,462)	(43,506)	-	(43,506)
NET UNDERWRITING INCOME	3,354	1,897	433	134	5,818	-	5,818
OTHER OPERATING INCOME / (EXPENSES)							
General and administrative expenses					(15,408)	(882)	(16,290)
Provision for doubtful receivables					(857)	-	(857)
Unrealized gain on unit linked investments					1,045	-	1,045
Unrealized gain on investments					-	2,097	2,097
Realized gain on investments					204	843	1,047
Total other operating expenses					(15,016)	2,058	(12,958)
Total loss for the period before zakat					(9,198)	2,058	(7,140)
Zakat for the period							(1,050)
Net loss for the period							(8,190)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

13 SEGMENT REPORTING (Continued)

As at 31 March 2020 (Unaudited)						
Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
SAR'000						
ASSETS						
Cash and cash equivalents				88,299	79,099	167,398
Investments				242	38,091	38,333
Reinsurers' share of outstanding claims	63,424	-	6,392	-	-	69,816
Reinsurers' share of incurred but not reported claims	10,865	-	3,486	-	-	14,351
Reinsurers' share of unearned premiums	76,621	-	116	-	-	76,737
Deferred policy acquisition costs	6,748	3,905	38	1	-	10,692
Unit linked investments	-	-	36,436	-	-	36,436
Unallocated assets				158,613	102,598	261,211
Total assets				455,186	219,788	674,974
LIABILITIES						
Outstanding claims	67,330	28,719	10,175	176	-	106,400
Incurred but not reported claims	13,157	17,048	5,930	421	-	36,556
Other reserves	307	1,817	170	-	-	2,294
Premium deficiency reserves	-	5,086	-	-	-	5,086
Unearned premiums	86,787	43,960	367	24	-	131,138
Unearned reinsurance commission	11,931	-	-	-	-	11,931
Unit linked liabilities	-	-	36,436	-	-	36,436
Unallocated liabilities and equity				138,631	206,502	345,133
Total liabilities and equity				468,472	206,502	674,974

As at 31 December 2019 (Audited)						
Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
SAR'000						
ASSETS						
Cash and cash equivalents				183,781	35,401	219,182
Investments				240	39,583	39,823
Reinsurers' share of outstanding claims	130,358	-	7,225	-	-	137,583
Reinsurers' share of incurred but not reported claims	12,139	-	3,065	-	-	15,204
Reinsurers' share of unearned premiums	58,802	-	42	-	-	58,844
Deferred policy acquisition costs	4,684	3,453	4	30	-	8,171
Unit linked investments	-	-	35,941	-	-	35,941
Unallocated assets				102,357	144,923	247,280
Total assets				542,121	219,907	762,028
LIABILITIES						
Outstanding claims	133,056	27,657	11,376	678	-	172,767
Incurred but not reported claims	14,819	11,144	5,263	669	-	31,895
Other reserves	322	1,354	162	-	-	1,838
Premium deficiency reserves	-	4,360	-	127	-	4,487
Unearned premiums	66,146	41,043	90	487	-	107,766
Unearned reinsurance commission	7,878	-	-	-	-	7,878
Unit linked liabilities	-	-	35,941	-	-	35,941
Mathematical reserve			688	-	-	688
Unallocated liabilities and equity				181,600	217,168	398,768
Total liabilities and equity				544,860	217,168	762,028

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 March 2020

14 SUPPLEMENTARY INFORMATION

14.1 Statement of financial position

		As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Note	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000		
ASSETS							
Cash and cash equivalents	4	88,299	79,099	167,398	183,781	35,401	219,182
Investments	5	242	38,091	38,333	240	39,583	39,823
Premiums and reinsurance receivables, net	7	132,440	-	132,440	73,111	-	73,111
Reinsurers' share of unearned premiums	8.1	76,737	-	76,737	58,844	-	58,844
Reinsurers' share of outstanding claims	8.2	69,816	-	69,816	137,583	-	137,583
Reinsurers' share of incurred but not reported claims	8.2	14,351	-	14,351	15,204	-	15,204
Deferred policy acquisition costs		10,692	-	10,692	8,171	-	8,171
Prepayments and other assets		8,697	1,564	10,261	10,591	2,989	13,580
Due from shareholders' operations		13,286	-	13,286	2,739	-	2,739
Due from related parties	9	-	206	206	-	206	206
Murabaha deposits	6	-	55,828	55,828	-	96,728	96,728
Statutory deposit		-	45,000	45,000	-	45,000	45,000
Property and equipment		6,410	-	6,410	7,076	-	7,076
Right of use assets		5,838	-	5,838	6,140	-	6,140
Intangible assets		5,228	-	5,228	5,439	-	5,439
Unit linked investments		36,436	-	36,436	35,941	-	35,941
TOTAL ASSETS		468,472	219,788	688,260	544,860	219,907	764,767
LIABILITIES							
Outstanding claims	8.2	106,400	-	106,400	172,767	-	172,767
Incurred but not reported claims	8.2	36,556	-	36,556	31,895	-	31,895
Other reserves	8.2	2,294	-	2,294	1,838	-	1,838
Premium deficiency reserves	8.3	5,086	-	5,086	4,487	-	4,487
Unearned premiums	8.1	131,138	-	131,138	107,765	-	107,765
Reinsurance balances payable		47,962	-	47,962	36,559	-	36,559
Unearned reinsurance commission		11,931	-	11,931	7,878	-	7,878
Accrued expenses and other liabilities		79,422	4,411	83,833	134,185	3,793	137,978
Lease liabilities		4,891	-	4,891	5,439	-	5,439
Due to related party	9	66	-	66	66	-	66
Zakat and income tax payable	10	-	6,804	6,804	-	5,979	5,979
Unit linked liabilities		36,436	-	36,436	35,941	-	35,941
Mathematical reserves		757	-	757	688	-	688
Retirement benefit obligation		6,076	-	6,076	5,698	-	5,698
Due to insurance operations		-	13,286	13,286	-	2,739	2,739
TOTAL LIABILITIES		469,015	24,501	493,516	545,206	12,511	557,717
EQUITY							
Share capital	11	-	300,000	300,000	-	300,000	300,000
Accumulated losses		-	(104,713)	(104,713)	-	(92,604)	(92,604)
Remeasurement of retirement benefit obligations		(543)	-	(543)	(346)	-	(346)
TOTAL EQUITY		(543)	195,287	194,744	(346)	207,396	207,050
TOTAL LIABILITIES AND EQUITY							
		468,472	219,788	688,260	544,860	219,907	764,767

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

14 SUPPLEMENTARY INFORMATION (continued)

14.2 Statement of income

	For the three months ended 31 March 2020			For the three months ended 31 March 2019		
Note	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written	99,030	-	99,030	134,934	-	134,934
- Corporate	55,161	-	55,161	76,599	-	76,599
- Medium business	21,690	-	21,690	26,327	-	26,327
- Small business	5,890	-	5,890	24,009	-	24,009
- Very small business	1,280	-	1,280	2,351	-	2,351
- Retail	15,009	-	15,009	5,648	-	5,648
Fee income from insurance contracts	10	-	10	12	-	12
Reinsurance premiums ceded						
- Local	(788)	-	(788)	(1,590)	-	(1,590)
- Foreign	(50,080)	-	(50,080)	(51,550)	-	(51,550)
Excess of loss expenses	(1,341)	-	(1,341)	(1,167)	-	(1,167)
Net premiums written	46,831	-	46,831	80,639	-	80,639
Changes in unearned premiums	8.1 (23,373)	-	(23,373)	(53,865)	-	(53,865)
Changes in reinsurers' share of unearned premiums	8.1 17,893	-	17,893	16,368	-	16,368
Net premiums earned	41,351	-	41,351	43,142	-	43,142
Reinsurance commission earned	5,614	-	5,614	5,774	-	5,774
Other underwriting income	419	-	419	408	-	408
Total Revenues	47,384	-	47,384	49,324	-	49,324
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(104,898)	-	(104,898)	(37,345)	-	(37,345)
Surrenders	(1,572)	-	(1,572)	(233)	-	(233)
Reinsurers' share of claims paid	84,728	-	84,728	7,767	-	7,767
Net claims and other benefits incurred	(21,742)	-	(21,742)	(29,811)	-	(29,811)
Changes in outstanding claims	8.2 66,367	-	66,367	(1,932)	-	(1,932)
Changes in reinsurers' share of outstanding claims	8.2 (67,767)	-	(67,767)	2,286	-	2,286
Changes in incurred but not reported claims	8.2 (4,661)	-	(4,661)	523	-	523
Changes in reinsurers' share of incurred but not reported claims	8.2 (853)	-	(853)	(516)	-	(516)
Changes in other reserves	8.2 (456)	-	(456)	-	-	-
Changes in premium deficiency reserves	8.3 (599)	-	(599)	-	-	-
Net claims and other benefits incurred	(29,711)	-	(29,711)	(29,450)	-	(29,450)
Changes in unit linked reserves	(495)	-	(495)	(5,162)	-	(5,162)
Changes in mathematical reserves	(69)	-	(69)	-	-	-
Policy acquisition costs	(6,977)	-	(6,977)	(8,151)	-	(8,151)
Other underwriting expenses	(492)	-	(492)	(743)	-	(743)
Total underwriting costs and expenses	(37,744)	-	(37,744)	(43,506)	-	(43,506)
NET UNDERWRITING INCOME	9,640	-	9,640	5,818	-	5,818
OTHER OPERATING INCOME / (EXPENSES)						
General and administrative expenses	(13,848)	(881)	(14,729)	(15,408)	(882)	(16,290)
Provision for doubtful receivables	7 (2,751)	-	(2,751)	(857)	-	(857)
Unrealized (loss)/gain on unit linked investments	(3,566)	-	(3,566)	1,045	-	1,045
Unrealized (loss)/gain on investments	4	(771)	(767)	-	2,097	2,097
Realized gain on investments	433	456	889	204	843	1,047
Total other (expenses) / income - net	(19,728)	(1,196)	(20,924)	(15,016)	2,058	(12,958)
Total loss for the period before zakat	(10,088)	(1,196)	(11,284)	(9,198)	2,058	(7,140)
Zakat for the period	10 -	(825)	(825)	-	(1,050)	(1,050)
Net loss for the period	(10,088)	(2,021)	(12,109)	(9,198)	1,008	(8,190)
Loss per share (expressed in SAR per share)			(0.40)			(0.27)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

14 SUPPLEMENTARY INFORMATION (continued)

14.3 Statement of comprehensive income

Note	For the three months ended 31 March 2020			For the three months ended 31 March 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Net (loss) / profit for the period	(10,088)	(2,021)	(12,109)	(9,198)	1,008	(8,190)
Other comprehensive loss:						
Items that will not be reclassified to statement of income in subsequent periods:						
- Actuarial loss on retirement benefit obligations	(197)	-	(197)	(72)	-	(72)
Total comprehensive loss for the period	(10,285)	(2,021)	(12,306)	(9,270)	1,008	(8,262)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

14 SUPPLEMENTARY INFORMATION (continued)

14.4 Statement of cash flows

	Note	2020			2019		
		Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
		operations	operations		operations	operations	
		SAR'000			SAR'000		
CASH FLOWS FROM OPERATING ACTIVITIES							
Net loss for the year		-	(12,109)	(12,109)	-	(8,190)	(8,190)
Adjustments for non cash items:							
Depreciation and amortisation		1,108	-	1,108	1,226	-	1,226
Depreciation of right to use asset		302	-	302	-	-	-
Financing cost on lease liabilities		65	-	65	-	-	-
Provision for doubtful receivables		2,751	-	2,751	858	-	858
Realized gain on FVSI		-	-	-	(204)	(162)	(366)
Unrealized loss / (gain) on FVSI		(2)	1,492	1,490	-	(1,096)	(1,096)
Provision for retirement benefit obligations		378	-	378	397	-	397
Provision for zakat		-	825	825	-	1,050	1,050
		4,602	(9,792)	(5,190)	2,277	(8,398)	(6,121)
Changes in operating assets and liabilities:							
Premiums and reinsurance receivables		(62,080)	-	(62,080)	(61,726)	-	(61,726)
Reinsurers' share of unearned premiums		(17,893)	-	(17,893)	(16,368)	-	(16,368)
Reinsurers' share of outstanding claims		67,767	-	67,767	(2,286)	-	(2,286)
Reinsurers' share of incurred but not reported claims		853	-	853	516	-	516
Reinsurers' share of other reserves		-	-	-	-	-	-
Deferred policy acquisition costs		(2,521)	-	(2,521)	(5,291)	-	(5,291)
Prepayments and other assets		1,894	1,425	3,319	(2,622)	(941)	(3,563)
Due from related parties		-	-	-	-	(162)	(162)
Due to insurance operations		-	10,547	10,547	-	10,604	10,604
Unit linked investments		(495)	-	(495)	(5,162)	-	(5,162)
Outstanding claims		(66,367)	-	(66,367)	1,932	-	1,932
Incurred but not reported claims		4,661	-	4,661	(523)	-	(523)
Other reserves		456	-	456	-	-	-
Premium deficiency reserves		599	-	599	-	-	-
Mathematical reserves		69	-	69	-	-	-
Unearned premiums		23,373	-	23,373	53,865	-	53,865
Reinsurance balances payable		11,403	-	11,403	11,156	-	11,156
Unearned reinsurance commission		4,053	-	4,053	4,694	-	4,694
Accrued expenses and other liabilities		(54,763)	618	(54,145)	18,332	422	18,754
Lease liabilities		(613)	-	(613)	6,338	-	6,338
Due to related party		-	-	-	(64)	19	(45)
Unit linked liabilities		495	-	495	5,162	-	5,162
Due from shareholders' operations		(10,547)	-	(10,547)	(10,604)	-	(10,604)
Cash (used in) / generated from operations		(95,054)	2,798	(92,256)	(374)	1,544	1,170
Retirement benefit obligation paid		(197)	-	(197)	(113)	-	(113)
Net cash (used in) / generated from operating activities		(95,251)	2,798	(92,453)	(487)	1,544	1,057
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of murabaha deposits		(50,438)	(24,369)	(74,807)	-	-	-
Proceeds from maturity of murhaba deposits		50,438	65,269	115,707	-	71,598	71,598
Purchase of intangible assets		(231)	-	(231)	(532)	-	(532)
Purchase of investments	5	-	-	-	(47,000)	-	(47,000)
Proceeds from disposal of investments	5	-	-	-	47,615	346	47,961
Purchase of property and equipment		-	-	-	(56)	-	(56)
Right to use assets		-	-	-	(7,349)	-	(7,349)
Net cash generated from / (used in) investing activities		(231)	40,900	40,669	(7,322)	71,944	64,622
Net change in cash and cash equivalents		(95,482)	43,698	(51,784)	(7,809)	73,488	65,679
Cash and cash equivalents at the beginning of the period		183,781	35,401	219,182	51,370	1,340	52,710
Cash and cash equivalents at the end of the period		88,299	79,099	167,398	43,561	74,828	118,389

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (Unaudited)

15 COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

16 RISK MANAGEMENT

The Company's risk management policies are consistent with those as disclosed in the annual financial statements for the year ended 31 December 2019 except for the following changes:

16.1 Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required.

Credit risk concentrations – Based on the review, the Company has identified these sectors being impacted significantly by COVID19 and lower oil price, mainly Food, airlines, freight companies, hotels etc.

The Company's exposure in terms of gross premium receivables to these industries is as follows:

<u>Sector</u>	<u>Percentage of total gross receivables</u>
Food	2.86%
Airlines	4.20%
Freight companies	-
Hotels	-

16.2 Capital risk management

Management, through various scenario analysis as required by the regulator, has proactively assessed the potential impact of the COVID-19 by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc and the related impact on the revenue, profitability, loss ratio and solvency ratio. Management has concluded that based on the stress testing performed the solvency of the Company would not be adversely effected. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

17 SUBSEQUENT EVENT

In response to the COVID-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructs insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular. The management believes the requirements of the circular to be a non-adjusting event

18 APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Audit Committee of the Company on 10 Shawal 1441H corresponding to 2 June 2020G.