

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

**FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2021**

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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KPMG Professional Services



Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

TO: THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 31 March 2021 of the Company are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

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7 Shawwal 1442H
19 May 2021

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	<i>Notes</i>	SAR '000	
		March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Cash and cash equivalents	4	24,783	23,056
Term deposits		396,155	411,015
Premiums and reinsurer' receivable, net	5	35,311	36,052
Reinsurers' share of unearned premiums	7.2	33,913	42,241
Deferred excess of loss premiums	7.2	7,301	--
Reinsurers' share of outstanding claims	7.1	66,416	60,296
Reinsurers' share of claims incurred but not reported	7.1	6,267	3,386
Deferred policy acquisition costs		2,945	2,527
Investments	6	130,511	130,016
Due from related parties	11	1,879	734
Prepaid expenses and other assets		28,370	11,947
Deferred tax asset	12	982	1,072
Property and equipment		1,612	1,413
Intangible assets		3,735	4,029
Statutory deposit		40,000	40,000
Accrued commission income on statutory deposit		5,297	5,297
TOTAL ASSETS		785,477	773,081


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 MARCH 2021

	<i>Notes</i>	SAR' 000	
		March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
LIABILITIES			
Outstanding claims reserve	7.1	81,504	74,096
Claims incurred but not reported	7.1	29,291	26,047
Other technical reserves	7.1	3,961	5,568
Accrued expenses and other liabilities		40,762	37,879
Reinsurers' balances payable		67,194	74,048
Unearned premiums	7.2	65,446	60,932
Accounts payables		4,568	4,569
Unearned reinsurance commission		6,433	7,168
Due to related parties	11	4,155	3,763
End-of-service benefits		11,107	10,713
Zakat and income tax	12	52,611	50,916
Accrued commission income payable to SAMA		5,297	5,297
Accumulated surplus		8,393	8,404
TOTAL LIABILITIES		380,722	369,400
EQUITY			
Share capital	13	400,000	400,000
Statutory reserve		1,161	1,161
Accumulated losses		(1,002)	(1,503)
Fair value reserve for available for sale investments	6	4,341	3,768
Actuarial reserve for employee benefits		255	255
TOTAL EQUITY		404,755	403,681
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY		785,477	773,081
COMMITMENTS AND CONTINGENCIES	8	793	851


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH

	SAR '000	
<i>Notes</i>	2021	2020
REVENUES		
Gross premiums written		
- Direct	50,338	51,767
- Reinsurance	219	332
	<u>50,557</u>	<u>52,099</u>
Reinsurance premiums ceded		
- Local	(574)	(815)
- Foreign	(21,614)	(31,568)
	<u>(22,188)</u>	<u>(32,383)</u>
Excess of loss premium		
- Local	(442)	(195)
- Foreign	(8,395)	(3,701)
	<u>(8,837)</u>	<u>(3,896)</u>
Total reinsurance premium ceded	<u>(31,025)</u>	<u>(36,279)</u>
NET PREMIUMS WRITTEN	19,532	15,820
Changes in unearned premiums	(4,514)	5,787
Changes in reinsurers' share of unearned premiums	(8,328)	521
Changes in deferred excess of loss premiums	7,301	2,863
NET PREMIUMS EARNED	13,991	24,991
Reinsurance commissions	4,322	7,008
TOTAL REVENUES	18,313	31,999
UNDERWRITING COSTS AND EXPENSES		
Gross claims paid	(12,474)	(23,673)
Reinsurers' share of claims paid	7,454	6,026
NET CLAIMS PAID	(5,020)	(17,647)
Changes in outstanding claims	(7,408)	(7,441)
Changes in reinsurers' share of outstanding claims	6,120	9,368
Changes in claims incurred but not reported, net	(363)	1,622
Changes in other technical reserves	1,607	405
NET CLAIMS INCURRED	(5,064)	(13,693)
Policy acquisition costs	(2,549)	(4,795)
Other underwriting expenses	(591)	(257)
TOTAL UNDERWRITING COSTS AND EXPENSES	(8,204)	(18,745)
NET UNDERWRITING INCOME	10,109	13,254
OTHER OPERATING (EXPENSES) / INCOME		
Reversal for doubtful debts	2,297	591
General and administrative expenses	(13,979)	(14,620)
Investment income on term deposits	676	2,597
Investment income on bonds and sukuks	917	1,068
Other income	2,593	719
TOTAL OTHER OPERATING EXPENSES	(7,496)	(9,645)
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	2,613	3,609
ZAKAT CHARGE FOR THE PERIOD	(1,824)	(2,135)
INCOME TAX CHARGE FOR THE PERIOD	(126)	(117)
TOTAL INCOME FOR THE PERIOD AFTER ZAKAT AND INCOME TAX	663	1,357
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	(162)	(171)
NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	501	1,186
BASIC AND DILUTED EARNINGS PER SHARE(SAR)	0.01	0.03

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


Khalid Allagany
CEO and Managing Director

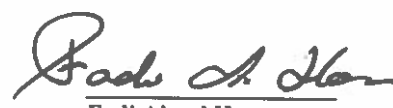

Fadi Aboul Hosn
Chief Financial Officer

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH

	SAR '000	
	2021	2020
Total income for the period after zakat and income tax	663	1,357
OTHER COMPREHENSIVE INCOME		
<i>-Items that may be reclassified to interim condensed statement of income in subsequent periods</i>		
Change in fair value of available for sale investments	573	968
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,236	2,325
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	(162)	(171)
<i>15C</i>		
NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	1,074	2,154


Khalid Allagany
CEO and Managing Director


Fadi About Hosn
Chief Financial Officer

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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH
Unaudited - SAR in '000'

2021	Note	Share capital	Statutory Reserve	Accumulated Losses	Fair value reserve for available for sale investments	Actuarial reserve for employee benefits	Total Equity
Balance at January 1, 2021 (Audited)		400,000	1,161	(1,503)	3,768	255	403,681
Total comprehensive income for the period	6	--	--	--	573	--	573
Changes in fair values of available for sale investments		--	--	501	--	--	501
Net income after zakat and income tax for the period attributable to shareholders		--	--	--	--	--	--
Remeasurement of defined benefit liability		--	--	--	--	--	--
Transfer to statutory reserve		--	--	--	--	--	--
Balance at March 31, 2021 (Unaudited)		400,000	1,161	(1,002)	4,341	255	404,755

2020

	Share capital	Statutory Reserve	Accumulated losses	Fair value reserve for available for sale investments	Actuarial reserve for employee benefits	Total Equity
Balance at January 1, 2020 - Audited	400,000	1,161	4,643	2,168	(264)	407,708
Total comprehensive income for the period	--	--	--	968	--	968
Changes in fair values of available for sale investments	--	--	1,186	--	--	1,186
Net income after zakat and income tax for the period attributable to shareholders	--	--	(237)	--	--	--
Remeasurement of defined benefit liability	--	237	--	--	--	--
Transfer to statutory reserve	--	1,398	5,592	--	--	--
Balance at March 31, 2020 - (Unaudited)	400,000	1,398	5,592	3,136	(264)	409,862


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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH

	<i>Note</i>	SAR '000	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Total Income for the period before Zakat & Income Tax		2,613	3,609
Adjustments for non-cash items:			
Depreciation of property and equipment		872	361
Amortization of investments		78	100
Reversal of provisions for doubtful debts		(2,297)	(591)
Provision for end-of-service indemnities		438	494
		<u>1,704</u>	<u>3,973</u>
<u>Changes in operating assets and liabilities:</u>			
Premiums and reinsurers' receivable		3,038	835
Reinsurers' share of unearned premiums		8,328	(521)
Reinsurers' share of outstanding claims		(6,120)	(9,368)
Reinsurers' share of claims Incurred but not reported		(2,881)	1,242
Deferred policy acquisition costs		(418)	(828)
Deferred excess of loss premiums		(7,301)	(2,863)
Due from related parties		(1,145)	--
Prepaid expenses and other assets		(16,423)	(1,993)
Accounts payables		(1)	(250)
Accrued expenses and other liabilities		2,883	780
Reinsurers' balances payable		(6,854)	(15,043)
Unearned premiums		4,514	(5,787)
Unearned reinsurance commission		(735)	(120)
Outstanding claims reserve		7,408	7,441
Claims incurred but not reported		3,244	(2,864)
Other technical reserves		(1,607)	(405)
Due to related parties		392	435
		<u>(11,974)</u>	<u>(25,336)</u>
Zakat and income tax paid	12	(165)	--
End-of-service indemnities paid		(44)	(56)
Surplus paid to policy holders		(173)	(65)
Net cash used in operating activities		<u>(12,356)</u>	<u>(25,457)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals / (Additions) in investments, net		--	15,600
Disposals in term deposits, net		14,860	49,629
Additions in property and equipment		(777)	(1,314)
Net cash generated from from investing activities		<u>14,083</u>	<u>63,915</u>
Net change in cash and cash equivalents		1,727	38,458
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>23,056</u>	<u>14,219</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u>24,783</u>	<u>52,677</u>
NON-CASH INFORMATION			
Change in fair value of available for sale investments		<u>573</u>	<u>968</u>


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

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

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company ("the Company" or "Al Alamiya") is a Saudi Joint Stock Company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939). The registered address of the Company's head office is as follows:

Al Alamiya for cooperative insurance company
Prince Mohammed bin Abdul Aziz Road,
Home Centre Building, P.O. Box: 6393,
Riyadh 11442, Kingdom of Saudi Arabia

The activities of the Company are to transact cooperative insurance and reinsurance 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 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from the Saudi Central Bank (SAMA) to transact insurance business in the Kingdom of Saudi Arabia.

2. BASIS OF PREPERATION

(a) Basis of presentation

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

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments end of service at present value of future obligations using projected unit credit method. 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 current: cash and cash equivalents, term deposits, premiums and reinsurers' receivable, net, reinsurance share of unearned premiums, reinsurance share of outstanding claims, deferred policy acquisition costs, deferred excess of loss premiums, due from related parties, prepaid expenses and other assets and investments with the exception of available for sale investments in insurance operations. The following balances would generally be classified as non-current property and equipment, intangible, statutory deposit, accrued income on statutory deposit, available for sale investments in insurance operations, and deferred tax assets.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the interim condensed financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity is recorded in the respective accounts.

The interim condensed statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 15 of the interim condensed financial statement have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders Operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred below in note 15 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

2. BASIS OF PREPERATION (CONTINUED)

(a) Basis of presentation (continued)

In preparing the Company-level financial information 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. Surplus from insurance operations' and actuarial reserves from employee benefits are shown separately as Accumulated Surplus in the statement of financial position and as Actuarial reserve for employee benefits in the statement of equity.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% is to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

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

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

(b) Critical accounting judgments, estimates and assumptions

The preparation of interim financial statement 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 statement, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that were applied to the annual financial statement as at and for the year ended 31 December 2020 Further, the Company has considered the following:

- 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 Kingdom of Saudi Arabia where the Company operates and its consequential disruption to the social and economic activities, 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.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

i) *IFRS 9 Financial Instruments*

This standard was published on July 24, 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.

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.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *IFRS 9 Financial Instruments (continued)*

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 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 January 1, 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a preliminary assessment which included below:

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

Impact assessment

The Company is currently assessing the impact of the application and implementation of IFRS 9. As of the date of the publication of these interim condensed financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.

The Company is currently assessing the impact on application and implementation of IFRS 9, however, the Company expects the classification and measurement of financial assets to be impacted from implementation of IFRS 9.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) *IFRS 17 Insurance Contracts*

Overview

This standard was 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).

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 profit or loss or other comprehensive income, determined by an accounting policy choice.

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(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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3. 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. 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 undertaken a Gap Analysis and the key gaps and their impact are as follows:

Impact Area	Summary of Impact
<i>Initial recognition</i>	For insurance contracts issued, the initial recognition date is the earliest of the (1) premium due date, or where there is no due date specified, the date of receipt (2) the date the group of contracts is deemed to be onerous, (3) the date the group of contracts incepts. A formal process needs to be implemented to identify onerous contracts prior to inception.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact assessment (continued)

Impact Area	Summary of Impact
<i>Product assessment</i>	The need for the BBA (Building Block Approach) depends on the business mix and any changes in the business mix in future and would require a substantial effort to implement. There are currently no plans for material change in business mix. Therefore, it is unlikely that Al Alamiya will require integrated BBA functionality.
<i>Level of aggregation</i>	Portfolios will need to be disaggregated into annual cohorts and classified (in groups) as either onerous or profitable, with no significant risk of becoming onerous or profitable, with significant possibility of becoming onerous (remaining contracts), on initial recognition Al Alamiya will need a process for the identification and monitoring of onerous contracts over time. Insurance and reinsurance contracts grouping needs to be reengineered in accordance with the aggregation criteria defined in IFRS 17.
<i>Best Estimate Liabilities ("BEL"):</i>	"BEL" calculations will be required under IFRS 17 which needs a different level of granularity, depending on Al Alamiya's IFRS 17 level of aggregation. Some of the inputs of "BEL" calculation will need improved data flows compared to current standards particularly around expense allocation.
<i>Premium Allocation Approach Liability For Remaining Coverage ("PAA LFRC")</i>	Premium receipt data, coming from the Treasury system, is not readily linked to the core insurance system at the level of aggregation required under IFRS 17 (i.e. "Analyst" class) which is an important element of LFRC calculation under the IFRS 17 requirement.
<i>Discounting</i>	If Al Alamiya elects to discount its LFIC, then new functionality and new processes will be required to perform the necessary calculations. Cash-flows and yield curves need to be stored at the required level of aggregation. More complex functionality will be required if OCI is used.
<i>Risk Adjustment</i>	Al Alamiya will need to calculate an explicit Risk Adjustment in accordance with the IFRS 17 requirements, ensuring that it is available at the required level of aggregation. Further, the Risk Adjustment and resulting confidence level will need to be disclosed in the financial statements. Currently Al Alamiya does not calculate anything similar to the Risk Adjustment and there is no existing methodology
<i>Contractual Service Margin ("CSM")</i>	Financial impact assessment to assess PAA qualification of Al Alamiya is currently being carried out and if required to use BBA approach, the CSM would be required. Use of BBA and requirement of CSM depend on Al Alamiya's business mix and would require substantial effort to implement.
<i>Reinsurance contracts held</i>	Under IFRS 17 reinsurance contracts held should be considered and measured separately from the gross business. Al Alamiya will need to ensure that all the measurement principles mentioned above are also assessed for its reinsurance held and that presentation and disclosure and transition requirements are met. systems and processes will need to be developed to account for them appropriately
<i>Presentation and Disclosure</i>	IFRS 17 will fundamentally change the presentation of the primary financial statements and many of the notes and will result in a number of additional detailed disclosure requirements. This will be the case, in particular, for the requirements. New analysis/reports, disaggregation in the chart of accounts, level of aggregation, and system capability requires amendment to present and disclose information in line with the requirements of IFRS 17.
<i>Financial Impact</i>	Work is in progress to calculate the Financial impact of IFRS 17 in comparison to IFRS 4.
<i>Data Impact</i>	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the LFRC, RI contracts held break down into risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17).
<i>IT Systems Impact</i>	Assessment is being done of existing systems capabilities for IFRS 17 calculations and user requirements specification needs to be anticipated prior to the setup and configuration of the new IT platform, storage and reporting and whether new systems/calculation engines should be implemented. Calculation engine is expected to be able to deliver the IFRS 17 required calculations, such as discounting (with OCI) and the LFRC. Therefore, Al Alamiya need to have the required data and assumptions to feed the calculation engine.

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

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

SAR'000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Bank balances and cash – Insurance operations	23,393	20,174
Bank balances and cash – Shareholders' operations	690	2,182
Total	24,083	22,356
Cash and cash equivalents in statement of cashflows	24,083	22,356
Deposits against letters of guarantee – Insurance operations	700	700
Total	24,783	23,056

The Company holds an amount of SAR 0.7 million (31 December 2020: SAR 0.7 million) as letters of guarantee in favor of the Company's service providers.

5. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

SAR'000	Insurance operations	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Policyholders	14,103	21,276
Brokers and agents	17,024	16,656
Related parties (note 11)	8,942	4,958
Receivables from reinsurers	4,053	4,270
	44,122	47,160
Provision for doubtful receivables	(8,811)	(11,108)
Premiums and reinsurers' receivable – net	35,311	36,052

Allowance for impairment of receivables includes SAR 0.01 million (31 December 2020: SAR 0.15 million) against receivables from related parties.

Movement in provision for doubtful receivables:

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at 1 January	11,108	10,030
(Reversals) / charge of provision for the period / year	(2,297)	1,078
Closing balance	8,811	11,108

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6. INVESTMENTS

Investments are classified as follows:

SAR'000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Available for sale investments – Insurance operations *	1,923	1,923
Available for sale investments – Shareholders' operations	128,588	128,093
Total available for sale investments	130,511	130,016

* 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 31 March 2021 and during the year ended 31 December 2020.

Movement in the investment balance for shareholders' operations is as follows:

SAR'000	Shareholders' operations	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Opening balance	128,093	155,927
Purchases	--	--
Maturities	--	(29,100)
Amortization of investments	(78)	(334)
Changes in fair value of investments	573	1,600
Closing balance	128,588	128,093

The geographical split of investments held as available for sale comprise of sukuks/bonds issued by Government of Kingdom of Saudi Arabia and GCC (Gulf Cooperation Council) based companies through international stock exchanges.

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 4.34 million (31 December 2020: SR 3.77 million) is presented within the equity in the interim condensed statement of financial position.

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7. TECHNICAL RESERVES

7.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Outstanding claims	98,838	92,192
Less: Realizable value of salvage and subrogation	(17,334)	(18,096)
- Outstanding claims reserve	81,504	74,096
- Claims incurred but not reported	29,291	26,047
- Other technical reserves	3,961	5,568
	114,756	105,711
Less:		
- Reinsurers' share of outstanding claims	(66,416)	(60,296)
- Reinsurers' share of claims Incurred but not reported	(6,267)	(3,386)
	(72,683)	(63,682)
Net outstanding claims and reserves	42,073	42,029

7.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

SAR'000	Three months ended March 31, 2021 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	60,932	(42,241)	18,691
Premium written during the period	50,557	*(31,025)	19,532
Premium earned during the period	(46,043)	32,052	(13,991)
Balance as at the end of the period	65,446	** (41,214)	24,232

* This amount includes SR 21.6 million for reinsurance premium ceded abroad, SR 0.6 million for reinsurance premium ceded locally and SR 8.4 million for excess of loss expenses ceded abroad, and SR 0.4 million for excess of loss expenses ceded locally.

**This amount includes SR 33.9 million for Reinsurers' share of unearned premiums and SR 7.3 million for Deferred excess of loss premiums.

SAR'000	Year ended December 31, 2020 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	73,610	(41,006)	32,604
Premium written during the year	191,170	*(137,580)	53,590
Premium earned during the year	(203,848)	136,345	(67,503)
Balance as at the end of the year	60,932	(42,241)	18,691

*This amount includes SR 127.7 million for reinsurance premium ceded abroad, SR 4.7 million for reinsurance premium ceded locally and SR 4.9 million for excess of loss expenses ceded abroad and, SR 0.3 million ceded locally.

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8. COMMITMENTS AND CONTINGENCIES

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

SAR'000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Letters of guarantee	700	700
Commitments for the rents	93	151
Total	793	851

b. The Company is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management believes that such proceedings (including litigations) will not have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

SAR'000s March 31, 2021 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Available for sale investments measured at fair value					
<u>Shareholders' operations</u>					
Bonds and Sukuks	128,588	128,588	--	--	128,588
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	130,511	128,588	--	1,923	130,511

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9. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

SAR'000s December 31, 2020 (Audited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Available for sale investments measured at fair value					
<u>Shareholders' operations</u>					
Bonds and Sukuks	128,093	128,093	--	--	128,093
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	130,016	128,093	--	1,923	130,016

The unlisted security of SR 1.92 million (31 December 2020: SR 1.92 million) held as part of Company's insurance operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the three-month period ended 31 March 2021, there were no transfers into or out of level 3 fair value measurements. Further, there were no transfers from Level 1 to Level 2 during the three-month period ended 31 March 2021.

10. OPERATING SEGMENTS

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

Segment assets and liabilities comprise operating assets and liabilities.

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

Segment assets do not include (in respect of insurance operations) property and equipment, term deposits, investments, due from shareholders' operations, cash and cash equivalents, prepaid expenses and other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralized basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, Reinsurers balances payable, accrued expenses and other liabilities, due to related parties, zakat and income tax, accrued commission income payable to SAMA and due from insurance operations. Accordingly, these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralized basis.

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

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10. OPERATING SEGMENTS (CONTINUED)

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

Operating segments	As at March 31, 2021 (Unaudited)										Total	
	Insurance operations											
	Property	Motor	Engineering	Medical	Marine	Group life	Others	Total - Insurance operations	Shareholders' operations	Total		
	SAR'000											
Assets												
Reinsurers' share of unearned premiums	25,687	4,172	4,833	--	3,562	1,017	1,943	41,214	--	41,214	--	41,214
Reinsurers' share of outstanding claims	8,671	2,082	2,596	9	2,174	48,606	2,278	66,416	--	66,416	--	66,416
Reinsurers' share of claims Incurred but not reported	5,940	--	157	(501)	(127)	798	--	6,267	--	6,267	--	6,267
Deferred policy acquisition costs	656	1,205	166	--	665	57	196	2,945	--	2,945	--	2,945
Unallocated assets	--	--	--	--	--	--	--	270,188	466,072	466,072	--	736,260
Total assets	40,954	7,459	7,752	(492)	6,274	50,478	4,417	387,030	466,072	853,102		
Outstanding claim reserve	8,986	(823)	3,437	11	3,767	62,810	3,316	81,504	--	81,504	--	81,504
Claims incurred but not reported	6,806	21,728	246	(9)	(481)	1,002	(1)	29,291	--	29,291	--	29,291
Other technical reserves	--	3,905	--	--	--	56	--	3,961	--	3,961	--	3,961
Unearned premiums	26,998	24,541	5,012	--	3,656	792	4,447	65,446	--	65,446	--	65,446
Unearned reinsurance commission	4,339	--	817	--	1,277	--	--	6,433	--	6,433	--	6,433
Unallocated liabilities	--	--	--	--	--	--	--	200,395	466,072	666,467	--	666,467
Total liabilities, insurance operations' surplus and equity	47,129	49,351	9,512	2	8,219	64,660	7,762	387,030	466,072	853,102		

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10. OPERATING SEGMENTS (CONTINUED)

As at December 31, 2020 (Audited)

Operating segments	Insurance operations										Total	
	Property	Motor	Engineering	Medical	Marine	Group life	Others	Total - Insurance operations	Shareholders' operations	Total		
	SAR '000											
Assets												
Reinsurers' share of unearned premiums	31,333	--	4,490	--	3,093	526	2,799	42,241	--	42,241	--	42,241
Reinsurers' share of outstanding claims	10,204	2,082	1,427	10	2,767	41,526	2,280	60,296	--	60,296	--	60,296
Reinsurers' share of claims incurred but not reported	116	--	319	(502)	(182)	3,635	--	3,386	--	3,386	--	3,386
Deferred policy acquisition costs	830	701	276	--	354	127	239	2,527	--	2,527	--	2,527
Unallocated assets	--	--	--	--	--	--	--	266,428	464,575	731,003	464,575	731,003
Total assets	42,483	2,783	6,512	(492)	6,032	45,814	5,318	374,878	464,575	839,453	464,575	839,453
Liabilities and equity												
Outstanding claim reserve	10,978	(1,103)	1,889	62	4,451	54,414	3,405	74,096	--	74,096	--	74,096
Claims incurred but not reported	159	21,083	449	(11)	(291)	4,634	24	26,047	--	26,047	--	26,047
Other technical reserves	2,063	2,630	--	--	783	92	--	5,568	--	5,568	--	5,568
Unearned premiums	34,766	10,438	4,956	--	3,651	868	6,253	60,932	--	60,932	--	60,932
Unearned reinsurance commission	5,090	--	1,142	--	987	--	(51)	7,168	--	7,168	--	7,168
Unallocated liabilities	--	--	--	--	--	--	--	201,067	464,575	665,642	464,575	665,642
Total Liabilities, Insurance operations' surplus and equity	53,056	33,048	8,436	51	9,581	60,008	9,631	374,878	464,575	839,453	464,575	839,453

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10. OPERATING SEGMENTS (CONTINUED)

	For the three months ended March 31, 2021 - (Unaudited)							
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	Total
	SAR'000							
REVENUES								
Gross premiums written	8,266	21,122	2,858	--	3,656	13,550	1,105	50,557
Reinsurance premiums ceded	(7,186)	--	(2,428)	--	(3,016)	(9,452)	(106)	(22,188)
Excess of loss premium	(2,034)	(4,741)	(219)	--	(678)	(788)	(377)	(8,837)
Net premiums written	(954)	16,381	211	--	(38)	3,310	622	19,532
Changes in unearned premiums, net	2,122	(9,931)	287	--	464	567	950	(5,541)
Net premiums earned	1,168	6,450	498	--	426	3,877	1,572	13,991
Reinsurance commissions	2,648	--	1,078	--	612	1	(17)	4,322
TOTAL REVENUES	3,816	6,450	1,576	--	1,038	3,878	1,555	18,313
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(1,625)	(2,607)	(745)	(157)	(884)	(6,268)	(188)	(12,474)
Reinsurers' share of claims paid	1,153	--	637	141	836	4,684	3	7,454
Net claims paid	(472)	(2,607)	(108)	(16)	(48)	(1,584)	(185)	(5,020)
Changes in outstanding claims, IBNR & technical reserves	1,699	(2,200)	(338)	49	1,119	(485)	112	(44)
Net claims incurred	1,227	(4,807)	(446)	33	1,071	(2,069)	(73)	(5,064)
Policy acquisition costs	(564)	(537)	(207)	--	21	(1,140)	(122)	(2,549)
Other underwriting expenses								(591)
TOTAL UNDERWRITING COSTS AND EXPENSES								(8,204)
NET UNDERWRITING INCOME								10,109
OTHER OPERATING (EXPENSES)/ INCOME								2,297
Reversal for doubtful debts								(13,979)
General and administrative expenses								676
Investment income on term deposits								917
Investment income on bonds, sukuk and others								2,593
Other income								(7,496)
TOTAL OTHER OPERATING EXPENSES								2,613
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX								(162)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS								(162)
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'								2,451

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10. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended March 31, 2020 - (Unaudited)						Total
	Property	Motor	Engineering	Medical	Marine	Group Life	
SAR '000							
REVENUES							
Gross premiums written	19,059	8,446	6,999	(38)	2,643	13,046	52,099
Reinsurance premiums ceded	(16,066)	--	(5,423)	25	(2,191)	(8,696)	(32,383)
Excess of loss premium	(610)	(1,242)	(188)	--	(737)	(750)	(3,896)
Net premiums written	2,383	7,204	1,388	(13)	(285)	3,600	15,820
Changes in unearned premiums, net	(1,066)	9,695	(546)	174	616	(67)	9,171
Net premiums earned	1,317	16,899	842	161	331	3,533	24,991
Reinsurance commissions	2,432	--	1,239	--	2,574	484	7,008
TOTAL REVENUES	3,749	16,899	2,081	161	2,905	4,017	31,999
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(226)	(16,566)	(199)	(5,364)	(698)	(522)	(23,673)
Reinsurers' share of claims paid	176	--	188	4,783	482	392	6,026
Net claims paid	(50)	(16,566)	(11)	(581)	(216)	(130)	(17,647)
Changes in outstanding claims, IBNR & technical reserves	(1,220)	6,678	(323)	178	97	(921)	3,954
Net claims incurred	(1,270)	(9,888)	(334)	(403)	(119)	(1,051)	(13,693)
Policy acquisition costs	(1,064)	(1,704)	(286)	--	(341)	(1,209)	(4,795)
Other underwriting expenses							(257)
TOTAL UNDERWRITING COSTS AND EXPENSES	(18,745)						(18,745)
NET UNDERWRITING INCOME							13,254
OTHER OPERATING (EXPENSES)/ INCOME							591
Reversal for doubtful debts							(14,620)
General and administrative expenses							2,597
Investment income on term deposits							1,068
Investment income on bonds, sukuk and others							719
Other income							(9,645)
TOTAL OTHER OPERATING EXPENSES							3,609
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX							(171)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS							3,438
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'							3,438

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10. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

For the three months ended March 31, 2021 - (Unaudited)						
SAR'000						
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total	
Large	--	1,353	8,827	13,361	23,541	
Medium	--	3,028	5,018	181	8,227	
Micro	--	31	29	--	60	
Small	--	1,421	1,903	8	3,332	
Individual	--	15,289	108	--	15,397	
		21,122	15,885	13,550	50,557	
For the three months ended March 31, 2020 - (Unaudited)						
SAR'000						
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total	
Large	(14)	783	24,975	12,959	38,703	
Medium	(24)	4,870	3,463	87	8,396	
Micro	--	--	--	--	--	
Small	--	675	1,778	--	2,453	
Individual	--	2,118	429	--	2,547	
	(38)	8,446	30,645	13,046	52,099	

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11. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Transactions for the three-month period ended	
	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
	SAR'000	
Gross premiums written	14,582	12,707
Gross claims paid	5,987	9,325
Brokerage commission paid	1,215	1,200
Reinsurance premium ceded	8,452	9,925
Reinsurance share of gross claim paid	1,286	282
Reinsurance commission income	3,250	3,593
Investment income on term deposits	344	1,104
Technical service charges	1,921	1,763
Brand fees	30	30
Operational expenses paid on behalf of affiliates and reinsurance placements	1,146	3
Operational expenses paid by affiliates on behalf of Company	(391)	(439)

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Balance receivable / (payable) as at	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
	SAR'000	
Bank balances	1,535	2,237
Term deposits	143,306	142,810
Statutory deposit	45,297	45,297
Accrued interest receivable on term deposits	433	254
Premium receivable	8,942	4,957
Reinsurance balance payable	(12,492)	(15,912)
Accrued expenses and other liabilities	(11,726)	(10,253)
Reinsurance share of outstanding claims	8,905	6,908
Outstanding claims Reserves	(61,756)	(53,028)
Due from related parties	1,879	734
Due to related parties	(4,155)	(3,763)

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

	Transactions for the three-month period ended	
	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
	SAR'000	
Salaries and other allowances	1,643	1,843
End of service indemnities	106	94
	<u>1,749</u>	<u>1,937</u>

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12. ZAKAT AND INCOME TAX

Status of assessments

The Company's zakat and tax calculations and corresponding accruals and payment of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax. The Company has submitted its zakat and tax returns up to the years ended 31 December 2020.

GAZT has raised final assessments for the period / years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million (together with 1% delay fine for each month) respectively. The Tax Violations and Disputes Resolution Committee (TVDR) of the General Secretariat of Tax Committees (GSTC) has issued its decision on the above years accepting certain points and reducing the zakat liability to SR 7.1 million and no change in WHT liability. The Company has submitted an appeal to Tax Violations and Disputes Appellate Committee (TVDAC) against TVDR's decision. Based on GAZT's amnesty scheme, the Company settled additional WHT of SR 8.9 million to remove associated delay fines, such settled liability will be refunded by GAZT in case of a favorable decision by TVDAC. TVDAC's decision is awaited. In respect of the assessment for the year 2014, the GAZT has issued a revised assessment with an additional zakat liability of SR 1.98 million. The Company has registered the case with TVDR and submitted an appeal against GAZT's review points. TVDR's review is awaited. The GAZT has also issued assessment for the years 2015 through 2018 with additional zakat liability of SR 21 million. The Company filed appeal against GAZT's assessment with TVDR.

The zakat and tax charge for the three-month period ended are as follows:

	31 March 2021 (Unaudited) SAR ('000')	31 December 2020 (Audited) SAR ('000')
Charge for zakat for the period / year	1,824	7,477
Charge for income tax for the period / year	36	125
Charge / (reversal) for deferred tax for the period / year	90	(8)
	126	117
Zakat and tax provision for the period / year	1,950	7,594

Deferred Tax

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
	SAR ('000')		
Opening deferred tax asset	1,072	1,064	1,064
Deferred tax (expense) / income	(90)	8	14
Closing deferred tax asset	982	1,072	1,078

	Three-month period ended 31 March 2021 (Unaudited)	Year ended 31 December 2020 (Audited)	Three-month period ended 31 March 2020 (Unaudited)
	SAR ('000')		
Opening zakat, income tax liability and deferred tax Asset	49,844	43,203	43,203
Charge for the period / year			
Current charge for zakat tax for the period / year	1,824	7,477	2,135
Current charge for income tax for the period / year	36	125	131
Deferred tax expense / (income) for the period / year	90	(8)	(14)
Settled during the period / year	(165)	(953)	--
Closing zakat, income tax liability and deferred tax asset	51,629	49,844	43,203

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13. SHARE CAPITAL

The authorized and paid up share capital of the Company is SAR 400 million divided into 40 million shares of SAR 10 each (31 December 2020: SAR 400 million divided into 40 million shares of SAR 10 each).

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

	March 31, 2021 (Unaudited)	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000
	December 31, 2020 (Audited)	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

14. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves. The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In order to maintain or adjust the capital structure, the Company may issue right shares. As per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per SAMA Implementing Regulations.

The Company has fully complied with the externally imposed capital requirements during the reported financial period.

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. The Company's management has concluded that based on the stress testing performed the solvency margin of the Company can be reduced from 190% to 185%. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

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15. SUPPLEMENTARY INFORMATION

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	March 31, 2021 - (Unaudited)			December 31, 2020 -- (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	24,093	690	24,783	20,874	2,182	23,056
Term deposits	175,476	220,679	396,155	190,845	220,170	411,015
Premiums and reinsurers' receivable, net	35,311	--	35,311	36,052	--	36,052
Reinsurers' share of unearned premiums	33,913	--	33,913	42,241	--	42,241
Deferred excess of loss premiums	7,301	--	7,301	--	--	--
Reinsurers' share of outstanding claims	66,416	--	66,416	60,296	--	60,296
Reinsurers' share of claims Incurred but not reported	6,267	--	6,267	3,386	--	3,386
Deferred policy acquisition costs	2,945	--	2,945	2,527	--	2,527
Investments	1,923	128,588	130,511	1,923	128,093	130,016
Due from related parties	1,879	--	1,879	734	--	734
Prepaid expenses and other assets	26,159	2,211	28,370	10,558	1,389	11,947
Deferred tax asset	--	982	982	--	1,072	1,072
Property and equipment	1,612	--	1,612	1,413	--	1,413
Intangible assets	3,735	--	3,735	4,029	--	4,029
Statutory deposit	--	40,000	40,000	--	40,000	40,000
Accrued commission income on statutory deposit	--	5,297	5,297	--	5,297	5,297
TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	387,030	398,447	785,477	374,878	398,203	773,081
ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due from shareholders' / insurance operations	--	67,625	67,625	--	66,380	66,380
TOTAL ASSETS	387,030	466,072	853,102	374,878	464,583	839,461

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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15. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	SAR '000					
	March 31, 2021 - (Unaudited)			December 31, 2020 - (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Outstanding claims reserve	81,504	--	81,504	74,096	--	74,096
Claims incurred but not reported	29,291	--	29,291	26,047	--	26,047
Other technical reserves	3,961	--	3,961	5,568	--	5,568
Accrued expenses and other liabilities	37,511	3,251	40,762	33,348	4,531	37,879
Reinsurers' balances payable	67,194	--	67,194	74,048	--	74,048
Unearned premiums	65,446	--	65,446	60,932	--	60,932
Accounts payables	4,568	--	4,568	4,569	--	4,569
Unearned reinsurance commission	6,433	--	6,433	7,168	--	7,168
Due to related parties	3,742	413	4,155	3,350	413	3,763
End-of-service indemnities	11,107	--	11,107	10,713	--	10,713
Zakat and income tax	--	52,611	52,611	--	50,916	50,916
Accrued commission income payable to SAMA	--	5,297	5,297	--	5,297	5,297
Accumulated surplus	8,393	--	8,393	8,404	--	8,404
TOTAL LIABILITIES	319,150	61,572	380,722	308,243	61,157	369,400
EQUITY						
Share capital	--	400,000	400,000	--	400,000	400,000
Statutory reserve	--	1,161	1,161	--	1,161	1,161
Accumulated losses	--	(1,002)	(1,002)	--	(1,503)	(1,503)
Fair value reserve for available for sale investments	--	4,341	4,341	--	3,768	3,768
Actuarial reserve for employee benefits	255	--	255	255	--	255
TOTAL EQUITY	255	404,500	404,755	255	403,426	403,681
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION	319,405	466,072	785,477	308,498	464,583	773,081
LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due to shareholders operations	67,625	--	67,625	66,380	--	66,380
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY	387,030	466,072	853,102	374,878	464,583	839,461

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the three month period ended March 31					
	----- 2021 - (Unaudited) -----			----- 2020 - (Unaudited) -----		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
REVENUES						
Gross premiums written						
- Direct	50,338	--	50,338	51,767	--	51,767
- Reinsurance	219	--	219	332	--	332
	50,557	--	50,557	52,099	--	52,099
Reinsurance premiums ceded	(22,188)	--	(22,188)	(32,383)	--	(32,383)
Excess of loss expenses	(8,837)	--	(8,837)	(3,896)	--	(3,896)
Net premiums written	19,532	--	19,532	15,820	--	15,820
Changes in unearned premiums	(4,514)	--	(4,514)	5,787	--	5,787
Changes in reinsurers' share of unearned premiums	(8,328)	--	(8,328)	521	--	521
Changes in deferred excess of loss premiums	7,301	--	7,301	2,863	--	2,863
Net premiums earned	13,991	--	13,991	24,991	--	24,991
Reinsurance commissions	4,322	--	4,322	7,008	--	7,008
TOTAL REVENUES	18,313	--	18,313	31,999	--	31,999
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(12,474)	--	(12,474)	(23,673)	--	(23,673)
Reinsurers' share of claims paid	7,454	--	7,454	6,026	--	6,026
Net claims paid	(5,020)	--	(5,020)	(17,647)	--	(17,647)
Changes in outstanding claims	(7,408)	--	(7,408)	(7,441)	--	(7,441)
Changes in reinsurers' share of outstanding claims	6,120	--	6,120	9,368	--	9,368
Changes in claims incurred but not reported, net	(363)	--	(363)	1,622	--	1,622
Changes in other technical reserves	1,607	--	1,607	405	--	405
Net claims incurred	(5,064)	--	(5,064)	(13,693)	--	(13,693)
Policy acquisition costs	(2,549)	--	(2,549)	(4,795)	--	(4,795)
Other underwriting expenses	(591)	--	(591)	(257)	--	(257)
TOTAL UNDERWRITING COSTS AND EXPENSES	(8,204)	--	(8,204)	(18,745)	--	(18,745)
NET UNDERWRITING INCOME	10,109	--	10,109	13,254	--	13,254

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15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended March 31					
	----- 2021 - (Unaudited) -----			----- 2020 - (Unaudited) -----		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal for doubtful debts	2,297	--	2,297	591	--	591
General and administrative expenses	(13,615)	(364)	(13,979)	(14,256)	(364)	(14,620)
Investment income on term deposits	235	441	676	1,395	1,202	2,597
Investment income on bonds and sukuk	--	917	917	--	1,068	1,068
Other income	2,593	--	2,593	719	--	719
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(8,490)	994	(7,496)	(11,551)	1,906	(9,645)
TOTAL INCOME FOR THE PERIOD	1,619	994	2,613	1,703	1,906	3,609
Total income for the period attributed to the insurance operations	(162)	--	(162)	(171)	--	(171)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(1,457)	1,457	--	(1,532)	1,532	--
TOTAL INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	2,451	2,451	--	3,438	3,438
ZAKAT CHARGE FOR THE PERIOD	--	(1,824)	(1,824)	--	(2,135)	(2,135)
TAX CHARGE FOR THE PERIOD	--	(126)	(126)	--	(117)	(117)
NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	501	501	--	1,186	1,186
Earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	0.01	0.01	--	0.03	0.03

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the three month period ended March 31					
	----- 2021 - (Unaudited) -----			----- 2020 - (Unaudited) -----		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
Total income for the period						
Other comprehensive loss	162	501	663	171	1,186	
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	573	573	--	968	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	162	1,074	1,236	171	2,154	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'	(162)	--	(162)	(171)	--	
NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'	--	1,074	1,074	--	2,154	

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15. SUPPLEMENTARY INFORMATION (CONTINUED)

D) INTERIM CONDENSED STATEMENT OF CASH FLOWS

	SAR'000			SAR'000		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	----- 2021 - (Unaudited) -----			----- 2020 - (Unaudited) -----		
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the period before Zakat and Income Tax						
	162	2,451	2,613	171	3,438	3,609
Adjustments for non-cash items:						
Depreciation of property and equipment	872	--	872	361	--	361
Amortization of investments	--	78	78	--	100	100
Reversal for provisions for doubtful debts	(2,297)	--	(2,297)	(591)	--	(591)
Provision for end-of-service indemnities	438	--	438	494	--	494
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	3,038	--	3,038	835	--	835
Reinsurers' share of unearned premiums	8,328	--	8,328	(521)	--	(521)
Reinsurers' share of outstanding claims	(6,120)	--	(6,120)	(9,368)	--	(9,368)
Reinsurers' share of claims Incurred but not reported	(2,881)	--	(2,881)	1,242	--	1,242
Deferred policy acquisition costs	(418)	--	(418)	(828)	--	(828)
Deferred excess of loss premiums	(7,301)	--	(7,301)	(2,863)	--	(2,863)
Due from related parties	(1,145)	--	(1,145)	--	--	--
Prepaid expenses and other assets	(15,601)	(822)	(16,423)	(1,406)	(587)	(1,993)
Accounts payables	(1)	--	(1)	(250)	--	(250)
Accrued and other liabilities	4,163	(1,280)	2,883	1,061	(281)	780
Reinsurers' balances payable	(6,854)	--	(6,854)	(15,043)	--	(15,043)
Unearned premiums	4,514	--	4,514	(5,787)	--	(5,787)
Unearned reinsurance commission	(735)	--	(735)	(120)	--	(120)
Outstanding claims reserve	7,408	--	7,408	7,441	--	7,441
Claims incurred but not reported	3,244	--	3,244	(2,864)	--	(2,864)
Other technical reserves	(1,607)	--	(1,607)	(405)	--	(405)
Due to related parties	392	--	392	435	--	435
	(12,401)	427	(11,974)	(28,006)	2,670	(25,336)
Zakat and income tax paid	--	(165)	(165)	--	--	--
End-of-service indemnities paid	(44)	--	(44)	(56)	--	(56)
Surplus paid to policy holders	(173)	--	(173)	(65)	--	(65)
Net cash (used in)/generated from operating activities	(12,618)	262	(12,356)	(28,127)	2,670	(25,457)
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposals/(Additions) in investments, net	--	--	--	--	15,600	15,600
Disposals /(Additions) in term deposits, net	15,369	(509)	14,860	40,428	9,201	49,629
Additions in property and equipment	(777)	--	(777)	(1,314)	--	(1,314)
Net cash generated / (used in) from investing activities	14,592	(509)	14,083	39,114	24,801	63,915
Net change in cash and cash equivalents	1,974	(247)	1,727	10,987	27,471	38,458
Cash and cash equivalents, beginning of the period	20,874	2,182	23,056	13,312	907	14,219
Due from/ (to) insurance operations	1,245	(1,245)	--	1,696	(1,696)	--
Cash and cash equivalents, end of the period	24,093	690	24,783	25,995	26,682	52,677

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

16. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company is required to establish a statutory reserve by appropriating 20% of net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution.

17. IMPACT OF COVID 19 OUTBREAK AND SUBSEQUENT EVENTS

The outbreak of novel coronavirus (COVID-19) since early 2020, its spread across mainland China and then globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope; has led to significant disruptions in the retail, travel and hospitality industries, and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. The Company has considered the following while assessing the impact of COVID-19 outbreak:

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant 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 months ended 31 March 2021. The Company's management continues to monitor the situation closely.

- **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. Based on the review, the Company has identified the following sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

- Foods
- Airlines
- Freight companies
- Hotels
- Retail
- Construction
- Entertainment
- Tourism

- **Liquidity Risk**

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance as well as the continued development of external economic factors.

18. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the board on 05 May 2021, corresponding to 23 Ramadan 1442H.