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

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

For the three-months period ended
31 March 2020

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020

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

Sindi & Batterjee
Audit & Consultancy
Kreston International
Licence No. 76

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Saudi Enaya Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as of 31 March 2020 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-months period then ended and a summary of significant accounting policies and othe explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

MATERIAL UNCERTAINTY

We draw attention to note 4, whereby, as at 31 March 2020, the Company's accumulated losses reached 53.90% (31 December 2019: 50.29%) of its share capital. On 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Subsequent to the period ended, on 22 April 2020, in an Extraordinary General Assembly Meeting, it resolved to reduce the Company's share capital from SR 300 million to SR 150 million. The Company absorbed SR 150 million of accumulated losses against its share capital of 15 million shares. As of the date of approval of these interim condensed financial statements, the Company is in the process of finalizing the legal formalities.

for Al-Bassam & Co.
P.O. Box 15651
Jeddah 21454
Kingdom of Saudi Arabia

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

for Sindi & Batterjee
Certified Public Accountants
P.O. Box 6685
Jeddah 21452
Kingdom of Saudi Arabia

Mazin Mohammed Batterjee
Certified Public Accountant
License No. 217

7 June 2020
15 Shawwal 1441H
Jeddah, Kingdom of Saudi Arabia

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

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	31 March 2020 (Unaudited)	31 December 2019 (Audited)
		SAR '000	
ASSETS			
Cash and cash equivalents	5	**98,477**	77,375
Short term murabaha deposits	6	**48,857**	76,036
Premiums receivable – net	7	**71,158**	44,859
Reinsurer receivable		**3,440**	2,995
Reinsurer share of outstanding claims	10	**381**	1,034
Reinsurer share of claims incurred but not reported	10	**43**	94
Deferred policy acquisition costs		**2,720**	2,851
Investments	8	**72,152**	72,950
Prepaid expenses and other assets		**14,238**	14,975
Property and equipment		**2,133**	2,392
Intangible assets		**1,141**	1,106
Statutory deposit	9	**45,000**	45,000
Accrued commission income on statutory deposit		**3,837**	3,492
TOTAL ASSETS		**363,577**	345,159
LIABILITIES			
Accrued and other liabilities		**38,006**	36,232
Unearned premiums	10	**91,366**	75,920
Outstanding claims	10	**26,501**	21,431
Claims incurred but not reported	10	**21,509**	18,493
Premium deficiency reserve	10	**20,064**	17,335
Other technical reserves	10	**1,738**	1,460
End-of-service indemnities		**5,948**	5,934
Zakat and income tax	15	**16,098**	15,498
Accrued commission income payable to SAMA		**3,837**	3,492
TOTAL LIABILITIES		**225,067**	195,795
SHAREHOLDERS' EQUITY			
Share capital	16	**300,000**	300,000
Accumulated losses		**(161,714)**	(150,860)
TOTAL SHAREHOLDERS' EQUITY		**138,286**	149,140
Re-measurement reserve of defined indemnities obligation		**224**	224
TOTAL EQUITY		**138,510**	149,364
TOTAL LIABILITIES AND EQUITY		**363,577**	345,159
COMMITMENTS AND CONTINGENCIES	11	**12,545**	12,545

Chairman

Chief Financial Officer

Chief Executive Officer

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

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

	Notes	Three-months period ended 31 March	
		2020	2019 (restated)
REVENUES			
Gross premiums written		**60,979**	25,197
Excess of loss expenses		**-**	-
Net premiums written		**60,979**	25,197
Changes in unearned premiums, net		**(15,446)**	(4,244)
Net premiums earned		**45,533**	20,953
TOTAL REVENUES		**45,533**	20,953
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**34,540**	67,428
Reinsurers' share of claims paid		**(445)**	(3,605)
Net claims paid		**34,095**	63,823
Changes in outstanding claims, net		**5,724**	(36,365)
Changes in claims incurred but not reported, net		**3,066**	(1,670)
Net claims incurred		**42,885**	25,788
Premium deficiency reserve		**2,729**	1,612
Other technical reserves		**277**	160
Policy acquisition costs		**1,650**	1,093
Other underwriting expenses		**1,005**	866
TOTAL UNDERWRITING COSTS AND EXPENSES		**48,546**	29,519
NET UNDERWRITING RESULT		**(3,013)**	(8,566)

Chairman

Chief Financial Officer

Chief Executive Officer

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

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

	Notes	Three-months period ended 31 March	
		2020	2019 (restated)
OTHER OPERATING (EXPENSES) / INCOME			
Release of doubtful debts	7	**4,438**	1,338
General and administrative expenses		**(12,211)**	(12,258)
Commission income on deposits		**1,369**	1,782
Unrealized (loss) / gain on investments		**(837)**	95
TOTAL OTHER OPERATING EXPENSES		**(7,241)**	(9,043)
Net loss for the period		**(10,254)**	(17,609)
Net income attributed to the insurance operations		**-**	-
Net loss for the period attributable to the shareholders before zakat		**(10,254)**	(17,609)
Zakat expense	15	**(600)**	(600)
Net loss for the period		**(10,854)**	(18,209)
(Loss) / earnings per share (Expressed in SAR per share)			
Weighted average number of ordinary shares outstanding (in thousands)		**30,000**	27,612
Basic and diluted loss per share for the period (SR) – restated – 2019	18	**(0.36)**	(0.66)

Chairman

Chief Financial Officer

Chief Executive Officer

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

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

	Notes	Three-months period ended 31 March	
		2020	2019 (restated)
Net loss for the period		**(10,854)**	(18,209)
Other comprehensive income			
Items that are or may be reclassified to interim statements of income in subsequent periods			
- Available for sale investments:		-	-
- Net change in fair value		-	-
- Net amounts transferred to statement of income		-	-
Other comprehensive income		-	-
Total comperhensive loss for the period		**(10,854)**	(18,209)
Total comprehensive loss attributed to the insurance operations		-	-
Total comprehensive loss for the period attributable to the shareholders		**(10,854)**	(18,209)

Chairman

Chief Financial Officer

Chief Executive Officer

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

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

	Related to shareholders'				
2020	**Share capital**	**Accumulated losses**	**Total shareholders' equity**	**Re-measurement reserve of defined indemnities obligation – related to insurance operations**	**Total equity**
			SAR '000		
Balance as at 31 December 2019 (Audited)	**300,000**	**(150,860)**	**149,140**	**224**	**149,364**
Total comprehensive loss for the period					
Net loss for the period	-	**(10,854)**	**(10,854)**	-	**(10,854)**
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	**(10,854)**	**(10,854)**	-	**(10,854)**
Balance as at 31 March 2020 (Unaudited)	**300,000**	**(161,714)**	**138,286**	**224**	**138,510**
2019					
Balance as at 31 December 2018 (audited) – Restated	100,000	(44,708)	55,292	774	56,066
Total comprehensive loss for the period					
Net loss for the period	-	(18,209)	(18,209)	-	(18,209)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period attributable to shareholders'	-	(18,209)	(18,209)	-	(18,209)
Issuance of right shares (note 16)	200,000	-	200,000	-	200,000
Balance as at 31 March 2019 (unaudited)	300,000	(62,917)	237,083	774	237,857

Chairman

Chief Financial Officer

Chief Executive Officer

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

	Note	2020	2019
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		**(10,254)**	(17,609)
Adjustments for non-cash items:			
Depreciation of property and equipment		**259**	218
Amortization of intangible assets		**124**	189
Allowance for doubtful debts	7	**(4,438)**	(1,338)
Unrealized loss / (gain) on investments		**837**	(69)
Amortization of discount – net		**(39)**	(27)
Provision for end-of-service indemnities		**670**	484
		(12,841)	(18,152)
Changes in operating assets and liabilities:			
Premiums receivable		**(21,861)**	(5,480)
Reinsurer receivable		**(445)**	(2,667)
Reinsurer share of outstanding claims		**653**	5,703
Reinsurer share of incurred but not reported claims		**51**	795
Reinsurer share of premium deficiency reserve		**-**	610
Deferred policy acquisition costs		**131**	(531)
Prepaid expenses and other assets		**737**	(3,633)
Accrued and other liabilities		**1,774**	(24,827)
Accrued commission income on statutory deposit		**(345)**	-
Reinsurer balances payable		**-**	(939)
Unearned premiums		**15,446**	4,244
Outstanding claims		**5,070**	(42,069)
Incurred but not reported claims		**3,016**	(2,464)
Premium deficiency reserve		**2,729**	1,001
Other technical reserves		**278**	160
Accrued commission income payable to SAMA		**345**	-
Net cash flows used in operating activities		**(5,262)**	(88,249)
End-of-service indemnities paid		**(656)**	(142)
Net cash flows used in operating activities		**(5,918)**	(88,391)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		**-**	(60,023)
Placement of short term murabaha deposits		**-**	(93,870)
Maturity of short term murabaha deposits		**27,179**	-
Purchase of property and equipment		**-**	(293)
Purchase of intangible assets		**(159)**	(162)
Net cash flows from / (used in) investing activities		**27,020**	(154,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of right shares		**-**	200,000
Net cash flows from financing activities		**-**	200,000
Net change in cash and cash equivalents		**21,102**	(42,739)
Cash and cash equivalents, beginning of the period		**77,375**	56,721
Cash and cash equivalents, end of the period		**98,477**	13,982

Chairman

Chief Financial Officer

Chief Executive Officer

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

1. GENERAL

Saudi Enaya Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 98/Q dated 16 Rabi Awwal 1433H (corresponding to 8 February 2012). The Commercial Registration number of the Company is 4030223528 dated 27 Rabi Awal 1433H (corresponding to 19 February 2012).
The Registered Office address of the Company is:
Building No. 8433
Prince Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435
Kingdom of Saudi Arabia

Following is the branch of the Company:

Branch	Commercial Registration Number:
Riyadh	1010421871

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/49 dated 27 Rajab 1432H (corresponding to 29 June 2011) pursuant to the Council of Ministers' Resolution No 224 dated 25 Rajab 1432H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi shareholders and the general public and 23% owned by non-Saudi shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 February 2012.
The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and brokerage, in the Kingdom of Saudi Arabia in accordance with its Articles of Association, and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only. The Company commenced its commercial operations on 7 January 2013.

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial statements for the three months period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") endorsed in the Kingdom of Saudi Arabia, pursuant to SAMA circular dated 17 July 2019.

Until the period ended 31 March 2019, the interim condensed financial statements of the Company were prepared in accordance with the International Accounting Standard - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of Zakat and income tax.

The Company changed its accounting policy for zakat and income tax as mandated by International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The effects of this change are disclosed in note 20 to the interim condensed financial statements.

The interim condensed financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value. 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, investment in Murabaha deposits, premiums receivable-net, due from reinsurers-net, reinsurers' share of unearned premiums, deferred policy acquisition costs, deferred excess of loss premiums, prepayments and other assets, due to policyholders, reinsurers and brokers, accrued expenses, unearned premiums and reinsurance commission, outstanding claims and claims IBNR, provision for premium deficiency reserve, other technical reserves and accrued Zakat. The following balances would generally be classified as non-current: outstanding claims, claims IBNR, end-of-service indemnities, related parties balances, accrued interest on statutory deposit, investments held at fair value through income statement, available-for-sale investment, goodwill, statutory deposit, property and equipment, and intangible assets.

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

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

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 28 to 33 of the interim condensed financial statements 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 to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

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

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

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

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

b. Critical accounting judgments, estimates and assumptions

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

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

2. BASIS OF PREPARATION – (continued)

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2019 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim condensed statement of changes in shareholders' equity for the period. 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 GCC and other territories 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.
- Also refer subsequent event note 21 in relation to SAMA Circular 189 issued on 8 May 2020 in response to the Covid-19 pandemic.

a. New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard/ Amendments	***Description***
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 16	Leases

IFRS 16 - Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has assessed the impact and concludes that the relevant new standard and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements. Lease agreement is not falling under qualified lease. Thus, no right of use has been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

a. New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company (continued)

Change in accounting for Zakat and income tax

As mentioned in note 2, the basis of preparation has changed as a result of the issuance of Circular by SAMA, dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity under retained earnings as per the SAMA Circular No. 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, Zakat and income tax shall be recognized in the interim statement of income.

The Company amended its accounting policy relating to zakat and have started to apply International Accounting Standard – Income Taxes ("IAS 12") and IFRIC 21 – Levies so far as these relate to Zakat. The Company has accounted for this change in the accounting policy relating to zakat retrospectively (see note 2) and the effects of the above change are disclosed in note 20 to the interim condensed financial statements. The change has resulted in reduction of reported income for the period ended 31 March 2019 by SR 1.8 million. The change has had no impact on the statement of cash flows for the period ended 31 March 2019.

The financial impact of adoption of accounting policy for Deferred tax is not material to the interim condensed financial statements, therefore prior period amounts have not been restated.

b. Standards issued but not yet effective

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

Standard/ Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 9	Financial Instruments	Refer below
IFRS 17	Insurance Contracts (note below)	1 January 2022

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:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. 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 model is based on the following "building blocks":

A) the fulfilment cash flows (FCF), which comprise:
- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

B) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

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. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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.

Impact

On 17 March 2020, IASB has tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2023. The Company has setup steering committee to oversee the IFRS 17 project. Work on data gaps, accounting policies and chart of accounts together with assessing the measurement model is in progress based on IFRS 17 project plan. The company submitted Financial impact assessment (FIA) and Operational Impact assessment (OIA) as required by Saudi Arabian Monetary Authority (SAMA).The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

Impact Area	Summary of Impact
Financial Impact	Company is still assessing Financial Impact
Data Impact / IT Systems	▪ New chart of accounts to be developed for PAA/ GMM. ▪ Actuarial and accounting data will be needed at more granular level. ▪ Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM. ▪ Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment. ▪ Identification of key inputs for onerous contracts test as well as defining 'facts and circumstance' for PAA contracts. ▪ Calculation and tracking of contractual service margin. ▪ Calculation of coverage period of risk attaching reinsurance contract.
Process Impact	▪ Finance, actuarial, underwriting and IT processes to be built suitable for IFRS 17 together with new set of controls and governance framework. ▪ New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources. ▪ Setting up new accounting policies each suitable for measurement model and technical decisions for each area. ▪ Monitor terms and conditions attaching to insurance and reinsurance contracts. ▪ New expense allocation process, acquisition costs, claims settlement costs and underwriting costs to be put in place to identify profitability at a contract level. ▪ For recognition, advance premium receipts to be compared to contract receipt date. ▪ Cash receipts for premiums need to be tracked at policy level. ▪ System to track coverage period for future products need to be put in place.
Impact on RI Arrangements	▪ Insurance contract liabilities / assets is required to be reported gross of reinsurance and a separate reinsurance asset / liability shall be reported. ▪ The cash flows (after factoring any expected credit loss) shall be reported gross (before reinsurance) and undiscounted. ▪ Cancellation clauses to be reviewed to assess the impact on measurement models relevant for these contracts.
Impact on Policies & Control Frameworks	▪ New Steering committee for IFRS 17 needs to be put in place ▪ Project plan for design and implementation to be set at activities level

The Company has started with their implementation process and have set up an implementation committee.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

a) Classification and measurement:

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

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

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

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

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

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss. Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

b) Impairment:

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

c) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 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, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2017: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components

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

Impact assessment

The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional one year of deferral, meaning they could apply as at both standards for the first time in reporting periods beginning on or after 1 January 2023. The Company has been progressing with addressing the data gaps for computation of expected credit loss for insurance / reinsurance receivables identified as a part of completion of Bad Debt Provisioning reporting to SAMA.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

c. Standards issued but not yet effective (continued)

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

4. GOING CONCERN

During the period ended 30 September 2019, the Company has suffered losses amounting to SR 79.976 million that resulted in an increase of accumulated losses reaching 41.56% of the Share Capital of SR 300 million.

As at 31 December 2019, the Company's accumulated losses reached 50.29% of its share capital (31 December 2018: 44.71%).

As at 31 March 2020, the Company's accumulated losses reached 53.90% of its share capital (31 December 2019: 50.29%). The Company's management is in the process of discussing and approving of the revised business plan by the Board of Directors and exploring other alternate options. The Management is confident for having positive outcome of the strategy and satisfied that the Company's operations shall continue for foreseeable future under normal course of business.

These conditions raised uncertainty on the Company's ability to continue as a going concern. On 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company appointed a Financial Advisor to initiate the reduction process. However, subsequently to the period-end, on 22 April 2020, in an Extraordinary General Assembly Meeting, it resolved to reduce the Company's share capital from SR 300 million to SR 150 million. As of the date of approval of these interim condensed financial statements, the Company is in the process of finalising the legal formalities related to the reduction of share capital. The management considered the interim condensed financial position and is satisfied that the going concern basis of preparation of the interim condensed financial statements is appropriate. Accordingly, the interim condensed financial statements has been prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Bank balances and cash	**16,303**	14,590
	16,303	14,590

	Shareholders' operations	
	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Bank balances and cash	**18**	18
Murabaha deposits maturing within 3 months from the acquisition date	**82,156**	62,767
	82,174	62,785

6. SHORT TERM MURABAHA DEPOSITS

Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 48,857 thousand (2019: SR 76,036 thousand), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia, are presented in the statement of financial position of the shareholders separately. As at 31 March 2020, the deposit carrying commission rates ranges from 2.1% to 2.7% (31 December 2019: 1.9% to 3.1%).

7. PREMIUMS RECEIVABLE – NET

Receivables comprise amounts due from the following:

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Policyholders	**37,120**	44,929
Brokers and agents	**14,253**	12,472
Related parties (note 14)	**38,637**	10,748
	90,010	68,149
Provision for doubtful premiums receivables	**(18,852)**	(23,290)
Premiums receivable – net	**71,158**	44,859

Note: Premium balance receivable from brokers and agents at 31 March 2020 amounting to SAR 14.25 million (31 December 2019: SAR 12.4 million) are ultimately due from customers that are insured through brokers and agents.

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

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Balance at beginning of the period/year	**23,290**	16,328
(Released)/ provided during the period / year	**(4,438)**	6,962
Balance at end of the period / year	**18,852**	23,290

8. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
- Held as FVSI	**11,943**	12,780
- Held to maturity	**60,209**	60,170
Total	**72,152**	72,950

8. INVESTMENTS – (continued)

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

	Shareholders' operations	
	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Opening balance	**12,780**	7,695
Purchases during the period / year	**-**	4,430
Changes in fair value of investments	**(837)**	655
Closing balance	**11,943**	12,780

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Saudi Aramco	**4,172**	4,878
Al Badr Murabaha Fund	**7,228**	7,200
Saudi Fransi GCC IPO Fund	**543**	702
	11,943	12,780

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Opening balance	**60,170**	5,000
Placements during the period / year	**-**	60,023
Matured during the period / year	**-**	(5,000)
Amortization of held to maturity investments	**39**	147
Closing balance	**60,209**	60,170

9. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SR 45 million (31 December 2019: SR 45 million), in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA.

10. TECHNICAL RESERVES

10.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Outstanding claims reserve	**26,501**	21,431
Claims Incurred but not reported	**21,509**	18,493
	48,010	39,924
Premium deficiency reserve	**20,064**	17,335
Other technical reserves	**1,738**	1,460
	69,812	58,719
Less:		
- Reinsurer share of outstanding claims reserve	**(381)**	(1,034)
- Reinsurer share of claims incurred but not reported	**(43)**	(94)
	(424)	(1,128)
Net outstanding claims and reserves	**69,388**	57,591

10.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three-months period ended 31 March 2020 (Unaudited)		
	Gross	**Reinsurance**	**Net**
		SAR'000	
Balance as at the beginning of the period	**75,920**	**-**	**75,920**
Premium written during the period	**60,979**	**-**	**60,979**
Premium earned during the period	**(45,533)**	**-**	**(45,533)**
Balance as at the end of the period	**91,366**	**-**	**91,366**

	Year ended 31 December 2019 (Audited)		
	Gross	Reinsurance	Net
		SAR'000	
Balance as at the beginning of the year	20,338	-	20,338
Premium written during the year	154,028	-	154,028
Premium earned during the year	(98,446)	-	(98,446)
Balance as at the end of the year	75,920	-	75,920

11. COMMITMENTS AND CONTINGENCIES

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

	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
Letters of guarantee	**12,545**	12,545
Total	**12,545**	12,545

b. There were no capital commitments outstanding as at 31 March 2020 (31 December 2019: Nil).

c. As at 31 March 2020, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2019: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT), which is secured against the Company's murabaha deposit of SR 14 million (31 December 2019: SR 14 million) with Saudi Arabian British Bank (SABB).

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

a. Carrying amounts and fair value

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

12. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

Shareholders' Operations		**Fair value**			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
			SAR'000		
31 March 2020 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	**11,943**	**11,943**	**-**	**-**	**11,943**
	11,943	**11,943**	**-**	**-**	**11,943**
Financial assets not measured at fair value					
- Held to maturity investments	**60,209**	**-**	**60,946**	**-**	**60,946**
- Short term murabaha deposits	**48,857**	**-**	**-**	**49,379**	**49,379**
	109,066	**-**	**60,946**	**49,379**	**110,325**

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
			SAR'000		
31 December 2019 (Audited)					
Financial assets measured at fair value					
- Investments held as FVSI	12,780	12,780	-	-	12,780
	12,780	12,780	-	-	12,780
Financial assets not measured at fair value					
- Held to maturity investments	60,170	-	60,714	-	60,714
- Short term murabaha deposits	76,036	-	-	77,742	77,742
	136,206	-	60,714	77,742	138,456

13. OPERATING SEGMENTS

The Company only issues insurance contracts for providing health care services ('medical insurance') and all the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. The insurance operations are being monitored by management under one segment; hence no separate information is required.

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of transactions	Transactions for the three-months period ended		Balance receivable / (payable) as at	
		31 March 2020 (Unaudited)	31 March 2019 (Unaudited)	**31 March 2020 (Unaudited)**	31 December 2019 (Audited)
		SAR'000			
Major shareholders					
Munich Re	Other recoveries (net)	**-**	-	**-**	-
Entities controlled, jointly controlled or significantly influenced by related parties					
Related parties of Juffali Group (affiliates)	Insurance premium written	**(4)**	(20)	**1,111**	1,231
	Claims paid	**353**	628	**-**	-
	Purchase of computer equipment, licenses, vehicles and other services	**410**	274	**405**	-
	Commission paid	**12**	25	**44**	32
Related parties of Dr. Soliman Fakeeh Group– (affiliates)	Insurance premium written	**382**	-	**9,917**	9,517
	Claims paid	**3,830**	1,591	**(6,688)**	(5,430)
Related parties of International Medical Center – (affiliates)	Insurance premium written	**32,313**	-	**27,609**	-
	Claims paid	**805**	1,360	**(5,355)**	(1,381)

14. RELATED PARTY TRANSACTIONS AND BALANCES – (continued)

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

	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	**736**	1,017
End of service indemnities	**27**	37
	763	1,054

15. ZAKAT AND INCOME TAX

a. Charge for the period / year

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

Movements in provision during the period / year	**31 March 2020 (Unaudited)**	31 December 2019 (Audited)
	SAR'000	
Balance at the beginning of the period / year	**15,498**	10,698
Charge for the period / year	**600**	4,800
Balance at the end of the period / year	**16,098**	15,498

As the Company has incurred a loss during the three-month period ended 31 March 2020, and in previous years, no provision has been established in respect of income tax in these interim condensed financial statements.

b. Status of zakat assessments

The Company has filed its Zakat and tax return for the first twelve month period ended 30 June 2012 with the General Authority of Zakat and Tax ("GAZT"). The Company has also filed its Zakat and income tax return for the long period from 8 February 2012 to 31 December 2013 and for the years from 2014 to 2017 and obtained restricted zakat certificates. The Company has submitted its Zakat and income tax return for the year ended 31 December 2018.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. The Company has filed an appeal against such assessment. The Company submitted an appeal against the GAZT treatment and is confident of a favourable outcome.

During 2017, the Company filed an appeal to the Appellate Committee for Zakat and Tax Appeal ("ACZTA") against the Preliminary Objection Committee's ("POC") decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

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

16. SHARE CAPITAL

As at 31 March 2020, the authorized, subscribed and paid up share capital of the Company was SR 300 million, divided into 30 million shares of SR 10 each.

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

17. CAPITAL MANAGEMENT

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company’s activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors that the Company has fully complied with the externally imposed capital requirements during the reported financial period.

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

18. LOSS PER SHARE

Loss per share for the period has been calculated by dividing the net loss for the period by the weighted average number of issued and outstanding shares for the period.

A) The weighted average number of shares has been retrospectively adjusted for prior period to reflect the bonus element of right share issue as required by IAS 33 "Earnings per share" as follows:

	Three-months period ended	
	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
	SAR'000	
Issued ordinary shares as at 1 January	**30,000**	10,000
Effect of bonus element of right share issue	**-**	-
Effect of right share issue	**-**	17,612
Weighted average number of ordinary shares	**30,000**	27,612

The weighted average number of ordinary shares for prior period is computed using an adjustment factor of 1.57 which is a ratio of the theoretical ex-rights price of SR 13.96 per ordinary share and the closing price of SR 21.88 per ordinary share on the last day on which the shares were traded before the right issue.

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

	Three-month period ended	
	31 March 2020 (Unaudited)	31 March 2019 (Unaudited) (Restated)
	SAR'000	
Net loss for the period	**(10,854)**	(18,209)
Weighted average number of ordinary shares	**30,000**	27,612
Basic and diluted loss per share (SR)	**(0.36)**	(0.66)

19. SUPPLEMENTARY INFORMATION

a) Interim statement of financial position

	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
ASSETS						
Cash and cash equivalents	16,303	82,174	**98,477**	14,590	62,785	77,375
Short term murabaha deposits	-	48,857	**48,857**	-	76,036	76,036
Premiums receivable – net	71,158	-	**71,158**	44,859	-	44,859
Reinsurer receivable	3,440	-	**3,440**	2,995	-	2,995
Reinsurer share of outstanding claims	381	-	**381**	1,034	-	1,034
Reinsurer share of claims incurred but not reported	43	-	**43**	94	-	94
Deferred policy acquisition costs	2,720	-	**2,720**	2,851	-	2,851
Investments	-	72,152	**72,152**	-	72,950	72,950
Due from shareholders' operations	94,974	-	**94,974**	93,217	-	93,217
Prepaid expenses and other assets	12,867	1,371	**14,238**	12,653	2,322	14,975
Property and equipment	2,133	-	**2,133**	2,392	-	2,392
Intangible assets	1,141	-	**1,141**	1,106	-	1,106
Statutory deposit	-	45,000	**45,000**	-	45,000	45,000
Accrued commission income on statutory deposit	-	3,837	**3,837**	-	3,492	3,492
	205,160	253,391	**458,551**	175,791	262,585	438,376
Less: Inter-operations eliminations	(94,974)	-	(94,974)	(93,217)	-	(93,217)
TOTAL ASSETS	110,186	253,391	**363,577**	82,574	262,585	345,159

19. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – (continued)

	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
LIABILITIES						
Accrued and other liabilities	37,810	196	**38,006**	34,994	1,238	36,232
Unearned premiums	91,366	-	**91,366**	75,920	-	75,920
Outstanding claims	26,501	-	**26,501**	21,431	-	21,431
Claims incurred but not reported	21,509	-	**21,509**	18,493	-	18,493
Premium deficiency reserve	20,064	-	**20,064**	17,335	-	17,335
Other technical reserves	1,738	-	**1,738**	1,460	-	1,460
Due to insurance operations	-	94,974	**94,974**	-	93,217	93,217
End-of-service indemnities	5,948	-	**5,948**	5,934	-	5,934
Zakat and income tax	-	16,098	**16,098**	-	15,498	15,498
Accrued commission income payable to SAMA	-	3,837	**3,837**	-	3,492	3,492
	204,936	115,105	**320,041**	175,567	113,445	289,012
Less: Inter-operations eliminations	-	(94,974)	(94,974)	-	(93,217)	(93,217)
TOTAL LIABILITIES	204,936	20,131	**225,067**	175,567	20,228	195,795
SHAREHOLDERS' EQUITY						
Share capital	-	300,000	**300,000**	-	300,000	300,000
Accumulated losses	-	(161,714)	**(161,714)**	-	(150,860)	(150,860)
TOTAL SHAREHOLDERS' EQUITY	-	138,286	**138,286**	-	149,140	149,140
Re-measurement reserve of defined indemnities obligation	224	-	**224**	224	-	224
TOTAL EQUITY	224	138,286	**138,510**	224	149,140	149,364
TOTAL LIABILITIES AND EQUITY	205,160	158,417	**363,577**	175,791	169,368	345,159
COMMITMENTS AND CONTINGENCIES	-	12,545	**12,545**	-	12,545	12,545

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

For the three-months period ended 31 March	2020			2019 (Restated)		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
REVENUES						
Gross premiums written:						
- Individual	1,089	-	**1,089**	1,478	-	1,478
- Micro enterprises	2,786	-	**2,786**	55	-	55
- Small enterprises	7,559	-	**7,559**	1,540	-	1,540
- Medium enterprises	13,341	-	**13,341**	6,049	-	6,049
- Large enterprises	36,204	-	**36,204**	16,075	-	16,075
Total gross premiums written	60,979	-	**60,979**	25,197	-	25,197
Excess of loss expenses – foreign	-	-	**-**	-	-	-
Net premiums written	60,979	-	**60,979**	25,197	-	25,197
Changes in unearned premiums, net	(15,446)	-	**(15,446)**	(4,244)	-	(4,244)
Net premiums earned	45,533	-	**45,533**	20,953	-	20,953
TOTAL REVENUES	45,533	-	**45,533**	20,953	-	20,953
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	34,540	-	34,540	67,428	-	67,428
Reinsurers' share of claims paid	(445)	-	(445)	(3,605)	-	(3,605)
Net claims paid	34,095	-	34,095	63,823	-	63,823
Changes in outstanding claims	5,724		5,724	(36,365)		(36,365)
Changes in claims incurred but not reported	3,066	-	3,066	(1,670)	-	(1,670)
Net claims incurred	42,885	-	**42,885**	25,788	-	25,788
Premium deficiency reserve	2,729	-	**2,729**	1,612	-	1,612
Other technical reserves	277	-	**277**	160	-	160
Policy acquisition costs	1,650	-	**1,650**	1,093	-	1,093
Other underwriting expenses	1,005	-	**1,005**	866	-	866
TOTAL UNDERWRITING COSTS AND EXPENSES	48,546	-	**48,546**	29,519	-	29,519
NET UNDERWRITING RESULT	(3,013)	-	**(3,013)**	(8,566)	-	(8,566)

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income – (continued)

For the three-months period ended 31 March	2020			2019 (Restated)		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
OTHER OPERATING (EXPENSES) / INCOME						
Reversal of / (allowance for) doubtful debts	4,438	-	**4,438**	1,338	-	1,338
General and administrative expenses	(11,815)	(396)	**(12,211)**	(12,048)	(210)	(12,258)
Commission income on deposits	-	1,369	**1,369**	-	1,782	1,782
Unrealized gain/ (loss) on investments	-	(837)	**(837)**	-	95	95
TOTAL OTHER OPERATING (EXPENSES) / INCOME	**(7,377)**	**136**	**(7,241)**	(10,710)	1,667	(9,043)
NET LOSS FOR THE PERIOD	**(10,390)**	**136**	**(10,254)**	(19,276)	1,667	(17,609)
Net Income attributed to the insurance operations	**-**	**-**	**-**	-	-	-
Net loss for the period attributed to shareholders' operations before zakat	**(10,390)**	**136**	**(10,254)**	(19,276)	1,667	(17,609)
Zakat expense	**-**	**(600)**	**(600)**	-	(600)	(600)
Net loss for the period	**(10,390)**	**(464)**	**(10,854)**	(19,276)	1,067	(18,209)
Loss per share (Expressed in SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)	**-**		**30,000**	**-**		27,612
Basic and diluted loss per share for the period (SR)	-		**(0.36)**	**-**		(0.66)

c) Interim statement of comprehensive income

For the three-months period ended 31 March	2020			2019 (Restated)		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	-	**(10,854)**	**(10,854)**	-	(18,209)	(18,209)
Other comprehensive (loss) / income	-	-	**-**	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	**(10,854)**	**(10,854)**	-	(18,209)	(18,209)

19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of cash flows

	2020			2019 (Restated)		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period	-	(10,254)	**(10,254)**	-	(17,609)	(17,609)
Adjustments for non-cash items:						
Depreciation of property and equipment	259	-	**259**	218	-	218
Amortization of intangible assets	124	-	**124**	189	-	189
Allowance for doubtful debts	(4,438)	-	**(4,438)**	(1,338)	-	(1,338)
Unrealized gain on investments	-	837	**837**	-	(69)	(69)
Amortization of discount – net	-	(39)	**(39)**	-	(27)	(27)
Provision for end-of-service indemnities	670	-	**670**	484	-	484
	(3,385)	(9,456)	**(12,841)**	(447)	(17,705)	(18,152)
Changes in operating assets and liabilities:						
Premiums receivable	(21,861)	-	**(21,861)**	(5,480)	-	(5,480)
Reinsurer receivable	(445)	-	**(445)**	(2,667)	-	(2,667)
Reinsurer share of outstanding claims	653	-	**653**	5,703	-	5,703
Reinsurer share of IBNR	51	-	**51**	795	-	795
Reinsurer share of PDR	-	-	**-**	610	-	610
Deferred policy acquisition costs	131	-	**131**	(531)	-	(531)
Prepaid expenses and other assets	(214)	951	**737**	(2,925)	(708)	(3,633)
Accrued commission income on statutory deposit	-	(345)	**(345)**	-	-	-
Accrued and other liabilities	2,816	(1,042)	**1,774**	(20,360)	(4,467)	(24,827)
Reinsurer balances payable	-	-	**-**	(939)	-	(939)
Unearned premiums	15,446	-	**15,446**	4,244	-	4,244
Outstanding claims reserve	5,070	-	**5,070**	(42,069)	-	(42,069)
Claims incurred but not reported	3,016	-	**3,016**	(2,464)	-	(2,464)
Premium deficiency reserve	2,729	-	**2,729**	1,001	-	1,001
Other technical reserves	278	-	**278**	160	-	160
Accrued commission income payable to SAMA	-	345	**345**	-	-	-
Due to Insurance Operations	-	1,757	**1,757**	-	(57,953)	(57,953)
Due from Shareholders' Operations	(1,757)	-	**(1,757)**	57,953	-	57,953
Net cash flows used in operating activities	2,528	(7,790)	**(5,262)**	(7,416)	(80,833)	(88,249)
End-of-service indemnities paid	(656)	-	**(656)**	(142)	-	(142)
Net cash flows used in operating activities	1,872	(7,790)	**(5,918)**	(7,558)	(80,833)	(88,391)

19. SUPPLEMENTARY INFORMATION – (continued)

Interim statement of cash flows – (continued)

	2020			2019 (Restated)		
	Insurance operations	**Share-holders' operations**	**Total**	**Insurance operations**	**Share-holders' operations**	**Total**
			SR '000			
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	-	-	**-**	-	(60,023)	(60,023)
Placement of short term murabaha deposits	-	-	**-**	-	(93,870)	(93,870)
Maturity of short term murabaha deposits	-	27,179	**27,179**	-	-	-
Purchase of property and equipment	-	-	**-**	(293)	-	(293)
Purchase of intangible assets	(159)	-	**(159)**	(162)	-	(162)
Net cash flows from / (used in) investing activities	(159)	27,179	**27,020**	(455)	(153,893)	(154,348)
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of rights shares	-	-	**-**	-	200,000	200,000
Net cash flows from Financing activities	-	-	**-**	-	200,000	200,000
Net change in cash and cash equivalents	1,713	19,389	**21,102**	(8,013)	(34,726)	(42,739)
Cash and cash equivalents, beginning of the period	14,590	62,785	**77,375**	16,484	40,237	56,721
Cash and cash equivalents, end of the period	16,303	82,174	**98,477**	8,471	5,511	13,982

20. COMPARATIVE FIGURES

A) Zakat

As mentioned under note 2, the basis of preparation has changed as a result of the issuance on the new Circular by SAMA. The change in the accounting treatment for Zakat (as explained in note 3) has the following impact on the line items of the statements of income, comprehensive income and changes in shareholders' equity:

As at and for the three-months period ended 31 March 2019:

Account	*Financial statement impacted*	*Balance previously reported SR'000*	*Effect of restatement SR'000*	*Balance restated SR'000*
Zakat	Interim condensed statement of income	-	(600)	(600)
Net loss for the period	Interim condensed statement of income	(17,609)	(600)	(18,209)
Loss per share for the period	Interim condensed statement of income	(0.64)	(0.02)	(0.66)
Zakat	Interim condensed statement of changes in shareholders' equity	(600)	(600)	-
Total comprehensive loss for the period	Interim condensed statements of comprehensive income and changes in shareholders' equity	(17,609)	(600)	(18,209)

21. SUBSEQUENT EVENT

Subsequent to the period-end, on 22 April 2020 corresponding to 29 Shaa'ban 1441H, in an Extra-Ordinary General Assembly Meeting, it resolved to reduce the Company's share capital from SR 300 million to SR 150 million. The Company absorbed SR 150 million of accumulated losses against its share capital of 15 million shares. As of the date of approval of these interim condensed financial statements, the Company is in the process of finalizing the legal formalities.

In response to the Covid-19 pandemic, SAMA issued a decree 189 (the "Decree") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Among various other matters relating to the insurance sector, allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. The management believes that such requirements of the Decree are a non-adjusting event and therefore the interim condensed financial information have not been adjusted.

22. IMPACT OF COVID-19 OUTBREAK

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 is in the process of establishing plans to address how it will manage the effects of the outbreak and assess disruptions and other risks to its operations. These include the protection of employees, sustaining our services to clients and other stakeholders. 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 impact assessment on the overall Company’s operations and business aspects including factors like investments, insurance claims, recoverability of assets, travel restrictions, etc. and concluded that, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgements and key estimates.

Although no material claims have been reported at this stage, the Company is closely monitoring its exposure, including (i) the operational impact on its business, (ii) the consequences of a deterioration in macroeconomic conditions or of a slowdown in the flow of people, goods and services, especially on new business volumes, (iii) the extent of reinsurance coverage impacted, including retrocession cover, and (iv) change in asset prices and financial conditions.

Further, the Company’s business remains largely unaffected as the insurance industry is facilitated by the Government through free treatments of the COVID-19 affected patients. Based on these factors, the Company’s management believes that the COVID -19 pandemic has had no direct material effects on Company’s reported results for the quarter ended 31 March 2020 since the insurance industry is facilitated by the Government through free treatments of the COVID-19 affected patients. However, in the 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 amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by Board of Directors, on 4 Shawwal 1441H, corresponding to 27 May 2020.