

**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 AND NINE MONTH PERIODS ENDED  
30 SEPTEMBER 2019**

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

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<b>INDEX</b>	<b>PAGE</b>
Independent auditors' review report	1
Interim condensed statement of financial position	2 – 3
Interim condensed statement of income	4
Interim condensed statement of comprehensive income	5
Interim condensed statement of changes in equity	6
Interim condensed statement of cash flows	7
Notes to the interim condensed financial statement	8-38

**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 30 September 2019, the related interim condensed statements of income and comprehensive income for the three month and nine-month periods then ended and interim condensed statements of changes in equity and cash flows for the nine 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") as 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 30 September 2019 of the Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

**Aldar Audit Bureau**  
**Abdullah Al Basri & Co**  
P. O. Box 2195  
Riyadh 11451  
Kingdom of Saudi Arabia



**Abdullah M. Al Basri**  
Certified Public Accountant  
License No. 171



**KPMG Al Fozan & Partners**  
Certified Public Accountants  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia



**Dr. Abdullah Hamad Al Fozan**  
Certified Public Accountant  
License No. 348

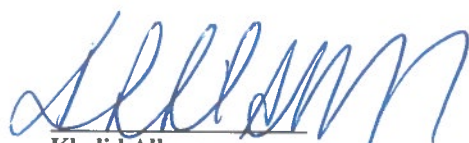


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7 November 2019

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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

		SAR '000	
		September 30, 2019 (Unaudited)	December 31, 2018 (Audited) (Restated)
<b>ASSETS</b>			
Cash and bank balances	4	15,528	55,676
Term deposits		435,804	411,230
Premiums and reinsurer' receivable, net	5	50,042	70,868
Reinsurers' share of unearned premiums	7.2	39,090	56,537
Deferred excess of loss premiums		864	--
Reinsurers' share of outstanding claims	7.1	60,072	44,355
Reinsurers' share of claims incurred but not reported	7.1	9,321	8,230
Deferred policy acquisition costs		6,010	4,631
Investments	6	132,926	92,982
Due from related parties	11	--	630
Prepaid expenses and other assets		11,872	7,117
Deferred tax asset	12	1,293	1,621
Property and equipment		2,425	1,541
Statutory deposit		40,000	40,000
Accrued income on statutory deposit		4,151	3,059
<b>TOTAL ASSETS</b>		<b>809,398</b>	<b>798,477</b>



**Khalid Allagany**  
**CEO and Managing Director**



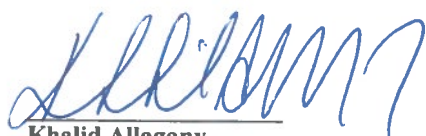
**Fadi Aboul Hosn**  
**Chief Financial Officer**

The accompanying notes 1 to 17 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 30 SEPTEMBER 2019

		SAR '000	
		September 30, 2019	December 31, 2018
	Notes	(Unaudited)	(Audited) (Restated)
<b>LIABILITIES</b>			
Outstanding claims reserve	7.1	89,267	85,720
Claims incurred but not reported	7.1	38,139	46,357
Other technical reserves	7.1	280	693
Accrued and other liabilities		34,224	35,784
Reinsurers' balances payable		76,898	52,784
Unearned premiums	7.2	84,941	112,473
Accounts payables		5,968	8,471
Unearned reinsurance commission		4,511	3,366
Due to related parties		1,937	1,045
End-of-service indemnities		10,299	11,650
Zakat and income tax	12	42,458	38,153
Accrued commission income payable to SAMA		4,151	3,059
Accumulated surplus		9,779	10,263
<b>TOTAL LIABILITIES</b>		<b>402,852</b>	<b>409,818</b>
<b>EQUITY</b>			
Share capital	13	400,000	400,000
Statutory reserve	16	931	--
Accumulated profits / (losses)		3,723	(9,215)
Fair value reserve for available for sale investments		2,349	(1,669)
Actuarial reserve for employee benefits		(457)	(457)
<b>TOTAL EQUITY</b>		<b>406,546</b>	<b>388,659</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY</b>		<b>809,398</b>	<b>798,477</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	8	<b>753</b>	<b>886</b>



Khalid Allagany  
CEO and Managing Director



Fadi Aboul Hosn  
Chief Financial Officer

The accompanying notes 1 to 17 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 AND NINE MONTH PERIOD ENDED 30 SEPTEMBER**

		SAR '000			
	Notes	For the three month period ended September 30, 2019		For the nine month period ended September 30, 2018	
		2019	2018 (Restated)	2019	2018 (Restated)
<b>REVENUES</b>					
Gross premiums written		55,527	54,998	167,183	211,718
- Direct		(246)	144	907	493
- Reinsurance		55,281	55,142	168,090	212,211
Reinsurance premiums ceded					
- Local		(331)	(342)	(1,906)	(3,085)
- Foreign		(32,220)	(29,404)	(76,636)	(81,885)
		(32,551)	(29,746)	(78,542)	(84,970)
Excess of loss premium					
- Local		--	--	(206)	--
- Foreign		--	--	(4,599)	(7,641)
		--	--	(4,805)	(7,641)
Total reinsurance premium ceded	7.2	(32,551)	(29,746)	(83,347)	(92,611)
<b>NET PREMIUMS WRITTEN</b>		22,730	25,396	84,743	119,600
Changes in unearned premiums		9,918	18,530	27,532	63
Changes in reinsurers' share of unearned premiums		188	(882)	(17,447)	(7,422)
Changes in deferred excess of loss premiums		(1,276)	(1,977)	864	2,103
<b>NET PREMIUMS EARNED</b>		31,560	41,067	95,692	114,344
Reinsurance commissions		2,521	3,301	9,295	9,093
<b>TOTAL REVENUES</b>		34,081	44,368	104,987	123,437
<b>UNDERWRITING COSTS AND EXPENSES</b>					
Gross claims paid		(26,150)	(38,759)	(81,581)	(80,227)
Reinsurers' share of claims paid		8,324	17,436	16,840	26,068
<b>NET CLAIMS PAID</b>		(17,826)	(21,323)	(64,741)	(54,159)
Changes in outstanding claims reserve		(4,849)	6,979	(3,547)	(3,344)
Changes in reinsurers' share of outstanding claims		7,941	(125)	15,717	822
Changes in claims incurred but not reported, net		(2,214)	(2,116)	9,309	16,956
Changes in other technical reserves		194	(529)	413	262
<b>NET CLAIMS INCURRED</b>		(16,754)	(17,114)	(42,849)	(39,463)
Policy acquisition costs		(4,635)	(4,574)	(13,581)	(13,744)
Other underwriting expenses		(215)	(355)	(802)	(1,026)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		(21,604)	(22,043)	(57,232)	(54,233)
<b>NET UNDERWRITING INCOME</b>		12,477	22,325	47,755	69,204
<b>OTHER OPERATING (EXPENSES) / INCOME</b>					
Reversal/(allowance) for doubtful debts		2,191	(2,010)	4,611	(6,328)
General and administrative expenses		(13,350)	(14,720)	(44,622)	(44,118)
Investment income on term deposits		3,263	2,415	9,528	6,485
Investment income on bonds and sukuks		961	551	2,619	1,643
Other income		--	--	2,190	--
<b>TOTAL OTHER OPERATING EXPENSES</b>		(6,935)	(13,764)	(25,674)	(42,318)
<b>TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</b>		5,542	8,561	22,081	26,886
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS</b>	15B	(337)	(702)	(1,610)	(2,293)
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		5,205	7,859	20,471	24,593
<b>ZAKAT CHARGE FOR THE PERIOD</b>		(1,917)	(2,299)	(5,752)	(6,382)
<b>INCOME TAX CHARGE FOR THE PERIOD</b>		(242)	(280)	(850)	(839)
<b>NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		3,046	5,280	13,869	17,372
<b>BASIC AND DILUTED EARNINGS PER SHARE(SAR)</b>		0.08	0.13	0.35	0.43

The accompanying notes 1 to 17 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 COMPREHENSIVE INCOME (Unaudited)  
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER**

	SAR '000			
	For the three month period ended September 30,		For the nine month period ended September 30,	
	2019	2018 (Restated)	2019	2018 (Restated)
<i>Notes</i>				
Total income for the period after zakat and income tax	3,383	5,982	15,479	19,665
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
<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	691	151	4,018	(791)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	4,074	6,133	19,497	18,874
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS</b>				
15C	(337)	(702)	(1,610)	(2,293)
<b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>	3,737	5,431	17,887	16,581

  
Khalid Allagany  
CEO and Managing Director

  
Fadi Aboul Hosn  
Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER  
Unaudited - SAR in '000'**

<u>2019</u>	<u>Notes</u>	<u>Share capital</u>	<u>Statutory Reserve</u>	<u>Accumulated profits/(losses)</u>	<u>Fair value reserve for available for sale investments</u>	<u>Actuarial reserve for employee benefits</u>	<u>Total</u>
Balance at January 1, 2019 – Audited (Restated)		400,000	--	(9,215)	(1,669)	(457)	388,659
Total comprehensive income for the period		--	--	--		--	
Changes in fair values of available for sale investments	6	--	--	--	4,018	--	4,018
Net income after Zakat and Income Tax for the period attributable to shareholders		--	--	13,869	--	--	13,869
Transfer to statutory reserve		--	931	(931)	--	--	--
Balance at September 30, 2019 -Unaudited		400,000	931	3,723	2,349	(457)	406,546
<b><u>2018 (Restated)</u></b>							
Balance at January 1, 2018 – Audited		400,000	--	(30,758)	(860)	(1,675)	366,707
Total comprehensive income/(loss)for the period		--	--	--	(791)	--	(791)
Changes in fair values of available for sale investments		--	--	17,372	--	--	17,372
Net income after Zakat and Income Tax for the period attributable to shareholders		--	--	--	--	--	--
Transfer to statutory reserve		400,000	--	(13,386)	(1,651)	(1,675)	383,288
Balance at September 30, 2018- Unaudited							

  
**Khalid Allagany**  
CEO and Managing Director

  
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Chief Financial Officer

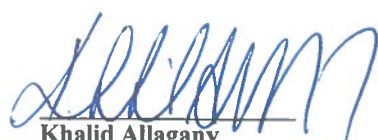
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**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER**

	SAR '000	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total Income for the period before Zakat & Income Tax	22,081	26,886
Adjustments for non-cash items:		
Depreciation of property and equipment	472	339
Amortizations of investments	40	310
Reversal/allowance for provisions for doubtful debts	(4,611)	6,328
Provision for end-of-service indemnities	1,125	1,400
	19,107	35,263
<u>Changes in operating assets and liabilities:</u>		
Deposits against letters of guarantee	--	200
Premiums and reinsurers' receivable	25,437	4,423
Reinsurers' share of unearned premiums	17,447	7,422
Reinsurers' share of outstanding claims	(15,717)	(822)
Reinsurers' share of claims Incurred but not reported	(1,091)	14,939
Deferred policy acquisition costs	(1,379)	(2,554)
Deferred excess of loss premiums	(864)	(2,103)
Due from related parties	630	31
Prepaid expenses and other assets	(4,755)	(1,960)
Accrued income on statutory deposits	(1,092)	(855)
Accounts payables	(2,503)	2,295
Accrued and other liabilities	(1,560)	(325)
Reinsurers' balances payable	24,114	13,662
Unearned premiums	(27,532)	(63)
Unearned reinsurance commission	1,145	410
Outstanding claims reserve	3,547	3,344
Zakat and income tax paid	(1,969)	(2,725)
Claims incurred but not reported	(8,218)	(31,896)
Other technical reserves	(413)	(262)
Accrued commission income payable to SAMA	1,092	855
Due to related parties	892	1,004
	26,318	40,283
End-of-service indemnities paid	(2,476)	(473)
Surplus paid to policy holders	(2,094)	(656)
<b>Net cash generated from operating activities</b>	<b>21,748</b>	<b>39,154</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions in investments, net	(35,966)	(15,548)
Additions in term deposits, net	(24,574)	(5,316)
Additions in property and equipment	(1,356)	(906)
<b>Net cash used in investing activities</b>	<b>(61,896)</b>	<b>(21,770)</b>
Net change in cash and cash equivalents	(40,148)	17,384
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	54,976	15,751
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>14,828</b>	<b>33,135</b>
<b>NON-CASH INFORMATION</b>		
Change in fair value of available for sale investments	4,018	(791)

  
Khalid Allagany  
CEO and Managing Director

  
Fadi Aboul Hosn  
Chief Financial Officer

The accompanying notes 1 to 17 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 and nine month periods ended September 30, 2019

### 1. ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company (the Company) 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 Saudi Arabian Monetary Authority (SAMA) to transact insurance business in the Kingdom of Saudi Arabia.

### 2. BASIS OF PREPERATION

#### (a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 30 September 2019 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 of Certified Public Accountants (SOCPA).

The interim condensed financial statements of the Company as at and for the three month period ended 31 March 2019 and annual financial statement for the year ended 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards (IFRS) respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (IASB) and as endorsed in the Kingdom of Saudi Arabia (collectively referred to as IFRS as endorsed in KSA).

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3) and the effects of this change are disclosed in note 12 to the interim condensed financial statements.

At the interim condensed financial statement are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments. 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, 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, statutory deposit, accrued income on statutory deposit and available for sale investments in insurance operations.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019

### 2. BASIS OF PREPERATION (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 statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are 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 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.

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 the Saudi Arabian Monetary Authority (SAMA). Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The interim condensed financial information do 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, 2018.

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

#### (b) Critical accounting judgments, estimates and assumptions

The preparation of interim financial information 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 information, 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 2018.

#### (c) Seasonality of operations

The Company operates in an industry where significant seasonal or cyclical variations in operating income are experienced during the financial year.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the changes explained below:

#### *Change in the accounting for zakat and income tax:*

As mentioned above, the basis of preparation has been changed for the period ended 30 September 2019 as a result of the issuance of instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the instructions issued by SAMA dated 23 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 12 to the interim condensed financial statements. The change has resulted in reduction of reported income of the Company for the period ended 30 September 2018 by SAR 7.2 million. The change has had no impact on the statement of cash flows for the period ended 30 September 2018.

#### *Income tax:*

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

#### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its interim condensed financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the interim condensed financial statements of the Company.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Deferred income tax:*

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised.

#### *Zakat:*

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax (GAZT). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

#### *Adoption of IFRS 16 Leases*

The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard regarding lease contracts for which the lease term ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has performed an assessment of IFRS 16 and determined the difference as compared to IAS 17 and IFRIC 4 is not material to the Company's financial statements as a whole.

The details of new significant accounting policy and the nature are set out below.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental commission rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Adoption of IFRS 16 Leases (continued)*

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

#### *Standards issued but not yet effective*

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

#### *IFRS 9 Financial Instruments*

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. The Company will avail of the exemptions available to insurers and is considering deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. At the date of publication of these financial statements, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 9 will be adopted.

#### *IFRS 17 - Insurance Contracts*

IFRS 17 'Insurance contracts' was published on May 18, 2017 with the effective date of January 1, 2022. IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For non-life and short-term life insurance contracts IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk, for which confidence level equivalent disclosure will be required. Further, IFRS 17 will change the presentation of insurance contract revenue, as gross premiums written will no longer be presented in profit or loss. At the date of publication of these financial statements, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 17 will be adopted.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**4. CASH AND BANK BALANCES**

Cash and cash equivalents comprise the following:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>SAR'000</b>		
Bank balances and cash – Insurance operations	12,590	12,175
Bank balances and cash – Shareholders' operations	2,238	1,374
Short term deposits – Shareholders' operations	--	41,427
<b>Total</b>	<b>2,238</b>	<b>42,801</b>
Cash and cash equivalents in statement of cashflows	14,828	54,976
Deposits against letters of guarantee – Insurance operations	700	700
<b>Total</b>	<b>15,528</b>	<b>55,676</b>

The Company holds an amount of SAR 0.7 million (31 December 2018: 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:

	<b>Insurance operations</b>	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>SAR'000</b>		
Policyholders	22,889	46,443
Brokers and agents	26,862	28,424
Related parties (note 11)	9,281	8,496
Receivables from reinsurers	2,741	4,362
	61,773	87,725
Provision for doubtful receivables	(11,731)	(16,857)
<b>Premiums and reinsurers' receivable – net</b>	<b>50,042</b>	<b>70,868</b>

Allowance for impairment of receivables includes SAR 0.14 million (31 December 2018: SAR 1.6 million) against receivables from related parties.

**Movement in provision-doubtful receivables:**

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>SAR '000</b>		
Balance at 1 January	16,857	14,693
Debts written off against the provision	(515)	391
(Released)/charge of provision for the period	(4,611)	1,773
<b>Balance at 31 December</b>	<b>11,731</b>	<b>16,857</b>



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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**6. INVESTMENTS**

Investments are classified as follows:

<b>SAR'000</b>	<b>September 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
Available for sale investments – Insurance operations *	1,923	1,923
Available for sale investments – Shareholders' operations	131,003	91,059
<b>Total available for sale investments</b>	<b>132,926</b>	<b>92,982</b>

\* This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value. There has been no movement in this investment between the period ended 30 September 2019 and during the year ended 31 December 2018.

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

	<b>Shareholders' operations</b>	
<b>SAR'000</b>	<b>September 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
Opening balance	91,059	75,355
Purchases	35,966	44,564
Maturities	--	(27,750)
Amortization of investments	(40)	(301)
Changes in fair value of investments	4,018	(809)
<b>Closing balance</b>	<b>131,003</b>	<b>91,059</b>

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.

These investments include Bonds and Sukuks amounting to SAR 29.1 million which are maturing in the next twelve months.

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 2.3 million, 31 December 2018: loss of (SR 1.67 million) is presented with in the shareholders' equity in the statement of financial position.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**7. TECHNICAL RESERVES**

**7.1 NET OUTSTANDING CLAIMS AND RESERVES**

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Outstanding claims	115,607	107,034
Less: Realizable value of salvage and subrogation	(26,340)	(21,314)
- Outstanding claims reserve	89,267	85,720
- Claims incurred but not reported	38,139	46,357
- Other technical reserves	280	693
	127,686	132,770
Less:		
- Reinsurers' share of outstanding claims	(60,072)	(44,355)
- Reinsurers' share of claims Incurred but not reported	(9,321)	(8,230)
	(69,393)	(52,585)
<b>Net outstanding claims and reserves</b>	<b>58,293</b>	<b>80,185</b>

**7.2 MOVEMENT IN UNEARNED PREMIUMS**

Movement in unearned premiums comprise of the following

SAR'000	Nine months ended September 30, 2019 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	112,473	(56,537)	55,936
Premium written during the period	168,090	*(83,347)	84,743
Premium earned during the period	(195,622)	99,930	(95,692)
Balance as at the end of the period	84,941	** (39,954)	44,987

\* This amount includes SR 76.6 million for reinsurance premium ceded abroad, SR 1.9 million for reinsurance premium ceded locally and SR 4.6 million for excess of loss expenses ceded abroad, SR 0.2 million ceded locally.

\*\*This amount includes SR 39.1 million for Reinsurers' share of unearned premiums and SR 0.9 million for Deferred excess of loss premiums.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**7.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)**

SAR'000	Year ended December 31, 2018 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	100,103	(49,140)	50,963
Premium written during the year	293,533	*(136,111)	157,422
Premium earned during the year	(281,163)	128,714	(152,449)
Balance as at the end of the year	112,473	(56,537)	55,936

\* This amount includes SR 125.3 million for reinsurance premium ceded abroad, SR 3.2 million for reinsurance premium ceded locally and SR 7.7 million for excess of loss expenses.

**8. COMMITMENTS AND CONTINGENCIES**

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

SAR'000	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Letters of guarantee	700	700
Commitments for the rents	53	186
<b>Total</b>	<b>753</b>	<b>886</b>

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.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**9. FAIR VALUES OF FINANCIAL INSTRUMENTS**

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 September 30, 2019	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Shareholders' operations</u>					
Available for sale investments measured at fair value					
Bonds and Sukuks	131,003	131,003	--	--	131,003
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	132,926	131,003	--	1,923	132,926

SAR'000s December 31, 2018	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Shareholders' operations</u>					
Available for sale investments measured at fair value					
Bonds and Sukuks	91,059	91,059	--	--	91,059
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	92,982	91,059	--	1,923	92,982

The unlisted security of SR 1.92 million (31 December 2018: 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 nine month period ended 30 September 2019, there were no transfers into or out of level 3 fair value measurements. To determine the fair value of such investments, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from Level 1 to Level 2 during the nine month period ended 30 September 2019.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**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 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, 2018.

Segment assets do not include (in respect of insurance operations) property and equipment, due from shareholders' operations, cash and bank balances, 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. 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.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the three and nine month periods ended September 30, 2019**

**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 September 30, 2019 and December 31, 2018, its total revenues, expenses, and net income for the three month periods then ended, are as follows:

As at September 30, 2019 (Unaudited)										
Operating segments	Insurance operations							Total		
	Property	Motor	Engineering	Medical	Marine	Group life	Others		Total - Insurance operations	Shareholders' operations
SAR'000										
Assets										
Reinsurers' share of unearned premiums	21,157	454	6,298	5,046	3,539	140	3,320	39,954	39,954	
Reinsurers' share of outstanding claims	20,130	2,082	6,571	7	3,132	25,928	2,222	60,072	--	
Reinsurers' share of claims Incurred but not reported	584	--	(572)	4,011	74	5,004	220	9,321	--	
Deferred policy acquisition costs	1,533	3,589	284	--	374	19	211	6,010	--	
Unallocated assets	--	--	--	--	--	--	--	306,067	457,918	
Total assets	43,404	6,125	12,581	9,064	7,119	31,091	5,973	421,424	879,342	
Outstanding claim reserve	22,804	14,758	7,589	58	5,910	34,548	3,600	89,267	--	
Claims incurred but not reported	965	26,143	(642)	4,786	(197)	6,629	455	38,139	--	
Other technical reserves	--	--	--	280	--	--	--	280	--	
Unearned premiums	24,920	35,936	7,154	6,216	4,537	196	5,982	84,941	--	
Unearned reinsurance commission	2,470	--	962	--	1,060	19	--	4,511	--	
Unallocated liabilities	--	--	--	--	--	--	--	204,286	457,918	
Total liabilities, insurance operations' surplus and equity	51,159	76,837	15,063	11,340	11,310	41,392	10,037	421,424	879,342	

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**10. OPERATING SEGMENTS (CONTINUED)**

As at December 31, 2018  
(Restated)

	Insurance operations							Shareholders' operations	Total
	Property	Motor	Engineering	Medical	Marine	Group life	Others		
Operating segments	SAR'000								
<b>Assets</b>									
Reinsurers' share of unearned premiums	28,138	--	7,674	15,994	1,636	48	3,047	--	56,537
Reinsurers' share of outstanding claims	14,859	2,083	4,918	2	4,752	15,517	2,224	--	44,355
Reinsurers' share of claims Incurred but not reported	1,562	--	1,098	625	193	3,904	848	--	8,230
Deferred policy acquisition costs	762	3,037	497	4	110	58	163	--	4,631
Unallocated assets	--	--	--	--	--	--	--	435,042	737,401
<b>Total assets</b>	<b>45,321</b>	<b>5,120</b>	<b>14,187</b>	<b>16,625</b>	<b>6,691</b>	<b>19,527</b>	<b>6,282</b>	<b>435,042</b>	<b>851,154</b>
<b>Liabilities and shareholders' equity</b>									
Outstanding claim reserve	17,149	30,258	6,372	52	7,408	21,223	3,258	--	85,720
Claims incurred but not reported	1,805	35,938	1,132	905	188	5,204	1,185	--	46,357
Other technical reserves	--	--	--	693	--	--	--	--	693
Unearned premiums	37,368	37,970	8,431	19,164	3,135	444	5,961	--	112,473
Unearned reinsurance commission	1,239	--	1,590	--	360	1	176	--	3,366
Unallocated liabilities	--	--	--	--	--	--	--	435,042	602,545
<b>Total liabilities, insurance operations' surplus and equity</b>	<b>57,561</b>	<b>104,166</b>	<b>17,525</b>	<b>20,814</b>	<b>11,091</b>	<b>26,872</b>	<b>10,580</b>	<b>435,042</b>	<b>851,154</b>



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

## 10. OPERATING SEGMENTS (CONTINUED)

21



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended September 30, 2019 - (Unaudited)

23

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**10. OPERATING SEGMENTS (CONTINUED)**

Operating segments	For the three months ended September 30, 2018 - (Unaudited)					
	Property	Motor	Engineering	Medical	Marine	Group Life
REVENUES						
Gross premiums written	17,779	14,879	4,169	167	4,443	6,316
Reinsurance premiums ceded	(15,024)	--	(4,561)	(118)	(1,620)	(3,908)
Excess of loss premium	--	--	--	--	--	--
<b>NET PREMIUMS WRITTEN</b>	2,755	14,879	(392)	49	2,823	2,408
Changes in unearned premiums, net	5,468	10,133	1,008	277	(944)	10
<b>NET PREMIUMS EARNED</b>	8,223	25,012	616	326	1,879	2,418
Reinsurance commissions	2,149	124	415	--	564	(94)
<b>TOTAL REVENUES</b>	10,372	25,136	1,031	326	2,443	2,324
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(8,588)	(17,177)	(882)	(930)	(389)	(1,286)
Reinsurers' share of claims paid	6,046	--	763	514	33	968
<b>Net claims paid</b>	(2,542)	(17,177)	(119)	(416)	(356)	(318)
Changes in outstanding claims, IBNR & technical reserves	2,893	850	168	254	233	165
<b>Net claims incurred</b>	351	(16,327)	49	(162)	(123)	(153)
Policy acquisition costs	(639)	(1,755)	(326)	(228)	(759)	(670)
Other underwriting expenses						
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>						
<b>NET UNDERWRITING INCOME</b>						
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Allowance for doubtful debts						
General and administrative expenses						
Commission income on term deposits						
Investment income						
Other income						
<b>TOTAL OTHER OPERATING EXPENSES</b>						
<b>TOTAL INCOME FOR THE PERIOD</b>						
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS</b>						
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'</b>						

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019

10. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

For the nine months ended September 30, 2019 - (Unaudited)				
SAR'000				
Gross premiums written				
	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings
Total				Total
Large	(3,583)	54,647	58,983	26,600
Medium	4,168	2,232	9,899	175
Micro	14	--	35	--
Small	2,400	1,063	3,500	56
Individual	8	5,843	2,050	--
	3,007	63,785	74,467	26,831
				168,090

For the nine months ended September 30, 2018 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	1,811	79,888	77,222	19,578	178,499
Medium	271	2,489	15,662	464	18,886
Micro	--	10	41	--	51
Small	119	904	4,845	271	6,139
Individual	--	6,490	2,146	--	8,636
	2,201	89,781	99,916	20,313	212,211

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019

10. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

For the three months ended September 30, 2019 - (Unaudited)				
SAR'000				
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings
Total				
Large	(922)	12,498	25,506	13,045
Medium	973	214	3,251	(2,300)
Micro	(48)	(8)	7	--
Small	88	(129)	487	27
Individual	--	1,339	1,253	--
	91	13,914	30,504	10,772
				55,281

For the three months ended September 30, 2018 - (Unaudited)				
SAR'000				
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings
Total				
Large	(68)	13,053	28,658	6,297
Medium	218	409	4,680	(1)
Micro	--	(1)	25	--
Small	17	(115)	967	20
Individual	--	1,533	(550)	--
	167	14,879	33,780	6,316
				55,142

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the three and nine month periods ended September 30, 2019**

**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>	<b>Transactions for the nine-month period ended</b>	
	<b>September 30, 2019</b>	<b>September 30, 2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>SAR' 000</b>	
Gross premiums written	77,827	70,746
Gross claims paid	34,569	30,323
Reinsurance premium ceded	16,092	18,045
Reinsurance share of gross claim paid	1,948	6,132
Reinsurance commission income	5,077	5,416
Technical service charges	5,208	5,143
Brand fees	23	23
Operational expenses paid on behalf of affiliates and reinsurance placements	58	215
Operational expenses paid by affiliates on behalf of Company	(1,580)	(1,281)

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	<b>Balance receivable / (payable) as at</b>	
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SAR'000</b>	
Premium receivable	9,281	8,496
Reinsurance balance payable	(6,533)	(9,338)
Accrued and other liabilities	(8,189)	(9,559)
Reinsurance share of gross outstanding claims	5,201	8,487
Gross outstanding claim	(52,156)	(40,357)
Due from related parties	--	630
Due to related parties	(1,937)	(1,045)

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

	<b>Transactions for the nine-month period ended</b>	
	<b>September 30, 2019</b>	<b>September 30, 2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>SAR'000</b>	
Salaries and other allowances	5,496	6,485
End of service indemnities	285	361
	<b>5,781</b>	<b>6,846</b>



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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**12. ZAKAT AND INCOME TAX**

The change in the accounting treatment for zakat and income tax (as explained in note 3) has the following impact on the line items of the statements of income, statement of financial position and changes in shareholders' equity:

As at and for the nine-month period ended 30 September 2018:

Financial statement impacted	Account	Before the restatement for the nine-month period ended 30 September 2018	Effect of restatement	As restated as at and for the nine-month period ended 30 September 2018
Statement of changes in equity	Provision for Zakat and Income tax (retained earnings)	7,580	7,580	--
Statement of income	Zakat and Income tax expenses	--	(7,221)	(7,221)
Statement of income	Earnings per share	0.61	(0.18)	0.43
Statement of financial position	Deferred tax asset	--	1,876	1,876

As at and for the three-month period ended 30 September 2018:

Financial statement impacted	Account	Before the restatement for the three-month period ended 30 September 2018	Effect of restatement	As restated as at and for the three-month period ended 30 September 2018
Statement of changes in equity	Provision for Zakat and Income tax (retained earnings)	2,682	2,682	--
Statement of income	Zakat and Income tax expenses	--	(2,579)	(2,579)
Statement of income	Earnings per share	0.20	(0.07)	0.13
Statement of financial position	Deferred tax asset	--	1,876	1,876

As at 31 December 2018

Financial statement impacted	Account	Before the restatement as at 31 December 2018	Effect of restatement	As restated as at 31 December 2018
Statement of financial position	Deferred tax asset	--	1,621	1,621
Statement of financial position	Retained earnings	--	1,621	1,621

As at 1 January 2018

Financial statement impacted	Account	Before the restatement as at 1 January 2018	Effect of restatement	As restated as at 1 January 2018
Statement of financial position	Deferred tax asset	--	1,517	1,517
Statement of financial position	Retained earnings	--	1,517	1,517

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

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

**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 period / years ended 31 December 2018 and obtained the required certificates and acknowledgements. General Authority of Zakat and Tax (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 respectively. The company has submitted an appeal against the GAZT's assessments and GAZT's review is awaited.

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

	30 September 2019 (Unaudited) SR	31 December 2018 (Audited) SR
Charge for zakat for the period	5,752	8,334
Charge for income tax for the period	522	1,490
Charge for deferred tax for the period	328	(104)
	<b>6,602</b>	<b>9,720</b>
Zakat and tax provision at the end of period	<b>42,458</b>	<b>38,153</b>

**Deferred Tax**

	30 September 2019	31 December 2018	30 September 2018
Opening deferred tax asset / liability	1,621	1,517	1,517
<i>Deferred tax (expense)/income</i>	(328)	104	359
Closing	<b>1,293</b>	<b>1,621</b>	<b>1,876</b>

	Nine-month period ended 30 September 2019	Year ended 31 December 2018	Nine-month period ended 30 September 2018
Opening zakat, income tax liability and deferred tax Asset	36,532	29,538	29,538
<u>Charge / (reversal) for the period</u>			
Current charge for zakat tax for the period	5,752	8,334	6,382
Current charge for income tax for the period	522	1,490	1,198
Deferred tax	328	(104)	(359)
Settled during the period	(1,969)	(2,726)	(2,725)
Closing zakat, income tax liability and deferred tax Asset	<b>41,165</b>	<b>36,532</b>	<b>34,034</b>

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2019

### 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 2018: 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.

September 30, 2019 (Unaudited)		
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyadh Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000
December 31, 2018 (Audited)		
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyadh 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.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**15. SUPPLEMENTARY INFORMATION**

**A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

**SAR '000**

	<b>September 30, 2019 - (Unaudited)</b>			<b>December 31, 2018 – (Audited) (Restated)</b>		
	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and bank balances	13,290	2,238	15,528	12,875	42,801	55,676
Term deposits	232,076	203,728	435,804	211,522	199,708	411,230
Premiums and reinsurers' receivable, net	50,042	--	50,042	70,868	--	70,868
Reinsurers' share of unearned premiums	39,090	--	39,090	56,537	--	56,537
Deferred excess of loss premiums	864	--	864	--	--	--
Reinsurers' share of outstanding claims	60,072	--	60,072	44,355	--	44,355
Reinsurers' share of claims Incurred but not reported	9,321	--	9,321	8,230	--	8,230
Deferred policy acquisition costs	6,010	--	6,010	4,631	--	4,631
Investments	1,923	131,003	132,926	1,923	91,059	92,982
Due from related parties	--	--	--	630	--	630
Prepaid expenses and other assets	6,311	5,561	11,872	3,000	4,117	7,117
Deferred tax asset	--	1,293	1,293	--	1,621	1,621
Property and equipment	2,425	--	2,425	1,541	--	1,541
Statutory deposit	--	40,000	40,000	--	40,000	40,000
Accrued income on statutory deposit	--	4,151	4,151	--	3,059	3,059
<b>TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>421,424</b>	<b>387,974</b>	<b>809,398</b>	<b>416,112</b>	<b>382,365</b>	<b>798,477</b>
<b>ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION</b>						
Due from shareholders'/ insurance operations	--	69,944	69,944	--	52,677	52,677
<b>TOTAL ASSETS</b>	<b>421,424</b>	<b>457,918</b>	<b>879,342</b>	<b>416,112</b>	<b>435,042</b>	<b>851,154</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**SAR '000**

	September 30, 2019 - (Unaudited)			December 31, 2018 – (Audited) (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b><u>LIABILITIES</u></b>						
Outstanding claims reserve	89,267	--	89,267	85,720	--	85,720
Claims incurred but not reported	38,139	--	38,139	46,357	--	46,357
Other technical reserves	280	--	280	693	--	693
Accrued and other liabilities	30,331	3,893	34,224	31,483	4,301	35,784
Reinsurers' balances payable	76,898	--	76,898	52,784	--	52,784
Unearned premiums	84,941	--	84,941	112,473	--	112,473
Accounts payables	5,968	--	5,968	8,471	--	8,471
Unearned reinsurance commission	4,511	--	4,511	3,366	--	3,366
Due to related parties	1,524	413	1,937	632	413	1,045
End-of-service indemnities	10,299	--	10,299	11,650	--	11,650
Zakat and income tax	--	42,458	42,458	--	38,153	38,153
Accrued commission income payable to SAMA	--	4,151	4,151	--	3,059	3,059
Accumulated surplus	9,779	--	9,779	10,263	--	10,263
<b>TOTAL LIABILITIES</b>	<b>351,937</b>	<b>50,915</b>	<b>402,852</b>	<b>363,892</b>	<b>45,926</b>	<b>409,818</b>
<b><u>EQUITY</u></b>						
Share capital	--	400,000	400,000	--	400,000	400,000
Statutory reserve	--	931	931	--	--	--
Accumulated profits/ (losses)	--	3,723	3,723	--	(9,215)	(9,215)
Fair value reserve for available for sale investments	--	2,349	2,349	--	(1,669)	(1,669)
Actuarial reserve for employee benefits	(457)	--	(457)	(457)	--	(457)
<b>TOTAL EQUITY</b>	<b>(457)</b>	<b>407,003</b>	<b>406,546</b>	<b>(457)</b>	<b>389,116</b>	<b>388,659</b>
<b>TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>351,480</b>	<b>457,918</b>	<b>809,398</b>	<b>363,435</b>	<b>435,042</b>	<b>798,477</b>
<b>LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION</b>						
Due to shareholders operations	69,944	--	69,944	52,677	--	52,677
<b>TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY</b>	<b>421,424</b>	<b>457,918</b>	<b>879,342</b>	<b>416,112</b>	<b>435,042</b>	<b>851,154</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**B) INTERIM CONDENSED STATEMENT OF INCOME**

	SAR '000					
	For the nine month period ended September 30					
	2019 - (Unaudited)			2018 - (Unaudited)		
				(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written						
- Direct	167,183	--	167,183	211,718	--	211,718
- Reinsurance	907	--	907	493	--	493
	168,090	--	168,090	212,211	--	212,211
Reinsurance premiums ceded	(78,542)	--	(78,542)	(84,970)	--	(84,970)
Excess of loss expenses	(4,805)	--	(4,805)	(7,641)	--	(7,641)
<b>Net premiums written</b>	<b>84,743</b>	<b>--</b>	<b>84,743</b>	<b>119,600</b>	<b>--</b>	<b>119,600</b>
Changes in unearned premiums	27,532	--	27,532	63	--	63
Changes in reinsurers' share of unearned premiums	(17,447)	--	(17,447)	(7,422)	--	(7,422)
Changes in deferred excess of loss premiums	864	--	864	2,103	--	2,103
<b>Net premiums earned</b>	<b>95,692</b>	<b>--</b>	<b>95,692</b>	<b>114,344</b>	<b>--</b>	<b>114,344</b>
Reinsurance commissions	9,295	--	9,295	9,093	--	9,093
<b>TOTAL REVENUES</b>	<b>104,987</b>	<b>--</b>	<b>104,987</b>	<b>123,437</b>	<b>--</b>	<b>123,437</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(81,581)	--	(81,581)	(80,227)	--	(80,227)
Reinsurers' share of claims paid	16,840	--	16,840	26,068	--	26,068
<b>Net claims paid</b>	<b>(64,741)</b>	<b>--</b>	<b>(64,741)</b>	<b>(54,159)</b>	<b>--</b>	<b>(54,159)</b>
Changes in outstanding claims reserve	(3,547)	--	(3,547)	(3,344)	--	(3,344)
Changes in reinsurers' share of outstanding claims	15,717	--	15,717	822	--	822
Changes in claims incurred but not reported, net	9,309	--	9,309	16,956	--	16,956
Changes in other technical reserves	413	--	413	262	--	262
<b>Net claims incurred</b>	<b>(42,849)</b>	<b>--</b>	<b>(42,849)</b>	<b>(39,463)</b>	<b>--</b>	<b>(39,463)</b>
Policy acquisition costs	(13,581)	--	(13,581)	(13,744)	--	(13,744)
Other underwriting expenses	(802)	--	(802)	(1,026)	--	(1,026)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(57,232)</b>	<b>--</b>	<b>(57,232)</b>	<b>(54,233)</b>	<b>--</b>	<b>(54,233)</b>
<b>NET UNDERWRITING INCOME</b>	<b>47,755</b>	<b>--</b>	<b>47,755</b>	<b>69,204</b>	<b>--</b>	<b>69,204</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)**

	SAR '000					
	For the nine month period ended September 30					
	2019 - (Unaudited)			2018 - (Unaudited)		
				(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Reversal/(allowance) for doubtful debts	4,611	--	4,611	(6,328)	--	(6,328)
General and administrative expenses	(43,492)	(1,130)	(44,622)	(42,701)	(1,417)	(44,118)
Investment income on term deposits	5,036	4,492	9,528	2,754	3,731	6,485
Investment income on bonds and sukuk	--	2,619	2,619	--	1,643	1,643
Other income	2,190	--	2,190	--	--	--
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(31,655)</b>	<b>5,981</b>	<b>(25,674)</b>	<b>(46,275)</b>	<b>3,957</b>	<b>(42,318)</b>
<b>TOTAL INCOME FOR THE PERIOD</b>	<b>16,100</b>	<b>5,981</b>	<b>22,081</b>	<b>22,929</b>	<b>3,957</b>	<b>26,886</b>
Total income for the period attributed to the insurance operations	(1,610)	--	(1,610)	(2,293)	--	(2,293)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(14,490)	14,490	--	(20,636)	20,636	--
<b>TOTAL INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>--</b>	<b>20,471</b>	<b>20,471</b>	<b>--</b>	<b>24,593</b>	<b>24,593</b>
<b>ZAKAT CHARGE FOR THE PERIOD</b>	<b>--</b>	<b>(5,752)</b>	<b>(5,752)</b>	<b>--</b>	<b>(6,382)</b>	<b>(6,382)</b>
<b>TAX CHARGE FOR THE PERIOD</b>	<b>--</b>	<b>(850)</b>	<b>(850)</b>	<b>--</b>	<b>(839)</b>	<b>(839)</b>
<b>NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>13,869</b>	<b>13,869</b>		<b>17,372</b>	<b>17,372</b>
Earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	0.35	0.35	--	0.43	0.43

**C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	SAR '000					
	For the nine month period ended September 30					
	2019 - (Unaudited)			2018 - (Unaudited)		
				(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>Total income for the period</b>						
Other comprehensive loss	1,610	13,869	15,479	2,293	17,372	19,665
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	4,018	4,018	--	(791)	(791)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,610</b>	<b>17,887</b>	<b>19,497</b>	<b>2,293</b>	<b>16,581</b>	<b>18,874</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'</b>	<b>(1,610)</b>	<b>--</b>	<b>(1,610)</b>	<b>(2,293)</b>	<b>--</b>	<b>(2,293)</b>
<b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'</b>	<b>--</b>	<b>17,887</b>	<b>17,887</b>	<b>--</b>	<b>16,581</b>	<b>16,581</b>



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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**B) INTERIM CONDENSED STATEMENT OF INCOME**

	SAR '000					
	For the three month period ended September 30					
	2019 - (Unaudited)			2018 - (Unaudited)		
	--			(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written						
- Direct	55,527	--	55,527	54,998	--	54,998
- Reinsurance	(246)	--	(246)	144	--	144
	55,281	--	55,281	55,142	--	55,142
Reinsurance premiums ceded	(32,551)	--	(32,551)	(29,746)	--	(29,746)
Excess of loss expenses	--	--	--	--	--	--
<b>Net premiums written</b>	<b>22,730</b>	<b>--</b>	<b>22,730</b>	<b>25,396</b>	<b>--</b>	<b>25,396</b>
Changes in unearned premiums	9,918	--	9,918	18,530	--	18,530
Changes in reinsurers' share of unearned premiums	188	--	188	(882)	--	(882)
Changes in deferred excess of loss premiums	(1,276)	--	(1,276)	(1,977)	--	(1,977)
<b>Net premiums earned</b>	<b>31,560</b>	<b>--</b>	<b>31,560</b>	<b>41,067</b>	<b>--</b>	<b>41,067</b>
Reinsurance commissions	2,521	--	2,521	3,301	--	3,301
<b>TOTAL REVENUES</b>	<b>34,081</b>	<b>--</b>	<b>34,081</b>	<b>44,368</b>	<b>--</b>	<b>44,368</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(26,150)	--	(26,150)	(38,759)	--	(38,759)
Reinsurers' share of claims paid	8,324	--	8,324	17,436	--	17,436
<b>Net claims paid</b>	<b>(17,826)</b>	<b>--</b>	<b>(17,826)</b>	<b>(21,323)</b>	<b>--</b>	<b>(21,323)</b>
Changes in outstanding claims reserve	(4,849)	--	(4,849)	6,979	--	6,979
Changes in reinsurers' share of outstanding claims	7,941	--	7,941	(125)	--	(125)
Changes in claims incurred but not reported, net	(2,214)	--	(2,214)	(2,116)	--	(2,116)
Changes in other technical reserves	194	--	194	(529)	--	(529)
<b>Net claims incurred</b>	<b>(16,754)</b>	<b>--</b>	<b>(16,754)</b>	<b>(17,114)</b>	<b>--</b>	<b>(17,114)</b>
Policy acquisition costs	(4,635)	--	(4,635)	(4,574)	--	(4,574)
Other underwriting expenses	(215)	--	(215)	(355)	--	(355)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(21,604)</b>	<b>--</b>	<b>(21,604)</b>	<b>(22,043)</b>	<b>--</b>	<b>(22,043)</b>
<b>NET UNDERWRITING INCOME</b>	<b>12,477</b>	<b>--</b>	<b>12,477</b>	<b>22,325</b>	<b>--</b>	<b>22,325</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**B) INTERIM CONDENSED STATEMENT OF INCOME**

	SAR '000					
	For the three month period ended September 30					
	2019 - (Unaudited)			2018 - (Unaudited)		
				(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Reversal/(allowance) for doubtful debts	2,191	--	2,191	(2,010)	--	(2,010)
General and administrative expenses	(12,968)	(382)	(13,350)	(14,330)	(390)	(14,720)
Investment income on term deposits	1,670	1,593	3,263	1,028	1,387	2,415
Investment income on bonds and sukuks	--	961	961	--	551	551
Other income	--	--	--	--	--	--
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(9,107)</b>	<b>2,172</b>	<b>(6,935)</b>	<b>(15,312)</b>	<b>1,548</b>	<b>(13,764)</b>
<b>TOTAL INCOME FOR THE PERIOD</b>	<b>3,370</b>	<b>2,172</b>	<b>5,542</b>	<b>7,013</b>	<b>1,548</b>	<b>8,561</b>
Total income for the period attributed to the insurance operations	(337)	--	(337)	(702)	--	(702)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(3,033)	3,033	--	(6,311)	6,311	--
<b>TOTAL INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>--</b>	<b>5,205</b>	<b>5,205</b>	<b>--</b>	<b>7,859</b>	<b>7,859</b>
<b>ZAKAT CHARGE FOR THE PERIOD</b>	<b>--</b>	<b>(1,917)</b>	<b>(1,917)</b>	<b>--</b>	<b>(2,299)</b>	<b>(2,299)</b>
<b>TAX CHARGE FOR THE PERIOD</b>	<b>--</b>	<b>(242)</b>	<b>(242)</b>	<b>--</b>	<b>(280)</b>	<b>(280)</b>
<b>NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>--</b>	<b>3,046</b>	<b>3,046</b>	<b>--</b>	<b>5,280</b>	<b>5,280</b>
<b>Earnings per share (Expressed in SAR per share)</b>						
Basic and diluted earnings per share	--	0.08	0.08	--	0.13	0.13

**C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	SAR '000					
	For the three month period ended September 30					
	2019 - (Unaudited)			2018 - (Unaudited)		
				(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total income for the period	337	3,046	3,383	702	5,280	5,982
<b>Other comprehensive loss</b>						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	691	691	--	151	151
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>337</b>	<b>3,737</b>	<b>4,074</b>	<b>702</b>	<b>5,431</b>	<b>6,133</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'</b>	<b>(337)</b>	<b>--</b>	<b>(337)</b>	<b>(702)</b>	<b>--</b>	<b>(702)</b>
<b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'</b>	<b>--</b>	<b>3,737</b>	<b>3,737</b>	<b>--</b>	<b>5,431</b>	<b>5,431</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**D) INTERIM CONDENSED STATEMENT OF CASH FLOWS**

**SAR'000**

	Insurance operations	Shareholders ' operations	Total	Insurance operations	Shareholders ' operations	Total
	----- 2019 - (Unaudited) -----			----- 2018 - (Unaudited) -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Total income for the period before Zakat and Income Tax	1,610	20,471	22,081	2,293	24,593	26,886
<b>Adjustments for non-cash items:</b>						
Depreciation of property and equipment	472	--	472	339	--	339
Amortization of investments	--	40	40	--	310	310
Allowance for provisions for doubtful debts	(4,611)	--	(4,611)	6,328	--	6,328
Provision for end-of-service indemnities	1,125	--	1,125	1,400	--	1,400
<b>Changes in operating assets and liabilities:</b>						
Deposits against letter of guarantees	--	--	--	200	--	200
Premiums and reinsurers' receivable	25,437	--	25,437	4,423	--	4,423
Reinsurers' share of unearned premiums	17,447	--	17,447	7,422	--	7,422
Reinsurers' share of outstanding claims	(15,717)	--	(15,717)	(822)	--	(822)
Reinsurers' share of claims Incurred but not reported	(1,091)	--	(1,091)	14,939	--	14,939
Deferred policy acquisition costs	(1,379)	--	(1,379)	(2,554)	--	(2,554)
Deferred excess of loss premiums	(864)	--	(864)	(2,103)	--	(2,103)
Due from related parties	630	--	630	31	--	31
Prepaid expenses and other assets	(3,311)	(1,444)	(4,755)	(342)	(1,618)	(1,960)
Accrued income on statutory deposits	--	(1,092)	(1,092)	--	(855)	(855)
Accounts payables	(2,503)	--	(2,503)	2,295	--	2,295
Accrued and other liabilities	(1,152)	(408)	(1,560)	(645)	320	(325)
Reinsurers' balances payable	24,114	--	24,114	13,662	--	13,662
Unearned premiums	(27,532)	--	(27,532)	(63)	--	(63)
Unearned reinsurance commission	1,145	--	1,145	410	--	410
Outstanding claims reserve	3,547	--	3,547	3,344	--	3,344
Zakat and income tax paid	--	(1,969)	(1,969)	--	(2,725)	(2,725)
Claims incurred but not reported	(8,218)	--	(8,218)	(31,896)	--	(31,896)
Other technical reserves	(413)	--	(413)	(262)	--	(262)
Accrued commission income payable to SAMA	--	1,092	1,092	--	855	855
Due to related parties	892	--	892	1,004	--	1,004
	9,628	16,690	26,318	19,403	20,880	40,283
End-of-service indemnities paid	(2,476)	--	(2,476)	(473)	--	(473)
Surplus paid to policy holders	(2,094)	--	(2,094)	(656)	--	(656)
<b>Net cash generated from/(used in) operating activities</b>	<b>5,058</b>	<b>16,690</b>	<b>21,748</b>	<b>18,274</b>	<b>20,880</b>	<b>39,154</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Additions in investments, net	--	(35,966)	(35,966)	--	(15,548)	(15,548)
(Additions)/disposals in term deposits	(20,554)	(4,020)	(24,574)	(17,926)	12,610	(5,316)
Additions in property and equipment	(1,356)	--	(1,356)	(906)	--	(906)
<b>Net cash (used in) / generated from investing activities</b>	<b>(21,910)</b>	<b>(39,986)</b>	<b>(61,896)</b>	<b>(18,832)</b>	<b>(2,938)</b>	<b>(21,770)</b>
<b>Net change in cash and cash equivalents</b>	<b>(16,852)</b>	<b>(23,296)</b>	<b>(40,148)</b>	<b>(558)</b>	<b>17,942</b>	<b>17,384</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>12,175</b>	<b>42,801</b>	<b>54,976</b>	<b>14,110</b>	<b>1,641</b>	<b>15,751</b>
<b>Due from/ (to) insurance operations</b>	<b>17,267</b>	<b>(17,267)</b>	<b>--</b>	<b>17,700</b>	<b>(17,700)</b>	<b>--</b>
<b>Cash and cash equivalents, end of the period</b>	<b>12,590</b>	<b>2,238</b>	<b>14,828</b>	<b>31,252</b>	<b>1,883</b>	<b>33,135</b>

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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2019

**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. During the nine-month period ended 30 September 2019, an amount of SR 0.93 million was transferred to statutory reserve.

**17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION**

The interim condensed financial information have been approved by the board on 2<sup>nd</sup> Rabi'1 1441H, corresponding to 31<sup>st</sup> October 2019.