

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

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

**FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

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

**INTERIM CONDENSED FINANCIAL INFORMATION AND INDEPENDENT AUDITORS' REVIEW REPORT**  
**FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

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



**Aldar Audit Bureau**  
Abdullah Al-Basri & Co.  
Member firm of Grant Thornton International Ltd

**Grant Thornton**

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## INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

**The Shareholders**  
**Alinma Tokio Marine Company**  
**(A Saudi Joint Stock Company)**  
**Kingdom of Saudi Arabia**

### Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Alinma Tokio Marine Company (A Saudi Joint Stock Company) (the "Company") as at 30 September 2019 and related interim condensed statement of income, interim condensed statement of comprehensive income for the three and nine month periods then ended and interim condensed statement of changes in equity and interim condensed statement of cash flows for the nine month period then ended, and other explanatory notes ("interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

### Scope of Review:

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

### Conclusion:

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

**For Al-Bassam & Co.**  
P.O. Box 69658  
Riyadh 11557  
Kingdom of Saudi Arabia



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

5<sup>th</sup> November 2019G  
8<sup>th</sup> Rabi' al Awwal 1441H

**Aldar Audit Bureau**  
**Abdullah Al Basri & Co**  
Riyadh 11451  
Kingdom of Saudi Arabia

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



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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**As at 30 September**

	Note	2019 Unaudited SAR' 000	31 December 2018 Audited SAR' 000
<b>ASSETS</b>			
Cash and cash equivalents	4	45,066	52,710
Investments	5	44,776	51,798
Premiums and reinsurance receivables, net	7	122,266	96,325
Reinsurers' share of unearned premiums	8.1	59,991	39,641
Reinsurers' share of outstanding claims	8.2	243,378	62,992
Reinsurers' share of incurred but not reported claims	8.2	12,591	16,700
Deferred policy acquisition costs		11,199	8,613
Prepayments and other assets		12,947	7,026
Due from related parties	9	1,214	846
Murabaha deposits	6	167,900	165,998
Statutory deposit		45,000	45,000
Property and equipment		8,735	8,549
Right of use assets		6,206	-
Intangible assets		3,138	3,696
Unit linked investments		30,580	18,768
<b>TOTAL ASSETS</b>		<b>814,987</b>	<b>578,662</b>
<b>LIABILITIES</b>			
Outstanding claims	8.2	283,618	97,703
Incurred but not reported claims	8.2	25,090	28,706
Other reserves	8.2	874	874
Premium deficiency reserves	8.3	2,987	2,075
Unearned premiums	8.1	114,454	80,827
Reinsurance balances payable		63,894	44,998
Unearned reinsurance commission		9,937	7,070
Accrued expenses and other liabilities		49,739	41,345
Lease liabilities		5,815	-
Due to related party	9	-	205
Zakat and income tax payable	10	4,929	5,586
Unit linked liabilities		30,580	18,768
Retirement benefit obligations		5,603	5,507
<b>TOTAL LIABILITIES</b>		<b>597,520</b>	<b>333,664</b>
<b>EQUITY</b>			
Issued, authorised and paid up share capital	11	300,000	300,000
Accumulated losses		(82,023)	(54,373)
Remeasurement of retirement benefit obligations		(510)	(629)
<b>TOTAL EQUITY</b>		<b>217,467</b>	<b>244,998</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>814,987</b>	<b>578,662</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			

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The accompanying notes 1 to 16 form an integral part of these interim condensed financial information.

  
Director

  
Chief Financial Officer

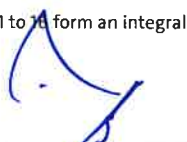
  
Chief Executive Officer

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)

For the three month and nine month period ended 30 September

	Note	Three months Period ended 30 September 2019 SAR' 000	Nine months period ended 30 September 2019 SAR' 000	Three months Period ended 30 September 2018 SAR' 000	Nine months period ended 30 September 2018 SAR' 000
<b>REVENUES</b>					
Gross premiums written	8.1	54,685	264,115	65,751	308,667
- Corporate		32,104	157,756	41,692	210,315
- Medium business		12,156	49,760	19,498	64,449
- Small business		451	28,961	1,359	21,694
- Very small business		2,266	8,945	232	1,129
- Retail		7,708	18,693	2,970	11,080
Reinsurance premiums ceded					
- Local		(942)	(3,258)	(2,879)	(7,717)
- Foreign		(28,661)	(120,990)	(34,969)	(119,709)
Excess of loss expenses		(1,263)	(3,596)	(2,050)	(6,185)
<b>Net premiums written</b>		<b>23,819</b>	<b>136,271</b>	<b>25,853</b>	<b>175,056</b>
Changes in unearned premiums		21,224	(33,627)	21,352	(57,866)
Changes in reinsurers' share of unearned premiums		(4,156)	20,350	4,217	31,129
<b>Net premiums earned</b>		<b>40,887</b>	<b>122,994</b>	<b>51,422</b>	<b>148,319</b>
Reinsurance commission earned & other underwriting income		6,502	18,350	5,234	16,440
<b>Total revenues</b>		<b>47,389</b>	<b>141,344</b>	<b>56,656</b>	<b>164,759</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>					
Gross claims paid		(31,760)	(101,302)	(60,171)	(141,114)
Surrenders		(502)	(1,405)	(95)	(522)
Reinsurers' share of claims paid		10,078	24,745	25,894	47,945
<b>Net claims and other benefits paid</b>		<b>(22,184)</b>	<b>(77,962)</b>	<b>(34,372)</b>	<b>(93,691)</b>
Changes in outstanding claims		(175,430)	(185,916)	57,638	39,669
Changes in reinsurers' share of outstanding claims		169,863	180,386	(66,348)	(60,026)
Changes in incurred but not reported claims		2,793	3,616	6,779	9,541
Changes in reinsurers' share of incurred but not reported claims		(3,042)	(4,109)	2,886	224
Changes in other reserves		-	-	-	1,324
Changes in reinsurers' share of other reserves		-	-	-	(905)
<b>Net claims and other benefits incurred</b>		<b>(28,000)</b>	<b>(83,985)</b>	<b>(33,417)</b>	<b>(103,864)</b>
Changes in premium deficiency reserves		(912)	(912)	-	(836)
Changes in unit linked reserves		(3,247)	(11,812)	(1,639)	(8,361)
Policy acquisition costs		(7,630)	(23,060)	(8,340)	(22,133)
Other underwriting expenses		(270)	(1,369)	(324)	(1,592)
<b>Total underwriting costs and expenses</b>		<b>(40,059)</b>	<b>(121,138)</b>	<b>(43,720)</b>	<b>(136,786)</b>
<b>NET UNDERWRITING INCOME</b>		<b>7,330</b>	<b>20,206</b>	<b>12,936</b>	<b>27,973</b>
<b>OPERATING AND OTHER (EXPENSES) / INCOME</b>					
General and administrative expenses		(14,589)	(44,844)	(14,332)	(45,874)
Provision for doubtful receivables		164	(5,733)	(3,209)	(6,913)
Unrealized loss on unit linked investments		(1,243)	(481)	(762)	215
Unrealized gain on investments		278	3,796	451	4,680
Realized gain on investments		783	2,556	191	1,532
<b>Total operating and other expenses, net</b>		<b>(14,607)</b>	<b>(44,706)</b>	<b>(17,661)</b>	<b>(46,360)</b>
<b>Net deficit for the period</b>		<b>(7,277)</b>	<b>(24,500)</b>	<b>(4,725)</b>	<b>(18,387)</b>
Zakat for the period		(1,050)	(3,150)	(1,350)	(4,050)
<b>Net loss for the period</b>		<b>(8,327)</b>	<b>(27,650)</b>	<b>(6,075)</b>	<b>(22,437)</b>
<b>Basic and diluted loss per share (SAR)</b>		<b>(0.28)</b>	<b>(0.92)</b>	<b>(0.20)</b>	<b>(0.75)</b>

The accompanying notes 1 to 10 form an integral part of these interim condensed financial information.

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three month and nine month period ended 30 September

Note	Three months	Nine months	Three months	Nine months period
	Period ended	period ended	Period ended	ended
	30 September 2019	30 September 2019	30 September 2018	30 September 2018
	SAR' 000		SAR' 000	
Net loss for the period	(8,327)	(27,650)	(6,075)	(22,437)
Items that will not be reclassified to statement of income in subsequent period				
- Actuarial (loss) / gain on remeasurement of retirement benefit obligations	(196)	119	114	(322)
Total comprehensive loss for the period	(8,523)	(27,531)	(5,961)	(22,759)
Total comprehensive loss for the period attributed to insurance operations	(196)	119	114	(322)
Total comprehensive loss for the period attributed to shareholders	(8,327)	(27,650)	(6,075)	(22,437)

The accompanying notes 1 to 16 form an integral part of these interim condensed financial information.

  
Director

  
Chief Financial Officer

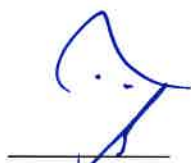
  
Chief Executive Officer

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the nine months period ended 30 September

	Note	Share capital	Accumulated losses	Remeasurement of retirement benefit obligation	Total
		SAR'000	SAR'000	SAR'000	SAR'000
<b>2019</b>					
Balance as at 31 December 2018 (Audited)	11	300,000	(54,373)	(629)	244,998
Total comprehensive loss for the period attributed to shareholders		-	(27,650)	-	(27,650)
Actuarial gain on retirement benefit obligations		-	-	119	119
<b>Balance as at 30 September 2019</b>		<b>300,000</b>	<b>(82,023)</b>	<b>(510)</b>	<b>217,467</b>
<b>2018</b>					
Balance as at 31 December 2017 (Audited)	11	300,000	(17,227)	(325)	282,448
Total comprehensive loss for the period attributed to shareholders		-	(22,437)	-	(22,437)
Actuarial loss on retirement benefit obligations		-	-	(322)	(322)
<b>Balance as at 30 September 2018</b>		<b>300,000</b>	<b>(39,664)</b>	<b>(647)</b>	<b>259,689</b>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial information.



Director



Chief Financial Officer



Chief Executive Officer

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For the nine months period ended 30 September

	Note	2019	2018
		SAR' 000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the period		(27,650)	(22,437)
Adjustments for non cash items:			
Shareholders' operations appropriations		-	-
Depreciation and amortisation		2,958	2,017
Depreciation of right to use assets		906	
Provision for doubtful receivables		5,734	6,913
Realized gain on investments held as FVSI		(969)	(780)
Unrealized gain on investment held as FVSI		(280)	(1,935)
Provision for retirement benefit obligations		1,165	1,075
Provision for zakat		3,150	4,050
		(14,986)	(11,097)
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		(31,675)	(12,588)
Reinsurers' share of unearned premiums		(20,350)	(31,129)
Reinsurers' share of outstanding claims		(180,386)	60,026
Reinsurers' share of incurred but not reported claims		4,109	(224)
Reinsurers' share of other reserves		-	905
Deferred policy acquisition costs		(2,586)	(4,692)
Prepayments and other assets		(5,921)	5,683
Due from related parties		(368)	(978)
Unit linked investments		(11,812)	(8,361)
Outstanding claims		185,915	(39,669)
Incurred but not reported claims		(3,616)	(9,541)
Other reserves		-	(1,324)
Premium deficiency reserves		912	836
Unearned premiums		33,627	57,866
Reinsurance balances payable		18,896	(3,333)
Unearned reinsurance commission		2,867	3,162
Accrued expenses and other liabilities		8,394	(2,166)
Lease liabilities		5,815	-
Due to related party		(205)	-
Unit linked liabilities		11,812	8,361
Cash generated from operations		442	11,737
Retirement benefit obligations paid		(950)	(312)
Zakat and income tax paid		(3,807)	(4,838)
<b>Net cash (used in) / generated from operating activities</b>		<b>(4,315)</b>	<b>6,587</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of murabaha deposits		(1,902)	(93,705)
Purchase of investments	5	(119,600)	(114,500)
Proceeds from disposal of investments	5	127,871	248,642
Purchase of property and equipment		(1,708)	(5,139)
Right of use assets		(7,112)	-
Purchase of intangible assets		(878)	-
<b>Net cash (used in) / generated from investing activities</b>		<b>(3,329)</b>	<b>35,298</b>
<b>Net cash (used in) / generated from all activities</b>		<b>(7,644)</b>	<b>41,885</b>
Cash and cash equivalents at the beginning of the period		52,710	107,863
<b>Cash and cash equivalents at the end of the period</b>	4	<b>45,066</b>	<b>149,748</b>
<b>Non cash transactions</b>			
Actuarial gain / (loss) on retirement benefit obligations		119	(322)

The accompanying notes 1 to 16 form an integral part of these interim condensed financial information.

  
Director

  
Chief Financial Officer

  
Chief Executive Officer



NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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**1 GENERAL**

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

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

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

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

**2 BASIS OF PREPARATION**

**2.1 Basis of presentation and measurement**

The interim condensed financial information of the Company for the three and nine month period ended 30 September 2019 have been prepared using the International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax, and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). As per Circular no. 2019/23099 dated 26 shaban 1440H, (corresponding to 1 May 2019) SAMA instructed the Insurance Companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRSs and its interpretations as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 - Accounting Policies Changes in Accounting Estimates and Errors and the effects of this change is disclosed in note 3.5 and 10 to the interim condensed financial statements.

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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**2 BASIS OF PREPARATION (Continued)**

**2.1 Basis of presentation and measurement (Continued)**

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

The interim condensed statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 14 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level interim condensed financial statements in compliance with IFRSs, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances and transactions, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The accumulated losses as at 30 September 2019 are 27.34% (31 December 2018: 18.12%) of the share capital. The reason for these losses is high expense ratio and deterioration in loss ratio. The Company has put together a two-pillar plan under which the growth in topline is planned along with a firm control on expenses.

**3 SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Functional and presentation currency**

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

**3.2 Critical accounting judgement, estimates and assumptions**

The preparation of the interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The significant accounting policies adopted in the preparation of these interim condensed financial information are consistent with those followed in the preparation of the previous financial year, except for the following new & amended IFRSs & IFRIC interpretations and change in the accounting policy for zakat and income tax as explained below.

**3.3 IFRS 16 Leases**

The Company has initially adopted IFRS 16 - Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes 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 recognition exemptions for short-term leases and leases of low value items, Lessor accounting remains similar to the current standard (IAS 17 Leases) - i.e. lessors continue to classify leases as finance or operating leases.

The Company has applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 (if any) is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

**3.3.1 Definition of lease**

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

**3.3.2 As a lessee**

The Company leases its offices, and as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using 1 year SIBOR plus Risk Adjustment rate.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 IFRS 16 Leases (Continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised.

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate as at 1 January 2019. The Company's incremental borrowing rate applied is 4%.

3.3.3 Transition

Previously, the Company classified certain leases as operating leases under IAS 17. These include the Company's head office and branches. Some leases include an option to renew the lease for an extended period that is to be mutually agreed between the parties. Further, some leases provide for additional rent payments that are based on annual increments. At transition, leases which were classified under IAS 17 as operating leases were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at the value of the lease liabilities in accordance with practical expedients available for initial application of IFRS 16. Therefore, there is no impact on retained earnings as at 1 January 2019. Further, the Company used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3.3.4 Impact on Financial Statements

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized SAR 7.35 million of Right-of-use assets and SAR 6.6million lease liabilities as at 1 January 2019.

Also, in relation those leases under IFRS 16, the Company has recognized Depreciation and interest costs, instead of operating lease expense. During three month and nine month period ended 30 September 2019, the Company recognized SAR 0.3 million and SAR 0.9 million of depreciation charge and SAR 0.065 million and SAR 0.2 million of interest costs from these leases respectively. The Company also derecognized an operating lease charge of SAR 0.35 million. As at 30 September 2019, the carrying amount of right-of-use assets amounted to SAR 6.21 million with SAR 5.82 million recognized in lease liabilities.

	SAR '000"
Total operating lease commitments as at 31 December 2018	7,882
Discounted using the lessee's incremental borrowing rate at date of initial application	(1,256)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	6,626

3.4 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 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Standards issued but not yet effective (Continued)

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.4 Standards issued but not yet effective (Continued)**

**IFRS 17 Insurance Contracts**

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

**3.5 Change in the accounting for zakat and income tax**

As mentioned above, the basis of preparation has been changed for the three and nine month periods ended 30 September 2019 as a result of the issuance of latest instructions from SAMA dated 1 May 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 latest instructions issued by SAMA dated 1 May 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 10 to the interim condensed financial statements. The change has resulted in reduction of reported income of the Company for the three and nine months period ended 30 September 2019 by SR 1.05 million and SR 3.2 million respectively. The change has had no impact on the statement of cash flows for the period ended 30 September 2019.

**3.5.1 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 profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

**3.5.2 Deferred tax**

Deferred tax is calculated by using the statement of financial position liability method, providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the statement of interim condensed financial position date. Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be

Deferred tax is charged or credited in the interim condensed statement of income, except in the case of items credited or charged to other comprehensive income/equity in which case it is included in other comprehensive income/equity.

Deferred tax liability has not been provided in these interim condensed financial statements for three and nine months ended 30 September 2019 since the Company does not anticipate availability of future taxable profit to utilize any tax credits.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

4 CASH AND CASH EQUIVALENTS

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Cash in hand	45	-	45	40	-	40
Cash at banks – current accounts	42,768	2,253	45,021	51,330	1,340	52,670
<b>Total</b>	<b>42,813</b>	<b>2,253</b>	<b>45,066</b>	<b>51,370</b>	<b>1,340</b>	<b>52,710</b>

Cash at bank includes an amount of SR 38.66 million (December 31 2018: SR 45.32 million) held with Alinma Bank, a related party.

5 INVESTMENTS

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

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Available for sale investments	-	1,923	1,923	-	1,923	1,923
Investments at fair value through statement of income (FVSI)	201	30,046	30,247	411	36,490	36,901
Investments at held to maturity	-	12,606	12,606	-	12,974	12,974
<b>Total</b>	<b>201</b>	<b>44,575</b>	<b>44,776</b>	<b>411</b>	<b>51,387</b>	<b>51,798</b>

The movement during the period is as follows:

5.1 Available for sale investments

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning and end	-	1,923	1,923	-	1,923	1,923

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

5 INVESTMENTS (continued)

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

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SAR'000			SAR'000		
Balance at the beginning	411	36,490	36,901	46,436	121,427	167,863
Purchases	119,600	-	119,600	119,500	41,000	160,500
Disposals	(120,245)	(7,258)	(127,503)	(166,218)	(128,072)	(294,290)
Realised gain	433	536	969	692	1,347	2,039
Unrealised gain	2	278	280	1	788	789
Balance at the end	201	30,046	30,247	411	36,490	36,901

5.3 Investments at held to maturity

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SAR'000			SAR'000		
Balance at the beginning	-	12,974	12,974	-	13,711	13,711
Redemptions	-	(368)	(368)	-	(737)	(737)
Balance at the end	-	12,606	12,606	-	12,974	12,974

Investments held to maturity have a tenure of ten years with quarterly partial redemptions, yielding an average profit rate of SIBOR (3M) + 2.125% per annum (December 31 2018: SIBOR (3M) +2.125% per annum).

5.4 Determination of fair value and fair value hierarchy

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



NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

5 INVESTMENTS (continued)

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

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

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

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

Shareholders' operations

	As at 30 September 2019 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in discretionary portfolios	15,482	-	-	15,482
- Investments in real estate funds	-	9,433	5,131	14,564
Investments at held to maturity				
- Sukuks	-	12,606	-	12,606
Total	15,482	22,039	7,054	44,575

	As at 31 December 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in discretionary portfolios	21,255	-	-	21,255
- Investments in real estate funds	-	10,104	5,131	15,235
Investments at held to maturity				
- Sukuks	-	12,974	-	12,974
Total	21,255	23,078	7,054	51,387

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

5 INVESTMENTS (continued)

5.4 Determination of fair value and fair value hierarchy

Transfer between levels

There were no transfers between levels during the nine months period ended 30 September 2019. The following table presents the transfer between levels for the year ended 31 December 2018:

Shareholders' operations	As at 31 December 2018 (Audited)			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Transfer between level 1 and level 2				
Units in real estate funds	(10,780)	10,780	-	-
Transfer between level 1 and level 3				
Units in real estate funds	(5,140)	-	5,140	-

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

Insurance operations

	As at 30 September 2019 (Unaudited)			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Investments at fair value through statement of income				
- Investments in mutual funds	201	-	-	201
Total	201	-	-	201

	As at 31 December 2018 (Audited)			Total
	Level 1	Level 2	Level 3	
	SAR'000			
Investments at fair value through statement of income				
- Investments in mutual funds	411	-	-	411
Total	411	-	-	411

6 MURABAHA DEPOSITS

Murabaha deposits represents deposits with local and foreign banks that have investment grade credit ratings and have an original maturity of more than three months to 2 years from the date of acquisition, yielding an average profit rate of 3.73% per annum (31 December 2018: 3.65% per annum).

7 PREMIUMS AND REINSURANCE RECEIVABLES - NET

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Policyholders	110,463	-	110,463	92,948	-	92,948
Related party (note 9)	10,096	-	10,096	5,010	-	5,010
Reinsurance receivables	34,332	-	34,332	25,258	-	25,258
	154,891	-	154,891	123,216	-	123,216
Provision for doubtful receivables	(32,625)	-	(32,625)	(26,891)	-	(26,891)
	122,266	-	122,266	96,325	-	96,325

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

8 TECHNICAL RESERVES

8.1 MOVEMENT IN UNEARNED PREMIUMS

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SAR'000			SAR'000		
Balance at the beginning	80,827	(39,641)	41,186	76,138	(30,297)	45,841
Premiums written	264,115	(127,844)	136,271	353,591	(156,918)	196,673
Premiums earned	(230,488)	107,494	(122,994)	(348,902)	147,574	(201,328)
Balance at the end	114,454	(59,991)	54,463	80,827	(39,641)	41,186

8.2 NET OUTSTANDING CLAIMS AND RESERVES

	As at 30 September 2019 SAR'000	As at 31 December 2018 (Audited) SAR'000
Outstanding claims	289,876	107,239
Less: Realizable value of salvage and subrogation	(6,258)	(9,536)
	283,618	97,703
Incurred but not reported claims	25,090	28,706
Other reserves	874	874
Premium deficiency reserves	2,987	2,075
	312,569	129,358
Less:		
Reinsurers' share of outstanding claims	(243,378)	(62,992)
Reinsurers' share of Incurred but not reported claims	(12,591)	(16,700)
	(255,969)	(79,692)
Net outstanding claims and reserves	56,600	49,666

8.3 PREMIUM DEFICIENCY RESERVE

The Company has created a provision in respect of premium deficiency reserves ('PDR') for its medical and motor line of businesses amounting to SAR 0.47 million (31 December 2018: SAR 0.8 million) and SAR 2.43 million (31 December 2018: SAR 1.3 million) respectively. The PDR has been created with respect to additional reserve required to cover expected claims not initially built in the premiums. The Company expected this provision based on the assumption that the unearned premiums will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of policies in force at the date of interim condensed statement of financial position.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

9 TRANSACTIONS WITH RELATED PARTIES

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

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

Nature of transactions	For the three months period ended 30 September 2019 (Unaudited)			For the three months period ended 30 September 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	-----SAR'000-----			-----SAR'000-----		
<u>Shareholders:</u>						
Gross written premiums	10,050	-	10,050	8,706	-	8,706
Reinsurance premiums ceded	1,557	-	1,557	373	-	373
Claims paid - net of recoveries	6,238	-	6,238	4,781	-	4,781
Reinsurance commission	454	-	454	94	-	94
Reinsurance share of claims	297	-	297	55	-	55
General and administrative expenses	218	19	237	670	620	1,290
<u>Other Related parties:</u>						
Investments	4,966	-	4,966	2,347	-	2,347
Agency commission	836	-	836	559	-	559
General and administrative expenses	-	17	17	-	-	-
<u>Nature of transactions</u>						
	For the nine months period ended 30 September 2019 (Unaudited)			For the nine months period ended 30 September 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	-----SAR'000-----			-----SAR'000-----		
<u>Shareholders:</u>						
Gross written premiums	21,235	-	21,235	20,149	-	20,149
Reinsurance premiums ceded	6,570	-	6,570	3,692	-	3,692
Claims paid - net of recoveries	11,840	-	11,840	14,057	-	14,057
Reinsurance commission	1,881	-	1,881	696	-	696
Reinsurance share of claims	385	-	385	125	-	125
General and administrative expenses	703	57	760	1,386	8,603	9,989

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

9 TRANSACTIONS WITH RELATED PARTIES (continued)

Nature of transactions	For the nine months period ended 30 September 2019 (Unaudited)			For the nine months period ended 30 September 2018 (Unaudited)		
	-----SAR'000-----			-----SAR'000-----		
<u>Other Related parties:</u>						
Investments	13,022	6,892	19,914	11,544	19,615	31,159
Agency commission	2,031	-	2,031	1,286	-	1,286
General and administrative expenses	91	43	134	-	-	-

Closing Balances

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	-----SAR'000-----			-----SAR'000-----		
<u>Shareholders:</u>						
Premium receivable	10,096		10,096	5,010	-	5,010
Reinsurance premiums payable	6,938		6,938	5,230	-	5,230
Claims payable	1,333		1,333	64	-	64
Bank balance	38,655	2,252	40,907	43,981	1,340	45,321
General and administrative expenses	(56)	(49)	(105)	(130)	(75)	(205)

Other related parties

Investments	30,580	30,046	60,626	18,768	36,490	55,258
Agency commission	384		384	257	-	257
General and administrative expenses	(64)	1,214	1,150	-	846	846

Information relating to key management personnel:

	For the three months period ended 30 September 2019 (Unaudited)			For the three months period ended 30 September 2018 (Unaudited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	-----SAR'000-----			-----SAR'000-----		
Short term benefits	1,112	-	1,112	2,150	-	2,150
Long term benefits	72	-	72	41	-	41

	For the nine months period ended 30 September 2019 (Unaudited)			For the nine months period ended 30 September 2018 (Unaudited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	-----SAR'000-----			-----SAR'000-----		
Short term benefits	3,321	-	3,321	3,209	-	3,209
Long term benefits	271	-	271	227	-	227

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

9 TRANSACTIONS WITH RELATED PARTIES (continued)

Board and sub committees related expenses:

	For the three months period ended 30 September 2019 (Unaudited)			For the three months period ended 30 September 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Directors' remuneration	-	400	400	-	375	375
Attendance fees	-	92	92	-	85	85

	For the nine months period ended 30 September 2019 (Unaudited)			For the nine months period ended 30 September 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Directors' remuneration	-	1,200	1,200	-	1,125	1,125
Attendance fees	-	276	276	-	257	257

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

10 ZAKAT AND INCOME TAX PAYABLE

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Zakat payable	-	3,185	3,185	-	3,808	3,808
Additional charge for prior years	-	1,778	1,778	-	1,778	1,778
Advance income tax paid	-	(34)	(34)	-	-	-
Zakat and Income tax payable	-	4,929	4,929	-	5,586	5,586

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
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10 ZAKAT AND INCOME TAX PAYABLE (Continued)

10.1 The movement in Zakat provision is as follows:

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	3,808	3,808	-	4,398	4,398
Zakat charge	-	3,150	3,150	-	3,782	3,782
Zakat paid	-	(3,763)	(3,763)	-	(4,372)	(4,372)
Advance zakat paid	-	(10)	(10)	-	-	-
Balance at the end	-	3,185	3,185	-	3,808	3,808

10.2 Income tax:

Provision for income tax is required to be made at 20% of the adjusted net income attributable to the foreign shareholder of the Company.

Foreign shareholder subject to income tax is 28.75%.

The movement in income tax provision is as follows:

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning	-	-	-	-	626	626
(Reversal) of prior year charge	-	-	-	-	(160)	(160)
Income tax paid	-	-	-	-	(466)	(466)
Advance tax paid	-	(34)	(34)	-	-	-
Balance at the end	-	(34)	(34)	-	-	-

10.3 Status of Assessments

During 2017, the General Authority for Zakat and Tax (GAZT) has issued assessments for the years from 2012 to 2015, requiring an additional zakat and WHT liability amounting to SR 5.5 million and SR 2.9 million respectively. The Company has filed an appeal against the assessment of GAZT for the additional liability arising out of various disallowances for years from 2012 to 2015 with Preliminary Appeal Committee (PAC). Further, the Company has booked an additional zakat liability of SR 1.8 million. The Company has obtained limited certificates for the year from 2012 to 2018.

10.4 The change in the accounting treatment for zakat and income tax (as explained in note 3.5) has the following impact on the line items of the interim condensed statements of income, statement of financial position and changes in shareholders' equity:

		As at and for the nine months period ended 30 September 2019:		
Financial statement impacted	Financial Statement head	Before the restatement	Effect of restatement	After taking effect of restatement
SAR '000				
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	3,150	(3,150)	-
Statement of income	Zakat and income tax charge	-	3,150	3,150
Statement of income	Loss per share SR	(0.89)	(1.00)	(0.11)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

10 ZAKAT AND INCOME TAX PAYABLE (Continued)

		As at and for the nine months period ended 30 September 2018:		
Financial statement impacted	Financial Statement head	Before the restatement	Effect of restatement	After taking effect of restatement
		-----SAR '000-----		
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	(4,050)	4,050	-
Statement of income	Zakat and income tax charge	-	4,050	4,050
Statement of income	Earnings per share	(0.61)	(0.75)	(0.14)

11 ISSUED, AUTHORISED AND PAID UP SHARE CAPITAL

The issued, authorised and paid up share capital of the Company was SAR 300 million as at 30 September 2019 (31 December 2018: SAR 300 million) consisting of 30 million shares (31 December 2018: 30 million) of SAR 10 each.

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

	As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	No. of shares	Value per share	Share Capital SAR	No. of shares	Value per share	Share Capital SAR
Alinma Bank	8,625,000	10	86,250,000	8,625,000	10	86,250,000
Tokio Marine & Nichido Fire Insurance	8,625,000	10	86,250,000	8,625,000	10	86,250,000
Others	12,750,000	10	127,500,000	12,750,000	10	127,500,000
	30,000,000	10	300,000,000	30,000,000	10	300,000,000



NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

12 CONTINGENCIES AND COMMITMENT

As at 30 September 2019 the Company's banker has issued letters of guarantee of SAR 1.78 million (31 December 2018: SAR 2.08 million) to various customers, motor agencies, workshops and health service providers as per the terms of their respective agreements which have been classified under prepayments and other assets in the interim condensed statement of financial position. The Company has no capital commitments as at 30 September 2019 and 31 December 2018.

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

	2019	2018
	SAR'000	SAR'000
Motor claims related compensation	666	666
Fire and Property claim related compensation	30,500	30,500

13 SEGMENT REPORTING

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

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

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

Segment assets do not include cash and bank balances, investments, premiums and reinsurance receivables, due from shareholders' operations, prepayments & other assets, right of use assets, property & equipment and intangible assets.

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

Segment results do not include general and administrative expenses.

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

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the Chief Executive Officer.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

13 SEGMENT REPORTING (Continued)

	For the three months period ended 30 September 2019 (Unaudited)					
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations Total
	SAR'000					
REVENUES						
Gross premiums written	30,513	11,079	12,967	126	54,685	- 54,685
- Corporate	16,883	8,595	6,626	-	32,104	- 32,104
- Medium business	11,921	207	28	-	12,156	- 12,156
- Small business	181	144	-	126	451	- 451
- Very small business	1,528	738	-	-	2,266	- 2,266
- Retail	-	1,395	6,313	-	7,708	- 7,708
Reinsurance premiums ceded - Local	(942)				(942)	- (942)
Reinsurance premiums ceded - Foreign	(25,605)	-	(3,056)	-	(28,661)	- (28,661)
Excess of loss expenses	(940)	(323)	-	-	(1,263)	- (1,263)
Net premiums written	3,026	10,756	9,911	126	23,819	- 23,819
Net change in unearned premiums	(20)	15,086	171	1,831	17,068	- 17,068
Net premiums earned	3,006	25,842	10,082	1,957	40,887	- 40,887
Reinsurance commission earned and Other underwriting income	6,479	23	-	-	6,502	- 6,502
Total insurance revenues	9,485	25,865	10,082	1,957	47,389	- 47,389
UNDERWRITING COSTS AND EXPENSES						
Net claims and other benefits incurred	(1,479)	(21,261)	(2,832)	(2,428)	(28,000)	- (28,000)
Changes in Premium deficiency reserves	-	(1,251)	-	339	(912)	- (912)
Changes in unit linked reserves	-	-	(3,247)	-	(3,247)	- (3,247)
Policy acquisition costs	(4,017)	(2,786)	(724)	(103)	(7,630)	- (7,630)
Other underwriting expenses	(208)	5	(65)	(2)	(270)	- (270)
Total underwriting costs and expenses	(5,704)	(25,293)	(6,868)	(2,194)	(40,059)	- (40,059)
NET UNDERWRITING INCOME / (LOSS)	3,781	572	3,214	(237)	7,330	- 7,330
OPERATING AND OTHER (EXPENSES)/ INCOME						
General and administrative expenses					(13,681)	(908) (14,589)
Reversal of provision for doubtful receivables					164	- 164
Unrealized loss on unit linked investments					(1,243)	- (1,243)
Unrealized gain on investments					2	276 278
Realized gain on investments					145	638 783
Total operating and other expenses, net					(14,613)	6 (14,607)
Net deficit for the period					(7,283)	6 (7,277)
Zakat for the period					-	(1,050) (1,050)
Net loss for the period						(8,327)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

13 SEGMENT REPORTING (Continued)

	For the three months period ended 30 September 2018 (Unaudited)						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
REVENUES							
Gross premiums written	39,966	15,694	9,081	1,010	65,751	-	65,751
- Corporate	27,277	8,322	6,093	-	41,692	-	41,692
- Medium business	12,410	6,955	133	-	19,498	-	19,498
- Small business	196	153	-	1,010	1,359	-	1,359
- Very small business	83	149	-	-	232	-	232
- Retail	-	115	2,855	-	2,970	-	2,970
Reinsurance premiums ceded - Local	(2,879)	-	-	-	(2,879)	-	(2,879)
Reinsurance premiums ceded - Foreign	(31,920)	-	(3,049)	-	(34,969)	-	(34,969)
Excess of loss expenses	(1,056)	(994)	-	-	(2,050)	-	(2,050)
Net premiums written	4,111	14,700	6,032	1,010	25,853	-	25,853
Net change in unearned premiums	(1,350)	21,501	2,884	2,534	25,569	-	25,569
Net premiums earned	2,761	36,201	8,916	3,544	51,422	-	51,422
Reinsurance commission earned and Other underwriting income	5,232	2	-	-	5,234	-	5,234
Total insurance revenues	7,993	36,203	8,916	3,544	56,656	-	56,656
UNDERWRITING COSTS AND EXPENSES							
Net claims and other benefits incurred	(1,028)	(24,707)	(3,403)	(4,279)	(33,417)	-	(33,417)
Changes in unit linked reserves	-	-	(1,639)	-	(1,639)	-	(1,639)
Policy acquisition costs	(3,372)	(3,411)	(758)	(799)	(8,340)	-	(8,340)
Other underwriting expenses	(185)	(79)	(45)	(15)	(324)	-	(324)
Total underwriting costs and expenses	(4,585)	(28,197)	(5,845)	(5,093)	(43,720)	-	(43,720)
NET UNDERWRITING INCOME / (LOSS)	3,408	8,006	3,071	(1,549)	12,936	-	12,936
OPERATING AND OTHER (EXPENSES)/ INCOME							
General and administrative expenses					(13,489)	(843)	(14,332)
Provision for doubtful receivables					(3,209)	-	(3,209)
Unrealized loss on unit linked investments					(762)	-	(762)
Unrealized gain on investments					150	301	451
Realized gain on investments					64	127	191
Total operating and other expenses, net					(17,246)	(415)	(17,661)
Net deficit for the period					(4,310)	(415)	(4,725)
Zakat for the period					-	(1,350)	(1,350)
Net loss for the period							(6,075)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

13 SEGMENT REPORTING (Continued)

	For the nine months period ended 30 September 2019 (Unaudited)					
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations
	SAR'000					
REVENUES						
Gross premiums written	129,676	91,848	36,139	6,452	264,115	-
- Corporate	74,270	63,924	19,562	-	157,756	-
- Medium business	34,185	15,074	501	-	49,760	-
- Small business	17,125	5,384	-	6,452	28,961	-
- Very small business	4,096	4,849	-	-	8,945	-
- Retail	-	2,617	16,076	-	18,693	-
Reinsurance premiums ceded - Local	(3,258)	-	-	-	(3,258)	-
Reinsurance premiums ceded - Foreign	(111,701)	(72)	(9,217)	-	(120,990)	-
Excess of loss expenses	(2,628)	(968)	-	-	(3,596)	-
Net premiums written	12,089	90,808	26,922	6,452	136,271	-
Net change in unearned premiums	(3,136)	(12,760)	1,830	789	(13,277)	-
Net premiums earned	8,953	78,048	28,752	7,241	122,994	-
Reinsurance commission earned	17,888	28	-	-	17,916	-
Other underwriting income	26	408	-	-	434	-
Total insurance revenues	26,867	78,484	28,752	7,241	141,344	-
UNDERWRITING COSTS AND EXPENSES						
Net claims and other benefits incurred	(2,892)	(64,323)	(9,708)	(7,062)	(83,985)	-
Changes in premium deficiency reserves	-	(1,251)	-	339	(912)	-
Changes in unit linked reserves	-	-	(11,812)	-	(11,812)	-
Policy acquisition costs	(11,696)	(8,810)	(2,222)	(332)	(23,060)	-
Other underwriting expenses	(692)	(399)	(181)	(97)	(1,369)	-
Total underwriting costs and expenses	(15,280)	(74,783)	(23,923)	(7,152)	(121,138)	-
NET UNDERWRITING INCOME	11,587	3,701	4,829	89	20,206	-
OPERATING AND OTHER (EXPENSES)/ INCOME						-
General and administrative expenses					(42,166)	(2,678)
Provision for doubtful receivables					(5,733)	-
Unrealized loss on unit linked investments					(481)	-
Unrealized gain on investments					2	3,794
Realized gain on investments					434	2,122
Total operating and other expenses, net					(47,944)	3,238
Net deficit for the period					(27,738)	3,238
Zakat for the period					-	(3,150)
Net loss for the period						(27,650)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

13 SEGMENT REPORTING (Continued)

For the nine months period ended 30 September 2018 (Unaudited)						
Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
SAR'000						
REVENUES						
Gross premiums written	130,024	132,294	37,654	8,695	308,667	308,667
- Corporate	87,761	95,101	27,453	-	210,315	210,315
- Medium business	36,147	27,857	445	-	64,449	64,449
- Small business	5,857	7,142	-	8,695	21,694	21,694
- Very small business	259	870	-	-	1,129	1,129
- Retail	-	1,324	9,756	-	11,080	11,080
Reinsurance premiums ceded - Local	(7,717)	-	-	-	(7,717)	(7,717)
Reinsurance premiums ceded - Foreign	(109,881)	-	(9,828)	-	(119,709)	(119,709)
Excess of loss expenses	(3,171)	(3,014)	-	-	(6,185)	(6,185)
Net premiums written	9,255	129,280	27,826	8,695	175,056	175,056
Net change in unearned premiums	(2,301)	(24,581)	(1,886)	2,031	(26,737)	(26,737)
Net premiums earned	6,954	104,699	25,940	10,726	148,319	148,319
Reinsurance commission earned	15,959	5	-	-	15,964	15,964
Other underwriting income	25	451	-	-	476	476
Total insurance revenues	22,938	105,155	25,940	10,726	164,759	164,759
UNDERWRITING COSTS AND EXPENSES						
Net claims and other benefits incurred	(2,134)	(80,067)	(9,096)	(12,567)	(103,864)	(103,864)
Changes in premium deficiency reserve	-	(836)	-	-	(836)	(836)
Changes in unit linked reserves	-	-	(8,361)	-	(8,361)	(8,361)
Policy acquisition costs	(9,432)	(9,660)	(1,881)	(1,160)	(22,133)	(22,133)
Other underwriting expenses	(612)	(662)	(188)	(130)	(1,592)	(1,592)
Total underwriting costs and expenses	(12,178)	(91,225)	(19,526)	(13,857)	(136,786)	(136,786)
NET UNDERWRITING INCOME / (LOSS)	10,760	13,930	6,414	(3,131)	27,973	27,973
OPERATING AND OTHER (EXPENSES)/ INCOME						
General and administrative expenses				(43,184)	(2,690)	(45,874)
Provision for doubtful receivables				(6,913)	-	(6,913)
Unrealized gain on unit linked investments				215	-	215
Unrealized gain on investments				401	4,279	4,680
Realized gain on investments				161	1,371	1,532
Total operating and other expenses, net				(49,320)	2,960	(46,360)
Net deficit for the period				(21,347)	2,960	(18,387)
Zakat for the period				-	(4,050)	(4,050)
Net loss for the period						(22,437)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

13 SEGMENT REPORTING (Continued)

	As at 30 September 2019 (Unaudited)						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
<b>ASSETS</b>							
Cash and cash equivalents	-	-	-	-	42,813	2,253	45,066
Investments	-	-	-	-	201	44,575	44,776
Reinsurers' share of outstanding claims	237,967	-	5,411	-	243,378	-	243,378
Reinsurers' share of Incurred but not reported claims	10,744	-	1,847	-	12,591	-	12,591
Reinsurers' share of unearned premiums	59,869	-	122	-	59,991	-	59,991
Deferred policy acquisition costs	6,401	4,693	24	81	11,199	-	11,199
Unit linked investments	-	-	30,580	-	30,580	-	30,580
Unallocated assets	-	-	-	-	188,144	218,689	406,833
Total assets					588,897	265,517	854,414
<b>LIABILITIES AND EQUITY</b>							
Outstanding claims	242,459	31,154	9,003	1,002	283,618	-	283,618
Incurred but not reported claims	12,732	7,745	3,653	960	25,090	-	25,090
Other reserves	323	551	-	-	874	-	874
Premium deficiency reserves	-	2,516	-	471	2,987	-	2,987
Unearned premiums	67,080	45,349	329	1,696	114,454	-	114,454
Unearned reinsurance commission	9,937	-	-	-	9,937	-	9,937
Unit linked liabilities	-	-	30,580	-	30,580	-	30,580
Unallocated liabilities and equity	-	-	-	-	121,357	265,517	386,874
Total liabilities and equity					588,897	265,517	854,414

	As at 31 December 2018 (Audited)						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
<b>ASSETS</b>							
Cash and cash equivalents	-	-	-	-	51,370	1,340	52,710
Investments	-	-	-	-	411	51,387	51,798
Reinsurers' share of outstanding claims	57,814	-	5,178	-	62,992	-	62,992
Reinsurers' share of Incurred but not reported claims	15,185	-	1,515	-	16,700	-	16,700
Reinsurers' share of unearned premiums	39,328	-	313	-	39,641	-	39,641
Deferred policy acquisition costs	4,750	3,459	243	161	8,613	-	8,613
Unit linked investments	-	-	18,768	-	18,768	-	18,768
Unallocated assets	-	-	-	-	125,023	213,358	338,381
Total assets					323,518	266,085	589,603
<b>LIABILITIES AND EQUITY</b>							
Outstanding claims	61,742	25,425	8,695	1,841	97,703	-	97,703
Incurred but not reported claims	17,178	6,711	3,411	1,406	28,706	-	28,706
Other reserves	323	551	-	-	874	-	874
Premium deficiency reserves	-	1,265	-	810	2,075	-	2,075
Unearned premiums	43,403	32,588	2,352	2,484	80,827	-	80,827
Unearned reinsurance commission	7,070	-	-	-	7,070	-	7,070
Unit linked liabilities	-	-	18,768	-	18,768	-	18,768
Unallocated liabilities and equity	-	-	-	-	87,495	266,085	353,580
Total liabilities and equity					323,518	266,085	589,603

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

14 SUPPLEMENTARY INFORMATION

14.1 Interim condensed statement of financial position

		As at 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Note	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000		
<b>ASSETS</b>							
Cash and cash equivalents	4	42,813	2,253	45,066	51,370	1,340	52,710
Investments	5	201	44,575	44,776	411	51,387	51,798
Premiums and reinsurance receivables, net	7	122,266	-	122,266	96,325	-	96,325
Reinsurers' share of unearned premiums	8.1	59,991	-	59,991	39,641	-	39,641
Reinsurers' share of outstanding claims	8.1	243,378	-	243,378	62,992	-	62,992
Reinsurers' share of incurred but not reported claims	8.1	12,591	-	12,591	16,700	-	16,700
Deferred policy acquisition costs		11,199	-	11,199	8,613	-	8,613
Prepayments and other assets		8,372	4,575	12,947	5,512	1,514	7,026
Due from shareholders' operations		39,427	-	39,427	10,941	-	10,941
Due from related parties	9	-	1,214	1,214	-	846	846
Murabaha deposits	6	-	167,900	167,900	-	165,998	165,998
Statutory deposit		-	45,000	45,000	-	45,000	45,000
Property and equipment		8,735	-	8,735	8,549	-	8,549
Right of use assets		6,206	-	6,206	-	-	-
Intangible assets		3,138	-	3,138	3,696	-	3,696
Unit linked investments		30,580	-	30,580	18,768	-	18,768
<b>TOTAL ASSETS</b>		<b>588,897</b>	<b>265,517</b>	<b>854,414</b>	<b>323,518</b>	<b>266,085</b>	<b>589,603</b>
<b>LIABILITIES</b>							
Outstanding claims	8.2	283,618	-	283,618	97,703	-	97,703
Incurred but not reported claims	8.2	25,090	-	25,090	28,706	-	28,706
Other reserves	8.2	874	-	874	874	-	874
Premium deficiency reserves	8.3	2,987	-	2,987	2,075	-	2,075
Unearned premiums	8.1	114,454	-	114,454	80,827	-	80,827
Reinsurance balances payable		63,894	-	63,894	44,998	-	44,998
Unearned reinsurance commission		9,937	-	9,937	7,070	-	7,070
Accrued expenses and other liabilities		46,555	3,184	49,739	37,489	3,856	41,345
Lease liabilities		5,815	-	5,815	-	-	-
Due to related party	9	-	-	-	130	75	205
Zakat and income tax payable	10	-	4,929	4,929	-	5,586	5,586
Unit linked liabilities		30,580	-	30,580	18,768	-	18,768
Retirement benefit obligations		5,603	-	5,603	5,507	-	5,507
Due to insurance operations		-	39,427	39,427	-	10,941	10,941
<b>TOTAL LIABILITIES</b>		<b>589,407</b>	<b>47,540</b>	<b>636,947</b>	<b>324,147</b>	<b>20,458</b>	<b>344,605</b>
<b>EQUITY</b>							
Share capital	11	-	300,000	300,000	-	300,000	300,000
Accumulated losses		-	(82,023)	(82,023)	-	(54,373)	(54,373)
Remeasurement of retirement benefit obligations		(510)	-	(510)	(629)	-	(629)
<b>TOTAL EQUITY</b>		<b>(510)</b>	<b>217,977</b>	<b>217,467</b>	<b>(629)</b>	<b>245,627</b>	<b>244,998</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>588,897</b>	<b>265,517</b>	<b>854,414</b>	<b>323,518</b>	<b>266,085</b>	<b>589,603</b>

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

14 SUPPLEMENTARY INFORMATION (continued)

14.2 Interim condensed statement of income

		For the three months period ended 30			For the three months period ended 30		
		September 2019			September 2018		
Note		Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000		
<b>REVENUES</b>							
Gross premiums written	8.1	54,685	-	54,685	65,751	-	65,751
- Corporate		32,104	-	32,104	41,692	-	41,692
- Medium business		12,156	-	12,156	19,498	-	19,498
- Small business		451	-	451	1,359	-	1,359
- Very small business		2,266	-	2,266	232	-	232
- Retail		7,708	-	7,708	2,970	-	2,970
Reinsurance premiums ceded							
- Local		(942)	-	(942)	(2,879)	-	(2,879)
- Foreign		(28,661)	-	(28,661)	(34,969)	-	(34,969)
Excess of loss expenses		(1,263)	-	(1,263)	(2,050)	-	(2,050)
<b>Net premiums written</b>		<b>23,819</b>	<b>-</b>	<b>23,819</b>	<b>25,853</b>	<b>-</b>	<b>25,853</b>
Changes in unearned premiums		21,224	-	21,224	21,352	-	21,352
Changes in reinsurers' share of unearned premiums		(4,156)	-	(4,156)	4,217	-	4,217
<b>Net premiums earned</b>		<b>40,887</b>	<b>-</b>	<b>40,887</b>	<b>51,422</b>	<b>-</b>	<b>51,422</b>
Reinsurance commission earned & other underwriting income		6,502	-	6,502	5,234	-	5,234
<b>Total Revenues</b>		<b>47,389</b>	<b>-</b>	<b>47,389</b>	<b>56,656</b>	<b>-</b>	<b>56,656</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>							
Gross claims paid		(31,760)	-	(31,760)	(60,171)	-	(60,171)
Surrenders		(502)	-	(502)	(95)	-	(95)
Reinsurers' share of claims paid		10,078	-	10,078	25,894	-	25,894
<b>Net claims paid</b>		<b>(22,184)</b>	<b>-</b>	<b>(22,184)</b>	<b>(34,372)</b>	<b>-</b>	<b>(34,372)</b>
Changes in outstanding claims	8.2	(175,430)	-	(175,430)	57,638	-	57,638
Changes in reinsurers' share of outstanding claims	8.2	169,863	-	169,863	(66,348)	-	(66,348)
Changes in incurred but not reported claims	8.2	2,793	-	2,793	6,779	-	6,779
Changes in reinsurers' share of incurred but not reported claims	8.2	(3,042)	-	(3,042)	2,886	-	2,886
Changes in other reserves	8.2	-	-	-	-	-	-
Changes in reinsurers' share of other reserves	8.2	-	-	-	-	-	-
<b>Net claims and other benefits incurred</b>		<b>(28,000)</b>	<b>-</b>	<b>(28,000)</b>	<b>(33,417)</b>	<b>-</b>	<b>(33,417)</b>
Changes in Premium deficiency reserves		(912)	-	(912)	-	-	-
Changes in unit linked reserves		(3,247)	-	(3,247)	(1,639)	-	(1,639)
Policy acquisition costs		(7,630)	-	(7,630)	(8,340)	-	(8,340)
Other underwriting expenses		(270)	-	(270)	(324)	-	(324)
<b>Total underwriting costs and expenses</b>		<b>(40,059)</b>	<b>-</b>	<b>(40,059)</b>	<b>(43,720)</b>	<b>-</b>	<b>(43,720)</b>
<b>NET UNDERWRITING INCOME</b>		<b>7,330</b>	<b>-</b>	<b>7,330</b>	<b>12,936</b>	<b>-</b>	<b>12,936</b>
<b>OPERATING AND OTHER (EXPENSES) / INCOME</b>							
General and administrative expenses		(13,681)	(908)	(14,589)	(13,489)	(843)	(14,332)
Reversal / (provision) for doubtful receivables		164	-	164	(3,209)	-	(3,209)
Unrealized loss on unit linked investments		(1,243)	-	(1,243)	(762)	-	(762)
Unrealized gain on investments		2	276	278	150	301	451
Realized gain on investments		145	638	783	64	127	191
<b>Total operating and other expenses</b>		<b>(14,613)</b>	<b>6</b>	<b>(14,607)</b>	<b>(17,246)</b>	<b>(415)</b>	<b>(17,661)</b>
<b>Net deficit for the period</b>		<b>(7,283)</b>	<b>6</b>	<b>(7,277)</b>	<b>(4,310)</b>	<b>(415)</b>	<b>(4,725)</b>
Zakat for the period		-	(1,050)	(1,050)	-	(1,350)	(1,350)
<b>Net loss for the period</b>		<b>(7,283)</b>	<b>(1,044)</b>	<b>(8,327)</b>	<b>(4,310)</b>	<b>(1,765)</b>	<b>(6,075)</b>
<b>Basic and diluted loss per share (SR)</b>				<b>(0.28)</b>			<b>(0.20)</b>



NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

14 SUPPLEMENTARY INFORMATION (continued)

14.2 Interim condensed statement of income

		For the nine months period ended 30			For the nine months period ended 30		
		September 2019			September 2018		
Note	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders	Total	
	SAR'000			SAR'000			
<b>REVENUES</b>							
Gross premiums written	8.1	264,115	-	264,115	308,667	-	308,667
- Corporate		157,756	-	157,756	210,315	-	210,315
- Medium business		49,760	-	49,760	64,449	-	64,449
- Small business		28,961	-	28,961	21,694	-	21,694
- Very small business		8,945	-	8,945	1,129	-	1,129
- Retail		18,693	-	18,693	11,080	-	11,080
Reinsurance premiums ceded							
- Local		(3,258)	-	(3,258)	(7,717)	-	(7,717)
- Foreign		(120,990)	-	(120,990)	(119,709)	-	(119,709)
Excess of loss expenses		(3,596)	-	(3,596)	(6,185)	-	(6,185)
Net premiums written		136,271	-	136,271	175,056	-	175,056
Changes in unearned premiums		(33,627)	-	(33,627)	(57,866)	-	(57,866)
Changes in reinsurers' share of unearned premiums		20,350	-	20,350	31,129	-	31,129
Net premiums earned		122,994	-	122,994	148,319	-	148,319
Reinsurance commission earned & other underwriting income		18,350	-	18,350	16,440	-	16,440
Total Revenues		141,344	-	141,344	164,759	-	164,759
<b>UNDERWRITING COSTS AND EXPENSES</b>							
Gross claims paid		(101,302)	-	(101,302)	(141,114)	-	(141,114)
Surrenders		(1,405)	-	(1,405)	(522)	-	(522)
Reinsurers' share of claims paid		24,745	-	24,745	47,945	-	47,945
Net claims paid		(77,962)	-	(77,962)	(93,691)	-	(93,691)
Changes in outstanding claims	8.2	(185,916)	-	(185,916)	39,669	-	39,669
Changes in reinsurers' share of outstanding claims	8.2	180,386	-	180,386	(60,026)	-	(60,026)
Changes in incurred but not reported claims	8.2	3,616	-	3,616	9,541	-	9,541
Changes in reinsurers' share of incurred but not reported claims	8.2	(4,109)	-	(4,109)	224	-	224
Changes in other reserves	8.2	-	-	-	1,324	-	1,324
Changes in reinsurers' share of other reserves	8.2	-	-	-	(905)	-	(905)
Net claims and other benefits incurred		(83,985)	-	(83,985)	(103,864)	-	(103,864)
Changes in premium deficiency reserves		(912)	-	(912)	(836)	-	(836)
Changes in unit linked reserves		(11,812)	-	(11,812)	(8,361)	-	(8,361)
Policy acquisition costs		(23,060)	-	(23,060)	(22,133)	-	(22,133)
Other underwriting expenses		(1,369)	-	(1,369)	(1,592)	-	(1,592)
Total underwriting costs and expenses		(121,138)	-	(121,138)	(136,786)	-	(136,786)
NET UNDERWRITING INCOME		20,206	-	20,206	27,973	-	27,973
<b>OPERATING (EXPENSES) / INCOME</b>							
General and administrative expenses		(42,166)	(2,678)	(44,844)	(43,184)	(2,690)	(45,874)
Provision for doubtful receivables		(5,733)	-	(5,733)	(6,913)	-	(6,913)
Unrealized (loss) / gain on unit linked investments		(481)	-	(481)	215	-	215
Unrealized gain on investments		2	3,794	3,796	401	4,279	4,680
Realized gain on investments		434	2,122	2,556	161	1,371	1,532
Total operating expenses		(47,944)	3,238	(44,706)	(49,320)	2,960	(46,360)
Net deficit for the period		(27,738)	3,238	(24,500)	(21,347)	2,960	(18,387)
Zakat for the period		-	(3,150)	(3,150)	-	(4,050)	(4,050)
Net loss for the period		(27,738)	88	(27,650)	(21,347)	(1,090)	(22,437)
Basic and diluted loss per share (SAR)				(0.92)			(0.75)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

14 SUPPLEMENTARY INFORMATION (continued)

14.3 Interim condensed statement of comprehensive income

Note	For the three months period ended 30			For the three months period ended 30		
	September 2019			September 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Net loss for the period	(7,283)	(1,044)	(8,327)	(4,310)	(1,765)	(6,075)
Items that will not be reclassified to statement of income in subsequent periods:						
- Actuarial (loss) / gain on retirement benefit obligation	(196)	-	(196)	114	-	114
<b>Total comprehensive loss for the period</b>	<b>(7,479)</b>	<b>(1,044)</b>	<b>(8,523)</b>	<b>(4,196)</b>	<b>(1,765)</b>	<b>(5,961)</b>

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

14 SUPPLEMENTARY INFORMATION (continued)

14.3 Interim condensed statement of comprehensive income

Note	For the nine months period ended 30			For the nine months period ended 30		
	September 2019			September 2018		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SAR'000			SAR'000		
Net (loss) / profit for the period	(27,738)	88	(27,650)	(21,347)	(1,090)	(22,437)
Items that will not be reclassified to statement of income in subsequent periods:						
- Actuarial gain / (loss) on retirement benefit obligation:	119	-	119	(322)	-	(322)
<b>Total comprehensive loss for the period</b>	<b>(27,619)</b>	<b>88</b>	<b>(27,531)</b>	<b>(21,669)</b>	<b>(1,090)</b>	<b>(22,759)</b>

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

14 SUPPLEMENTARY INFORMATION (continued)

14.4 Statement of cash flows

Note	For the nine months period ended 30			For the nine months period ended 30		
	September 2019			September 2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net loss for the period	-	(27,650)	(27,650)	-	(22,437)	(22,437)
Adjustments for non cash items:						
Depreciation of property and equipment	2,958	-	2,958	2,017	-	2,017
Depreciation of right to use assets	906	-	906	-	-	-
Provision for doubtful receivables	5,734	-	5,734	6,913	-	6,913
Realized gain on FVTIS	(433)	(536)	(969)	(161)	(619)	(780)
Unrealized gain on FVTIS	(2)	(278)	(280)	(395)	(1,540)	(1,935)
Provision for retirement benefit obligations	1,165	-	1,165	1,075	-	1,075
Provision for zakat	-	3,150	3,150	-	4,050	4,050
	10,328	(25,314)	(14,986)	9,449	(20,546)	(11,097)
Changes in operating assets and liabilities:						
Premiums and reinsurance receivables	(31,675)	-	(31,675)	(12,588)	-	(12,588)
Reinsurers' share of unearned premiums	(20,350)	-	(20,350)	(31,129)	-	(31,129)
Reinsurers' share of outstanding claims	(180,386)	-	(180,386)	60,026	-	60,026
Reinsurers' share of incurred but not reported claims	4,109	-	4,109	(224)	-	(224)
Reinsurers' share of other reserves	-	-	-	905	-	905
Deferred policy acquisition costs	(2,586)	-	(2,586)	(4,692)	-	(4,692)
Prepayments and other assets	(2,860)	(3,061)	(5,921)	6,559	(876)	5,683
Due from related parties	-	(368)	(368)	-	(978)	(978)
Due to insurance operations	-	28,486	28,486	-	36,162	36,162
Unit linked investments	(11,812)	-	(11,812)	(8,361)	-	(8,361)
Outstanding claims	185,915	-	185,915	(39,669)	-	(39,669)
Incurred but not reported claims	(3,616)	-	(3,616)	(9,541)	-	(9,541)
Other reserves	-	-	-	(1,324)	-	(1,324)
Premium deficiency reserves	912	-	912	836	-	836
Unearned premiums	33,627	-	33,627	57,866	-	57,866
Reinsurance balances payable	18,896	-	18,896	(3,333)	-	(3,333)
Unearned reinsurance commission	2,867	-	2,867	3,162	-	3,162
Accrued expenses and other liabilities	9,066	(672)	8,394	(1,768)	(398)	(2,166)
Lease liabilities	5,815	-	5,815	-	-	-
Due to related party	(130)	(75)	(205)	-	-	-
Unit linked liabilities	11,812	-	11,812	8,361	-	8,361
Due to from shareholders' operations	(28,486)	-	(28,486)	(36,162)	-	(36,162)
Cash generated from operations	1,446	(1,004)	442	(1,627)	13,364	11,737
Retirement benefit obligations paid	(950)	-	(950)	(312)	-	(312)
Zakat and income tax paid	-	(3,807)	(3,807)	-	(4,838)	(4,838)
<b>Net cash (used in) / generated from operating activities</b>	<b>496</b>	<b>(4,811)</b>	<b>(4,315)</b>	<b>(1,939)</b>	<b>8,526</b>	<b>6,587</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of murabaha deposits	-	(1,902)	(1,902)	-	(93,705)	(93,705)
Purchase of investments	5 (119,600)	-	(119,600)	(89,000)	(25,500)	(114,500)
Proceeds from disposal of investments	5 120,245	7,626	127,871	135,933	112,709	248,642
Purchase of property and equipment	(1,708)	-	(1,708)	(5,139)	-	(5,139)
Right of use assets	(7,112)	-	(7,112)	-	-	-
Purchase of intangible assets	(878)	-	(878)	-	-	-
<b>Net cash (used in) / generated from investing activities</b>	<b>(9,053)</b>	<b>5,724</b>	<b>(3,329)</b>	<b>41,794</b>	<b>(6,496)</b>	<b>35,298</b>
<b>Net change in cash and cash equivalents</b>	<b>(8,557)</b>	<b>913</b>	<b>(7,644)</b>	<b>39,855</b>	<b>2,030</b>	<b>41,885</b>
Cash and cash equivalents at the beginning of the period	51,370	1,340	52,710	14,684	93,179	107,863
<b>Cash and cash equivalents at the end of the period</b>	<b>42,813</b>	<b>2,253</b>	<b>45,066</b>	<b>54,539</b>	<b>95,209</b>	<b>149,748</b>

15 COMPARATIVE FIGURES

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

16 APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 29 Safar, 1441H corresponding to 28 October 2019G.