

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

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

**FOR THE THREE AND NINE MONTH PERIODS ENDED  
30 SEPTEMBER 2018**

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

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**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** (A Saudi Joint Stock Company) (the "Company") as at September 30, 2018, the interim condensed statements of income and comprehensive income for three-month and nine-month periods then ended, the interim condensed statements of changes in shareholders' 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 IAS 34, "Interim Financial Reporting" as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

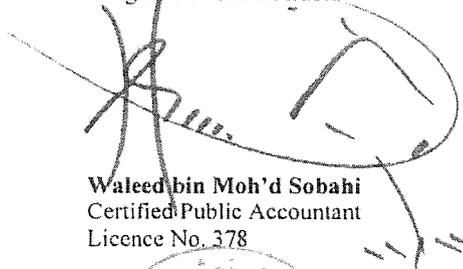
**Scope of Review**

We conducted our review in accordance with the 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 September 30, 2018 of **Al Alamiya for Cooperative Insurance Company** are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as modified by SAMA for the accounting of zakat and income tax.

**Deloitte and Touche & Co**  
Chartered Accountants  
P. O. Box 213  
Riyadh 11411  
Kingdom of Saudi Arabia

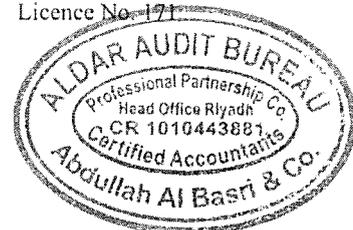
  
**Waleed bin Moh'd Sobahi**  
Certified Public Accountant  
Licence No. 378



November 11, 2018  
Rabi' Al-Awwal 3, 1440

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

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



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2018

	<i>Notes</i>	SAR '000	
		September 30,2018 (Unaudited)	December 31,2017 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	4	33,835	16,651
Term deposits		439,421	434,105
Premiums and reinsurer' receivable, net	5	70,433	81,184
Reinsurers' share of unearned premiums	7.2	41,718	49,140
Deferred excess of loss premiums	7.2	2,103	--
Reinsurers' share of outstanding claims	7.1	42,367	41,545
Reinsurers' share of claims incurred but not reported	7.1	10,399	25,338
Deferred policy acquisition costs		6,346	3,792
Investments	6	91,725	77,278
Due from related parties	11	--	31
Prepaid expenses and other assets		7,340	5,380
Property and equipment		1,253	686
Statutory deposit		40,000	40,000
Accrued income on statutory deposit		3,059	2,204
<b>TOTAL ASSETS</b>		<b>789,999</b>	<b>777,334</b>



Khalid Allagany  
Chief Executive Officer



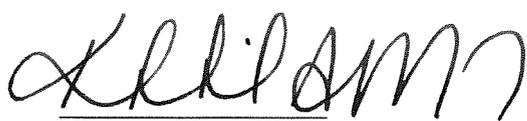
Fadi Aboul Hosn  
Chief Financial Officer

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 2018

	<i>Notes</i>	SAR '000	
		September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>LIABILITIES</b>			
Outstanding claims reserve	7.1	89,560	86,216
Claims incurred but not reported	7.1	45,863	77,759
Other technical reserves	7.1	1,471	1,733
Accrued and other liabilities		32,944	33,269
Reinsurers' balances payable		54,382	40,720
Unearned premiums	7.2	100,040	100,103
Accounts payables		15,314	13,019
Unearned reinsurance commission		4,875	4,465
Due to related parties		2,068	1,064
End-of-service indemnities		11,848	10,921
Zakat and income tax	12	35,910	31,055
Accrued commission income payable to SAMA		3,059	2,204
<b>TOTAL LIABILITIES EXCLUDING INSURANCE OPERATIONS' SURPLUS</b>		<b>397,334</b>	<b>402,528</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Accumulated surplus		11,253	9,616
Actuarial reserve for employee benefits		(1,675)	(1,675)
<b>TOTAL INSURANCE OPERATIONS' SURPLUS</b>		<b>9,578</b>	<b>7,941</b>
<b>TOTAL LIABILITIES</b>		<b>406,912</b>	<b>410,469</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	400,000	400,000
Accumulated losses		(15,262)	(32,275)
Fair value reserve for available for sale investments		(1,651)	(860)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>383,087</b>	<b>366,865</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>789,999</b>	<b>777,334</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	8	<b>1,034</b>	<b>1,299</b>



Khalid Allagany  
Chief Executive Officer



Fadi Aboul Hosn  
Chief Financial Office

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)

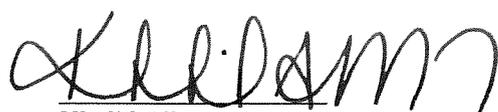
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER

	SAR '000		SAR '000	
	For the three month period ended September 30	2017	For the nine month period ended September 30	2017
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>				
Gross premiums written				
- Direct	54,998	56,983	211,718	190,956
- Reinsurance	144	179	493	644
	55,142	57,162	212,211	191,600
Reinsurance premiums ceded				
- Local	(342)	(231)	(3,085)	(500)
- Foreign	(29,404)	(35,473)	(81,885)	(76,309)
	(29,746)	(35,704)	(84,970)	(76,809)
Excess of loss premium				
- Local	--	--	--	--
- Foreign	--	--	(7,641)	(9,154)
Total reinsurance premium ceded	(29,746)	(35,704)	(92,611)	(85,963)
<b>NET PREMIUMS WRITTEN</b>	25,396	21,458	119,600	105,637
Changes in unearned premiums	18,530	13,205	63	27,177
Changes in reinsurance share of unearned premiums	(882)	6,661	(7,422)	(17,152)
Changes in excess of loss premiums	(1,977)	(2,325)	2,103	1,860
<b>NET PREMIUMS EARNED</b>	41,067	38,999	114,344	117,522
Reinsurance commissions	3,301	2,835	9,093	11,091
<b>TOTAL REVENUES</b>	44,368	41,834	123,437	128,613
<b>UNDERWRITING COSTS AND EXPENSES</b>				
Gross claims paid	(38,759)	(18,148)	(80,227)	(56,079)
Reinsurers' share of claims paid	17,436	3,199	26,068	14,703
<b>NET CLAIMS PAID</b>	(21,323)	(14,949)	(54,159)	(41,376)
Changes in outstanding claims	6,979	(7,394)	(3,344)	(12,421)
Changes in reinsurance share of outstanding claims	(125)	7,869	822	12,493
Changes in IBNR, net	(2,116)	2,654	16,956	9,109
Changes in other technical reserves	(529)	--	262	704
<b>NET CLAIMS INCURRED</b>	(17,114)	(11,820)	(39,463)	(31,491)
Policy acquisition costs	(4,574)	(5,529)	(13,744)	(19,931)
Other underwriting expenses	(355)	(329)	(1,026)	(1,007)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	(22,043)	(17,678)	(54,233)	(52,429)
<b>NET UNDERWRITING INCOME</b>	22,325	24,156	69,204	76,184
<b>OTHER OPERATING (EXPENSES) / INCOME</b>				
Allowance for doubtful debts	(2,010)	(2,800)	(6,328)	(7,207)
General and administrative expenses	(14,720)	(13,778)	(44,118)	(39,640)
Commission income on term deposits	2,415	1,658	6,485	5,127
Investment income	551	442	1,643	1,267
Other income	--	--	--	16
<b>TOTAL OTHER OPERATING EXPENSES</b>	(13,764)	(14,478)	(42,318)	(40,437)
<b>TOTAL INCOME FOR THE PERIOD</b>	8,561	9,678	26,886	35,747
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS</b>	(702)	(865)	(2,293)	(3,280)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>	7,859	8,813	24,593	32,467
<b>BASIC AND DILUTED EARNINGS PER SHARE(SAR)</b>	0.20	0.22	0.61	0.81

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Khalid Allagany  
Chief Executive Officer



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 COMPREHENSIVE INCOME (Unaudited)  
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

	<i>Notes</i>	SAR '000		SAR '000	
		For the three month period ended September		For the nine month period ended September	
		2018	2017	2018	2017
Total income for the period		8,561	9,678	26,886	35,747
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</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	6	151	(118)	(791)	(9)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		8,712	9,560	26,095	35,738
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS</b>	15b	(702)	(865)	(2,293)	(3,280)
<b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		8,010	8,695	23,802	32,458



Khalid Allagany  
Chief Executive Officer



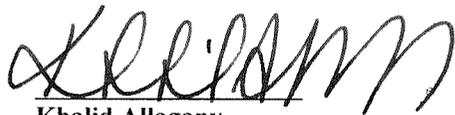
Fadi Aboul Hosn  
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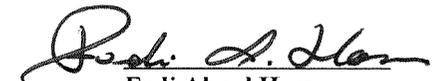
AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

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

<u>2018</u>	<u>Notes</u>	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Fair value reserve for available for sale investments</u>	<u>Total Equity</u>
Balance at January 1, 2018 (Audited)		400,000	(32,275)	(860)	366,865
Total comprehensive income /(loss) for the period					
Changes in fair values of available for sale investments	6	--	--	(791)	(791)
Net income for the period attributable to shareholders		--	24,593	--	24,593
Total comprehensive income (loss) for the period attributable to shareholders		400,000	(7,682)	(1,651)	390,667
Zakat and income tax charge	12	--	(7,580)	--	(7,580)
<b>Balance at September 30, 2018</b>		<b>400,000</b>	<b>(15,262)</b>	<b>(1,651)</b>	<b>383,087</b>
<u>2017</u>					
Balance at January 1, 2017(Audited)		400,000	(68,356)	(688)	330,956
Total comprehensive income for the period					
Changes in fair values of available for sale investments		--	--	(9)	(9)
Net income for the period Attributable to shareholders		--	32,467	--	32,467
Total comprehensive income (loss) for the period attributable to shareholders		400,000	(35,889)	(697)	363,414
Zakat and income tax charge		--	(7,152)	--	(7,152)
<b>Balance at September 30, 2017</b>		<b>400,000</b>	<b>(43,041)</b>	<b>(697)</b>	<b>356,262</b>



Khalid Allagany  
Chief Executive Officer



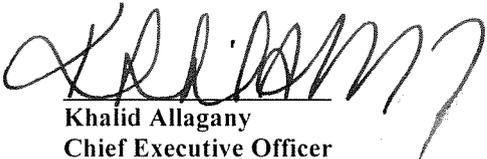
Fadi About Hosn  
Chief Financial Officer

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 CASH FLOWS (Unaudited)  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the period		26,886	35,747
Adjustments for non-cash items:			
Depreciation of property and equipment		339	44
Amortizations of investments		310	215
Allowance for provisions for doubtful debts		6,328	7,208
Provision for end-of-service indemnities		1,400	1,650
		<u>35,263</u>	<u>44,864</u>
<u>Changes in operating assets and liabilities:</u>			
Deposits against letters of guarantee		200	--
Premiums and reinsurers' receivable		4,423	(32,840)
Reinsurers' share of unearned premiums		7,422	17,152
Reinsurers' share of outstanding claims		(822)	(9,108)
Reinsurers' share of claims Incurred but not reported		14,939	10,477
Deferred policy acquisition costs		(2,554)	(1,913)
Deferred excess of loss premiums		(2,103)	(1,860)
Due from related parties		31	3,701
Prepaid expenses and other assets		(1,960)	(949)
Statutory deposits		(855)	(962)
Accounts payables		2,295	6,476
Accrued and other liabilities		(325)	(10,027)
Reinsurers' balances payable		13,662	6,780
Unearned premiums		(63)	(27,177)
Unearned reinsurance commission		410	(553)
Outstanding claims		3,344	12,421
Zakat and Tax paid		(2,725)	(1,734)
Claims incurred but not reported		(31,896)	(22,970)
Other technical reserves		(262)	(704)
Accrued commission income payable to SAMA		855	962
Due to related parties		1,004	(977)
		<u>40,283</u>	<u>(8,941)</u>
End-of-service indemnities paid		(473)	(2,307)
Surplus paid to policy holders		(656)	(786)
<b>Net cash generated from / (used in) operating activities</b>		<u>39,154</u>	<u>(12,034)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Additions)/disposals in investments, net		(15,548)	--
Disposals / (additions) in term deposits, net		(5,316)	2,534
Additions in property and equipment		(906)	(303)
<b>Net cash (used in) / generated from investing activities</b>		<u>(21,770)</u>	<u>2,231</u>
Net change in cash and cash equivalents		17,384	(9,803)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD		<u>15,751</u>	<u>25,601</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	4	33,135	15,798
<b>NON-CASH INFORMATION</b>			
Change in fair value of available for sale investments	6	(791)	(9)

  
Khalid Allagany  
Chief Executive Officer

  
Fadi Aboul Hosn  
Chief Financial Office

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, 2018

### 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 information of the Company has been prepared in accordance with ‘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. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA Circular”), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

The interim condensed financial information is 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, re insurance 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 interest on statutory deposit and available for sale investments in insurance operations

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended 30 September, 2018

**2. BASIS OF PREPERATION (CONTINUED)**

**(a) Basis of presentation (continued)**

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the Insurance Operations and Shareholders Operations are uniform for like transactions and events in similar circumstances. Surplus from insurance operations' and actuarial reserves from employee benefits are shown separately as Insurance Operations' Surplus in the statement of financial position.

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, 2017.

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

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

The preparation of interim financial 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 information as at and for the year ended 31 December 2017.

**(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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of these interim condensed financial information are consistent with those used in the preparation of the annual financial information for the year ended 31 December 2017 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the unaudited interim condensed financial statements of the Company in the current period or prior period and is expected to have no significant effect in future periods. Certain figures for the prior year have been reclassified to conform to the presentation made in the current period:

*Amendments to IASs' - "Disclosure Initiative" applicable from 1 January 2018.*

***IFRS 2 Share-based payment***

Amendments to IFRS 2 – "Share-based Payment", applicable for the period beginning on or after 1 January 2018. The amendments cover classification and measurement of three accounting areas, first, measurement of cash-settled share-based payments, second, classification of share-based payments settled net of tax withholdings, and third, accounting for a modification of a share-based payment from cash-settled to equity-settled. The application of this new standard has no material impact on the Company's 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 30 September, 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***IFRS 15 Revenue from contracts with customers***

IFRS 15 – “Revenue from Contracts with Customers” applicable from 1 January 2018 presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard could have a significant impact on how and when revenue is recognized (except for contracts that are within the scope of the Standards on lease insurance contracts and financial instruments), with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred. The application of this new standard has no material impact on the Company’s interim condensed financial statements.

***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 1 January 2021. 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.

***IFRS 16 Leases***

IFRS 16 – “Leases”, is applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The management believes that the adoption of IFRS 16 will not have a material impact on the Company’s financial statements.

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

SAR'000	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Bank balances and cash – Insurance operations	31,252	14,110
Bank balances and cash – Shareholders' operations	1,883	1,641
Cash and cash equivalents in statement of cashflows	<u>33,135</u>	<u>15,751</u>
Deposits against letters of guarantee – Insurance operations	700	900
<b>Total</b>	<u><b>33,835</b></u>	<u><b>16,651</b></u>

The Company holds an amount of SAR 700 thousand (31 December 2017: SAR 900 thousand) in the statement of financial position of Insurance Operations, in respect of cash and cash equivalents against letters of guarantee in favor of the Company's service providers.

5. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

SAR'000	<b>Insurance operations</b>	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Policyholders	35,572	41,236
Brokers and agents	45,044	28,713
Related parties (note 11)	6,725	5,960
Receivables from reinsurers	<u>4,105</u>	<u>19,968</u>
	91,446	95,877
Provision for doubtful receivables	<u>(21,013)</u>	<u>(14,693)</u>
<b>Premiums and reinsurers' receivable – net</b>	<u><b>70,433</b></u>	<u><b>81,184</b></u>

Allowance for impairment of receivables includes SAR 1.4 million (31 December 2017: SAR 1.2 million) against receivables from related parties.

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6. INVESTMENTS

Investments are classified as follows:

SAR'000	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Available for sale investments – Insurance operations *	1,923	1,923
Available for sale investments – Shareholders' operations	89,802	75,355
<b>Total available for sale investments</b>	<b>91,725</b>	<b>77,278</b>

\* This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which is a Claim's Service Provider. 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 during the period ended 30 September 2018 and during the year ended 31 December 2017.

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

SAR'000	Shareholders' operations	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Opening balance	75,355	75,877
Purchases	23,048	18,945
Disposals	(7,500)	(18,750)
Amortization of investments	(310)	(545)
Changes in fair value of investments	(791)	(172)
<b>Closing balance</b>	<b>89,802</b>	<b>75,355</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 20.2 million which are maturing in the next twelve months.

The cumulative unrealized loss in fair value of available for sale investments amounts to SR 1.65 million (31 December 2017: loss of SR 0.86 million) is presented with in the shareholders' equity in the statement of financial position.

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7. TECHNICAL RESERVES

7.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Outstanding claims	113,959	103,920
Less: Realizable value of salvage and subrogation	(24,399)	(17,704)
Outstanding claims reserve	89,560	86,216
Claims incurred but not reported	45,863	77,759
Other technical reserves	1,471	1,733
	136,894	165,708
Less:		
- Reinsurers' share of outstanding claims	(42,367)	(41,545)
- Reinsurers' share of claims Incurred but not reported	(10,399)	(25,338)
	(52,766)	(66,883)
<b>Net outstanding claims and reserves</b>	<b>84,128</b>	<b>98,825</b>

7.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

SAR'000	Nine months ended September 30, 2018 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	100,103	(49,140)	50,963
Premium written during the period	212,211	*(92,611)	119,600
Premium earned during the period	(212,274)	97,930	(114,344)
Balance as at the end of the period	100,040	(43,821)	56,219

\* This amount includes SR 81.9 million for reinsurance premium ceded abroad, SR 3.1 million for reinsurance premium ceded locally and SR 7.7 million for excess of loss expenses.

SAR'000	Three months ended September 30, 2018 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	118,570	(46,680)	71,890
Premium written during the period	55,142	*(29,746)	25,396
Premium earned during the period	(73,672)	32,605	(41,067)
Balance as at the end of the period	100,040	(43,821)	56,219

\* This amount includes SR 29.4 million for reinsurance premium ceded abroad, SR 0.3 million for reinsurance premium ceded locally.

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7.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)

SAR'000	Year ended December 31, 2017 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	120,085	(65,178)	54,907
Premium written during the year	263,369	*(117,001)	146,368
Premium earned during the year	(283,351)	133,039	(150,312)
Balance as at the end of the year	100,103	(49,140)	50,963

\* This amount includes SR 107.7 million for reinsurance premium ceded abroad, SR 0.5 million for reinsurance premium ceded locally and SR 8.8 million for excess of loss expenses.

8. COMMITMENTS AND CONTINGENCIES

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

SAR'000	September, 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Letters of guarantee	700	900
Commitments for the rents	334	399
<b>Total</b>	<b>1,034</b>	<b>1,299</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. There was no change in the status of legal proceedings as disclosed in the annual financials of December 31, 2017.

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.

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9. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

a. Carrying amounts and fair value (1)

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.

<u>SAR'000s</u>	<u>Carrying value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>September 30, 2018 (unaudited)</b>					
<b>Available for sale investments measured at fair value</b>					
Bonds and Sukuks	89,802	89,802	--	--	89,802

<u>SAR'000s</u>	<u>Carrying value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>December, 2017 (unaudited)</b>					
<b>Available for sale investments measured at fair value</b>					
Bonds and Sukuks	75,355	56,118	19,237	--	75,355

The unlisted security of SR 1.92 million (2017: 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 period ended 30 September 2018, there were no transfers into or out of level 3 fair value measurements. As at 31 March 2018, available-for-sale investments with a carrying amount of SR 19.2 million were transferred from Level 2 to Level 1 because these investments are now being actively traded in the market. 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 period ended 30 September 2018.

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**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, 2017.

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

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, reinsurance 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.

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10. OPERATING SEGMENTS (CONTINUED)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at September 30, 2018 and December 31, 2017, its total revenues, expenses, and net income for the the nine and three month periods then ended, are as follows:

Operating segments	As at September 30, 2018 (Unaudited)								Shareholders' operations	Total
	Insurance operations									
	Property	Motor	Engineering	Medical	Marine	Group life	Others	Total - Insurance operations		
	SAR'000									
<b>Assets</b>										
Reinsurers' share of unearned premiums	25,327	538	10,228	897	2,571	340	3,920	43,821	--	43,821
Reinsurers' share of outstanding claims	12,879	2,082	6,365	2	4,337	14,488	2,214	42,367	--	42,367
Reinsurers' share of claims Incurred but not reported	2,702	--	242	431	(612)	5,392	2,244	10,399	--	10,399
Deferred policy acquisition costs	1,489	3,749	579	22	234	47	226	6,346	--	6,346
Unallocated assets	--	--	--	--	--	--	--	308,316	378,750	687,066
<b>Total assets</b>	<b>42,397</b>	<b>6,369</b>	<b>17,414</b>	<b>1,352</b>	<b>6,530</b>	<b>20,267</b>	<b>8,604</b>	<b>411,249</b>	<b>378,750</b>	<b>789,999</b>
Outstanding claim reserve	15,934	33,581	8,024	53	8,898	19,809	3,261	89,560	--	89,560
Claims incurred but not reported	3,451	32,424	399	696	(961)	7,191	2,663	45,863	--	45,863
Other technical reserves	--	--	--	520	303	--	648	1,471	--	1,471
Unearned premiums	30,375	45,085	11,177	1,591	4,443	499	6,870	100,040	--	100,040
Unearned reinsurance commission	2,607	--	1,456	--	682	2	128	4,875	--	4,875
Unallocated liabilities	--	--	--	--	--	--	--	121,804	426,386	548,190
<b>Total Liabilities, Insurance operations' surplus and shareholders' equity</b>	<b>52,367</b>	<b>111,090</b>	<b>21,056</b>	<b>2,860</b>	<b>13,365</b>	<b>27,501</b>	<b>13,570</b>	<b>363,613</b>	<b>426,386</b>	<b>789,999</b>

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10. OPERATING SEGMENTS (CONTINUED)

As at December 31, 2017  
(Unaudited)

Operating segments	Insurance operations							Total - Insurance operations	Shareholders' operations	Total
	Property	Motor	Engineering	Medical	Marine	Group life	Others			
								SAR'000		
<b>Assets</b>										
Reinsurers' share of unearned premiums	32,908	--	7,589	1,189	4,250	92	3,112	49,140	--	49,140
Reinsurers' share of outstanding claims	17,579	--	6,525	--	6,291	7,618	3,532	41,545	--	41,545
Reinsurers' share of claims Incurred but not reported	8,682	--	4,703	679	2,689	7,269	1,316	25,338	--	25,338
Deferred policy acquisition costs	697	1,765	781	196	208	31	114	3,792	--	3,792
Unallocated assets	--	--	--	--	--	--	--	283,322	374,197	657,519
<b>Total assets</b>	<b>59,866</b>	<b>1,765</b>	<b>19,598</b>	<b>2,064</b>	<b>13,438</b>	<b>15,010</b>	<b>8,074</b>	<b>403,137</b>	<b>374,197</b>	<b>777,334</b>
<b>Liabilities and shareholders' equity</b>										
Outstanding claims	23,117	31,950	8,049	52	8,206	10,691	4,151	86,216	--	86,216
Claims incurred but not reported	14,681	35,722	5,724	1,128	5,759	10,458	4,287	77,759	--	77,759
Other technical reserves	--	814	256	396	125	19	123	1,733	--	1,733
Unearned premiums	52,061	23,806	8,590	2,429	6,912	178	6,127	100,103	--	100,103
Unearned reinsurance commission	1,861	--	1,747	--	585	--	272	4,465	--	4,465
Unallocated liabilities	--	--	--	--	--	--	--	102,925	404,133	507,058
<b>Total liabilities and shareholders' equity</b>	<b>91,720</b>	<b>92,292</b>	<b>24,366</b>	<b>4,005</b>	<b>21,587</b>	<b>21,346</b>	<b>14,960</b>	<b>373,201</b>	<b>404,133</b>	<b>777,334</b>

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10. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the nine months ended September 30, 2018 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
<b>REVENUES</b>								
Gross premiums written	54,422	89,781	18,163	2,201	15,938	20,313	11,393	212,211
Reinsurance premiums ceded	(43,812)	--	(15,526)	(1,224)	(7,781)	(11,807)	(4,820)	(84,970)
Excess of loss premium	(1,909)	(1,792)	(342)	(133)	(2,380)	(800)	(285)	(7,641)
<b>Net premiums written</b>	<b>8,701</b>	<b>87,989</b>	<b>2,295</b>	<b>844</b>	<b>5,777</b>	<b>7,706</b>	<b>6,288</b>	<b>119,600</b>
Changes in unearned premiums, net	14,106	(20,740)	53	546	790	(73)	62	(5,256)
<b>Net premiums earned</b>	<b>22,807</b>	<b>67,249</b>	<b>2,348</b>	<b>1,390</b>	<b>6,567</b>	<b>7,633</b>	<b>6,350</b>	<b>114,344</b>
Reinsurance commissions	5,008	--	2,826	--	1,364	(493)	388	9,093
<b>TOTAL REVENUES</b>	<b>27,815</b>	<b>67,249</b>	<b>5,174</b>	<b>1,390</b>	<b>7,931</b>	<b>7,140</b>	<b>6,738</b>	<b>123,437</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid	(9,186)	(48,831)	(2,721)	(2,732)	(650)	(5,587)	(10,520)	(80,227)
Reinsurers' share of claims paid	6,355	--	2,468	1,743	779	4,177	10,546	26,068
<b>Net claims paid</b>	<b>(2,831)</b>	<b>(48,831)</b>	<b>(253)</b>	<b>(989)</b>	<b>129</b>	<b>(1,410)</b>	<b>26</b>	<b>(54,159)</b>
Changes in outstanding claims, IBNR & technical reserves	7,740	5,090	985	62	595	(834)	1,058	14,696
<b>Net claims incurred</b>	<b>4,909</b>	<b>(43,741)</b>	<b>732</b>	<b>(927)</b>	<b>724</b>	<b>(2,244)</b>	<b>1,084</b>	<b>(39,463)</b>
Policy acquisition costs	(2,537)	(4,771)	(1,774)	(191)	(1,175)	(2,429)	(867)	(13,744)
Other underwriting expenses								(1,026)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>								<b>(54,233)</b>
<b>NET UNDERWRITING INCOME</b>								<b>69,204</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>								
Allowance for doubtful debts								(6,328)
General and administrative expenses								(44,118)
Commission income on term deposits								6,485
Investment income								1,643
<b>TOTAL OTHER OPERATING EXPENSES</b>								<b>(42,318)</b>
<b>TOTAL INCOME FOR THE PERIOD</b>								<b>26,886</b>
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS</b>								<b>(2,293)</b>
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'</b>								<b>24,593</b>

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10. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the nine months ended September 30, 2017 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
<b>REVENUES</b>								
Gross premiums written	52,292	77,584	14,062	4,398	19,093	11,063	13,108	191,600
Reinsurance premiums ceded	(41,498)	62	(11,683)	(2,184)	(8,853)	(7,398)	(5,255)	(76,809)
Excess of loss expenses	(2,570)	(1,770)	(1,349)	(223)	(2,430)	(400)	(412)	(9,154)
<b>NET PREMIUMS WRITTEN</b>	<b>8,224</b>	<b>75,876</b>	<b>1,030</b>	<b>1,991</b>	<b>7,810</b>	<b>3,265</b>	<b>7,441</b>	<b>105,637</b>
Changes in unearned premiums, net	17,488	(9,101)	658	(883)	1,106	461	2,156	11,885
<b>NET PREMIUMS EARNED</b>	<b>25,712</b>	<b>66,775</b>	<b>1,688</b>	<b>1,108</b>	<b>8,916</b>	<b>3,726</b>	<b>9,597</b>	<b>117,522</b>
Reinsurance commissions	6,209	--	2,641	(67)	2,112	(215)	411	11,091
<b>TOTAL REVENUES</b>	<b>31,921</b>	<b>66,775</b>	<b>4,329</b>	<b>1,041</b>	<b>11,028</b>	<b>3,511</b>	<b>10,008</b>	<b>128,613</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid	(2,960)	(35,672)	(3,756)	(1,994)	(5,238)	(5,072)	(1,387)	(56,079)
Reinsurers' share of claims paid	2,539	--	3,492	1,158	2,473	3,826	1,215	14,703
<b>Net claims paid</b>	<b>(421)</b>	<b>(35,672)</b>	<b>(264)</b>	<b>(836)</b>	<b>(2,765)</b>	<b>(1,246)</b>	<b>(172)</b>	<b>(41,376)</b>
Changes in outstanding claims, IBNR & technical reserves	575	4,754	1,940	(512)	2,863	563	(298)	9,885
<b>Net claims incurred</b>	<b>154</b>	<b>(30,918)</b>	<b>1,676</b>	<b>(1,348)</b>	<b>98</b>	<b>(683)</b>	<b>(470)</b>	<b>(31,491)</b>
Policy acquisition costs	(2,843)	(6,135)	(1,890)	(130)	(1,147)	(7,039)	(747)	(19,931)
Other underwriting expenses								(1,007)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>								<b>(52,429)</b>
<b>NET UNDERWRITING INCOME</b>								
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>								
Reversal for doubtful debts								(7,207)
General and administrative expenses								(39,640)
Commission income on term deposits								5,127
Investment income								1,267
Other income								16
<b>TOTAL OTHER OPERATING EXPENSES</b>								<b>(40,437)</b>
<b>TOTAL INCOME FOR THE PERIOD</b>								<b>35,747</b>
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS</b>								<b>(3,280)</b>
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'</b>								<b>32,467</b>

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10. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended September 30, 2018 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
<b>REVENUES</b>								
Gross premiums written	17,779	14,879	4,169	167	4,443	6,316	7,389	55,142
Reinsurance premiums ceded	(15,024)	--	(4,561)	(118)	(1,620)	(3,908)	(4,515)	(29,746)
<b>NET PREMIUMS WRITTEN</b>	<b>2,755</b>	<b>14,879</b>	<b>(392)</b>	<b>49</b>	<b>2,823</b>	<b>2,408</b>	<b>2,874</b>	<b>25,396</b>
Changes in unearned premiums, net	5,468	10,133	1,008	277	(944)	10	(281)	15,671
<b>NET PREMIUMS EARNED</b>	<b>8,223</b>	<b>25,012</b>	<b>616</b>	<b>326</b>	<b>1,879</b>	<b>2,418</b>	<b>2,593</b>	<b>41,067</b>
Reinsurance commissions	2,149	124	415	--	564	(94)	143	3,301
<b>TOTAL REVENUES</b>	<b>10,372</b>	<b>25,136</b>	<b>1,031</b>	<b>326</b>	<b>2,443</b>	<b>2,324</b>	<b>2,736</b>	<b>44,368</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid	(8,588)	(17,177)	(882)	(930)	(389)	(1,286)	(9,507)	(38,759)
Reinsurers' share of claims paid	6,046	--	763	514	33	968	9,112	17,436
<b>Net claims paid</b>	<b>(2,542)</b>	<b>(17,177)</b>	<b>(119)</b>	<b>(416)</b>	<b>(356)</b>	<b>(318)</b>	<b>(395)</b>	<b>(21,323)</b>
Changes in outstanding claims, IBNR & technical reserves	2,893	850	168	254	233	165	(354)	4,209
<b>Net claims incurred</b>	<b>351</b>	<b>(16,327)</b>	<b>49</b>	<b>(162)</b>	<b>(123)</b>	<b>(153)</b>	<b>(749)</b>	<b>(17,114)</b>
Policy acquisition costs	(639)	(1,755)	(326)	(228)	(759)	(670)	(197)	(4,574)
Other underwriting expenses								(355)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>								<b>(22,043)</b>
<b>NET UNDERWRITING INCOME</b>								<b>22,325</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>								
Reversal for doubtful debts								(2,010)
General and administrative expenses								(14,720)
Commission income on term deposits								2,415
Investment income								551
Other income								--
<b>TOTAL OTHER OPERATING EXPENSES</b>								<b>(13,764)</b>
<b>TOTAL INCOME FOR THE PERIOD</b>								<b>8,561</b>
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS</b>								<b>(702)</b>
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'</b>								<b>7,859</b>

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10. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended September 30, 2017 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
<b>REVENUES</b>								
Gross premiums written	25,456	5,474	2,308	1,241	7,405	7,392	7,886	57,162
Reinsurance premiums ceded	(18,889)	62	(1,999)	(592)	(4,166)	(5,219)	(4,901)	(35,704)
<b>NET PREMIUMS WRITTEN</b>	6,567	5,536	309	649	3,239	2,173	2,985	21,458
Changes in unearned premiums, net	2,646	14,465	46	(22)	(1,189)	569	1,026	17,541
<b>NET PREMIUMS EARNED</b>	9,213	20,001	355	627	2,050	2,742	4,011	38,999
Reinsurance commissions	2,049	--	347	(67)	477	(107)	136	2,835
<b>TOTAL REVENUES</b>	11,262	20,001	702	560	2,528	2,635	4,146	41,834
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid	(357)	(13,146)	(28)	(1,044)	(976)	(2,486)	(111)	(18,148)
Reinsurers' share of claims paid	140	--	23	692	450	1,865	29	3,199
<b>Net claims paid</b>	(217)	(13,146)	(5)	(352)	(526)	(621)	(82)	(14,949)
Changes in outstanding claims, IBNR & technical reserves	771	1,056	691	(720)	2,389	(363)	(695)	3,129
<b>Net claims incurred</b>	554	(12,090)	686	(1,072)	1,863	(984)	(777)	(11,820)
Policy acquisition costs	(823)	(2,171)	(421)	(130)	(384)	(1,167)	(433)	(5,529)
Other underwriting expenses								(329)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>								(17,678)
<b>NET UNDERWRITING INCOME</b>								24,156
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>								
Reversal for doubtful debts								(2,800)
General and administrative expenses								(13,778)
Commission income on term deposits								1,658
Investment income								442
Other income								--
<b>TOTAL OTHER OPERATING EXPENSES</b>								(14,478)
<b>TOTAL INCOME FOR THE PERIOD</b>								9,678
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS</b>								(865)
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'</b>								8,813

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11. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Transactions for the period ended	
	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
	SAR' 000	
Gross premiums written	70,746	45,842
Gross claims paid	30,323	14,406
Reinsurance premium ceded	18,045	20,740
Reinsurance share of gross claim paid	6,132	3,833
Reinsurance commission income	5,416	5,853
Profit commission incurred-Group Life	--	5,499
Technical service charges	5,143	4,229
Brand fees	23	23
Operational expenses paid on behalf of affiliates and reinsurance placements	215	299
Operational expenses paid by affiliates on behalf of Company	(1,281)	(703)
<b>Key management personnel and Board members</b>		
Gross written premiums	34	32
Remuneration and meeting fee	473	472

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Balance receivable / (payable) as at	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
Premium receivable, net	5,303	5,442
Reinsurance balance payable	(10,073)	(4,983)
Accrued and other liabilities	(7,846)	(7,729)
Reinsurance share of gross outstanding claims	8,451	11,264
Gross outstanding claim	(37,100)	(25,586)
Due from related parties	--	31
Due to related parties	(2,068)	(1,064)

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

	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
	SAR'000	
Salaries and other allowances	6,485	5,361
End of service indemnities	361	168
	<b>6,846</b>	<b>5,529</b>

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12. ZAKAT AND INCOME TAX

**Status of assessments**

The Company's zakat and tax calculations and corresponding accruals and payment of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax.

The Company has submitted its zakat and tax returns up to the period / years ended 31 December 2017 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:

	<b>30 Sept 2018 (Unaudited) SR</b>	- 30 December 2017 (Unaudited) SR
Charge for zakat for the period	<b>6,382</b>	6,697
Charge for tax for the period	<b>1,198</b>	1,706
	<b>7,580</b>	8,403
Zakat and tax provision at the end of period	<b>35,910</b>	31,055

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 2017: 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.

	<b>September 30, 2018</b>	
	No. of Shares '000	Authorized, issued and paid up capital SAR'000
Royal & Sun Alliance	20,028	200,280
Riyadh Bank	7,968	79,680
Others	12,004	120,040
	<b>40,000</b>	<b>400,000</b>
	<b>December 31, 2017</b>	
	No. of Shares '000	Authorized, issued and paid up capital SAR'000
Royal & Sun Alliance	20,028	200,280
Riyadh Bank	7,968	79,680
Others	12,004	120,040
	<b>40,000</b>	<b>400,000</b>

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

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14. CAPITAL MANAGEMENT (CONTINUED)

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.

15. SUPPLEMENTARY INFORMATION

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	September 30, 2018 - (Unaudited)			December 31, 2017 - (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	31,952	1,883	33,835	15,010	1,641	16,651
Term deposits	199,463	239,958	439,421	181,538	252,567	434,105
Premiums and reinsurers' receivable, net	70,433	--	70,433	81,184	--	81,184
Reinsurers' share of unearned premiums	41,718	--	41,718	49,140	--	49,140
Deferred excess of loss premiums	2,103	--	2,103	--	--	--
Reinsurers' share of outstanding claims	42,367	--	42,367	41,545	--	41,545
Reinsurers' share of claims Incurred but not reported	10,399	--	10,399	25,338	--	25,338
Deferred policy acquisition costs	6,346	--	6,346	3,792	--	3,792
Investments	1,923	89,802	91,725	1,923	75,355	77,278
Due from related parties	--	--	--	31	--	31
Prepaid expenses and other assets	3,292	4,048	7,340	2,950	2,430	5,380
Property and equipment	1,253	--	1,253	686	--	686
Statutory deposit	--	40,000	40,000	--	40,000	40,000
Accrued income on statutory deposit	--	3,059	3,059	--	2,204	2,204
<b>TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>411,249</b>	<b>378,750</b>	<b>789,999</b>	<b>403,137</b>	<b>374,197</b>	<b>777,334</b>
<b>ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION</b>						
Due from shareholders' / insurance operations	--	47,636	47,636	--	29,936	29,936
<b>TOTAL ASSETS</b>	<b>411,249</b>	<b>426,386</b>	<b>837,635</b>	<b>403,137</b>	<b>404,133</b>	<b>807,270</b>

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15. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	SAR '000					
	September 30, 2018 - (Unaudited)			December 31, 2017 – (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>LIABILITIES</b>						
Outstanding claims reserve	89,560	--	89,560	86,216	--	86,216
Claims incurred but not reported	45,863	--	45,863	77,759	--	77,759
Other technical reserves	1,471	--	1,471	1,733	--	1,733
Accrued and other liabilities	29,027	3,917	32,944	29,673	3,596	33,269
Reinsurers' balances payable	54,382	--	54,382	40,720	--	40,720
Unearned premiums	100,040	--	100,040	100,103	--	100,103
Accounts payables	15,314	--	15,314	13,019	--	13,019
Unearned reinsurance commission	4,875	--	4,875	4,465	--	4,465
Due to related parties	1,655	413	2,068	651	413	1,064
End-of-service indemnities	11,848	--	11,848	10,921	--	10,921
Zakat and income tax	--	35,910	35,910	--	31,055	31,055
Accrued commission income payable to SAMA	--	3,059	3,059	--	2,204	2,204
<b>TOTAL LIABILITIES EXCLUDING INSURANCE OPERATIONS' SURPLUS</b>	<b>354,035</b>	<b>43,299</b>	<b>397,334</b>	<b>365,260</b>	<b>37,268</b>	<b>402,528</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>						
Accumulated surplus	11,253	--	11,253	9,616	--	9,616
Actuarial reserve for employee benefits	(1,675)	--	(1,675)	(1,675)	--	(1,675)
<b>TOTAL INSURANCE OPERATIONS' SURPLUS</b>	<b>9,578</b>	<b>--</b>	<b>9,578</b>	<b>7,941</b>	<b>--</b>	<b>7,941</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	--	400,000	400,000	--	400,000	400,000
Accumulated losses	--	(15,262)	(15,262)	--	(32,275)	(32,275)
Fair value reserve for available for sale investments	--	(1,651)	(1,651)	--	(860)	(860)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>--</b>	<b>383,087</b>	<b>383,087</b>	<b>--</b>	<b>366,865</b>	<b>366,865</b>
<b>TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>363,613</b>	<b>426,386</b>	<b>789,999</b>	<b>373,201</b>	<b>404,133</b>	<b>777,334</b>
<b>LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION</b>						
Due to shareholders operations	47,636	--	47,636	29,936	--	29,936
<b>TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>	<b>411,249</b>	<b>426,386</b>	<b>837,635</b>	<b>403,137</b>	<b>404,133</b>	<b>807,270</b>

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15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the nine month period ended September					
	----- 2018 - (Unaudited) -----			----- 2017 - (Unaudited) -----		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
<b>REVENUES</b>						
Gross premiums written						
- Direct	211,718	--	211,718	190,956	--	190,956
- Reinsurance	493	--	493	644	--	644
	<b>212,211</b>	--	<b>212,211</b>	191,600	--	191,600
Reinsurance premiums ceded	(84,970)	--	(84,970)	(76,809)	--	(76,809)
Excess of loss premiums	(7,641)	--	(7,641)	(9,154)	--	(9,154)
<b>Net premiums written</b>	<b>119,600</b>	--	<b>119,600</b>	105,637	--	105,637
Changes in unearned premiums	63	--	63	27,177	--	27,177
Changes in reinsurance share of unearned premium	(7,422)	--	(7,422)	(17,152)	--	(17,152)
Changes in excess of loss premiums	2,103	--	2,103	1,860	--	1,860
<b>Net premiums earned</b>	<b>114,344</b>	--	<b>114,344</b>	117,522	--	117,522
Reinsurance commissions	9,093	--	9,093	11,091	--	11,091
<b>TOTAL REVENUES</b>	<b>123,437</b>	--	<b>123,437</b>	128,613	--	128,613
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(80,227)	--	(80,227)	(56,079)	--	(56,079)
Reinsurers' share of claims paid	26,068	--	26,068	14,703	--	14,703
<b>Net claims paid</b>	<b>(54,159)</b>	--	<b>(54,159)</b>	(41,376)	--	(41,376)
Changes in outstanding claims	(3,344)	--	(3,344)	(12,421)	--	(12,421)
Changes in reinsurance share of outstanding claims	822	--	822	12,493	--	12,493
Changes in IBNR, net	16,956	--	16,956	9,109	--	9,109
Other technical reserves	262	--	262	704	--	704
<b>Net claims incurred</b>	<b>(39,463)</b>	--	<b>(39,463)</b>	(31,491)	--	(31,491)
Policy acquisition costs	(13,744)	--	(13,744)	(19,931)	--	(19,931)
Other underwriting expenses	(1,026)	--	(1,026)	(1,007)	--	(1,007)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(54,233)</b>	--	<b>(54,233)</b>	(52,429)	--	(52,429)
<b>NET UNDERWRITING INCOME</b>	<b>69,204</b>	--	<b>69,204</b>	76,184	--	76,184

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15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	SAR '000					
	For the nine month period ended September					
	2018 - (Unaudited)			2017 - (Unaudited)		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Allowance for doubtful debts	(6,328)	--	(6,328)	(7,207)	--	(7,207)
General and administrative expenses	(42,701)	(1,417)	(44,118)	(38,380)	(1,260)	(39,640)
Commission income on term deposits	2,754	3,731	6,485	2,184	2,943	5,127
Investment income	--	1,643	1,643	--	1,267	1,267
Other income	--	--	--	16	--	16
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(46,275)</b>	<b>3,957</b>	<b>(42,318)</b>	<b>(43,387)</b>	<b>2,950</b>	<b>(40,437)</b>
<b>TOTAL INCOME FOR THE PERIOD</b>	<b>22,929</b>	<b>3,957</b>	<b>26,886</b>	<b>32,797</b>	<b>2,950</b>	<b>35,747</b>
Total income for the period attributed to the insurance operations	(2,293)	--	(2,293)	(3,280)	--	(3,280)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(24,593)	24,593	--	(32,467)	32,467	--
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>--</b>	<b>24,593</b>	<b>24,593</b>	<b>--</b>	<b>32,467</b>	<b>32,467</b>
<b>Earnings per share (Expressed in SAR per share)</b>						
Basic and diluted earnings per share	--	0.61	0.61	--	0.81	0.81

Interim condensed statement of comprehensive income

	SAR '000					
	For the nine month period ended September					
	2018 - (Unaudited)			2017 - (Unaudited)		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
Total income for the period	2,293	24,593	26,886	3,280	32,467	35,747
<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	--	(791)	(791)	--	(9)	(9)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,293</b>	<b>23,802</b>	<b>26,095</b>	<b>3,280</b>	<b>32,458</b>	<b>35,738</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'</b>	<b>(2,293)</b>	<b>--</b>	<b>(2,293)</b>	<b>(3,280)</b>	<b>--</b>	<b>(3,280)</b>
<b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'</b>	<b>--</b>	<b>23,803</b>	<b>23,802</b>	<b>--</b>	<b>32,458</b>	<b>32,458</b>

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15. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the three month period ended September					
	2018 - (Unaudited)			2017 - (Unaudited)		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
<b>REVENUES</b>						
Gross premiums written						
- Direct	54,998	--	54,998	56,983	--	56,983
- Reinsurance	144	--	144	179	--	179
	55,142	--	55,142	57,162	--	57,162
Reinsurance premiums ceded	(29,746)	--	(29,746)	(35,704)	--	(35,704)
Excess of loss premiums	--	--	--	--	--	--
<b>Net premiums written</b>	<b>25,396</b>	<b>--</b>	<b>25,396</b>	<b>21,458</b>	<b>--</b>	<b>21,458</b>
Changes in unearned premiums	18,530	--	18,530	13,205	--	13,205
Changes in reinsurance share of unearned premium	(882)	--	(882)	6,661	--	6,661
Changes in excess of loss premiums	(1,977)	--	(1,977)	(2,325)	--	(2,325)
<b>Net premiums earned</b>	<b>41,067</b>	<b>--</b>	<b>41,067</b>	<b>38,999</b>	<b>--</b>	<b>38,999</b>
Reinsurance commissions	3,301	--	3,301	2,835	--	2,835
<b>TOTAL REVENUES</b>	<b>44,368</b>	<b>--</b>	<b>44,368</b>	<b>41,834</b>	<b>--</b>	<b>41,834</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(38,759)	--	(38,759)	(18,148)	--	(18,148)
Reinsurers' share of claims paid	17,436	--	17,436	3,199	--	3,199
<b>Net claims paid</b>	<b>(21,323)</b>	<b>--</b>	<b>(21,323)</b>	<b>(14,949)</b>	<b>--</b>	<b>(14,949)</b>
Changes in outstanding claims, net	6,979	--	6,979	(7,394)	--	(7,394)
Changes in reinsurance share outstanding claim	(125)	--	(125)	7,869	--	7,869
Changes in IBNR, net	(2,116)	--	(2,116)	2,654	--	2,654
Other technical reserves	(529)	--	(529)	--	--	--
<b>Net claims incurred</b>	<b>(17,114)</b>	<b>--</b>	<b>(17,114)</b>	<b>(11,820)</b>	<b>--</b>	<b>(11,820)</b>
Policy acquisition costs	(4,574)	--	(4,574)	(5,529)	--	(5,529)
Other underwriting expenses	(355)	--	(355)	(329)	--	(329)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(22,043)</b>	<b>--</b>	<b>(22,043)</b>	<b>(17,678)</b>	<b>--</b>	<b>(17,678)</b>
<b>NET UNDERWRITING INCOME</b>	<b>22,325</b>	<b>--</b>	<b>22,325</b>	<b>24,156</b>	<b>--</b>	<b>24,156</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended 30 September, 2018

15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	SAR '000					
	For the three month period ended September					
	2018 - (Unaudited)			2017 - (Unaudited)		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Allowance for doubtful debts	(2,010)	--	(2,010)	(2,800)	--	(2,800)
General and administrative expenses	(14,330)	(390)	(14,720)	(13,358)	(420)	(13,778)
Commission income on deposits	1,028	1,387	2,415	649	1,009	1,658
Investment income	--	551	551	--	442	442
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(15,312)</b>	<b>1,548</b>	<b>(13,764)</b>	<b>(15,509)</b>	<b>1,031</b>	<b>(14,478)</b>
<b>TOTAL INCOME FOR THE PERIOD</b>	<b>7,013</b>	<b>1,548</b>	<b>8,561</b>	<b>8,647</b>	<b>1,031</b>	<b>9,678</b>
Total income for the period attributed to the insurance operations	(702)	--	(702)	(865)	--	(865)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(7,859)	7,859	--	(8,813)	8,813	--
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>--</b>	<b>7,859</b>	<b>7,859</b>	<b>--</b>	<b>8,813</b>	<b>8,813</b>
<b>Earnings per share (Expressed in SAR per share)</b>						
Basic and diluted earnings per share	--	0.20	0.20	--	0.22	0.22

Interim condensed statement of comprehensive income

	SAR '000					
	For the three month period ended September					
	2018 - (Unaudited)			2017 - (Unaudited)		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
Total income for the period	702	7,859	8,561	865	8,813	9,678
<b>Other comprehensive income/(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	--	151	151	--	(118)	(118)
Transferred to realized loss on disposal of available for sale investment	--	--	--	--	--	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>702</b>	<b>8,010</b>	<b>8,712</b>	<b>865</b>	<b>8,695</b>	<b>9,560</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'</b>	<b>(702)</b>	<b>--</b>	<b>(702)</b>	<b>(865)</b>	<b>--</b>	<b>(865)</b>
<b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'</b>	<b>--</b>	<b>8,010</b>	<b>8,010</b>	<b>--</b>	<b>8,695</b>	<b>8,695</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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15. SUPPLEMENTARY INFORMATION (CONTINUED)

C) INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Insurance operations	Shareholders ' operations	Total	Insurance operations	Shareholders ' operations	Total
	----- 2018 - (Unaudited) -----			----- 2017 - (Unaudited) -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net profit/(loss) for the period	2,293	24,593	26,886	3,280	32,467	35,747
<b>Adjustments for non-cash items:</b>						
Depreciation of property and equipment	339	--	339	44	--	44
Amortization of investments	--	310	310	--	215	215
Allowance for/(Reversal of) doubtful debts	6,328	--	6,328	7,208	--	7,208
Provision for end-of-service indemnities	1,400	--	1,400	1,650	--	1,650
<b>Changes in operating assets and liabilities:</b>						
Deposits against letter of guarantees	200	--	200	--	--	--
Premiums and reinsurers' receivable	4,423	--	4,423	(32,840)	--	(32,840)
Reinsurers' share of unearned premiums	7,422	--	7,422	17,152	--	17,152
Reinsurers' share of outstanding claims	(822)	--	(822)	(9,108)	--	(9,108)
Reinsurers' share of claims Incurred but not reported	14,939	--	14,939	10,477	--	10,477
Deferred policy acquisition costs	(2,554)	--	(2,554)	(1,913)	--	(1,913)
Deferred excess of loss premiums	(2,103)	--	(2,103)	(1,860)	--	(1,860)
Due from related parties	31	--	31	3,701	--	3,701
Prepaid expenses and other assets	(342)	(1,618)	(1,960)	(994)	45	(949)
Additions/disposals on statutory deposits	--	(855)	(855)	--	(962)	(962)
Policyholders and accounts payables	2,295	--	2,295	6,476	--	6,476
Accrued and other liabilities	(645)	320	(325)	(8,440)	(1,587)	(10,027)
Reinsurers' balances payable	13,662	--	13,662	6,780	--	6,780
Unearned premiums	(63)	--	(63)	(27,177)	--	(27,177)
Unearned reinsurance commission	410	--	410	(553)	--	(553)
Outstanding claims	3,344	--	3,344	12,421	--	12,421
Zakat and Tax paid	--	(2,725)	(2,725)	--	(1,734)	(1,734)
Claims incurred but not reported	(31,896)	--	(31,896)	(22,970)	--	(22,970)
Other technical reserves	(262)	--	(262)	(704)	--	(704)
Accrued commission income payable to SAMA	--	855	855	--	962	962
Due to related parties	1,004	--	1,004	(329)	(648)	(977)
	19,403	20,880	40,283	(37,699)	28,758	(8,941)
End-of-service indemnities paid	(473)	--	(473)	(2,307)	--	(2,307)
Surplus paid to policy holders	(656)	--	(656)	(786)	--	(786)
<b>Net cash generated from / (used in) operating activities</b>	<b>18,274</b>	<b>20,880</b>	<b>39,154</b>	<b>(40,792)</b>	<b>28,758</b>	<b>(12,034)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES (Note: Additions and disposals need to be disclosed separately)</b>						
Additions/disposals in investments	--	(15,548)	(15,548)	--	--	--
Additions/disposals in term deposits	(17,926)	12,610	(5,316)	1,093	1,441	2,534
Additions/disposals in property and equipment	(906)	--	(906)	(303)	--	(303)
<b>Net cash generated from/(used in) investing activities</b>	<b>(18,832)</b>	<b>(2,938)</b>	<b>(21,770)</b>	<b>790</b>	<b>1,441</b>	<b>2,231</b>
<b>Net change in cash and cash equivalents</b>	<b>(558)</b>	<b>17,942</b>	<b>17,384</b>	<b>(40,002)</b>	<b>30,199</b>	<b>(9,803)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>14,110</b>	<b>1,641</b>	<b>15,751</b>	<b>25,392</b>	<b>209</b>	<b>25,601</b>
<b>Due from/ (to) insurance operations</b>	<b>17,700</b>	<b>(17,700)</b>	<b>--</b>	<b>29,348</b>	<b>(29,348)</b>	<b>--</b>
<b>Cash and cash equivalents, end of the period</b>	<b>31,252</b>	<b>1,883</b>	<b>33,135</b>	<b>14,738</b>	<b>1,060</b>	<b>15,798</b>

16. COMPARATIVE FIGURES

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

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information have been approved by the board on 23 Safar 1440, corresponding to 01 November 2018.