

**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 2022**

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

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al Alamiya for Cooperative Insurance Company (the "Company") as at 30 September 2022, the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended and interim condensed statements of changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 30 September 2022 are not prepared, in all material respects, in accordance with IAS 34 that are endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

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



Rabi' II 13, 1444 AH
8 November 2022

For Al-Bassam & Co.

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 348



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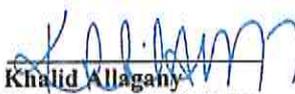
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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	<i>Notes</i>	SAR '000	
		September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Bank balances and cash	4	39,154	41,292
Term deposits	5	416,019	433,071
Premiums and reinsurer' receivable, net	6	95,784	37,575
Reinsurers' share of unearned premiums	8.2	43,782	25,843
Reinsurers' share of outstanding claims	8.1	82,824	99,384
Reinsurers' share of claims incurred but not reported	8.1	8,801	6,844
Deferred policy acquisition costs		7,725	3,006
Investments	7	121,742	127,766
Due from related parties	12	14	--
Prepaid expenses and other assets		36,396	26,818
Deferred tax asset	13	--	1,206
Property and equipment		1,711	1,695
Intangible assets		2,221	3,659
Statutory deposit		40,000	40,000
Accrued commission income on statutory deposit		5,873	5,572
TOTAL ASSETS		902,046	853,731


Yasir Iqbal
Acting Chief Financial Officer


Khalid Allagany
Chief Executive Officer


Abdulaziz Bin Hasan
Board Chairman

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

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 SEPTEMBER 2022

	Notes	SAR' 000	
		September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
LIABILITIES			
Outstanding claims reserve	8.1	115,091	131,242
Claims incurred but not reported	8.1	39,736	22,228
Other technical reserves	8.1	13,779	6,752
Accrued expenses and other liabilities		50,940	41,813
Reinsurers' balances payable		80,391	91,117
Unearned premiums	8.2	186,636	100,305
Accounts payables		2,701	1,932
Unearned reinsurance commission		5,328	2,376
Due to related parties	12	17,971	10,419
End-of-service benefits		10,773	11,106
Zakat and income tax	13	54,588	53,815
Accrued commission income payable to SAMA		5,873	5,572
Accumulated surplus		8,223	8,223
TOTAL LIABILITIES		592,030	486,900
EQUITY			
Share capital	14	400,000	400,000
Statutory reserve	17	1,161	1,161
Accumulated losses		(87,393)	(36,880)
Fair value reserve for available for sale investments	7	(4,473)	1,829
Actuarial reserve for employee benefits		721	721
TOTAL EQUITY		310,016	366,831
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY		902,046	853,731
COMMITMENTS AND CONTINGENCIES	9	757	1,500


Yasir Iqbal
Acting Chief Financial Officer


Khalid Allagany
Chief Executive Officer


Abdulaziz Bin Hasan
Board Chairman

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

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

	SAR '000			
	For the three month period ended September 30		For the nine month period ended September 30	
REVENUES				
Gross premiums written				
- Direct	157,570	95,105	316,840	202,915
- Reinsurance	37	60	219	279
	<u>157,607</u>	<u>95,165</u>	<u>317,059</u>	<u>203,194</u>
Reinsurance premiums ceded				
- Local	(2,912)	(405)	(4,949)	(1,869)
- Foreign	(46,461)	(41,600)	(89,688)	(87,827)
	<u>(49,373)</u>	<u>(42,005)</u>	<u>(94,637)</u>	<u>(89,696)</u>
Excess of loss premium				
- Local	(212)	--	(516)	(456)
- Foreign	(6,156)	--	(11,918)	(8,667)
	<u>(6,368)</u>	<u>--</u>	<u>(12,434)</u>	<u>(9,123)</u>
Total reinsurance premium ceded	<u>(55,741)</u>	<u>(42,005)</u>	<u>(107,071)</u>	<u>(98,819)</u>
NET PREMIUMS WRITTEN	101,866	53,160	209,988	104,375
Changes in unearned premiums	(67,009)	(30,041)	(86,331)	(41,400)
Changes in reinsurers' share of unearned premiums	19,708	4,443	17,939	(8,765)
Changes in deferred excess of loss premiums	--	(2,088)	-	2,870
NET PREMIUMS EARNED	54,565	25,474	141,596	57,080
Reinsurance commissions	2,539	2,430	7,001	11,010
TOTAL REVENUES	57,104	27,904	148,597	68,090
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(54,315)	(18,951)	(148,873)	(51,547)
Reinsurers' share of claims paid	13,774	4,836	38,208	24,389
NET CLAIMS PAID	(40,541)	(14,115)	(110,665)	(27,158)
Changes in outstanding claims	(16,593)	(37,106)	16,151	(49,085)
Changes in reinsurers' share of outstanding claims	5,803	33,797	(16,560)	39,564
Changes in claims incurred but not reported, net	(6,287)	(1,081)	(15,551)	3,536
Changes in other technical reserves	(8,988)	(2,442)	(7,027)	(929)
NET CLAIMS INCURRED	(66,606)	(20,947)	(133,652)	(34,072)
Policy acquisition costs	(3,316)	(3,136)	(14,316)	(7,992)
Other underwriting expenses	(8,609)	(8,380)	(19,052)	(12,551)
TOTAL UNDERWRITING COSTS AND EXPENSES	(78,531)	(32,463)	(167,020)	(54,615)
NET UNDERWRITING (LOSS) / INCOME	(21,427)	(4,559)	(18,423)	13,475
OTHER OPERATING (EXPENSES) / INCOME				
Reversal / (Charge) for doubtful debts	113	(870)	(1,178)	1,306
General and administrative expenses	(15,011)	(12,638)	(45,226)	(39,744)
Investment income on term deposits	2,336	721	4,899	1,852
Investment income on bonds and sukuk	928	917	2,592	2,752
Other income	6,952	(934)	10,782	3,821
TOTAL OTHER OPERATING EXPENSES	(4,682)	(12,804)	(28,131)	(30,013)
TOTAL LOSS FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	(26,109)	(17,363)	(46,554)	(16,538)
ZAKAT CHARGE FOR THE PERIOD	(153)	(2,287)	(3,684)	(5,940)
INCOME TAX CHARGE FOR THE PERIOD	(1,206)	7	(275)	20
TOTAL LOSS FOR THE PERIOD AFTER ZAKAT AND INCOME TAX	(27,468)	(19,643)	(50,513)	(22,458)
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	16B	-	--	--
NET LOSS AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(27,468)	(19,643)	(50,513)	(22,458)
BASIC AND DILUTED LOSS PER SHARE(SAR)	(0.69)	(0.49)	(1.26)	(0.56)

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

Yasir Iqbal
Acting Chief Financial Officer

Khalid Allagani
Chief Executive Officer

Abdulaziz Rifa Hasan
Board Chairman

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>Note</i>	SAR '000			
	For the three month period ended September 30		For the nine month period ended September 30	
	2022	2021	2022	2021
Total loss for the period after zakat and income tax	(27,468)	(19,643)	(50,513)	(22,458)
OTHER COMPREHENSIVE INCOME				
<i>-Items that may be reclassified to interim condensed statement of income in subsequent periods</i>				
Change in fair value of available for sale investments	(3,741)	(750)	(6,302)	(734)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(31,209)	(20,393)	(56,815)	(23,192)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	16C	--	--	--
NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(31,209)	(20,393)	(56,815)	(23,192)


Yasir Iqbal
Acting Chief Financial Officer


Khalid Alagany
Chief Executive Officer


Abdulaziz Bin Hasan
Board Chairman

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

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER
Unaudited - SAR in '000'

<u>2022</u>	<u>Note</u>	<u>Share capital</u>	<u>Statutory Reserve</u>	<u>Accumulated Losses</u>	<u>Fair value reserve for available for sale investments</u>	<u>Actuarial reserve for employees benefits</u>	<u>Total Equity</u>
Balance at January 1, 2022 (Audited)		400,000	1,161	(36,880)	1,829	721	366,831
Total comprehensive income for the period						--	
Changes in fair values of available for sale investments	7	--	--	--	(6,302)	--	(6,302)
Net loss after zakat and income tax for the period attributable to shareholders		--	--	(50,513)	--	--	(50,513)
Balance at September 30, 2022 (Unaudited)		400,000	1,161	(87,393)	(4,473)	721	310,016
<u>2021</u>		<u>Share capital</u>	<u>Statutory Reserve</u>	<u>Retained Earnings</u>	<u>Fair value reserve for available for sale investments</u>	<u>Actuarial reserve for employees benefits</u>	<u>Total Equity</u>
Balance at January 1, 2021 (Audited)		400,000	1,161	(1,503)	3,768	255	403,681
Total comprehensive income for the period							
Changes in fair values of available for sale investments		--	--	--	(734)	--	(734)
Net income after zakat and income tax for the period attributable to shareholders		--	--	(22,458)	--	--	(22,458)
Transfer to statutory reserve							--
Balance at September 30, 2021 (Unaudited)		400,000	1,161	(23,961)	3,034	255	380,489


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Acting Chief Financial Officer


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Chief Executive Officer


Abdulaziz Bin Hasan
Board Chairman

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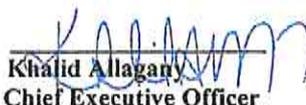
AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

	SAR '000	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Total loss for the period before Zakat & Income Tax	(46,554)	(16,538)
Adjustments for non-cash items:		
Amortization of intangible assets	1,530	1,462
Depreciation of property and equipment	936	512
Amortization of investments	389	234
Charge / (Reversal) of provisions for doubtful debts	1,178	(1,306)
Provision for end-of-service indemnities	1,171	1,314
	(41,350)	(14,322)
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	(59,387)	(15,780)
Reinsurers' share of unearned premiums	(17,939)	3,025
Reinsurers' share of outstanding claims	16,560	(39,564)
Reinsurers' share of claims Incurred but not reported	(1,957)	(1,609)
Deferred policy acquisition costs	(4,719)	(925)
Deferred excess of loss premiums		(2,870)
Due from related parties	(14)	734
Prepaid expenses and other assets	(9,578)	(20,628)
Accounts payables	769	(1,556)
Accrued expenses and other liabilities	9,127	5,463
Reinsurers' balances payable	(10,726)	24,858
Unearned premiums	86,331	47,140
Unearned reinsurance commission	2,952	63
Outstanding claims reserve	(16,151)	49,085
Claims incurred but not reported	17,508	(1,926)
Other technical reserves	7,027	929
Due to related parties	7,552	6,136
	(13,995)	38,253
Zakat & income tax paid	(1,980)	(950)
End-of-service benefits paid	(1,504)	(649)
Surplus paid to policy holders	-	(181)
Net cash (used) in / generated from operating activities	(17,479)	36,473
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities in investments	64,125	--
Purchase in investments	(64,792)	--
Maturities in term deposits	550,762	645,274
Purchase in term deposits	(533,710)	(656,149)
Additions in intangible assets	(92)	--
Additions in property and equipment	(952)	(2,374)
Net cash generated from / (used) in investing activities	15,341	(13,249)
Net change in cash and cash equivalents	(2,138)	23,224
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	40,592	22,356
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	38,454	45,580
NON-CASH INFORMATION		
Change in fair value of available for sale investments	(6,302)	(734)



Yasir Iqbal
Acting Chief Financial Officer



Khalid Allagany
Chief Executive Officer



Abdulaziz Bin Hasan
Board Chairman

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

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

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

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

Al Alamiya for Cooperative Insurance Company
8428 King Fahad Road, Al Muhammadiyah District,
Grand Tower, Floor 20, P.O. Box: 6393,
Riyadh 11442, Kingdom of Saudi Arabia

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from the Saudi Central Bank (SAMA) to transact insurance business in the Kingdom of Saudi Arabia.

2. BASIS OF PREPERATION

(a) Basis of presentation

The interim condensed financial information of the Company as at and for the period ended 30 September 2022 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting (IAS 34)' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments and end of service at present value of future obligations using projected unit credit method. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: bank balances and cash, term deposits, premiums and reinsurers' receivable, net, reinsurance share of unearned premiums, reinsurance share of outstanding claims, reinsurance share of claims IBNR, deferred policy acquisition costs, deferred excess of loss premiums, due from related parties and prepaid expenses and other assets. The following balances would generally be classified as non-current: property and equipment, intangible assets, statutory deposit, accrued commission on statutory deposit, available for sale investments in insurance operations and deferred tax assets.

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

The interim condensed statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 16 of the interim condensed financial statement have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders Operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred below in note 16 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 PERIOD ENDED 30 SEPTEMBER 2022**

2. BASIS OF PREPERATION (CONTINUED)

(a) Basis of presentation (continued)

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

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

The interim condensed financial information does not include all of the information required for full annual financial information and should be read in conjunction with the annual financial information as of and for the year ended December 31, 2021.

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

(b) Critical accounting judgments, estimates and assumptions

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

In preparing these interim condensed financial statement, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that were applied to the annual financial statement as at and for the year ended 31 December 2021. Further, the Company has considered the following:

- On 11 March 2020, the World Health Organisation (WHO) declared the Coronavirus (Covid-19) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.
- The COVID-19 pandemic continues to disrupt global markets as many geographies experienced multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date. Moreover, beginning October 17, 2021, social distancing requirements have been relaxed.
- In response to the spread of the Covid-19 virus in the Kingdom of Saudi Arabia where the Company operates and its consequential disruption to the social and economic activities, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:
 - the health and safety of its employees and the wider community where it is operating
 - the continuity of its business throughout the Kingdom is protected and kept intact.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021.

(a) Standards adopted during the period

<u>Standard, interpretation, amendments</u>	<u>Description</u>	<u>Effective date</u>
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be lossmaking.</p> <p>Annual improvements make minor amendments to IFRS 1 'First-time Adoption of IFRS', and the Illustrative Examples accompanying IFRS 16, 'Leases'</p>	Annual periods beginning on or after 1 January 2022.

(b) Standards issued but not yet effective

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting year beginning on January 1, 2022 and is currently assessing their impact:

<u>Standard, interpretation, amendments</u>	<u>Description</u>	<u>Effective date</u>
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
IFRS 9	Financial Instruments	See note below
IFRS 17	Insurance Contracts	See note below

i) *IFRS 9 Financial Instruments*

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *IFRS 9 Financial Instruments (continued)*

Classification and measurement

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

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
- ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

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

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

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

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Impairment

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) *IFRS 9 Financial Instruments (continued)*

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB’s new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after January 1, 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a preliminary assessment which included below:

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

Impact assessment

The Company completed the Gap Assessment Phase in line with the mandated timeline by SAMA, by 31 March 2022. As per the gap assessment conducted, the financial assets included in the scope of IFRS 9 are bank balances and cash, term deposits, statutory deposits, accrued income on statutory deposits and available for sale investments. The assets / liabilities recognized and measured under IFRS 4 currently, will be prospectively measured under IFRS17. IFRS 9 explicitly scope out any rights and obligation arising under insurance contract and measured under IFRS 17.

The Company has also completed the first dry run for year 2021 data and assessed the impact of the application and implementation of IFRS 9. The Company has completed the development of Business model, SPPI frameworks and ECL models along with the relevant policies and made the submission of 1st dry run exercise of IFRS 9 on 31st May 2022, in line with SAMA’s submission schedule. Based on the dry run exercise the ECL impact for year 2021 is assessed as SR (0.2) million.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *IFRS 9 Financial Instruments (continued)*

The Company expects to use the Amortized Cost classification for bank balances and term deposits, on the basis of the Held to Collect business model of the company for these financial assets and also because the company expects these financial assets to pass the Solely Principal and Interest Payments (SPPI) test as required under IFRS 9. The company expects to use the FVTOCI classification for investments in sukuk on the basis of the Held to Collect and Sell business model of the company for these financial assets and also because the company expects these financial assets to pass the Solely Principal and Interest Payments (SPPI) test as required under IFRS 9. For equity investments in Najm, company is yet to decide on the irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses) and is currently in the process of assessing the impact of adopting the OCI option.

The Company financial assets have low credit risk as at September 30, 2022 and December 31, 2021. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9.

ii) *IFRS 17 Insurance Contracts*

Overview

This standard was published on 18 May, 2017 it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

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

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

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model (GMM) is based on the following “building blocks”:

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) *IFRS 17 Insurance Contracts (continued)*

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
- the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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

- i) the entity's share of the changes in the fair value of underlying items;
- ii) the effect of changes in the time value of money and in financial risks not relating to the underlying items.

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

Effective date

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance and investment contracts with discretionary participating features, if applicable together with amendments to presentation and disclosures.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact assessment:

The design phase of IFRS 17 implementation required company to develop and design new processes for the business including the system developments required under IFRS 17 and detailed assessment of business requirements. Following were the main areas under design phase:

Impact Area	Summary of Impact
<i>Reinsurance contracts held</i>	Under IFRS 17 reinsurance contracts held should be considered and measured separately from the gross business. Detailed assessment was performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, the Company has opted to apply PAA for eligible products.
<i>Financial Impact</i>	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all the portfolios are eligible for PAA measurement model.
<i>Data Impact</i>	IFRS 17 has additional data requirements. During the phase 2, company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3, in which the data elements were categorized into 16 different datasets, containing all elements required by the engine.
<i>IT Systems Impact</i>	Assessment was performed on existing systems capabilities for IFRS 17 calculations and user requirements specification was anticipated prior to the setup and configuration of the new IT platform, storage and reporting and whether new systems / calculation engines should be implemented.
<i>Implementation Plan</i>	<p>Governance and Control Framework</p> <p>The Company put in place a IFRS 17 governance program which included establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders</p> <p>Operational Framework</p> <p>The Company designed operational aspects of the design phase which included:</p> <ul style="list-style-type: none"> • Establishing comprehensive data policy and data dictionary. • Company obtained the software license of Tagetik to install their calculation engine in line with the Company's group decision and identified the future state architectural design and the requirements, which need to be embedded in the calculation engine to meet the requirements of IFRS 17. • Finalizing various key processes needed for IFRS 17 transition. • Carrying out assessment of new resources, if any, to be recruited due to Adoption of IFRS 17, and creation of a recruitment plan. <p>Technical and Financial Framework</p> <p>The Company completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions had been taken after due deliberations among various stakeholders and majority of policy papers were approved by the Company's IFRS 17 project steering committee.</p>

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact Area	Summary of Impact
<i>Dry Run 1</i>	<p>After the design phase, the Company started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs, and started the implementation, to come up with IFRS 17 numbers by performing the first dry run.</p> <p>The Company submitted the 31 December 2020 financial statements as part of the first dry run to SAMA on 30 November 2021. After the submission, the Company also attended the SAMA meeting on the December 16, 2021 to present the first dry run submission to SAMA.</p> <p>The Company's internal audit department worked on the SAMA mandated internal audit on the design and operating effectiveness of controls during the first dry run, whose report was submitted to SAMA by 31 January 2022.</p> <p>Report covered the following areas:</p> <ul style="list-style-type: none"> • Data governance • Assumptions and methodology • Model governance • Process governance • Change management
<i>Dry Run 2</i>	<p>The Company submitted the 31 December 2021 financial statements as part of the second dry run to SAMA on 31 May 2022. After the submission, the Company also attended the SAMA meeting on the June 26, 2022 to present the second dry run submission to SAMA. Requirement from SAMA to have special audit for the second dry run was concluded. Appointed external auditor has issued Unmodified opinion and submission was made to SAMA.</p>
<i>Dry Run 3</i>	<p>During the current period, the ultimate shareholding of the Company has moved from RSA Insurance Group Ltd (incorporated in the United Kingdom) (RSA UK) to National Life & General Insurance Company SAOG, (NLGIC) as explained in note 14. As a result of this change in ultimate ownership, Tagetik (IFRS 17 calculation engine owned by RSA UK) is no longer a long-term IFRS 17 system for the Company. Accordingly, the Company has selected EY-RCP as its new IFRS 17 calculation engine.</p> <p>The IFRS 17 implementation plan is finalized and the Company has requested SAMA for extension in Dry Run 3 submission to bring the EY-RCP system in place and the response from SAMA is awaited.</p> <p>This change of calculation engine from Tagetik to EY-RCP is not expected to have any impact on the adoption of IFRS 17 effective from 1 January 2023.</p>

4. BANK BALANCES AND CASH

Cash and cash equivalents comprise the following:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
SAR'000		
Bank balances and cash – Insurance operations	37,097	37,714
Bank balances and cash – Shareholders' operations	1,357	2,878
Total	38,454	40,592
Cash and cash equivalents in statement of cashflows	38,454	40,592
Deposits against letters of guarantee – Insurance operations*	700	700
Total	39,154	41,292

* The Company holds an amount of SAR 0.7 million (31 December 2021: SAR 0.7 million) as letters of guarantee in favor of the Company's service providers.

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5. TERM DEPOSITS

Term deposits are placed with counterparties which have credit ratings of A- to A+ under Standards and Poor's and Fitch ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original placement and earn investment income at weighted average of 1.2% per annum (2021: 1.5% per annum).

6. PREMIUMS AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

SAR'000	Insurance operations	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Policyholders	36,697	15,905
Brokers and agents	47,074	17,370
Related parties (note 12)	21,610	10,701
Receivables from reinsurers	3,595	5,613
	<u>108,976</u>	<u>49,589</u>
Provision for doubtful receivables	(13,192)	(12,014)
Premiums and reinsurers' receivable – net	<u>95,784</u>	<u>37,575</u>

Allowance for impairment of receivables includes SAR 1.07 million (31 December 2021: Nil) against receivables from related parties.

Movement in provision for doubtful receivables:

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at 1 January	12,014	11,108
Charge of provision for the period / year	1,178	906
Closing balance	<u>13,192</u>	<u>12,014</u>

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7. INVESTMENTS

Investments are classified as follows:

SAR'000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Available for sale investments – Insurance operations *	1,923	1,923
Available for sale investments – Shareholders' operations	119,819	125,843
Total available for sale investments	121,742	127,766

* This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value. There has been no movement in this investment between the period ended 30 September 2022 and during the year ended 31 December 2021.

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

SAR'000	Shareholders' operations	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Opening balance	125,843	128,093
Purchases	64,792	--
Maturities	(64,125)	--
Amortization of investments	(389)	(311)
Changes in fair value of investments	(6,302)	(1,939)
Closing balance	119,819	125,843

The geographical split of investments held as available for sale comprise of sukuk/bonds issued by Government of the Kingdom of Saudi Arabia.

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 6.3 million (31 December 2021: SR 1.93 million) is presented within the equity in the statement of interim condensed financial position.

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8. TECHNICAL RESERVES

8.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Outstanding claims	132,479	147,809
Less: Realizable value of salvage and subrogation	(17,388)	(16,567)
- Outstanding claims reserve	115,091	131,242
- Claims incurred but not reported	39,736	22,228
- Other technical reserves	13,779	6,752
	168,606	160,222
Less:		
- Reinsurers' share of outstanding claims	(82,824)	(99,384)
- Reinsurers' share of claims Incurred but not reported	(8,801)	(6,844)
	(91,625)	(106,228)
Net outstanding claims and reserves	76,981	53,994

8.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

SAR'000	Nine months ended September 30, 2022 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	100,305	(25,843)	74,462
Premium written during the period	317,059	*(107,071)	209,988
Premium earned during the period	(230,728)	89,132	(141,596)
Balance as at the end of the period	186,636	(43,782)	142,854

*This amount includes SR 94.6 million for reinsurance premium ceded abroad, SR 4.9 million for reinsurance premium ceded locally and SR 12.4 million for excess of loss expenses ceded abroad, and SR 0.5 million for excess of loss expenses ceded locally.

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8.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)

SAR'000	Year ended December 31, 2021 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	60,932	(42,241)	18,691
Premium written during the year	263,637	*(114,189)	149,448
Premium earned during the year	(224,264)	130,587	(93,677)
Balance as at the end of the year	100,305	(25,843)	74,462

*This amount includes SR 104.3 million for reinsurance premium ceded abroad, SR 0.3 million for reinsurance premium ceded locally and SR 6.5 million for excess of loss expenses ceded abroad and, SR 0.3 million ceded locally.

9. COMMITMENTS AND CONTINGENCIES

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

SAR'000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Letters of guarantee	700	700
Commitments for the rents	57	800
Total	757	1,500

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.

10. 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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10. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

SAR'000s September 30, 2022 (Unaudited) Available for sale investments measured at fair value	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Shareholders' operations</u>					
Bonds and Sukuk	119,819	119,819	--	--	119,819
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	<u>121,742</u>	<u>119,819</u>		<u>1,923</u>	<u>121,742</u>

SAR'000s December 31, 2021 (Audited) Available for sale investments measured at fair value	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Shareholders' operations</u>					
Bonds and Sukuk	125,843	125,843	--	--	125,843
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	<u>127,766</u>	<u>125,843</u>		<u>1,923</u>	<u>127,766</u>

The unlisted security of SR 1.92 million (December 31, 2021: SR 1.92 million) held as part of the Company's insurance operations, was stated at cost in the absence of active markets or other means of reliably measuring its fair value.

During the period ended September 30, 2022, there were no transfers into or out of level 3 fair value measurements. Further, there were no transfers from Level 1 to Level 2 during the period ended September 30, 2022.

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11. OPERATING SEGMENTS

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

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

Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2021.

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

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

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11. 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, 2022 and December 31, 2021, its total revenues, expenses, and net income for the three months and nine months period then ended, are as follows:

Operating segments	As at September 30, 2022 (Unaudited)							Total - Insurance operations	Shareholders' operations	Total
	Insurance operations									
	Property	Motor	Engineering	Medical	Marine	Group life	Others			
	SAR'000									
Assets										
Reinsurers' share of unearned premiums	32,960	-	2,726	-	1,442	98	6,556	43,782	-	43,782
Reinsurers' share of outstanding claims	13,791	-	3,731	9	3,998	53,068	8,227	82,824	-	82,824
Reinsurers' share of claims Incurred but not reported	835	-	178	-	155	7,615	18	8,801	-	8,801
Deferred policy acquisition costs	1,261	5,357	139	-	720	12	236	7,725	-	7,725
Unallocated assets	-	-	-	-	-	-	-	383,871	396,974	780,845
Total assets	48,847	5,357	6,774	9	6,315	60,793	15,039	527,003	396,974	923,977
Liabilities and equity										
Outstanding claim reserve	17,246	16,148	5,044	11	5,877	68,555	2,210	115,091	-	115,091
Claims incurred but not reported	1,391	28,254	222	-	193	9,519	157	39,736	-	39,736
Other technical reserves	4,888	4,704	971	-	3,210	6	-	13,779	-	13,779
Unearned premiums	37,392	129,052	3,296	-	7,299	165	9,432	186,636	-	186,636
Unearned reinsurance commission	4,012	168	935	-	348	-	(135)	5,328	-	5,328
Unallocated liabilities	-	-	-	-	-	-	-	166,433	396,974	563,407
Total liabilities, insurance operations' surplus and equity	64,929	178,326	10,468	11	16,927	78,245	11,664	527,003	396,974	923,977

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11. OPERATING SEGMENTS (CONTINUED)

As at December 31, 2021 (Audited)

Operating segments	Insurance operations							Total - Insurance operations	Shareholders' operations	Total
	Property	Motor	Engineering	Medical	Marine	Group life	Others			
	SAR'000									
Assets										
Reinsurers' share of unearned premiums	17,206	-	2,990	-	1,387	210	4,050	25,843	-	25,843
Reinsurers' share of outstanding claims	21,736	2,082	4,503	9	2,275	64,425	4,354	99,384	-	99,384
Reinsurers' share of claims Incurred but not reported	2,483	-	205	(803)	137	4,822	-	6,844	-	6,844
Deferred policy acquisition costs	532	2,061	180	-	60	41	132	3,006	-	3,006
Unallocated assets	-	-	-	-	-	-	-	318,796	428,446	747,242
Total assets	41,957	4,143	7,878	(794)	3,859	69,498	8,536	453,873	428,446	882,319
Liabilities and equity										
Outstanding claim reserve	25,852	5,257	5,862	11	3,984	84,946	5,330	131,242	-	131,242
Claims incurred but not reported	2,853	12,657	308	(12)	183	6,155	84	22,228	-	22,228
Other technical reserves	2,210	3,262	810	-	434	36	-	6,752	-	6,752
Unearned premiums	19,718	69,424	3,469	-	1,845	350	5,499	100,305	-	100,305
Unearned reinsurance commission	1,261	163	723	-	376	-	(147)	2,376	-	2,376
Unallocated liabilities	-	-	-	-	-	-	-	190,970	428,446	619,416
Total Liabilities, Insurance operations' surplus and equity	51,894	90,763	11,172	(1)	6,822	91,487	10,766	453,873	428,446	882,319

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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the nine months ended September 30, 2022 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
	SAR'000							
REVENUES								
Gross premiums written	53,602	186,457	5,068	--	10,299	48,478	13,155	317,059
Reinsurance premiums ceded	(41,571)	87	(4,098)	--	(3,937)	(36,358)	(8,760)	(94,637)
Excess of loss premium	(5,863)	(2,640)	(512)	--	(1,260)	(588)	(1,571)	(12,434)
Net premiums written	6,168	183,904	458	--	5,102	11,532	2,824	209,988
Changes in unearned premiums, net	(1,920)	(59,628)	(91)	--	(5,399)	73	(1,427)	(68,392)
Net premiums earned	4,248	124,276	367	--	(297)	11,605	1,397	141,596
Reinsurance commissions	4,755	(5)	932	--	1,265	-	54	7,001
TOTAL REVENUES	9,003	124,271	1,299	--	968	11,605	1,451	148,597
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(6,677)	(98,320)	(1,922)	--	(2,868)	(35,958)	(3,128)	(148,873)
Reinsurers' share of claims paid	6,004	-	1,466	--	2,096	28,625	17	38,208
Net claims paid	(673)	(98,320)	(456)	--	(772)	(7,333)	(3,111)	(110,665)
Changes in outstanding claims, IBNR & technical reserves	(2,203)	(30,012)	(56)	791	(2,938)	4,493	6,938	(22,987)
Net claims incurred	(2,876)	(128,332)	(512)	791	(3,710)	(2,840)	3,827	(133,652)
Policy acquisition costs	(1,345)	(5,559)	(306)	--	(257)	(6,554)	(295)	(14,316)
Other underwriting expenses	--	--	--	--	--	--	--	(19,052)
TOTAL UNDERWRITING COSTS AND EXPENSES	(10,095)	(133,871)	(1,274)	791	(6,725)	(34,325)	(3,406)	(167,020)
NET UNDERWRITING LOSS								(18,423)
OTHER OPERATING (EXPENSES)/ INCOME								
Reversal for doubtful debts								(1,178)
General and administrative expenses								(45,226)
Investment income on term deposits								4,899
Investment income on bonds, sukuk and others								2,592
Other income								10,782
TOTAL OTHER OPERATING EXPENSES								(28,131)
TOTAL LOSS FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX								(46,554)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS								--
TOTAL LOSS FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'								(46,554)

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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the nine months ended September 30, 2021 - (Unaudited)							
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	Total
	SAR'000							
REVENUES								
Gross premiums written	42,741	87,516	7,081	-	13,109	41,251	11,496	203,194
Reinsurance premiums ceded	(36,603)	-	(5,948)	-	(9,228)	(29,910)	(8,007)	(89,696)
Excess of loss premium	(2,320)	(4,741)	(219)	-	(678)	(788)	(377)	(9,123)
Net premiums written	3,818	82,775	914	-	3,203	10,553	3,112	104,375
Changes in unearned premiums, net	(147)	(46,932)	163	-	(1,963)	329	1,255	(47,295)
Net premiums earned	3,671	35,843	1,077	-	1,240	10,882	4,367	57,080
Reinsurance commissions	5,731	163	2,113	-	2,613	(9)	399	11,010
TOTAL REVENUES	9,402	36,006	3,190	-	3,853	10,873	4,766	68,090
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(15,048)	(20,649)	(1,158)	(174)	(1,475)	(12,222)	(821)	(51,547)
Reinsurers' share of claims paid	12,612	-	931	156	1,245	9,332	113	24,389
Net claims paid	(2,436)	(20,649)	(227)	(18)	(230)	(2,890)	(708)	(27,158)
Changes in outstanding claims, IBNR & technical reserves	(2,775)	485	(1,199)	50	(687)	(3,574)	786	(6,914)
Net claims incurred	(5,211)	(20,164)	(1,426)	32	(917)	(6,464)	78	(34,072)
Policy acquisition costs	(1,412)	(3,321)	(388)	-	(940)	(1,562)	(369)	(7,992)
Other underwriting expenses								(12,551)
TOTAL UNDERWRITING COSTS AND EXPENSES								(54,615)
NET UNDERWRITING INCOME								13,475
OTHER OPERATING (EXPENSES)/ INCOME								
Charge for doubtful debts								1,306
General and administrative expenses								(39,744)
Investment income on term deposits								1,852
Investment income on bonds, sukuks and others								2,752
Other income								3,821
TOTAL OTHER OPERATING EXPENSES								(30,013)
TOTAL LOSS FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX								(16,538)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS								--
TOTAL LOSS FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'								(16,538)

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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended September 30, 2022 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
	SAR'000							
REVENUES								
Gross premiums written	28,679	91,964	1,813		7,299	17,150	10,702	157,607
Reinsurance premiums ceded	(25,491)	-	(1,333)		(1,442)	(12,862)	(8,245)	(49,373)
Excess of loss premium	(3,930)	593	(306)		(1,088)	(177)	(1,460)	(6,368)
Net premiums written	(742)	92,557	174		4,769	4,111	997	101,866
Changes in unearned premiums, net	(1,561)	(38,688)	(256)		(5,630)	69	(1,235)	(47,301)
Net premiums earned	(2,303)	53,869	(82)		(861)	4,180	(238)	54,565
Reinsurance commissions	1,869	(5)	178		453	29	15	2,539
TOTAL REVENUES	(434)	53,864	96		(408)	4,209	(223)	57,104
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(581)	(36,857)	(1,644)		(664)	(14,525)	(44)	(54,315)
Reinsurers' share of claims paid	465	-	1,244		526	11,540	(1)	13,774
Net claims paid	(116)	(36,857)	(400)		(138)	(2,985)	(45)	(40,541)
Changes in outstanding claims, IBNR & technical reserves	(139)	(19,922)	(100)		(3,427)	(2,204)	(273)	(26,065)
Net claims incurred	(255)	(56,779)	(500)		(3,565)	(5,189)	(318)	(66,606)
Policy acquisition costs	(580)	(2,411)	(95)		(117)	(17)	(96)	(3,316)
Other underwriting expenses								(8,609)
TOTAL UNDERWRITING COSTS AND EXPENSES								(78,531)
NET UNDERWRITING LOSS								(21,427)
OTHER OPERATING (EXPENSES)/ INCOME								
Reversal for doubtful debts								113
General and administrative expenses								(15,011)
Investment income on term deposits								2,336
Investment income on bonds, sukuks and others								928
Other income								6,952
TOTAL OTHER OPERATING EXPENSES								(4,682)
TOTAL LOSS FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX								(26,109)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS								-
TOTAL LOSS FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'								(26,109)

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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended September 30, 2021 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
	SAR'000							
REVENUES								
Gross premiums written	21,627	41,911	1,344	--	6,718	13,865	9,700	95,165
Reinsurance premiums ceded	(18,750)	--	(1,048)	--	(4,006)	(10,399)	(7,802)	(42,005)
Excess of loss premium	--	--	--	--	--	--	--	--
Net premiums written	2,877	41,911	296	--	2,712	3,466	1,898	53,160
Changes in unearned premiums, net	(992)	(23,553)	(14)	--	(2,420)	(92)	(615)	(27,686)
Net premiums earned	1,885	18,358	282	--	292	3,374	1,283	25,474
Reinsurance commissions	314	163	514	--	997	10	432	2,430
TOTAL REVENUES	2,199	18,521	796	--	1,289	3,384	1,715	27,904
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(1,066)	(12,125)	(413)	(6)	(305)	(4,522)	(514)	(18,951)
Reinsurers' share of claims paid	768	--	294	5	241	3,539	(11)	4,836
Net claims paid	(298)	(12,125)	(119)	(1)	(64)	(983)	(525)	(14,115)
Changes in outstanding claims, IBNR & technical reserves	(3,853)	(157)	(538)	--	(1,636)	(1,389)	741	(6,832)
Net claims incurred	(4,151)	(12,282)	(657)	(1)	(1,700)	(2,372)	216	(20,947)
Policy acquisition costs	(378)	(1,882)	(102)	--	(577)	(46)	(151)	(3,136)
Other underwriting expenses								(8,380)
TOTAL UNDERWRITING COSTS AND EXPENSES								(32,463)
NET UNDERWRITING LOSS								(4,559)
OTHER OPERATING (EXPENSES)/ INCOME								
Reversal for doubtful debts								(870)
General and administrative expenses								(12,638)
Investment income on term deposits								721
Investment income on bonds, sukuku and others								917
Other income								(934)
TOTAL OTHER OPERATING EXPENSES								(12,804)
TOTAL LOSS FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX								(17,363)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS								--
TOTAL LOSS FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'								(17,363)

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11. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

Gross premiums written	For the nine months ended September 30, 2022 - (Unaudited)			
	SAR'000			
	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	31,332	62,930	48,425	142,687
Medium	5,857	14,967	24	20,848
Micro	115	153	-	268
Small	2,105	3,758	29	5,892
Individual	147,048	316	-	147,364
	186,457	82,124	48,478	317,059

Gross premiums written	For the nine months ended September 30, 2021 - (Unaudited)			
	SAR'000			
	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	2,461	56,514	41,042	100,017
Medium	5,739	13,647	170	19,556
Micro	150	217	--	367
Small	2,170	3,748	39	5,957
Individual	76,996	301	--	77,297
	87,516	74,427	41,251	203,194

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11. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

Gross premiums written	For the three months ended September 30, 2022 - (Unaudited)			
	SAR'000			
	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	28,867	37,862	17,139	83,868
Medium	2,312	8,576	-	10,888
Micro	38	114	-	152
Small	671	1,872	11	2,554
Individual	60,076	69	-	60,145
	91,964	48,493	17,150	157,607

Gross premiums written	For the three months ended September 30, 2021 - (Unaudited)			
	SAR'000			
	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	346	31,561	13,856	45,763
Medium	2,176	6,350	(3)	8,523
Micro	72	173	-	245
Small	565	1,278	12	1,855
Individual	38,752	27	-	38,779
	41,911	39,389	13,865	95,165

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12. 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 nine-month period ended	
	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
	SAR' 000	
Gross premiums written	74,148	58,440
Gross claims paid	36,576	11,367
Brokerage commission paid	6,507	1,631
Reinsurance premium ceded	22,536	24,341
Reinsurance share of gross claim paid	6,723	10,854
Reinsurance commission income	8,658	9,454
Investment income on term deposits	3,550	836
Technical service charges	4,460	4,552
Brand fees	23	23
Operational expenses paid on behalf of affiliates and reinsurance placements	2,693	1,626
Operational expenses paid by affiliates on behalf of Company	(1,512)	(1,579)

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Balance receivable / (payable) as at	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Bank balances	3,550	4,406
Term deposits	146,627	242,343
Statutory deposit and accrued commission	45,873	45,572
Accrued interest receivable	1,435	499
Premium receivable	21,610	10,701
Reinsurance balance payable	(4,331)	(16,536)
Accrued expenses and other liabilities	(4,460)	(16,661)
Reinsurance share of gross outstanding claims	11,892	14,488
Gross outstanding claim	(69,065)	(81,459)
Due from related parties	14	--
Due to related parties	(17,971)	(10,419)

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

	Transactions for the nine month period ended	
	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
	SAR'000	
Salaries and other allowances	4,513	4,938
End of service indemnities	235	301
	4,748	5,239

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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13. ZAKAT AND INCOME TAX

Status of assessments

The Company has submitted its zakat and tax returns up till the year ended 31 December 2021.

During the year, the shareholding of Royal and Sun Alliance, one of the parent entity, was changed. As a result, the Company's zakat and tax calculations and corresponding accruals for the current quarter are based on the effective annual ownership percentages which are 87.24% (2021: 74.97%) for zakat and 12.76% (2021: 25.03%) for the tax.

Zakat, Tax and Custom Authority (ZATCA) has raised assessments for the period / years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million (together with 1% delay fine for each 30 days of delay) respectively. The Committee for Resolution of Tax Violations and Disputes (CRTVD) of the General Secretariat of Tax Committees (GSTC) has issued its decision on the above years accepting certain points and reducing the zakat liability to SR 7.1 million and no change in WHT liability. The Company has submitted an appeal to Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") against CRTVD's decision. Based on ZATCA's amnesty scheme, the Company settled additional WHT of SR 8.9 million to remove associated delay fines, such settled liability will be refunded by ZATCA in case of a favorable decision by ACTVDR. ACTVDR's decision is awaited.

In respect of the assessment for the year 2014, the ZATCA has issued a revised assessment with an additional zakat liability of SR 1.98 million. The Company has escalated the appeal case to the GSTC, and the CRTVD has issued its decision where the CRTVD has rejected the Company's appeal and supported ZATCA's assessment for all disputed items. The Company has settled the additional zakat liability of SR 1.98 million and the case is closed.

The ZATCA issued assessments for the years 2015 through 2018 with additional zakat liability of SR 21 million. The Company escalated its appeal case to the GSTC. The company's appeal was heard on September 05, 2022 wherein the CRTVD partially accepted the Company's point of view. No ruling has yet been issued. The company is in process of filing an appeal before the ACTVDR once the ruling is officially issued.

The ZATCA also issued assessments for the years 2019 and 2020 with additional zakat and income tax liability amounting to SR 17 million and SR 0.72 million and penalties of SR 0.09 million till the date of assessment (the penalties will increase by 1% for every 30 days of delay) respectively. The Company filed an appeal against the ZATCA's assessment which was rejected by ZATCA. Thus, the Company escalated its appeal to the GSTC. The company's appeal was heard on September 05, 2022 wherein the CRTVD partially accepted the Company's point of view. No ruling has yet been issued. The company is in process of filing an appeal before the ACTVDR once the ruling is officially issued.

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

	30 September 2022 (Unaudited) SAR ('000')	31 December 2021 (Audited) SAR ('000')
Charge for zakat for the period / year	3,684	7,848
Reversal for income tax for the period / year	(931)	--
Reversal of deferred tax for the period / year	1,206	(134)
	275	(134)
Zakat and tax provision at the end of period / year	3,959	7,714

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13. ZAKAT AND INCOME TAX (Continued)

Deferred Tax

	30 September 2022 (Unaudited)	31 December 2021 (Audited)	30 September 2021 (Unaudited)
	SAR ('000')		
Opening deferred tax asset	1,206	1,072	1,072
Deferred tax expense	(1,206)	134	20
Closing deferred tax asset	--	1,206	1,092
	Nine-month period ended 30 September 2022 (Unaudited)	Year ended 31 December 2021 (Audited)	Nine-month period ended 30 September 2021 (Unaudited)
	SAR ('000')		
Opening zakat, income tax liability and deferred tax asset	52,609	49,844	49,844
Charge for the period / year			
Current charge for zakat tax for the period / year	3,684	7,848	5,940
Current reversal for income tax for the period / year	(931)	--	--
Deferred tax income / (expense) for the period / year	1,206	(134)	(20)
Settled during the period / year	(1,980)	(4,949)	(950)
Closing zakat, income tax liability and deferred tax asset	54,588	52,609	54,814

14. 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 2021: SAR 400 million divided into 40 million shares of SAR 10 each).

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

	September 30, 2022 (Unaudited)	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance (Middle East)	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000
	December 31, 2021 (Audited)	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance (Middle East)	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

14. SHARE CAPITAL (Continued)

Royal & Sun Alliance Insurance (Middle East) B.S.C. (c) (RSA ME), a company domiciled in the Kingdom of Bahrain, was previously majority owned (50.00002%) by Sun Alliance Insurance Overseas Limited (SAIO), a company wholly owned by the RSA Insurance Group Ltd (incorporated in the United Kingdom) (RSA UK). On 7 July 2022, RSA UK announced the completion of sale of SAIO's shareholding in RSA ME to National Life & General Insurance Company SAOG, (NLGIC). NLGIC is majority owned by Oman International Development and Investment Co. SAOG (OMINVEST).

The remaining shares of RSA ME owned by a group of Saudi shareholders were sold to NLGIC in exchange for shares in NLGIC shares and accordingly RSA ME has become a wholly owned subsidiary of NLGIC.

RSA ME continues to be the majority shareholder of the company and subsequent to the aforementioned change in ultimate shareholding of the company, the Company is hundred percent owned by Saudi / GCC shareholders.

15. CAPITAL MANAGEMENT

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

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

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16. SUPPLEMENTARY INFORMATION

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	September 30, 2022 - (Unaudited)			December 31, 2021 - (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Bank balances and cash	37,797	1,357	39,154	38,414	2,878	41,292
Term deposits	190,002	226,017	416,019	210,285	222,786	433,071
Premiums and reinsurers' receivable, net	95,784	-	95,784	37,575	-	37,575
Reinsurers' share of unearned premiums	43,782	-	43,782	25,843	-	25,843
Reinsurers' share of outstanding claims	82,824	-	82,824	99,384	-	99,384
Reinsurers' share of claims Incurred but not reported	8,801	-	8,801	6,844	-	6,844
Deferred policy acquisition costs	7,725	-	7,725	3,006	-	3,006
Investments	1,923	119,819	121,742	1,923	125,843	127,766
Due from related parties	14	-	14	--	--	--
Prepaid expenses and other assets	32,488	3,908	36,396	25,245	1,573	26,818
Deferred tax asset	--	--	--	-	1,206	1,206
Property and equipment	1,711	-	1,711	1,695	-	1,695
Intangible assets	2,221	-	2,221	3,659	-	3,659
Statutory deposit	-	40,000	40,000	-	40,000	40,000
Accrued commission income on statutory deposit	-	5,873	5,873	-	5,572	5,572
TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	505,072	396,974	902,046	453,873	399,858	853,731
ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due from shareholders'/ insurance operations	21,931	-	21,931	--	28,588	28,588
TOTAL ASSETS	527,003	396,974	923,977	453,873	428,446	882,319

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	SAR '000					
	September 30, 2022 - (Unaudited)			December 31, 2021 – (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Outstanding claims reserve	115,091	-	115,091	131,242	-	131,242
Claims incurred but not reported	39,736	-	39,736	22,228	-	22,228
Other technical reserves	13,779	-	13,779	6,752	-	6,752
Accrued expenses and other liabilities	46,066	4,874	50,940	39,277	2,536	41,813
Reinsurers' balances payable	80,391	-	80,391	91,117	-	91,117
Unearned premiums	186,636	-	186,636	100,305	-	100,305
Accounts payables	2,701	-	2,701	1,932	-	1,932
Unearned reinsurance commission	5,328	-	5,328	2,376	-	2,376
Due to related parties	17,558	413	17,971	10,006	413	10,419
End-of-service indemnities	10,773	-	10,773	11,106	-	11,106
Zakat and income tax	-	54,588	54,588	-	53,815	53,815
Accrued commission income payable to SAMA	-	5,873	5,873	-	5,572	5,572
Accumulated surplus	8,223	-	8,223	8,223	-	8,223
TOTAL LIABILITIES	526,282	65,748	592,030	424,564	62,336	486,900
EQUITY						
Share capital	--	400,000	400,000	--	400,000	400,000
Statutory reserve	--	1,161	1,161	--	1,161	1,161
Accumulated losses	--	(87,393)	(87,393)	--	(36,880)	(36,880)
Fair value reserve for available for sale investments		(4,473)	(4,473)		1,829	1,829
Actuarial reserve for employee benefits	721	-	721	721	-	721
TOTAL EQUITY	721	309,295	310,016	721	366,110	366,831
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION	527,003	375,043	902,046	425,285	428,446	853,731
LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due to shareholders operations	-	21,931	21,931	28,588	--	28,588
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY	527,003	396,974	923,977	453,873	428,446	882,319

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the nine month period ended September 30					
	----- 2022 - (Unaudited) -----			----- 2021 - (Unaudited) -----		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
REVENUES						
Gross premiums written						
- Direct	316,840	--	316,840	202,915	--	202,915
- Reinsurance	219	--	219	279	--	279
	317,059	--	317,059	203,194	--	203,194
Reinsurance premiums ceded	(94,637)	--	(94,637)	(89,696)	--	(89,696)
		--			--	
Excess of loss expenses	(12,434)	--	(12,434)	(9,123)	--	(9,123)
Net premiums written	209,988	--	209,988	104,375	--	104,375
Changes in unearned premiums	(86,331)	--	(86,331)	(41,400)	--	(41,400)
Changes in reinsurers' share of unearned premiums	17,939	--	17,939	(8,765)	--	(8,765)
Changes in deferred excess of loss premiums	-	--	-	2,870	--	2,870
Net premiums earned	141,596	--	141,596	57,080	--	57,080
Reinsurance commissions	7,001	--	7,001	11,010	--	11,010
TOTAL REVENUES	148,597	--	148,597	68,090	--	68,090
		--			--	
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(148,873)	--	(148,873)	(51,547)	--	(51,547)
Reinsurers' share of claims paid	38,208	--	38,208	24,389	--	24,389
Net claims paid	(110,665)	--	(110,665)	(27,158)	--	(27,158)
Changes in outstanding claims	16,151	--	16,151	(49,085)	--	(49,085)
Changes in reinsurers' share of outstanding claims	(16,560)	--	(16,560)	39,564	--	39,564
Changes in claims incurred but not reported, net	(15,551)	--	(15,551)	3,536	--	3,536
Changes in other technical reserves	(7,027)	--	(7,027)	(929)	--	(929)
Net claims incurred	(133,652)	--	(133,652)	(34,072)	--	(34,072)
Policy acquisition costs	(14,316)	--	(14,316)	(7,992)	--	(7,992)
Other underwriting expenses	(19,052)	--	(19,052)	(12,551)	--	(12,551)
TOTAL UNDERWRITING COSTS AND EXPENSES	(167,020)	--	(167,020)	(54,615)	--	(54,615)
		--			--	
NET UNDERWRITING INCOME	(18,423)	--	(18,423)	13,475	--	13,475

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

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the nine month period ended September 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
Insurance operation	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal / (charge) for doubtful debts	(1,178)	-	(1,178)	1,306	--	1,306
General and administrative expenses	(44,135)	(1,091)	(45,226)	(38,653)	(1,091)	(39,744)
Investment income on term deposits	2,251	2,648	4,899	755	1,097	1,852
Investment income on bonds and sukuk	-	2,592	2,592	--	2,752	2,752
Other income	10,782	-	10,782	3,821	--	3,821
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(32,280)	4,149	(28,131)	(32,771)	2,758	(30,013)
TOTAL (LOSS) / INCOME FOR THE PERIOD	(50,703)	4,149	(46,554)	(19,296)	2,758	(16,538)
Total income for the period attributed to the insurance operations				--	--	--
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	50,703	(50,703)	-	19,296	(19,296)	--
TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	-	(46,554)	(46,554)	--	(16,538)	(16,538)
ZAKAT CHARGE FOR THE PERIOD		(3,684)	(3,684)	--	(5,940)	(5,940)
TAX CHARGE FOR THE PERIOD	-	(275)	(275)	--	20	20
NET (LOSS) / INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	(50,513)	(50,513)	--	(22,458)	(22,458)
(Loss) / earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	(1.26)	(1.26)	--	(0.56)	(0.56)

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the nine month period ended September 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
			(Restated)			
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
Total loss / income for the period	(50,513)	(50,513)	--	(22,458)	(22,458)	
Other comprehensive Income						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	(6,302)	(6,302)	--	(734)	(734)	
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(56,815)	(56,815)	--	(23,192)	(23,192)	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'			--	--	--	
NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'	(56,815)	(56,815)	--	(23,192)	(23,192)	

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended September 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
						(Restated)
REVENUES						
Gross premiums written						
- Direct	157,570	--	157,570	95,105	--	95,105
- Reinsurance	37	--	37	60	--	60
	157,607	--	157,607	95,165	--	95,165
Reinsurance premiums ceded	(49,373)	--	(49,373)	(42,005)	--	(42,005)
Excess of loss expenses	(6,368)	--	(6,368)			
Net premiums written	101,866	--	101,866	53,160	--	53,160
Changes in unearned premiums	(67,009)	--	(67,009)	(30,041)	--	(30,041)
Changes in reinsurance share of unearned premium	19,708	--	19,708	4,443	--	4,443
Changes in excess of loss premiums		--		(2,088)	--	(2,088)
Net premiums earned	54,565	--	54,565	25,474	--	25,474
Reinsurance commissions	2,539	--	2,539	2,430	--	2,430
TOTAL REVENUES	57,104	--	57,104	27,904	--	27,904
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(54,315)	--	(54,315)	(18,951)	--	(18,951)
Reinsurers' share of claims paid	13,774	--	13,774	4,836	--	4,836
Net claims paid	(40,541)	--	(40,541)	(14,115)	--	(14,115)
Changes in outstanding claims	(16,593)	--	(16,593)	(37,106)	--	(37,106)
Changes in reinsurance share of outstanding claims	5,803	--	5,803	33,797	--	33,797
Changes in IBNR, net	(6,287)	--	(6,287)	(1,081)	--	(1,081)
Changes in other technical reserves	(8,988)	--	(8,988)	(2,442)	--	(2,442)
Net claims incurred	(66,606)	--	(66,606)	(20,947)	--	(20,947)
Policy acquisition costs	(3,316)	--	(3,316)	(3,136)	--	(3,136)
Other underwriting expenses	(8,609)	--	(8,609)	(8,380)	--	(8,380)
TOTAL UNDERWRITING COSTS AND EXPENSES	(78,531)	--	(78,531)	(32,463)	--	(32,463)
NET UNDERWRITING INCOME	(21,427)	--	(21,427)	(4,559)	--	(4,559)

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended September 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
				(Restated)		
	Insurance operation	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
Charge for doubtful debts	113	-	113	(870)	--	(870)
General and administrative expenses	(14,648)	(363)	(15,011)	(12,275)	(363)	(12,638)
Investment income on term deposits	1,126	1,210	2,336	300	421	721
Investment income on bonds, sukus and others	-	928	928	--	917	917
Other income	6,952	-	6,953	(934)	--	(934)
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(6,457)	1,775	(4,682)	(13,779)	975	(12,804)
TOTAL (LOSS) / INCOME FOR THE PERIOD	(27,884)	1,775	(26,109)	(18,338)	975	(17,363)
Total income for the period attributed to the insurance operations						--
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	27,884	(27,884)	--	18,338	(18,338)	--
TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	(26,109)	(26,109)	--	(17,363)	(17,363)
ZAKAT CHARGE FOR THE PERIOD	--	(153)	(153)	--	(2,287)	(2,287)
TAX CHARGE FOR THE PERIOD	--	(1,206)	(1,206)	--	7	7
NET (LOSS) / INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	(27,468)	(27,468)	--	(19,643)	(19,643)
(Loss) / earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share		(0.69)	(0.69)	--	(0.49)	(0.49)

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the three month period ended September 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
				(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total (loss) / income for the period	--	(27,468)	(27,468)	--	(19,643)	(19,643)
Other comprehensive loss						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	(3,741)	(3,741)	--	(750)	(750)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	--	(31,209)	(31,209)	--	(20,393)	(20,393)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'						
NET COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'	--	(31,209)	(31,209)	--	(20,393)	(20,393)

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

D) INTERIM CONDENSED STATEMENT OF CASH FLOWS

	SAR'000					
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	----- 2022 - (Unaudited) -----			----- 2021 - (Unaudited) -----		
CASH FLOWS FROM OPERATING ACTIVITIES						
Total loss for the period before Zakat and Income Tax	--	(46,554)	(46,554)	--	(16,538)	(16,538)
Adjustments for non-cash items:						
Depreciation of property and equipment	935	--	935	1,462	--	1,462
Amortization of Intangible Assets	1,530	--	1,530	512	--	512
Amortization of investments	--	385	385	--	234	234
Reversal for provisions for doubtful debts	1,178	--	1,178	(1,306)	--	(1,306)
Provision for end-of-service indemnities	1,172	--	1,172	1,314	--	1,314
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(59,383)	--	(59,383)	(15,780)	--	(15,780)
Reinsurers' share of unearned premiums	(17,939)	--	(17,939)	3,025	--	3,025
Reinsurers' share of outstanding claims	16,560	--	16,560	(39,564)	--	(39,564)
Reinsurers' share of claims Incurred but not reported	(1,957)	--	(1,957)	(1,609)	--	(1,609)
Deferred policy acquisition costs	(4,719)	--	(4,719)	(925)	--	(925)
Deferred excess of loss premiums	--	--	--	(2,870)	--	(2,870)
Due from related parties	(14)	--	(14)	734	--	734
Prepaid expenses and other assets	(7,243)	(2,335)	(9,578)	(19,602)	(1,026)	(20,628)
Accounts payables	769	--	769	(1,556)	--	(1,556)
Accrued and other liabilities	6,488	2,639	9,127	6,377	(914)	5,463
Reinsurers' balances payable	(10,726)	--	(10,726)	24,858	--	24,858
Unearned premiums	86,331	--	86,331	47,140	--	47,140
Unearned reinsurance commission	2,952	--	2,952	63	--	63
Outstanding claims reserve	(4,390)	--	(4,390)	49,085	--	49,085
Claims incurred but not reported	1,098	--	1,098	(1,926)	--	(1,926)
Other technical reserves	11,676	--	11,676	929	--	929
Due to related parties	7,552	--	7,552	6,136	--	6,136
	31,870	(45,865)	(13,995)	56,497	(18,244)	38,253
Zakat & Tax paid	--	(1,980)	(1,980)	--	(950)	(950)
End-of-service indemnities paid	(1,504)	--	(1,504)	(649)	--	(649)
Surplus paid to policy holders	-	-	-	(181)	--	(181)
Net cash (used in)/generated from operating activities	30,366	(47,845)	(17,479)	55,667	(19,194)	36,473
Maturities in investments	--	64,125	64,125	--	--	--
Purchase in investments	--	(64,792)	(64,792)	--	--	--
Maturities in term deposits, net	319,879	230,883	550,762	341,856	303,418	645,274
Purchase in term deposits	(299,596)	(234,114)	(533,710)	(350,689)	(305,460)	(656,149)
Additions in Intangible Assets	(92)	--	(92)	--	--	--
Additions in property and equipment	(952)	--	(952)	(2,374)	--	(2,374)
Net cash generated / (used in) from investing activities	19,239	(3,898)	15,341	(11,207)	(2,042)	(13,249)
Net change in cash and cash equivalents	49,605	(51,743)	(2,138)	44,460	(21,236)	23,224
Cash and cash equivalents, beginning of the period	37,714	2,878	40,592	20,174	2,182	22,356
Due from/ (to) insurance operations	(50,519)	50,519	--	(21,136)	21,136	--
Cash and cash equivalents, end of the period	36,800	1,654	38,454	43,498	2,082	45,580

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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17. STATUTORY RESERVE**

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

18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the board on 4 Rabi Al-Thani 1444H, corresponding to 30 October 2022.