



LIMITED ASSURANCE REPORT

**To the Shareholders of
Amana Cooperative insurance Company (the "Company")
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia**

We have carried out a limited assurance engagement in order to state whether anything has come to our attention that causes us to believe that the subject matter detailed below ("Subject Matter"), has not been reported and presented fairly, in all material respects, in accordance with the applicable criteria mentioned below.

SUBJECT MATTER

The scope of the engagement relates to the limited assurance engagement to the information in Appendix No. (1) prepared by the Company's management which includes the reasons for the Company's board of directors for the proposed reduction of capital and the impact of the decrease in the capital on the Company's obligations.

Appendix No. (1) attached hereto relates to the proposed reduction in the Company's capital from 240 million Saudi riyals (two hundred forty million Saudi riyals) to 130 million Saudi riyals (one hundred thirty million Saudi riyals) through the cancellation of 11 million shares (eleven million shares) In accordance with the decision of the Company's board of directors of their meeting held on 22 Rabi` Al-Thani 1442 (corresponding to December 7, 2020).

APPLICABLE CRITERIA

1. Article (144) and Article (150) of the Saudi Companies Law issued by the Ministry of Commerce.
2. The decision of the Board of Directors issued on 22 Rabi` Al-thani 1442 (corresponding to December 7, 2020) related to the capital reduction, which sets out the reasons for the proposed reduction of the capital from 240 million Saudi riyals to 130 million Saudi riyals.

MANAGEMENT RESPONSIBILITY

The management and the chairman of the Company's Board of Directors are responsible for preparing the subject matter of assurance and presenting it as appropriate in accordance with applicable criteria. The Company's management is also responsible for establishing and maintaining an adequate internal control system for the preparation and presentation of the subject matter of assurance that are free of material misstatements, whether arising from fraud or error, choosing and applying appropriate controls, maintaining adequate records, and making reasonable estimates according to the circumstances.

OUR RESPONSIBILITY

It is our responsibility to express the conclusion of a limited assurance on the subject matter of assurance based on the limited assurance engagement that we have performed in accordance with the International Standard for Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" that is endorsed in the Kingdom of Saudi Arabia and the terms and conditions of this engagement as agreed with the Company's management.



LIMITED ASSURANCE REPORT (Continued)

To the Shareholders of
Amana Cooperative insurance Company (the "Company")
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

OUR RESPONSIBILITY (Continued)

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion, and as such do not provide all of the evidence that would require to provide a reasonable assurance. The procedures performed depend on our professional judgment, including the risk of material misstatement of the subject matter, whether due to fraud or error. While, we considered the effectiveness of management's internal control when determining the nature and extent of our procedure, our engagement was not designed to provide assurance on the effectiveness of those controls.

SUMMARY OF PROCEDURES PERFORMED

The procedures performed in the Limited Assurance Engagement differ in nature and timing and are less in scope than the Reasonable Assurance Engagement. Consequently, the level of assurance obtained in the limited Assurance Engagement is much less than the assurance that would have been obtained if we had performed the reasonable Assurance Engagement.

As part of this engagement, we have not performed any procedures of reviewing, examining, or verifying the subject matter of assurance, nor of the records or other sources from which the subject in question was extracted. Accordingly, we will not express such an opinion.

Our procedure includes:

- We have compared the proposed reduction in the Company's capital in the subject matter with the decision of the Company's board of directors related to reducing the capital to 130 million Saudi riyals.
- We have compared the financial information in the subject matter with the Company's reviewed financial statements as of September 30, 2020.
- We checked the mathematical accuracy of the subject matter.

LIMITED ASSURANCE REPORT (Continued)

To the Shareholders of
Amana Cooperative insurance Company (the "Company")
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

CONCLUSION

Based on the limited assurance procedures implemented and the evidence we have obtained, nothing has come to our attention that causes us to believe that the subject matter above has not been reported and presented fairly, in all material respects, in accordance with applicable criteria.

RESTRICTIONS ON THE USE OF OUR REPORT

Our report has been solely prepared upon the request of the Company's management to fulfill the requirements of Article (144) and Article (150) of the Companies Law, in order to complete the legal procedures to reduce the Company's capital, and it should not be used for any other purpose.

For Al-Bassam & Co.



Ibrahim Ahmed Al-Bassam

Certified Public Accountant
License No. 337
14 Jumada Al Awal 1442
Corresponding to: December 29 2020





**Appendix 1
Capital Reduction Report for
Amana Cooperative Insurance Co.
29 December 2020**



INDEX	PAGE
Description of the Company's Requirements	1
Relevant Articles from Regulations for Companies and the Company's by- laws	2-4
Historical Financial Information	5-11
Reasons necessitating the Reduction, the Liabilities of the Company and the Effect of the Proposed Reduction of Capital on these Liabilities	12

1- DESCRIPTION OF THE COMPANY'S REQUIREMENTS

- As of 30 September 2020 the accumulated losses was SR 110.3 million which represents 45.833% of Share Capital.
- As per the Board of Directors recommendation date on 22 Rabi Al thany 1442H (corresponding to 7 December 2020), the Company plans to write-off accumulated losses amounting to SR 110.3 million representing 45.833% of the total Share Capital, as part of As a restructuring of the company's capital..
- Reduction of the proportion of the share capital of 45.833%, and will be through the reduction of 1 share for every 2.1818 shares.
- Methods of capital reduction: the abolition of the number of 11 million shares to extinguish the amount of SR 110 million of accumulated losses account.

2- Relevant Articles from regulations

2.1- Capital Market Authority

Article (58) the conditions and requirements related to reducing the issuer's capital from the rules on the offer of securities and continuing obligations arising from the Capital Market Authority:

- A- Where an issuer wishes to reduce its share capital, it must submit to the Authority a letter of application that includes the minimum information set out in Annex 19 of these Rules, for the Authority's approval prior to obtaining the approval of the relevant extraordinary general assembly of the issuer on the capital reduction. The application must be accompanied by the following:
- 1) the letter of appointment for the financial advisor;
 - 2) the letter of appointment for the legal advisor (if any);
 - 3) an external auditor's report on the reasons for the capital reduction and the impact of the capital reduction on the issuer's liabilities;
 - 4) the proposed method of capital reduction and the expected effect of such reduction;
 - 5) a copy of the shareholders' circular as per paragraph b) below; and
 - 6) any other documentation as may be required by the Authority.
- B- Where an issuer wishes to reduce its share capital, it must also produce a circular for its shareholders stating the information required to enable the shareholders to make an informed vote at the relevant extraordinary general assembly. This circular shall include, but is not limited to, the following:
- 1) the general structure of the proposed reduction in share capital;
 - 2) the rationale behind the proposed reduction in share capital, including a reasoned discussion from management in this regard;
 - 3) the risk factors related to the proposed reduction in share capital;
 - 4) the proposed timing of the process; and
 - 5) a statement from the directors of the issuer confirming that in the board's view, the proposed reduction in share capital is in the best interests of the issuer and the shareholders.
- C- The shareholders' circular - submitted to the Authority in respect of a capital reduction request - must be produced in Arabic language and be annotated in the margin to indicate where the information required by the applicable paragraphs of these Rules have been included and any changes from any previous drafts must be clearly marked. Each draft shareholders' circular must indicate the draft number and date of submission on its cover page.

➤ **2.2- Companies Law**

- Article (144) of Companies Law: The Extraordinary General Assembly may decide to reduce the capital if it exceeds the need of the company or if the company suffered losses. And in the latter case only, the capital may be reduced to below the limit set in Article (54). That decision shall not be issued until after reading the auditor's report about the reasons causing the reduction and the commitments on the company and the effect of the reduction on these commitments.
- Article (146) of Companies Law: The capital is reduced by one of the following ways:
- A) Voiding of a number of the shares equal to the amount to be reduced.
 - B) Purchasing a number of shares equal to the amount to be reduced and therefore canceled.
- Article (147) of Companies Law: If the capital reduction is conducted by voiding a number of the shares, it is obligatory to take into account the equality between the shareholders and they shall submit to the company, within the time limit specified by it, the shares decided to be voided, or the company has the right to considered them void.
- Article (150) of the Companies Law:
- 1 - if the losses of the joint-stock company amount to half of the paid-up capital, at any time during the fiscal year, an official in the company or the auditor must immediately inform the chairman of the board of directors, and the chairman of the board of directors must immediately inform the members of the board of directors of this, and the board of directors - within five Ten days of his knowledge of this - to invite the extraordinary general assembly to a meeting within forty-five days from the date of his knowledge of the losses, to decide whether to increase or decrease the company's capital - in accordance with the provisions of the system - to the extent that the percentage of losses decreases to less than half of the paid capital, Or dissolving the company before the term specified in its articles of association.
 - 2- The company shall be deemed terminated by the force of law if the extraordinary general assembly does not meet during the period specified in Paragraph 1 of this Article, or if it convenes and is unable to issue a decision on the matter, or if it decides to increase the capital according to the conditions stipulated in this article and has not been completed. Subscribe to the entire capital increase within ninety days from the issuance of the association's decision to increase it.

2.3 Articles of Association of the Company

➤ Article (8) Capital:

The capital of the company is (240,000,000) two hundred forty million Saudi riyals, divided into (24,000,000) Twenty four million shares of equal value, each of which is worth (10) ten Saudi riyals.

➤ Article (14) reducing the capital:

The extraordinary general assembly may decide to reduce the capital if it exceeds the company's need or if it incurs losses - after the approval of the competent authorities - provided that the paid-up capital of the insurance company after reducing the capital is not less than (100) one hundred million riyals, and the paid capital is not less than For a reinsurance company or an insurance company that carries out at the same time reinsurance business for (200) two hundred million riyals. The reduction decision shall not be issued except after reading a special report prepared by the auditor on the reasons that necessitate it, the obligations of the company, and the impact of the reduction on these obligations. If the capital reduction is a result of an increase in the company's need, creditors must be called upon to express their objections within (60) sixty days from the date of publishing the reduction decision in a daily newspaper distributed in the area where the company's head office is. If one of the creditors objects and submits his documents to the company on the aforementioned date, the company must pay him his debt if it is due or provide him with a guarantee sufficient to pay it if it is later.

3- Review of Historical Financial Information

STATEMENT OF FINANCIAL POSITION	30 September 2020 (Unaudited)	31 December 2019 (Audited)
INSURANCE OPERATIONS' ASSETS		
Cash and cash equivalents	51,985	44,515
Short-term deposits	80,374	115,993
Premiums and reinsurers' receivable - net	160,357	79,559
Reinsurers' share of unearned premiums	3,024	4,866
Reinsurers' share of outstanding claims	15,454	15,641
Reinsurers' share of claims incurred but not reported	2,743	3,749
Deferred policy acquisition costs	14,128	8,328
Available-for-sale investments	20,749	19,298
Held-to-maturity investments	48,943	48,640
Prepayments and other assets	22,101	20,035
Property and equipment	7,525	5,970
Intangible assets	423	516
Long-term deposits	40,000	30,000
Statutory deposit	36,000	36,000
Accrued commission income on statutory deposit	2,842	2,577
TOTAL INSURANCE OPERATIONS' ASSETS	506,648	435,687
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
LIABILITIES		
Payable to policyholders	32	243
Accrued expenses and other liabilities	64,407	47,197
Reinsurance balances payable	4,990	12,976
Unearned premiums	167,899	100,911
Unearned reinsurance commission	717	1,057
Outstanding claims	52,770	51,474
Claims incurred but not reported	45,066	28,356
Premium deficiency reserve	21,744	15,420
Other technical reserve	3,836	10,940
Employees' end-of-service obligation	3,904	4,043
Surplus distribution payable	779	779
Provision for zakat	4,008	2,859
Accrued commission income payable to SAMA	2,842	2,577
TOTAL LIABILITIES	372,994	278,832



3- Review of Historical Financial Information (Continued)

STATEMENT OF FINANCIAL POSITION	30september 2020 (Unaudited)	31 December 2019 (Audited)
EQUITY		
Share capital	240,000	240,000
Accumulated losses	(110,318)	(85,666)
Actuarial loss on end-of-service obligation	(539)	(539)
Fair value reserve for available-for-sale investments	4,511	3,060
TOTAL EQUITY	133,654	156,855
TOTAL LIABILITIES AND EQUITY	506,648	435,687

3- Review of Historical Financial Information (Continued)

STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS	30 September 2020	30 September 2019
Gross written premiums	272,608	187,756
Reinsurance premiums ceded	(4,985)	(9,097)
Excess of loss expenses	(27,346)	(3,924)
Net premiums written	240,277	174,735
Changes in unearned premiums – net	(68,830)	(45,525)
NET PREMIUMS EARNED	171,447	129,210
Reinsurance commissions	1,626	1,419
Other underwriting income	10,671	12,174
NET REVENUES	183,744	142,803
UNDERWRITING COSTS AND EXPENSES		
Gross claims paid	(156,567)	(127,754)
Reinsurers' share of claims paid	28,076	34,247
Net claims paid	(128,491)	(93,507)
Changes in outstanding claims	(1,296)	11,686
Changes in reinsurers' share of outstanding claims	(187)	(2,234)
Changes in claims incurred but not reported	(16,710)	(16,313)
Changes in reinsurers' share of claims incurred but not reported	(1,006)	(3,741)
Net claims incurred	(147,690)	(104,109)
Changes in premiums deficiency reserve	(6,324)	(4,692)
Changes in other technical reserves	7,104	122
Policy acquisition costs	(17,816)	(13,391)
Inspection and supervision fees	(9,967)	(9,281)
TOTAL UNDERWRITING COSTS AND EXPENSES	(174,693)	(131,351)
NET UNDERWRITING INCOME	9,051	11,452
OTHER OPERATING EXPENSES		
Allowance for doubtful debts	(3,532)	(6,226)
General and administrative expenses	(33,726)	(34,110)
Dividends and investment income	4,704	5,772
TOTAL OTHER OPERATING EXPENSES - NET	(32,554)	(34,564)
Total loss / income for the period before zakat	(23,503)	(23,112)
Zakat charge	(1,149)	(9,670)
Total loss for the period after zakat	(24,652)	(32,782)
Income attributed to the insurance operations	-	-
Net loss attributable to the shareholders after zakat	(24,652)	(32,782)
Loss per share - basic and diluted for the period - adjusted (SR)	(1.03)	(1.45)
Weighted average number of shares in issue throughout the period-adjusted	24,000	22,625

3- Review of Historical Financial Information (Continued)

STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS	30 September 2020	30 September 2019
INCOME		
Net loss after zakat	(24,652)	(32,782)
Other comprehensive income / (loss): Items that will not be reclassified to statement of income in subsequent years		
Change in fair value of available-for-sale investments	1,451	1,236
Total comprehensive loss	(23,201)	(31,546)
Total comprehensive income attributable to the insurance		
Net comprehensive loss attributable to the shareholders	(23,201)	(31,546)

3- Review of Historical Financial Information (Continued)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<u>2020</u>	<u>Notes</u>	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Actuarial loss on end-of-service benefits</u>	<u>Fair value reserve for available for sale investments</u>	<u>Total</u>
Balance as at 01 January 2020 (Audited)		240,000	(85,666)	(539)	3,060	156,855
<u>Comprehensive income for the period:</u>						
Changes in fair values of available for sale investments		-	-	-	1,451	1,451
Total loss for the period attributable to the shareholders		-	(24,652)	-	-	(24,652)
Total comprehensive loss for the period		-	(24,652)	-	1,451	(23,201)
Balance as at 30 September 2020 (Unaudited)		240,000	(110,318)	(539)	4,511	133,654

3- Review of Historical Financial Information (Continued)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

<u>2019</u>	<u>Notes</u>	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Actuarial loss on end-of-service benefits</u>	<u>Fair value reserve for available for sale investments</u>	<u>Total</u>
Balance as at 01 January 2019 (Audited)		140,000	(44,572)	-	117	95,545
Comprehensive income for the period:						
Changes in fair values of available for sale investments		-	-	-	1,236	1,236
Total loss for the period attributable to the shareholders		-	(32,782)	-	-	(32,782)
Total comprehensive loss for the period		-	(32,782)	-	1,236	(31,546)
Capital increase		100,000	-	-	-	100,000
Transaction cost for increase in capital			(3,847)	-	-	(3,847)
Balance as at 30 September 2019 (Unaudited)		240,000	(81,201)	-	1,353	160,152

3- Review of Historical Financial Information (Continued)

	30 September 2020	30 September 2019
CASH FLOWS OF INSURANCE OPERATIONS'		
CASH FLOW FROM OPERATING ACTIVITIES		
Total loss before zakat	(23,503)	(23,112)
Adjustments for non-cash items:		
Depreciation and amortization	1,259	1,196
Change in allowance for doubtful debts	3,532	6,226
Realized loss on sale of available-for-sale investments	-	134
Amortization of held-to-maturity investments	(303)	-
Provision for employees' end-of-service benefits	1,379	1,146
	(17,636)	(14,410)
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	(84,330)	(54,725)
Reinsurers' share of unearned premiums	1,842	11,461
Reinsurers' share of outstanding claims	187	2,234
Reinsurers' share of claims incurred but not reported	1,006	3,848
Deferred policy acquisition costs	(5,800)	(3,059)
Prepaid expenses and other assets	(2,066)	(2,848)
Policyholders claims payable	(211)	157
Accrued expenses and other liabilities	17,210	16,728
Reinsurers' balances payable	(7,986)	(21,191)
Unearned premiums	66,988	34,064
Unearned reinsurance commission	(340)	340
Outstanding claims	1,296	(11,686)
Claims incurred but not reported	16,710	16,313
Premium deficiency reserve	6,324	4,692
Other technical reserves	(7,104)	(229)
	(13,910)	(18,311)
Employees' end-of-service benefits paid	(1,518)	(89)
Zakat paid	-	(75)
Net cash used in operating activities	(15,428)	(18,475)
CASH FLOW FROM INVESTING ACTIVITY		
Short-term deposits	35,619	(74,590)
Purchase of available-for-sale investments	-	(6,599)
Purchase of held-to-maturity investments	-	(1,064)
Purchase of property, equipment and intangibles	(2,721)	(1,696)
Purchase of long term-deposit	(10,000)	-
Net cash generated from / (used in) investing activities	22,898	(83,949)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in statutory deposit	-	(15,000)
Proceeds from issuance of capital	-	100,000
Net cash generated from financing activities	-	85,000
Net change in cash and cash equivalents	7,470	(17,424)
Cash and cash equivalents at the beginning of the period	44,515	39,224
Cash and cash equivalents at the end of the period	51,985	21,800
Supplemental non-cash information:		
Transfer from capital work in progress to property and equipment	480	-
Changes in fair values of available-for-sale investments - net	1,451	1,236
	1,931	1,236

3- NOTES TO THE FINANCIAL STATEMENTS

4.1- Accumulated losses

The company has accumulated losses of SR 110.3 Million as of 30 September 2020. Reduction in share capital by SR 110 Million will reduce the accumulated losses to 318 thousand Saudi Riyal.

4-2 Share Capital

The paid-up Capital of the Company is SR 240 million divided into 24 million shares of SR 10 each.

4- REASONS NECESSITATING THE REDUCTION OF SHARE CAPITAL AND COMPANY'S LIABILITIES. THE EFFECT OF THE PROPOSED REDUCTION ON THESE LIABILITIES:

5-1 Reasons necessitating the reduction:

- 1) Restructure the capital of the Company

5-2 Effect of reducing share Capital

The changes will affect the equity of the Company based on 30 September 2020 reviewed financial statements as follow:

Shareholders' Equity	Before Reduction	After Reduction	Impact
Capital	240,000	130,000	(110,000)
Accumulated Losses	(110,318)	(318)	110,000
TOTAL SHAREHOLDERS' EQUITY	129,682	129,682	-

The Capital Reduction will have no impact on the cash accounts of the Company. Additionally, there is no impact on the net equity and liabilities of the Company.

END OF REPORT