

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Unaudited Interim Condensed Financial Statements
and Review Report

For the three-month and six-month periods ended
30 June 2018

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended 30 June 2018

INDEX	PAGE
Report on Review of Interim Condensed Financial Statements	1 – 2
Interim Statement of Financial Position	3
Interim Statement of Income	4 – 5
Interim Statement of Comprehensive Income	6
Interim Statement of Changes in Shareholders' Equity	7
Interim Statement of Cash Flows	8
Notes to the Interim Condensed Financial Statements	9 – 30

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)

**TO THE SHAREHOLDERS OF
SAUD ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

EMPHASIS OF MATTER – MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to Note 4, whereby, as on 31 March 2018, the Company's accumulated losses exceeded 74.5% of its share capital. Further, on 9 May 2018, in an Extraordinary General Assembly Meeting, it was resolved to reduce the Company's share capital by from SR 200 million to SR 100 million. Accordingly, the Company absorbed SR 100 million of accumulated losses against its share capital of 10 million shares. Subsequent to the reduction, accumulated losses decreased to 26.19% of the share capital as at 30 June 2018.

On 27 May 2018, Company received a letter from SAMA regarding non-compliance with the solvency requirement. As at 30 June 2018, the Company is not in full compliance with Article 66 of SAMA Insurance Implementing Regulations in relation to its solvency requirements. Subsequent to the period end, on 18 July 2018, the Company received another letter from SAMA indicating issues concerning the material deficiencies in risk assessment procedures, corporate governance, contingency planning and internal control environment among other things. Further, SAMA instructed the Company to hire an independent consultant within maximum 15 working days to perform a detailed review over the weaknesses and observations identified and update SAMA weekly on the progress. Furthermore, Company is to provide final report from the consultant to SAMA within 60 working days from the date of the original letter. The Company has taken necessary actions to comply with SAMA's letter related to the appointment of consultant. Once the report is issued, Company will develop an action plan and will get approval from the Board of Directors. These conditions raise material uncertainty on the Company's ability to continue as a going concern. However, the Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Company's operations shall continue for foreseeable future under normal course of the business. Accordingly, the interim condensed financial information has been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as going concern.

Our conclusion is not qualified in respect of the above matter.

for PKF Al-Bassam & Co.
Allied Accountants

Ibrahim A. Al Bassam
Certified Public Accountant
Licence No. 337



for Sindi & Batterjee
Certified Public Accountants



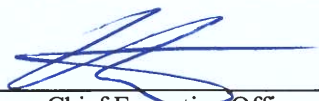
Mazin Mohammed Batterjee
Certified Public Accountant
Licence No. 217

Jeddah, Kingdom of Saudi Arabia
08 August 2018
26 Dhul Qaedah 1439H



SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
SAR '000			
ASSETS			
Cash and cash equivalents	5	52,423	32,812
Short term murabaha deposits		127,334	134,863
Premiums and reinsurers' receivable - net	6	110,326	118,898
Reinsurers' share of outstanding claims reserve	9	8,125	-
Reinsurers' share of claims incurred but not reported	9	1,798	798
Reinsurers' share of Premium deficiency reserve		3,903	-
Deferred policy acquisition costs		8,342	8,924
Investments	7	34,560	34,489
Prepaid expenses and other assets		10,954	28,727
Property and equipment		2,813	1,930
Intangible assets		1,598	1,396
Statutory deposit	8	30,000	30,000
Accrued commission income on statutory deposit		1,999	1,460
TOTAL ASSETS		394,175	394,297
LIABILITIES			
Accrued and other liabilities		36,128	23,009
Reinsurers' balances payable		22,278	4,881
Unearned premiums	9	128,492	148,377
Outstanding claims	9	81,158	34,542
Claims incurred but not reported	9	19,030	14,108
Premium deficiency reserve	9	15,615	-
Other technical reserves	9	1,503	487
End-of-service indemnities		4,659	4,207
Zakat and income tax	14	9,498	8,298
Accrued commission income payable to SAMA		1,999	1,460
TOTAL LIABILITIES		320,360	239,369
SHAREHOLDERS' EQUITY			
Share capital	15	100,000	200,000
Accumulated losses		(26,185)	(45,072)
TOTAL EQUITY		73,815	154,928
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		394,175	394,297
COMMITMENTS AND CONTINGENCIES			
	10	13,045	13,045
 Chairman		 Chief Financial Officer	
		 Chief Executive Officer	

The accompanying notes from 1 – 22 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME – (Unaudited)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE

	Three-month period ended 30 June		Six-month period ended 30 June	
	2018	2017	2018	2017
	SAR '000	SAR '000	SAR '000	SAR '000
REVENUES				
Gross premiums written	50,673	66,246	137,861	115,241
Reinsurance premiums ceded	-	69	-	(105)
Excess of loss expenses	(14,190)	(1,014)	(18,417)	(2,028)
Net premiums written	36,483	65,301	119,444	113,108
Changes in unearned premiums, net	29,324	(31,686)	19,885	(49,713)
Net premiums earned	65,807	33,615	139,329	63,395
TOTAL REVENUES	65,807	33,615	139,329	63,395
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	70,967	23,158	139,412	41,823
Reinsurers' share of claims paid	(8,383)	(6,431)	(16,628)	(14,255)
Net claims paid	62,584	16,727	122,784	27,568
Changes in outstanding claims, net	(16,085)	-	42,195	-
Changes in claims incurred but not reported, net	219	3,725	219	12,504
Net claims incurred	46,718	20,452	165,198	40,072
Premium deficiency reserve	(18,506)	-	11,713	-
Other technical reserves	(4,038)	-	1,016	-
Policy acquisition costs	2,921	2,038	7,373	3,829
Other underwriting expenses	1,475	997	3,263	2,112
TOTAL UNDERWRITING COSTS AND EXPENSES	28,570	23,487	188,563	46,013
NET UNDERWRITING INCOME/(LOSS)	37,237	10,128	(49,234)	17,382



Chairman



Chief Financial Officer

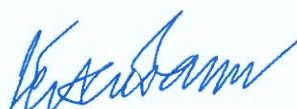


Chief Executive Officer

The accompanying notes from 1 – 22 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME – (Unaudited) – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE

		Three-month period ended 30 June		Six-month period ended 30 June	
Notes		2018	2017	2018	2017
		SAR '000			
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
Other income		-	50	-	50
Allowance for doubtful debts		(1,664)	(2,338)	(5,317)	(4,803)
General and administrative expenses		(13,125)	(12,481)	(27,263)	(24,648)
Commission income on deposits		960	807	1,830	1,798
Unrealized gain on investments		16	359	71	190
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(13,813)</u>	<u>(13,603)</u>	<u>(30,679)</u>	<u>(27,413)</u>
Net income/(loss) for the period		23,424	(3,475)	(79,913)	(10,031)
Net income attributed to the insurance operations		-	-	-	-
Net income/(loss) for the period attributable to the shareholders		<u>23,424</u>	<u>(3,475)</u>	<u>(79,913)</u>	<u>(10,031)</u>
Earnings/(loss) per share (Expressed in SAR per share)					
Weighted average number of ordinary shares outstanding (in thousands)		<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Basic and diluted earnings/(loss) per share for the period (SR) – restated – 2017	18	2.34	(0.35)	(7.99)	(1.00)



Chairman



Chief Financial Officer



Chief Executive Officer

The accompanying notes from 1 – 22 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY


(A Saudi Joint Stock Company)

**INTERIM STATEMENT OF COMPREHENSIVE INCOME – (Unaudited)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE**

	Three-month period ended 30 June		Six-month period ended 30 June	
Notes	2018	2017	2018	2017
	SAR '000			
Net income/(loss) for the period	23,424	(3,475)	(79,913)	(10,031)
Other comprehensive income/(loss)				
<i>Items that are or may be reclassified to interim statements of income in subsequent periods</i>				
- Available for sale investments:	-	-	-	-
- Net change in fair value	-	-	-	-
- Net amounts transferred to statement of income	-	-	-	-
Other comprehensive income	-	-	-	-
<u>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</u>	<u>23,424</u>	<u>(3,475)</u>	<u>(79,913)</u>	<u>(10,031)</u>
Total comprehensive loss attributed to the insurance operations	-	-	-	-
Total comprehensive income/(loss) for the period attributable to the shareholders	<u>23,424</u>	<u>(3,475)</u>	<u>(79,913)</u>	<u>(10,031)</u>



Chairman



Chief Financial Officer



Chief Executive Officer

The accompanying notes from 1 – 22 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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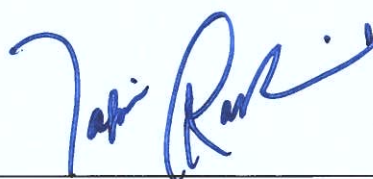
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

<u>2018</u>	<u>Notes</u>	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total Equity</u>
Balance as at 31 December 2017 (audited)		200,000	(45,072)	154,928
<i>Total comprehensive income / (loss) for the period</i>				
Net loss for the period – attributable to shareholders'			(79,913)	(79,913)
<i>Total comprehensive loss for the period attributable to shareholders'</i>		-	(79,913)	(79,913)
Reduction of share capital (note 15)		(100,000)	100,000	-
Zakat for the period		-	(1,200)	(1,200)
Balance as at 30 June 2018 (unaudited)		<u>100,000</u>	<u>(26,185)</u>	<u>73,815</u>

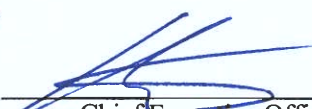
<u>2017</u>	<u>Notes</u>	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total Equity</u>
Balance as at 31 December 2016 (audited)		200,000	(28,253)	171,747
<i>Total comprehensive for the period</i>				
Net loss for the period – attributable to shareholders'		-	(10,031)	(10,031)
<i>Total comprehensive loss for the period attributable to shareholders'</i>		-	(10,031)	(10,031)
Zakat for the period		-	(1,300)	(1,300)
Balance as at 30 June 2017 (unaudited)		<u>200,000</u>	<u>(39,584)</u>	<u>160,416</u>



Chairman



Chief Financial Officer



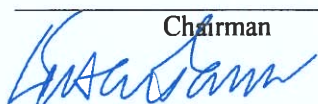
Chief Executive Officer


The accompanying notes from 1 – 22 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

	Notes	2018 SAR '000	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(79,913)	(10,031)
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment		377	59
Amortization of intangible assets		505	1,487
Gain on sale of property and equipment		-	(50)
Allowance for doubtful debts		5,317	4,803
Unrealized gain on investments		(52)	(243)
Amortization of discount – net		(19)	53
Provision for end-of-service indemnities		1,029	-
		(72,756)	(3,922)
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable		3,255	(35,368)
Reinsurers' share of unearned premiums		-	9,161
Reinsurers' share of outstanding claims		(8,125)	1,887
Reinsurers' share of incurred but not reported (IBNR) claims		(1,000)	-
Reinsurers' share of premium deficiency reserve		(3,903)	-
Deferred policy acquisition costs		582	(2,128)
Prepaid expenses and other assets		17,773	(5,267)
Accrued and other liabilities		13,119	(1,561)
Reinsurers' balances payable		17,397	(15,146)
Unearned premiums		(19,885)	40,552
Outstanding claims		46,616	-
Incurred but not reported claims		4,922	10,617
Premium deficiency reserve		15,615	-
Other technical reserves		1,016	-
Net cash from/(used in) operating activities		14,626	(1,175)
End-of-service indemnities paid		(577)	-
Zakat paid		-	(701)
Net cash flows from/(used in) operating activities		14,049	(1,876)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		-	(10,000)
Proceeds from sale of investments		-	4,975
Purchase of short term murabaha deposits		-	(39,472)
Proceeds from maturity of short-term murabaha deposits		7,529	-
Purchase of property and equipment		(1,260)	(225)
Proceeds from sale of property and equipment		-	234
Purchase of intangible assets		(707)	(67)
Net cash flows from/(used in) investing activities		5,562	(44,555)
Net change in cash and cash equivalents		19,611	(46,431)
Cash and cash equivalents, beginning of the period		32,812	98,660
Cash and cash equivalents, end of the period		52,423	52,229


Chairman


Chief Financial Officer


Chief Executive Officer

The accompanying notes from 1 – 22 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

1. GENERAL

Saudi Enaya Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 98/Q dated 16 Rabi Awwal 1433H (corresponding to 8 February 2012). The Commercial Registration number of the Company is 4030223528 dated 27 Rabi Awal 1433H (corresponding to 19 February 2012).

The Registered Office address of the Company is:

Building No. 8433
Al Amir Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435
Kingdom of Saudi Arabia

Following is the branch of the Company:

<u>Branch</u>	<u>Commercial Registration Number:</u>
Riyadh	1010421871

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/49 dated 27 Rajab 1432H (corresponding to 29 June 2011) pursuant to the Council of Ministers' Resolution No 224 dated 25 Rajab 1432H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi shareholders and the general public and 23% owned by non-Saudi shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 February 2012.

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and brokerage, in the Kingdom of Saudi Arabia in accordance with its Articles of Association, and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only. The Company commenced its commercial operations on 7 January 2013.

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial information of the Company has been prepared in accordance with 'International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value. The Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, End-of-service indemnities, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. Similarly, in the past, the Company's interim condensed and annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 23 to 30 of the financial statements 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 to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements 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.

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed statements of financial position, statement of income, statement of comprehensive income, statement of cash flows as well as certain relevant notes to the financial statements represents additional supplementary information required as required by the implementing regulations.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2017.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

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

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018**

2. BASIS OF PREPARATION – (continued)

b. Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial statements 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 statements, 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 applied to the annual financial statements as at and for the year ended 31 December 2017.

c. Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2017 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim condensed statement of changes in shareholders' equity for the period.

a. New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<u>Standard/ Amendments</u>	<u>Description</u>
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 15	Revenue from Contracts with Customers (refer below)
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014 – 2016 cycle.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. However, IFRS 15 does not apply to "revenue from insurance contracts". However, entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts). Therefore, insurance entities will need to carefully evaluate the scope of this standard.

IFRS 15 established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring of goods or services to a customer.

Though there are changes in accounting policy, however, management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

Further, the adoption of the amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	Refer below
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts (note below)	1 January 2021

IFRS 9 and IFRS 17

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss (ECL) impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2021.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

4. GOING CONCERN

As on 31 March 2018, the Company's accumulated losses reached 74.5% of its share capital. Further, on 9 May 2018, in an Extraordinary General Assembly Meeting, it was resolved to reduce the Company's share capital from SR 200 million to SR 100 million. Accordingly, the Company absorbed SR 100 million of accumulated losses against its share capital of 10 million shares. Subsequent to the reduction, accumulated losses decreased to 26.19% of the share capital as at 30 June 2018 (Note 15).

On 27 May 2018, the Company received a letter from SAMA regarding non-compliance with the solvency requirement. As at 30 June 2018, the Company is not in full compliance with Article 66 of SAMA Insurance Implementing Regulations in relation to its solvency requirements (note 16). Subsequent to the period end, on 18 July 2018, the Company received another letter from SAMA indicating issues concerning the material deficiencies in risk assessment procedures, corporate governance, contingency planning and internal control environment among other things (Note 17). Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and update SAMA weekly on the progress. Furthermore, Company is to provide final report from the consultant to SAMA within 60 working days from the date of the original letters. The Company has taken necessary actions to comply with SAMA's letter related to the appointment of consultant. Once the report is issued, Company will develop an action plan and will get approval from the Board of Directors. These conditions raise material uncertainty on the Company's ability to continue as a going concern. However, whilst approving these interim condensed financial statements on 05 August 2018, the management reconsidered the financial position and continues to believe that the going concern basis of preparation of the interim condensed financial statements is appropriate. Accordingly, the interim condensed financial information has been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as going concern.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Bank balances and cash	28,848	32,389
	28,848	32,389
	Shareholders' operations	
	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Bank balances and cash	26	27
Deposits maturing within 3 months from the acquisition date	23,549	396
	23,575	423

6. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Policyholders	57,906	92,829
Brokers and agents	49,612	35,773
Related parties (note 13)	3,957	2,757
Receivables from reinsurers'	20,637	4,008
	132,112	135,367
Provision for doubtful receivables	(21,786)	(16,469)
Premiums and reinsurers' receivable – net	110,326	118,898

Movement in the allowance for doubtful premiums receivable during the period was as follows:

	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Balance at beginning of the period/year	16,469	6,573
Provision made during the period/year	5,317	9,896
Balance at end of the period/year	21,786	16,469

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

7. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
- Held as FVSI	7,690	7,638
- Held to maturity	26,870	26,851
<i>Total</i>	34,560	34,489

Movement in the Fair value through statement of income (FVSI) investment balance is as follows:

	Shareholders' operations	
	30 June 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Opening balance	7,638	9,964
Purchases during the period/year	-	10,000
Disposals during the period/year	-	(12,196)
Changes in fair value of investments	52	(130)
<i>Closing balance</i>	7,690	7,638

	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Al Badr Murabaha Fund	6,973	6,930
Saudi Fransi GCC IPO Fund	717	708
	7,690	7,638

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

7. INVESTMENTS – (continued)

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	30 June 2018	31 December
	(Unaudited)	2017
	SAR'000	(Audited)
		SAR'000
Opening balance	26,851	25,028
Purchases	-	6,851
Disposals	-	(4,975)
Amortization of held to maturity investments	19	(53)
<i>Closing balance</i>	26,870	26,851

8. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SR 30 million, in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. During the three-month period ended 30 June 2018, the Company has reduced its share capital by SR 100 million but has not withdrawn the surplus statutory deposit of SR 15 million as of 30 June 2018.

9. TECHNICAL RESERVES

9.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 June 2018	31 December
	(Unaudited)	2017
	SAR'000	(Audited)
		SAR'000
Outstanding claims reserve	81,158	34,542
Claims Incurred but not reported	19,030	14,108
	100,188	48,650
Premium deficiency reserve	15,615	-
Other technical reserves	1,503	487
	117,306	49,137
Less:		
- Reinsurers' share of outstanding claims reserve	(8,125)	(567)
- Reinsurers' share of claims incurred but not reported	(1,798)	(231)
- Reinsurers' share of premium deficiency reserve	(3,903)	-
	(13,826)	(798)
Net outstanding claims and reserves	103,480	48,339

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

9. TECHNICAL RESERVES – (continued)

9.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Six-month period ended 30 June 2018		
	(Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	148,377	-	148,377
Premium written during the period	137,861	(14,430)	123,431
Premium earned during the period	(157,746)	14,430	(143,316)
Balance as at the end of the period	128,492	-	128,492

	Year ended 31 December 2017		
	(Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	64,740	(9,424)	55,316
Premium written during the year	266,990	1,153	268,143
Premium earned during the year	(183,353)	8,271	(175,082)
Balance as at the end of the year	148,377	-	148,377

10. COMMITMENTS AND CONTINGENCIES

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

	30 June 2018	31 December
	(Unaudited)	2017
	SAR'000	(Audited)
		SAR'000
Letters of guarantee	13,045	13,045
Total	13,045	13,045

- b. There were no capital commitments outstanding as at 30 June 2018 (31 December 2017: Nil).
- c. As at 30 June 2018, a payment guarantee amounting to SR 0.5 million (31 December 2017: SR 0.5 million) was issued to the medical service providers on behalf of the Company.
- d. As at 30 June 2018, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2017: SR 12.545 million) in favour of General Authority of Zakat and Tax (GAZT) (see note 14).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

11. 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 advantages 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 (consolidated) 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.

a. Carrying amounts and fair value

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.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

11. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

Shareholders' Operations	Fair value				
	Carrying value	Level 1	Level 2 SAR'000	Level 3	Total
30 June 2018 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	7,690	7,690	-	-	7,690
	<u>7,690</u>	<u>7,690</u>	<u>-</u>	<u>-</u>	<u>7,690</u>
Financial assets not measured at fair value					
- Held to maturity investments	26,870	-	26,965	-	26,965
- Murabaha deposits	127,334	-	-	128,136	128,136
	<u>154,204</u>	<u>-</u>	<u>26,965</u>	<u>128,136</u>	<u>155,101</u>
Shareholders' Operations					
	Fair value				
	Carrying value	Level 1	Level 2 SAR'000	Level 3	Total
31 December 2017 (Audited)					
Financial assets measured at fair value					
- Investments held as FVSI	7,638	7,638	-	-	7,638
	<u>7,638</u>	<u>7,638</u>	<u>-</u>	<u>-</u>	<u>7,638</u>
Financial assets not measured at fair value					
- Held to maturity investments	26,851	-	26,939	-	26,939
- Murabaha deposits	134,863	-	-	135,594	135,594
	<u>161,714</u>	<u>-</u>	<u>26,939</u>	<u>135,594</u>	<u>162,533</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

12. OPERATING SEGMENTS

The Company only issues insurance contracts for providing health care services ('medical insurance') and all the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. The insurance operations are being monitored by management under one segment; hence no separate information is required.

13. 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:

	Nature of transactions	Transactions for the six-month period ended		Balance receivable / (payable) as at	
		30 June 2018 (Unaudited)	30 June 2017 (Unaudited)	30 June 2018 (Unaudited)	31 December 2017 (Audited)
SAR'000					
<u>Major shareholders</u>					
Munich Re	Reinsurance ceded	-	105	-	-
Claims paid	Claims recovered	-	13,193	-	-
Other recoveries	Other recoveries	-	-	1,587	1,587
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Related parties of Juffali Group – (affiliates)	Insurance premium written	2,628	2,441	3,957	2,757
	Office rent	-	30		
	Claims paid	2,401	1,476	-	-
	Purchase of computer equipment, licenses, vehicles and other services	27	200		
	Commission paid	44	107		

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

	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
SAR'000		
Salaries and other allowances	2,034	4,043
End of service indemnities	74	149
	2,108	4,192

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018****14. ZAKAT AND INCOME TAX****a. Charge for the year**

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the year

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	SAR'000	
Balance at the beginning of the period/year	8,298	6,699
Charge for the period/year	1,200	2,300
Paid during the period/year	-	(701)
Balance at the end of the period/year	9,498	8,298

As the Company has incurred a loss during the six-month period ended 30 June 2018, and in previous years, no provision has been established in respect of income tax in these interim condensed financial statements.

b. Status of zakat assessments

The Company has filed its Zakat and tax return for the first twelve month period ended 30 June 2012 with the General Authority of Zakat and Tax ("GAZT"). The Company has also filed its Zakat and income tax return for the long period from 8 February 2012 to 31 December 2013 and for the years from 2014 to 2017 and obtained restricted zakat certificates.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. The Company has filed an appeal against such assessment. The Company submitted an appeal against the GAZT treatment and is confident of a favourable outcome. Accordingly, no provision has been established in this regard in these financial statements.

During 2017, the Company filed an appeal to the Appellate Committee for Zakat and Tax Appeal ("ACZTA") against the Preliminary Objection Committee's ("POC") decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declarations filed by the Company. The Zakat is applicable on 81% of the shareholders' while Income Tax on 19% of the shareholders'.

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018**

15. SHARE CAPITAL

The authorised, subscribed and paid up share capital of the Company was SR 200 million, divided into 20 million shares of SR 10 each.

On 9 May 2018, the Board of Directors had recommended reducing the Company's share capital from SR 200 million to SR 100 million divided into 10 million shares by off-setting with accumulated losses. In an extra-ordinary general meeting (second meeting) held on 26 Ramadan 1439H corresponding to 10 June 2018, the shareholders' of the Company have approved this reduction and the required changes in the Company by-laws relating to this reduction, accordingly the share capital and accumulated losses have been reduced by SR 100 million. The capital reduction is through reduction of 1 share for every 2 shares held by the shareholder. The purpose of capital reduction is to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There will be no impact of capital reduction on the Company's financial obligations.

As at 30 June 2018, the authorised, subscribed and paid up share capital of the Company is SR 100 million, divided into 10 million shares of SR 10 each.

On 25 Rabi Al-Awwal 1439H, corresponding to 13 December 2017, the Board of directors has recommended an increase in the Company's capital through offering a rights issue with a total value of SR 200 million. The Company is in the process of seeking approval and meeting certain requirements from regulatory authorities.

16. CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has not fully complied with the externally imposed capital requirements during the reported financial period.

On 12 Ramadan 1439H, corresponding to 27 May 2018, the Company received a letter from Saudi Arabian Monetary Authority (SAMA) regarding the suspension of underwriting of new or renewal of existing medical policies. SAMA also required the Company to appoint an approved advisor to study the reasons for the weak financial position and recommend solutions to improve the situation.

The Company is in the process of submitting a plan to improve the solvency margin as required by SAMA.

17. SUBSEQUENT EVENT

Subsequent to three-month period ended 30 June 2018, on 18 July 2018 corresponding to 5 Dhul Qaedah 1439H, the Company received a letter from SAMA concerning the material deficiencies in risk assessment procedures, corporate governance, contingency planning and internal control environment among other things. The Company is required by SAMA to appoint an independent consultant approved by them within 15 working days and submit the required report and recommend solutions to improve the situation within 60 working days. The Company is in the process of hiring the consultant in that matter.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

18. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share for the period has been calculated by dividing the net income/(loss) for the period by the weighted average number of issued and outstanding shares for the period. The Company have decreased its share capital by offsetting with accumulated losses (note 15), as a result the weighted average number of ordinary shares issued and outstanding in the prior year has been restated to 10 million shares and accordingly loss per share is restated.

19. SUPPLEMENTARY INFORMATION

a) Interim statement of financial position

	30 June 2018			31 December 2017		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	28,848	23,575	52,423	32,389	423	32,812
Short term murabaha deposits	-	127,334	127,334	-	134,863	134,863
Premiums and reinsurers' receivable – net	110,326	-	110,326	118,898	-	118,898
Reinsurers' share of outstanding claims	8,125	-	8,125	798	-	798
Reinsurers' share of claims incurred but not reported	1,798	-	1,798			
Reinsurers' share of premium deficiency reserve	3,903	-	3,903			
Deferred policy acquisition costs	8,342	-	8,342	8,924	-	8,924
Investments	-	34,560	34,560	-	34,489	34,489
Due from shareholders' operations	132,893	-	132,893	37,203	-	37,203
Prepaid expenses and other assets	9,923	1,031	10,954	27,806	921	28,727
Property and equipment	2,813	-	2,813	1,930	-	1,930
Intangible assets	1,598	-	1,598	1,396	-	1,396
Statutory deposit	-	30,000	30,000	-	30,000	30,000
Accrued income on statutory deposit	-	1,999	1,999	-	1,460	1,460
	308,569	218,499	527,068	229,344	202,156	431,500
Less: Inter-operations eliminations	(132,893)	-	(132,893)	(37,203)	-	(37,203)
TOTAL ASSETS	175,676	218,499	394,175	192,141	202,156	394,297

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

19. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – (continued)

	31 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR '000					
LIABILITIES						
Accrued and other liabilities	35,834	294	36,128	22,742	267	23,009
Reinsurers' balances payable	22,278	-	22,278	4,881	-	4,881
Unearned premiums	128,492	-	128,492	148,377	-	148,377
Outstanding claims	81,158	-	81,158	48,650	-	48,650
Claims incurred but not reported	19,030	-	19,030	-	-	-
Premium deficiency reserve	15,615	-	15,615	-	-	-
Other technical reserves	1,503	-	1,503	487	-	487
Due to insurance operations	-	132,893	132,893	-	37,203	37,203
End-of-service indemnities	4,659	-	4,659	4,207	-	4,207
Zakat and income tax	-	9,498	9,498	-	8,298	8,298
Accrued commission income payable to SAMA	-	1,999	1,999	-	1,460	1,460
	308,569	144,684	453,253	229,344	47,228	276,572
<u>Less: Inter-operations eliminations</u>	-	(132,893)	(132,893)	-	(37,203)	(37,203)
TOTAL LIABILITIES	308,569	11,791	320,360	229,344	10,025	239,369
SHAREHOLDERS' EQUITY						
Share capital	-	100,000	100,000	-	200,000	200,000
Accumulated losses	-	(26,185)	(26,185)	-	(45,072)	(45,072)
TOTAL EQUITY	-	73,815	73,815	-	154,928	154,928
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	308,569	85,606	394,175	229,344	164,953	394,297
COMMITMENTS AND CONTINGENCIES	500	12,545	13,045	13,045	-	13,045

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

For the three-month period ended 30 June

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written	50,673	-	50,673	66,246	-	66,246
Reinsurance premiums ceded	-	-	-	69	-	69
Excess of loss expenses	(14,190)	-	(14,190)	(1,014)	-	(1,014)
Net premiums written	36,483	-	36,483	65,301	-	65,301
Changes in unearned premiums, net	29,324	-	19,885	(31,686)	-	(31,686)
Net premiums earned	65,807	-	65,807	33,615	-	33,615
TOTAL REVENUES	65,807	-	65,807	33,615	-	33,615
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	70,967	-	70,967	23,158	-	23,158
Reinsurers' share of claims paid	(8,383)	-	(8,383)	(6,431)	-	(6,431)
Net claims	62,584	-	62,584	16,727	-	16,727
Changes in outstanding claims	(16,085)	-	(16,085)	-	-	-
Changes in claims incurred but not reported	219	-	219	3,725	-	3,725
Net claims incurred	46,718	-	46,718	20,452	-	20,452
Premium deficiency reserve	(18,506)	-	(18,506)	-	-	-
Other technical reserves	(4,038)	-	(4,038)	-	-	-
Policy acquisition costs	2,921	-	2,921	2,038	-	2,038
Other underwriting expenses	1,475	-	1,475	997	-	997
TOTAL UNDERWRITING COSTS AND EXPENSES	28,570	-	28,570	23,487	-	23,487
NET UNDERWRITING RESULT	37,237	-	37,237	10,128	-	10,128

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income – (continued)

For the three-month period ended 30 June

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
OTHER OPERATING (EXPENSES) / INCOME						
Other income	-	-	-	50	-	50
Allowance for doubtful debts	(1,664)	-	(1,664)	(2,338)	-	(2,338)
General and administrative expenses	(11,853)	(1,272)	(13,125)	(12,196)	(285)	(12,481)
Commission income on deposits	-	960	960	-	807	807
Unrealized gain on investments	-	16	16	-	359	359
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(13,517)	(296)	(13,813)	(14,484)	881	(13,603)
NET INCOME/(LOSS) FOR THE PERIOD	23,720	(296)	23,424	(4,356)	881	(3,475)
Net Income attributed to the insurance operations	-	-	-	-	-	-
Net loss for the period attributed to shareholders' operations	23,720	(296)	23,424	(4,356)	881	(3,475)
Loss per share (Expressed in SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)	-		10,000	-		10,000
Basic and diluted earnings/(loss) per share for the period (SR) – restated – 2017	-		2.34	-		(0.35)

c) Interim statement of comprehensive income

For the three-month period ended 30 June

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
NET INCOME/ (LOSS) FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	-	23,424	23,424	-	(3,475)	(3,475)
Other comprehensive income / (loss)	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	-	23,424	23,424	-	(3,475)	(3,475)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income – (continued)

For the six-month period ended 30 June

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written	137,861	-	137,861	115,241	-	115,241
Reinsurance premiums ceded	-	-	-	(105)	-	(105)
Excess of loss expenses	(18,417)	-	(18,417)	(2,028)	-	(2,028)
Net premiums written	119,444	-	119,444	113,108	-	113,108
Changes in unearned premiums, net	19,885	-	19,885	(49,713)	-	(49,713)
Net premiums earned	139,329	-	139,329	63,395	-	63,395
TOTAL REVENUES	139,329	-	139,329	63,395	-	63,395
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	139,412	-	139,412	41,823	-	41,823
Reinsurers' share of claims paid	(16,628)	-	(16,628)	(14,255)	-	(14,255)
Net claims	122,784	-	122,784	27,568	-	27,568
Changes in outstanding claims	42,195	-	42,195	-	-	-
Changes in claims incurred but not reported	219	-	219	12,504	-	12,504
Net claims incurred	165,198	-	165,198	40,072	-	40,072
Premium deficiency reserve	11,713	-	11,713	-	-	-
Other technical reserves	1,016	-	1,016	-	-	-
Policy acquisition costs	7,373	-	7,373	3,829	-	3,829
Other underwriting expenses	3,263	-	3,263	2,112	-	2,112
TOTAL UNDERWRITING COSTS AND EXPENSES	188,563	-	188,563	46,013	-	46,013
NET UNDERWRITING RESULT	(49,234)	-	(49,234)	17,382	-	17,382

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income – (continued)

For the six-month period ended 30 June

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Other income	-	-	-	50	-	50
Allowance for doubtful debts	(5,317)	-	(5,317)	(4,803)	-	(4,803)
General and administrative expenses	(25,689)	(1,574)	(27,263)	(24,189)	(459)	(24,648)
Commission income on deposits	-	1,830	1,830	-	1,798	1,798
Unrealized gain on investments	-	71	71	-	190	190
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(31,006)	327	(30,679)	(28,942)	1,529	(27,413)
<u>NET LOSS FOR THE PERIOD</u>	(80,240)	327	(79,913)	(11,560)	1,529	(10,031)
Net Income attributed to the insurance operations	-	-	-	-	-	-
<u>Net loss for the period attributed to shareholders' operations</u>	-	327	(79,913)	-	1,529	(10,031)
<u>Loss per share (Expressed in SAR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands)	-		10,000	-		10,000
Basic and diluted loss per share for the period (SR) – restated – 2017	-		(7.99)	-		(1.00)

e) Interim statement of comprehensive income

For the six-month period ended 30 June

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
<u>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</u>	-	(79,913)	(79,913)	-	(10,031)	(10,031)
Other comprehensive income / (loss)	-	-	-	-	-	-
<u>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</u>	-	(79,913)	(79,913)	-	(10,031)	(10,031)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

19. SUPPLEMENTARY INFORMATION – (continued)

f) Interim statement of cash flows

Note	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
SR '000						
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period	-	(79,913)	(79,913)	-	(10,031)	(10,031)
Adjustments for non-cash items:						
Depreciation of property and equipment	377	-	377	59	-	59
Amortization of intangible assets	505	-	505	1,487	-	1,487
Gain on sale of property and equipment	-	-	-	(50)	-	(50)
Allowance for doubtful debts	5,317	-	5,317	4,803	-	4,803
Unrealized gain on investments	-	(52)	(52)	-	(243)	(243)
Amortization of discount – net	-	(19)	(19)	-	53	53
Provision for end-of-service indemnities	1,029	-	1,029	-	-	-
	7,228	(79,784)	(72,756)	6,299	(10,221)	(3,922)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	3,255	-	3,255	(35,368)	-	(35,368)
Reinsurers' share of unearned premiums	-	-	-	9,161	-	9,161
Reinsurers' share of outstanding claims	(8,125)	-	(8,125)	1,887	-	1,887
Reinsurers' share of IBNR	(1,000)	-	(1,000)	-	-	-
Reinsurers' share of PDR	(3,903)	-	(3,903)	-	-	-
Deferred policy acquisition costs	582	-	582	(2,128)	-	(2,128)
Prepaid expenses and other assets	17,883	(110)	17,773	(5,383)	116	(5,267)
Accrued and other liabilities	13,092	27	13,119	(1,498)	(63)	(1,561)
Reinsurers' balances payable	17,397	-	17,397	(15,146)	-	(15,146)
Unearned premiums	(19,885)	-	(19,885)	40,552	-	40,552
Outstanding claims reserve	46,616	-	46,616	-	-	-
Claims incurred but not reported	19,030	-	19,030	10,617	-	10,617
Premium deficiency reserve	15,615	-	15,615	-	-	-
Other technical reserves	1,016	-	1,016	-	-	-
Due to Insurance Operations	-	95,690	95,690	-	7,913	7,913
Due from Shareholders' Operations	(95,690)	-	(95,690)	(7,913)	-	(7,913)
Cash from/(used in) operating activities	(997)	15,623	14,626	1,080	(2,255)	(1,175)
End-of-service indemnities paid	(577)	-	(577)	-	-	-
Zakat paid	-	-	-	-	(701)	(701)
Net cash flows from/(used in) operating activities	(1,574)	15,623	14,049	1,080	(2,956)	(1,876)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

19. SUPPLEMENTARY INFORMATION – (continued)

Interim statement of cash flows – (continued)

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of short term murabaha deposits	-	-	-	-	(39,472)	(39,472)
Proceeds from maturing of short term murabaha deposits	-	7,529	7,259	-	-	-
Purchases of investments	-	-	-	-	(10,000)	(10,000)
Proceeds from sale of investments	-	-	-	-	4,975	4,975
Proceeds from sale of property and equipment	-	-	-	234	-	234
Purchase of intangible assets	(707)	-	(707)	(67)	-	(67)
Purchase of property and equipment	(1,260)	-	(1,260)	(225)	-	(225)
Net cash flows from/(used in) investing activities	(1,967)	7,529	5,562	(58)	(44,497)	(44,555)
Net change in cash and cash equivalents	(3,541)	23,152	19,611	1,022	(47,453)	(46,431)
Cash and cash equivalents, beginning of the period	32,389	423	32,812	5,954	92,706	98,660
Cash and cash equivalents, end of the period	28,848	23,575	52,423	6,956	45,253	52,229

20. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current period presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these interim condensed financial statements, previously interim statement of financial position, statement of income, and cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level interim statement of financial position, statement of income and statement of cash flows.
- The amounts "due to / from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 19 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in interim statement of income (refer note 19 (b)).

21. COMPARATIVE FIGURES

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

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 23 Dhul Qaedah 1439H, corresponding to 05 August 2018.