

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Unaudited Interim Condensed Financial Statements
Together with Independent Auditors' Review Report

For the three-month period ended
31 March 2019

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF
SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Salama Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2019 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and the notes from 1 to 20 which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of Zakat and Income Tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

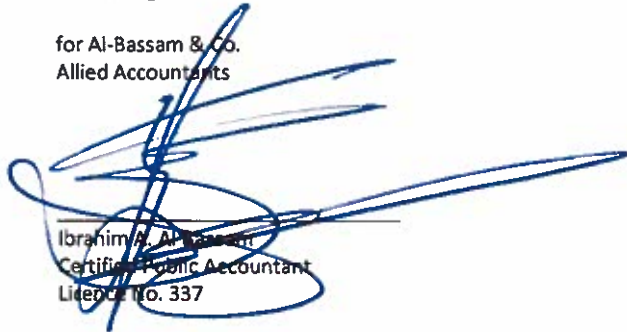
SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of these interim condensed 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 as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

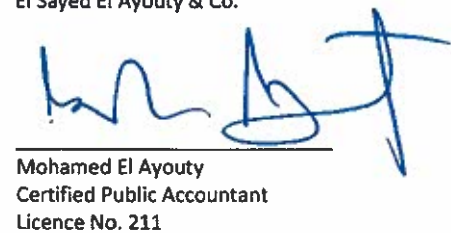
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as modified by SAMA for the accounting of Zakat and Income Tax.

for Al-Bassam & Co.
Allied Accountants



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Certified Public Accountant
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for Moore Stephens
El Sayed El Ayouty & Co.



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Jeddah, Kingdom of Saudi Arabia
12 May 2019
07 Ramadan 1440H



SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2019

	Notes	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
ASSETS			
Cash and cash equivalents	4	124,178	86,869
Term deposits		141,119	241,515
Premiums and reinsurers' receivable – net	5	188,693	155,444
Reinsurers' share of unearned premiums	7	22,004	13,139
Reinsurers' share of outstanding claims	7	11,757	13,316
Reinsurers' share of claims incurred but not reported	7	10,910	10,467
Deferred policy acquisition costs		14,167	14,135
Investments	6	281,806	278,812
Prepaid expenses and other assets		20,025	24,377
Property and equipment		14,507	14,459
Intangible assets		6,756	7,157
Right of use asset –net		30,104	-
Statutory deposit	8	25,000	25,000
Accrued income on statutory deposit		2,686	2,686
TOTAL ASSETS		893,712	887,376
LIABILITIES			
Policyholders claims payable		13,278	7,583
Accrued and other liabilities		52,306	52,179
Reinsurers' balances payable		19,047	6,547
Unearned premiums	7	265,834	287,093
Unearned reinsurance commission		3,619	2,543
Outstanding claims	7	52,588	58,370
Claims incurred but not reported	7	155,065	151,890
Premium deficiency reserve		4,473	5,083
Other technical reserves		6,375	6,375
End-of-service indemnities		7,894	8,941
Lease liabilities		27,041	-
Surplus distribution payable		14,535	14,535
Zakat	13	21,261	19,761
Accrued commission income payable to SAMA		2,686	2,686
TOTAL LIABILITIES		646,002	623,586
SHAREHOLDERS' EQUITY			
Share capital	14	250,000	250,000
Statutory reserve		5,003	5,003
Accumulated loss / retained earnings		(8,372)	7,708
TOTAL SHAREHOLDERS' EQUITY		246,631	262,711
Re-measurement reserve of defined benefit obligation – related to insurance operations		1,079	1,079
TOTAL EQUITY		247,710	263,790
TOTAL LIABILITIES AND EQUITY		893,712	887,376
COMMITMENTS AND CONTINGENCIES	9	10,200	10,200

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME – (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

	Notes	31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
<u>REVENUES</u>			
Gross premiums written		150,964	246,229
Reinsurance premiums ceded			
- Local		(192)	(405)
- Foreign		(15,927)	(6,081)
		(16,119)	(6,486)
Excess of loss expenses			
- Local		(68)	(119)
- Foreign		(3,503)	(4,787)
		(3,571)	(4,906)
Net premiums written		131,274	234,837
Changes in unearned premiums, net		30,124	(60,865)
Net premiums earned		161,398	173,972
Reinsurance commissions		1,390	1,108
Other underwriting income		424	3,334
TOTAL REVENUES		163,212	178,414
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid		155,175	144,839
Reinsurers' share of claims paid		(4,151)	(3,693)
Net claims paid		151,024	141,146
Changes in outstanding claims, net		(4,224)	(5,588)
Changes in claims incurred but not reported, net		2,732	574
Net claims incurred		149,532	136,132
Change Premium deficiency reserve		(610)	(2,164)
Policy acquisition costs		8,094	8,456
Other underwriting expenses		5,247	7,010
TOTAL UNDERWRITING COSTS AND EXPENSES		162,263	149,434
NET UNDERWRITING INCOME		949	28,980

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements





SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME – (Unaudited) – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

	<i>Notes</i>	31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>			
Allowance for doubtful debts		(1,280)	(2,581)
General and administrative expenses		(23,557)	(23,626)
Investment income		3,475	3,126
Unrealized gain on investments		5,833	1,786
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(15,529)</u>	<u>(21,295)</u>
Net (loss) / income for the period		<u>(14,580)</u>	<u>7,685</u>
Net income attributed to the insurance operations	17	<u>-</u>	<u>(397)</u>
Net (loss) / income for the period attributable to the shareholders		<u>(14,580)</u>	<u>7,288</u>
Earnings per share (Expressed in SAR per share)			
Weighted average number of shares (in thousands)		<u>25,000</u>	<u>25,000</u>
Basic and diluted (loss) / earnings per share	16	<u>(0.58)</u>	<u>0.29</u>

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

	Notes	31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
Net (loss) / income for the period		(14,580)	7,685
<i>Other comprehensive income</i>			
<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		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(14,580)	7,685
Total comprehensive income attributed to the insurance operations	17	-	(397)
Total comprehensive (loss) / income for the period attributable to the shareholders		(14,580)	7,288

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements





SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

<u>2019</u>	Notes	Share capital SR'000	Statutory reserve SR'000	Accumulated losses / Retained earnings SR'000	Re-measurement reserve of defined benefit obligation – related to insurance operations SR'000	Total Equity SR'000
Balance as at 31 December 2018 (audited)		250,000	5,003	7,708	1,079	263,790
<i>Total comprehensive income for the period</i>						
Net loss for the period – Attributable to shareholders		-	-	(14,580)	-	(14,580)
Other comprehensive income		-	-	-	-	-
		-	-	(6,872)	-	(6,872)
Zakat for the period	13	-	-	(1,500)	-	(1,500)
Balance as at 31 March 2019 (unaudited)		250,000	5,003	(8,372)	1,079	247,710

<u>2018</u>	Notes	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Re-measurement reserve of defined benefit obligation – related to insurance operations SR'000	Total Equity SR'000
Balance as at 31 December 2017 (audited)		250,000	1,734	634	-	252,368
<i>Total comprehensive income for the period</i>						
Net income for the period – Attributable to shareholders		-	-	7,288	-	7,288
Other comprehensive income		-	-	-	-	-
		-	-	7,922	-	7,922
Zakat for the period	13	-	-	(1,500)	-	(1,500)
Balance as at 31 March 2018 (unaudited)		250,000	1,734	6,422	-	258,156

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements




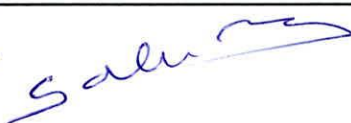


SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASHFLOWS – (Unaudited)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	Notes	31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the period		(14,580)	7,685
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment		1,136	454
Amortization of intangible assets		400	-
Amortization Held to maturity investments		13	13
Allowance for doubtful debts		1,279	2,581
Unrealized gain on investments		(5,833)	(4,430)
Realized gain on investments		(1,746)	-
Provision for end-of-service indemnities, net		(1,044)	511
		(20,375)	6,814
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable		(34,528)	(50,974)
Reinsurers' share of unearned premiums		(8,865)	(2,406)
Reinsurers' share of outstanding claims		1,559	(9,460)
Reinsurers' share of claims Incurred but not reported		(443)	(1,418)
Deferred policy acquisition costs		(32)	(1,495)
Prepaid expenses and other assets		906	(17,038)
Increase in right of use assets – net		(30,104)	-
Increase in lease liabilities		27,041	-
Accrued income on statutory deposit		-	(96)
Policyholders and accounts payables		5,695	817
Accrued and other liabilities		127	21,939
Reinsurers' balances payable		12,500	(3,947)
Unearned premiums		(21,259)	63,271
Unearned reinsurance commission		1,076	683
Outstanding claims		(5,782)	3,872
Claims incurred but not reported		3,175	1,992
Premium deficiency reserve		(610)	(2,164)
Accrued commission income payable to SAMA		-	96
Net cash flows (used in) / from operating activities		(66,475)	10,486
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments		(54,982)	-
Proceeds from sale of investments	6	59,554	20,000
Placement of term deposits		(100,362)	-
Proceeds from maturity of term deposit		200,758	-
Purchase of property and equipment		(1,184)	(528)
Net cash flows from investing activities		103,784	19,472
Net change in cash and cash equivalents		37,309	29,958
Cash and cash equivalents, beginning of the period		86,869	14,403
Cash and cash equivalents, end of the period		124,178	44,361

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

1. GENERAL

Salama 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 1121K dated 29 Rabi Al-Thani 1428H (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awwal 1428H (corresponding to 23 May 2007).

The Registered Office address of the Company is:

Salama Tower;
Al Madinah Road
P.O. Box 4020;
Jeddah 21491;
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

The Company received the approval letters from the Saudi Arabian Monetary Authority (SAMA) and Ministry of Commerce and Investment regarding the amendment of the Company's by-laws to be in accordance with the new companies' regulations. The Company's general assembly was held on 6 June 2017 corresponding to 11 Ramadan 1438H and accordingly the new by-laws was approved.

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.

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 27 to 33 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.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

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 recognized 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 2018.

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.

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 2018.

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 2018 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.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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 16	Leases

IFRS 16 - Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.4%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	SR
Total operating lease commitments as at 31 December 2018	34,379
Discounted using the lessee's incremental borrowing rate at date of initial application	(7,338)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	<u>27,041</u>

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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	1 January 2022
IFRS 17	Insurance Contracts (note below)	1 January 2022

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 2022. 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 2022.

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.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

4. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Bank balances and cash	122,601	81,792

	Shareholders' operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Bank balances	1,577	5,077

b) Term deposits

	Insurance operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Term deposits	40,757	141,136

	Shareholders' operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Term deposits	100,362	100,379

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Policyholders	186,347	171,520
Related parties (note 12)	40,483	21,551
Receivables from reinsurers	4,876	4,107
	231,706	197,178
Provision for doubtful receivables	(43,013)	(41,734)
Premiums and reinsurers' receivable – net	188,693	155,444

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

6. INVESTMENTS

Investment are classified as follows:

	Insurance operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
- Held as FVSI	142,942	143,984
- Held to maturity	23,614	28,627
<i>Total</i>	166,556	172,611

	Shareholders' operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
- Held as FVSI	94,819	90,752
- Available for sale	1,923	1,923
- Held to maturity	18,508	13,526
<i>Total</i>	115,250	106,201

Movement in held as FVSI investment balance is as follows:

	Insurance operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Opening balance period / year	143,984	354,374
Purchases during the period / year	50,000	-
Disposals during the period / year	(51,991)	(211,655)
	141,993	142,719
Changes in fair value of investments	949	1,265
<i>Closing balance period / year</i>	142,942	143,984

	Source of Fair Value	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Units in local equity funds	NAV**	3,302	3,157
Local DPM money market securities	NAV**	139,640	140,827
		142,942	143,984

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6. INVESTMENTS – (continued)

Movement in held as FVSI investment balance is as follows:

		Shareholders' operations	
		31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Opening balance period / year		90,752	216,980
Disposals during the period / year		(817)	(129,919)
		89,935	87,061
Changes in fair value of investments		4,884	3,691
<i>Closing balance period / year</i>		94,819	90,752

	Source of Fair Value	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Units in local equity funds	NAV**	2,117	1,988
Units in local real estate funds	NAV**	9,010	9,010
Local "DPM" money market securities	NAV**	21,924	22,746
Local "DPM" equity securities	Quoted	21,648	19,561
Foreign "DPM" equity securities	Quoted	17,694	15,486
Foreign bonds and sukuk	Quoted	22,426	21,961
		94,819	90,752

Movement in available-for-sale investment balance is as follows:

		Shareholders' operations	
		31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Opening balance		1,923	1,923
<i>Closing balance</i>		1,923	1,923

- (i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (2018: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

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6. INVESTMENTS – (continued)

Movement in held to maturity investment balance is as follows:

	Insurance operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Opening balance	28,627	35,790
Matured during the period	(5,000)	(7,000)
Amortization of held to maturity investments	(13)	(163)
<i>Closing balance</i>	<u>23,614</u>	<u>28,627</u>

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Opening balance	13,526	13,642
Purchases during the period	4,982	-
Amortization of held to maturity investments	-	(116)
<i>Closing balance</i>	<u>18,508</u>	<u>13,526</u>

* Managed at the discretion of a local regulated financial institution ("DPM").

** NAV: Net Asset Value as announced by asset manager.

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Outstanding claims	52,588	58,370
Claims incurred but not reported	155,065	151,890
Premium deficiency reserve	4,473	5,083
Other technical reserves	6,375	6,375
	<u>218,501</u>	<u>221,718</u>
Less:		
- Reinsurers' share of outstanding claims	(11,757)	(13,316)
- Reinsurers' share of claims incurred but not reported	(10,910)	(10,467)
	<u>(22,667)</u>	<u>(23,783)</u>
Net outstanding claims and reserves	<u>195,834</u>	<u>197,935</u>

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7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three-month ended 31 March 2019		
	(Unaudited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the period	287,093	(13,139)	273,954
Premium written during the period	150,964	(16,119)	134,845
Premium earned during the period	(172,223)	7,254	(164,969)
Balance as at the end of the period	265,834	(22,004)	243,830
	Year ended 31 December 2018		
	(Audited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	322,609	(8,889)	313,720
Premium written during the year	734,982	(24,643)	710,339
Premium earned during the year	(770,498)	20,393	(750,105)
Balance as at the end of the year	287,093	(13,139)	273,954

8. STATUTORY DEPOSIT

	31 March	31 December
	2019	2018
	(Unaudited)	(Audited)
	SR'000	SR'000
Statutory deposit	25,000	25,000
	25,000	25,000

As required by Saudi Arabian Insurance Regulations, the Company has deposited 10% of its paid up capital, amounting to SR 25 million (31 December 2018: SR 25 million) in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA.

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9. COMMITMENTS AND CONTINGENCIES

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

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Letters of guarantee in favour of non-government customers	700	700
Letters of guarantee in favour of GAZT	9,500	9,500
	10,200	10,200

b. The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at 31 December 2018.

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 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			

31 March 2019 (Unaudited)

Financial assets measured at fair value

- Investments held as FVSI	-	142,942	-	142,942
	-	142,942	-	142,942

Financial assets not measured at fair value

- Held to maturity investments	-	23,614	-	23,614
	-	23,614	-	23,614

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			

31 December 2018 (Audited)

Financial assets measured at fair value

- Investments held as FVSI	-	143,984	-	143,984
	-	143,984	-	143,984

Financial assets not measured at fair value

- Held to maturity investments	-	28,627	-	28,627
	-	28,627	-	28,627

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

<u>Shareholders' Operations</u>	<u>Fair value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>SR'000</u>			

31 March 2019 (Unaudited)

Financial assets measured at fair value

- Investments held as FVSI	-	94,819	-	94,819
	-	94,819	-	94,819

Financial assets not measured at fair value

- Held to maturity investments	-	18,508	-	18,508
	-	18,508	-	18,508

<u>Shareholders' Operations</u>	<u>Fair value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>SR'000</u>			

31 December 2018 (Audited)

Financial assets measured at fair value

- Investments held as FVSI	-	90,752	-	90,752
	-	90,752	-	90,752

Financial assets not measured at fair value

- Held to maturity investments	-	13,526	-	13,526
	-	13,526	-	13,526

SALAMA COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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 its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. 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 31 December 2018.

Segment assets do not include cash and cash equivalents, short term deposits, net premiums and reinsurers' receivable, net, prepayments and other receivables, amount due from a related party, investments, furniture, fittings and office equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables and employees' end of service indemnities. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 March 2019 and 31 December 2018, its total revenues, expenses, and net income for the three-month period then ended, are as follows:

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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11. OPERATING SEGMENTS – (continued)

	As at 31 March 2019 (Unaudited)					
	Insurance operations					
	Medical	Motor	Property & casualty	Total – Insurance operations	Shareholders' operations	Total
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	15,293	6,711	22,004	-	22,004
Reinsurers' share of outstanding claims	-	-	11,757	11,757	-	11,757
Reinsurers' share of claims incurred but not reported	-	9,134	1,776	10,910	-	10,910
Deferred policy acquisition costs	3,062	9,973	1,132	14,167	-	14,167
Unallocated assets				589,814	270,578	860,392
Less: Inter-operations eliminations				-	(25,518)	(25,518)
Total assets				648,652	245,060	893,712
Unearned premiums	52,984	202,989	9,861	265,834	-	265,834
Unearned reinsurance commission	-	1,759	1,860	3,619	-	3,619
Outstanding claims	17,726	19,676	15,186	52,588	-	52,588
Claims incurred but not reported	11,564	141,090	2,411	155,065	-	155,065
Premium deficiency reserve	4,473	-	-	4,473	-	4,473
Other technical reserves	2,393	3,708	274	6,375	-	6,375
Unallocated liabilities and surplus				159,619	23,947	183,566
Less: Inter-operations eliminations				(25,518)	-	(25,518)
				622,055	23,947	646,002
Shareholders' Equity						
Share capital	-			-	250,000	250,000
Statutory reserve	-			-	5,003	5,003
Accumulated losses	-			-	(8,372)	(8,372)
Total Shareholders' Equity	-			-	246,631	246,631
Re-measurement reserve of defined benefit obligation – related to insurance operations				1,079	-	1,079
Total liabilities and Shareholders' Equity				623,134	270,578	893,712

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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11. OPERATING SEGMENTS – (continued)

As at 31 December 2018 (Audited)						
Insurance operations					Shareholders ' operations	Total
Medical	Motor	Property & casualty	Total – Insurance operations			
SR'000						
Assets						
Reinsurers' share of unearned premiums	-	-	13,139	13,139	-	13,139
Reinsurers' share of outstanding claims	-	-	13,316	13,316	-	13,316
Reinsurers' share of claims incurred but not reported	-	8,469	1,998	10,467	-	10,467
Deferred policy acquisition costs	3,201	9,867	1,067	14,135	-	14,135
Unallocated assets				596,883	285,158	882,041
Less: Inter-operations eliminations				-	(45,722)	(45,722)
Total assets				647,940	239,436	887,376
Liabilities						
Unearned premiums	59,379	218,379	9,335	287,093	-	287,093
Unearned reinsurance commission	-	-	2,543	2,543	-	2,543
Outstanding claims	16,706	24,878	16,786	58,370	-	58,370
Claims incurred but not reported	10,398	138,874	2,618	151,890	-	151,890
Premium deficiency reserve	5,083	-	-	5,083	-	5,083
Other technical reserves	2,393	3,708	274	6,375	-	6,375
Lease liabilities						
Unallocated liabilities and surplus				135,507	22,447	157,954
Less: Inter-operations eliminations				(45,722)	-	(45,722)
Total liabilities				601,139	22,447	623,586
Shareholders' Equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Retained earnings				-	7,708	7,708
Total Shareholders' Equity				-	262,711	262,711
Re-measurement reserve of defined benefit obligation – related to insurance operations				1,079	-	1,079
Total liabilities and Equity				602,218	285,158	887,376

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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11. OPERATING SEGMENTS – (continued)

For the three-month period ended 31 March 2019 (Unaudited)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Property & casualty</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<u>REVENUES</u>				
Gross premiums written				
Individual	6,839	39,203	426	46,468
Very Small enterprises	3,295	355	-	3,650
Small enterprises	1,790	2,429	1,239	5,458
Medium enterprises	3,942	52,758	1,531	58,231
Large enterprises	7,605	27,391	2,161	37,157
	23,471	122,136	5,357	150,964
Reinsurance premiums ceded				
- Local	-	-	(192)	(192)
- Foreign	-	(12,396)	(3,531)	(15,927)
	-	(12,396)	(3,723)	(16,119)
Excess of loss expenses				
- Local	-	(68)	-	(68)
- Foreign	(1,650)	(1,535)	(318)	(3,503)
	(1,650)	(1,603)	(318)	(3,571)
Net premiums written	21,821	108,137	1,316	131,274
Changes in unearned premiums, net	6,395	23,904	(175)	30,124
Net premiums earned	28,216	132,041	1,141	161,398
Reinsurance commissions	-	451	939	1,390
Other underwriting income	-	424	-	424
TOTAL REVENUES	28,216	132,916	2,080	163,212
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	26,086	126,250	2,839	155,175
Reinsurers' share of claims paid	-	(2,080)	(2,071)	(4,151)
Net claims paid	26,086	124,170	768	151,024
Changes in outstanding claims, net	1,020	(5,201)	(43)	(4,224)
Changes in claims incurred but not reported, net	1,166	1,552	14	2,732
Net claims incurred	28,272	120,521	739	149,532
Change in premium deficiency reserve	(610)	-	-	(610)
Policy acquisition costs	1,670	5,895	529	8,094
Other underwriting expenses	2,588	2,616	43	5,247
TOTAL UNDERWRITING COSTS AND EXPENSES	31,920	129,032	1,311	162,263
NET UNDERWRITING (LOSS) / INCOME	(3,704)	3,884	769	949
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
General and administrative expenses				(23,557)
Allowance for doubtful debts				(1,280)
Investment income				3,475
Unrealized loss on investments				5,833
TOTAL OTHER OPERATING EXPENSES				(15,529)
NET LOSS FOR THE PERIOD				(14,580)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to the shareholders'				(14,580)

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11. OPERATING SEGMENTS – (continued)

For the Three-month period ended 31 March 2018 (Unaudited)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Property & casualty</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
REVENUES				
Gross premiums written				
Individual	4,569	124,398	156	129,123
Very Small enterprises	-	-	-	-
Small enterprises	-	-	-	-
Medium enterprises	3,101	-	-	3,101
Large enterprises	11,549	93,488	8,968	114,005
	19,219	217,886	9,124	246,229
Reinsurance premiums ceded				
- Local	-	-	(405)	(405)
- Foreign	-	-	(6,081)	(6,081)
	-	-	(6,486)	(6,486)
Excess of loss expenses				
- Local	-	(61)	(58)	(119)
- Foreign	(500)	(4,061)	(226)	(4,787)
	(500)	(4,122)	(284)	(4,906)
Net premiums written	18,719	213,764	2,354	234,837
Changes in unearned premiums, net	811	(60,610)	(1,066)	(60,865)
Net premiums earned	19,530	153,154	1,288	173,972
Reinsurance commissions	-	-	1,108	1,108
Other underwriting income	-	3,334	-	3,334
TOTAL REVENUES	19,530	156,488	2,396	178,414
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	10,687	133,610	542	144,839
Reinsurers' share of claims paid	-	(3,422)	(271)	(3,693)
Net claims paid	10,687	130,188	271	141,146
Changes in outstanding claims, net	4,303	(10,207)	316	(5,588)
Changes in claims incurred but not reported, net	-	522	52	574
Net claims incurred	14,990	120,503	639	136,132
Premium deficiency reserves	-	(2,164)	-	(2,164)
Policy acquisition costs	1,235	6,649	572	8,456
Other underwriting expenses	4,130	2,783	97	7,010
TOTAL UNDERWRITING COSTS AND EXPENSES	20,355	127,771	1,308	149,434
NET UNDERWRITING (LOSS) / INCOME	(825)	28,717	1,088	28,980
OTHER OPERATING (EXPENSES) / INCOME				
General and administrative expenses				(23,626)
Allowance for doubtful debts				(2,581)
Investment income				3,126
Unrealized gain on investments				1,786
TOTAL OTHER OPERATING EXPENSES				(21,295)
NET INCOME FOR THE PERIOD				7,685
Net income for the period attributable to insurance operations				(397)
Net income for the period attributable to the shareholders'				7,288

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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:

Nature of transactions		Amount of transactions		Balance receivable/(payable) as at	
		Three-month period ended 31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Tajeer Co. (affiliate)	Premium written	21,734	28,218		
	Payments and claims paid	(3,549)	-	38,679	20,494
Chairman of the Board	Premium written	4	-		
	Payments and claims paid	(1)	-	218	215
	Rent paid	2,931	-		
Rusd Global Company	Premium written	-	-		
	Payments and claims paid	-	-		74
Al Firdous Group Co.	Premium written	1,358	1,383		
	Payments and claims paid	(540)	-	1,586	768
Jabal Edsas Est.	Commission paid	-	3,025		
	Rent paid	-	111		
Tajeer International Co.	Services received	3,730	-		
Concord Insurance and Reinsurance Brokerage	Insurance commission	1,832	-		
Kwader Pro	Services received	52	91		
Alawwal Capital Co.	Investments in DPM and mutual funds	-	-	258,418	157,790
Rusd Capital	Investments in mutual funds	-	-	7,788	7,716

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

	31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
Salaries and other allowances	1,498	2,079
End of service indemnities	347	55
	1,845	2,134
Remuneration to those charged with governance – Board of Directors	130	75
	130	75

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13. ZAKAT**a. Charge for the period / 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 period / year	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Balance at the beginning of the period / year	19,761	18,189
Charge for the period / year	1,500	6,000
Paid during the period / year	-	(4,428)
Balance at the end of the period / year	21,261	19,761

b. Status of zakat assessments

The Company has filed its zakat declarations for the period from 16 May 2007 to 31 December 2008 and for the years ended 31 December 2009 through 2018 which are still under review by the GAZT and no assessments has been finalized.

During 2016, the Company received zakat assessments for the years ended 31 December 2008 through 2012 where GAZT demanded an additional zakat and withholding tax liability of SR 13.7 million in respect of those years. The Company has filed an objection against those assessments and the management is confident of a favorable outcome. In this regard, the Company have issued a letter of guarantee amounting to SR 9.5 million in favour of GAZT. Further, the Company has booked an additional liability of SR 4.4 million for withholding tax in the statement of income and SR 4 million for zakat for prior years in 2016.

14. SHARE CAPITAL

The authorized and issued share capital of the Company is SR 250 million divided into 25 million ordinary shares of SR 10 each.

15. 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 fully complied with the externally imposed capital requirements during the reported financial period.

16. (LOSS) / EARNINGS PER SHARE

(Loss) / earnings per share for the period has been calculated by dividing the net (loss) / income for the period by the weighted average number of issued and outstanding shares for the period.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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17. SUPPLEMENTARY INFORMATION

a) Interim statement of financial position

	31 March 2019			31 December 2018		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS						
Cash and cash equivalents	122,601	1,577	124,178	81,792	5,077	86,869
Term deposits	40,757	100,362	141,119	141,136	100,379	241,515
Premiums and reinsurers' receivable – net	188,693	-	188,693	155,444	-	155,444
Reinsurers' share of unearned premiums	22,004	-	22,004	13,139	-	13,139
Reinsurers' share of outstanding claims	11,757	-	11,757	13,316	-	13,316
Reinsurers' share of claims Incurred but not reported	10,910	-	10,910	10,467	-	10,467
Deferred policy acquisition costs	14,167	-	14,167	14,135	-	14,135
Investments	166,556	115,250	281,806	172,611	106,201	278,812
Due from insurance operations	-	25,518	25,518	-	45,722	45,722
Prepaid expenses and other assets	19,840	185	20,025	24,284	93	24,377
Property and equipment	14,507	-	14,507	14,459	-	14,459
Intangible assets	6,756	-	6,756	7,157	-	7,157
Right of use asset - net	30,104	-	30,104	-	-	-
Statutory deposit	-	25,000	25,000	-	25,000	25,000
Accrued income on statutory deposit	-	2,686	2,686	-	2,686	2,686
	648,652	270,578	919,230	647,940	285,158	933,098
Less: Inter-operations eliminations	-	(25,518)	(25,518)	-	(45,722)	(45,722)
TOTAL ASSETS	648,652	245,060	893,712	647,940	239,436	887,376

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17. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – (continued)

	31 March 2019 (Unaudited)			31 December 2018 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>LIABILITIES</u>						
Policyholders claims payable	13,278	-	13,278	7,583	-	7,583
Accrued and other liabilities	52,306	-	52,306	52,179	-	52,179
Reinsurers' balances payable	19,047	-	19,047	6,547	-	6,547
Unearned premiums	265,834	-	265,834	287,093	-	287,093
Unearned reinsurance commission	3,619	-	3,619	2,543	-	2,543
Outstanding claims	52,588	-	52,588	58,370	-	58,370
Claims incurred but not reported	155,065	-	155,065	151,890	-	151,890
Premium deficiency reserves	4,473	-	4,473	5,083	-	5,083
Other technical reserves	6,375	-	6,375	6,375	-	6,375
Due to shareholders' operations	25,518	-	25,518	45,722	-	45,722
End-of-service indemnities	7,894	-	7,894	8,941	-	8,941
Lease liabilities	27,041	-	27,041	-	-	-
Insurance operations' surplus	14,535	-	14,535	14,535	-	14,535
Zakat	-	21,261	21,261	-	19,761	19,761
Accrued commission income payable to SAMA	-	2,686	2,686	-	2,686	2,686
	647,573	23,947	671,520	646,861	22,447	669,308
Less: Inter-operations eliminations	(25,518)	-	(25,518)	(45,722)	-	(45,722)
<u>TOTAL LIABILITIES</u>	622,055	23,947	646,002	601,139	22,447	623,586
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	250,000	250,000	-	250,000	250,000
Statutory reserve	-	5,003	5,003	-	5,003	5,003
(Accumulated loss) / Retained earnings	-	(8,372)	(8,372)	-	7,708	7,708
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	246,631	246,631	-	262,711	262,711
Re-measurement reserve of defined benefit obligation – related to insurance operations	1,079	-	1,079	1,079	-	1,079
	1,079	246,631	247,710	1,079	262,711	263,790
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	623,134	270,578	893,712	602,218	285,158	887,376
COMMITMENTS AND CONTINGENCIES	10,200	-	10,200	10,200	-	10,200

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

	Three-month period ended					
	31 March 2019			31 March 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
REVENUES						
Gross premiums written	150,964	-	150,964	246,229	-	246,229
Reinsurance premiums ceded	150,964	-	150,964	246,229	-	246,229
- Local	(192)	-	(192)	(405)	-	(405)
- Foreign	(15,927)	-	(15,927)	(6,081)	-	(6,081)
	(16,119)	-	(16,119)	(6,486)	-	(6,486)
Excess of loss expenses						
- Local	(68)	-	(68)	(119)	-	(119)
- Foreign	(3,503)	-	(3,503)	(4,787)	-	(4,787)
	(3,571)	-	(3,571)	(4,906)	-	(4,906)
Net premiums written	131,274	-	131,274	234,837	-	234,837
Changes in unearned premiums, net	30,124	-	30,124	(60,865)	-	(60,865)
Net premiums earned	161,398	-	161,398	173,972	-	173,972
Reinsurance commissions	1,390	-	1,390	1,108	-	1,108
Other underwriting income	424	-	424	3,334	-	3,334
TOTAL REVENUES	163,212	-	163,212	178,414	-	178,414
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	155,175	-	155,175	144,839	-	144,839
Reinsurers' share of claims paid	(4,151)	-	(4,151)	(3,693)	-	(3,693)
Net claims and other benefits paid	151,024	-	151,024	141,146	-	141,146
Changes in outstanding claims, net	(4,224)	-	(4,224)	(5,588)	-	(5,588)
Changes in claims incurred but not reported, net	2,732	-	2,732	574	-	574
Net claims and other benefits incurred	149,532	-	149,532	136,132	-	136,132
Change in Premium deficiency reserves	(610)	-	(610)	(2,164)	-	(2,164)
Policy acquisition costs	8,094	-	8,094	8,456	-	8,456
Other underwriting expenses	5,247	-	5,247	7,010	-	7,010
TOTAL UNDERWRITING COSTS AND EXPENSES	162,263	-	162,263	149,434	-	149,434
NET UNDERWRITING INCOME	949	-	949	28,980	-	28,980

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019
17. SUPPLEMENTARY INFORMATION – (continued)
b) Interim statement of income – (continued)

	Three-month period ended					
	31 March 2019			31 March 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(1,280)	-	(1,280)	(2,581)	-	(2,581)
General and administrative expenses	(23,103)	(454)	(23,557)	(23,223)	(403)	(23,626)
Investment income	1,582	1,893	3,475	794	2,332	3,126
Unrealized gain on investments	949	4,884	5,833	-	1,786	1,786
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(21,852)	6,323	(15,529)	(25,010)	3,715	(21,295)
<u>NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS</u>	(20,903)	6,323	(14,580)	3,970	3,715	7,685
Surplus transferred to Shareholders	20,903	(6,323)	14,580	(3,573)	(3,715)	(7,288)
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	-	-	-	397	-	397
(Loss) / Earnings per share (Expressed in SAR per share)						
Weighted average number of shares (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted (loss) / earnings per share	-	(0.58)	(0.58)	-	0.29	0.29

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

17. SUPPLEMENTARY INFORMATION – (continued)

c) Interim statement of comprehensive income

	Three-month period ended					
	31 March 2019 (Unaudited)			31 March 2018 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
Net (loss) / income for the period	-	(14,580)	(14,580)	397	7,288	7,685
Other comprehensive income						
<i>Items that are or may be reclassified to consolidated statement of income in subsequent periods</i>						
- Available for sale investments:	-	-	-	-	-	-
- Net change in fair value	-	-	-	-	-	-
- Net amounts transferred to statement of income	-	-	-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	-	(14,580)	(14,580)	397	7,288	7,685

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019
17. SUPPLEMENTARY INFORMATION – (continued)
d) Interim statement of cash flows

Note	Three-month period ended			Three-month period ended		
	31 March 2019			31 March 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) / income for the period	-	(14,580)	(14,580)	397	7,288	7,685
Adjustments for non-cash items:						
Depreciation of property and equipment	1,136	-	1,136	454	-	454
Amortization of intangible assets	400	-	400	-	-	-
Amortization related to HTM investments	13	-	13	13	-	13
Allowance for doubtful debts	1,279	-	1,279	2,581	-	2,581
Unrealized gain on investments	(949)	(4,884)	(5,833)	(406)	(4,024)	(4,430)
Realized gain on investments	(663)	(1,083)	(1,746)	-	-	-
Provision for end-of-service indemnities	(1,044)	-	(1,044)	511	-	511
	172	(20,547)	(20,375)	3,550	3,264	6,814
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(34,528)	-	(34,528)	(50,974)	-	(50,974)
Reinsurers' share of unearned premiums	(8,865)	-	(8,865)	(2,406)	-	(2,406)
Reinsurers' share of outstanding claims	1,559	-	1,559	(9,460)	-	(9,460)
Reinsurers' share of claims Incurred but not reported	(443)	-	(443)	(1,418)	-	(1,418)
Deferred policy acquisition costs	(32)	-	(32)	(1,495)	-	(1,495)
Prepaid expenses and other assets	4,443	(93)	4,305	(16,941)	(97)	(17,038)
Increase in right of use assets – net	(30,104)	-	(30,104)	-	-	-
Increase in lease liabilities	27,041	-	27,041	-	-	-
Accrued income on statutory deposit	-	-	-	-	(96)	(96)
Policyholders and accounts payables	5,695	-	5,695	817	-	817
Accrued and other liabilities	127	-	127	21,939	-	21,939
Reinsurers' balances payable	12,500	-	12,500	(3,947)	-	(3,947)
Unearned premiums	(21,259)	-	(21,259)	63,271	-	63,271
Unearned reinsurance commission	1,076	-	1,076	683	-	683
Outstanding claims	(5,782)	-	(5,782)	3,872	-	3,872
Claims incurred but not reported	3,175	-	3,175	1,992	-	1,992
Additional premium reserves	(610)	-	(610)	(2,164)	-	(2,164)
Accrued commission income payable to SAMA	-	-	-	-	96	96
Net cash flows (used in) / from operating activities	(45,835)	(20,640)	(66,475)	7,319	3,167	10,486

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of cash flows – (continued)

	Three-month period ended			Three-month period ended		
	31 March 2019			31 March 2018		
	(Unaudited)			(Unaudited)		
Note	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(50,000)	(4,982)	(54,982)	-	-	-
Proceeds from sale of investments	57,653	1,901	59,554	20,000	-	20,000
Placement of term deposits	-	(100,362)	(100,362)	-	-	-
Proceeds from maturity of term deposit	100,379	100,379	200,758	-	-	-
Purchase of property and equipment	(1,184)	-	(1,184)	(528)	-	(528)
Net cash flows from / (used in) investing activities	106,848	(3,064)	103,784	19,472	-	19,472
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to shareholders' operations	(20,204)	20,204	-	3,167	(3,167)	-
Net cash flows from / (used in) from financing activities	(20,204)	20,204	-	3,167	(3,167)	-
Net change in cash and cash equivalents	40,809	(3,500)	37,309	29,958	-	29,958
Cash and cash equivalents, beginning of the period	81,792	5,077	86,869	14,392	11	14,403
Cash and cash equivalents, end of the period	122,601	1,577	124,178	44,350	11	44,361

18. 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 statement of 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 16 (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 16 (b)).

19. COMPARATIVE FIGURES

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

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 1 Ramadan 1440H, corresponding to 6 May 2019.