

SALAMA 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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and six-month periods ended 30 June 2018

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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 30 June 2018 and the related interim statements of income, comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in shareholders' equity and cash flows for the six-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") guidance on accounting for 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.

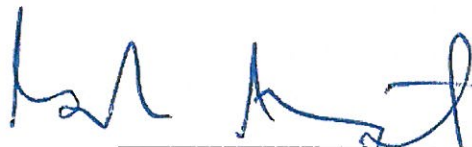
CONCLUSION

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 accounting for Zakat and Income Tax.

for PKF Al-Bassam & Co.
Allied Accountants


Ibrahim A. Al Bassam
Certified Public Accountant
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Jeddah, Kingdom of Saudi Arabia
5 August 2018
23 Dhul Qaedah 1439H



SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	Notes	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
ASSETS			
Cash and cash equivalents	4	351,810	14,403
Short term deposits		15,292	15,292
Premiums and reinsurers' receivable – net	5	210,288	128,299
Reinsurers' share of unearned premiums	7	10,180	8,889
Reinsurers' share of outstanding claims	7	18,877	9,951
Reinsurers' share of claims Incurred but not reported	7	2,831	1,493
Deferred policy acquisition costs		14,584	14,516
Investments	6	310,111	622,709
Prepaid expenses and other assets		29,440	14,704
Property and equipment		9,100	4,931
Intangible assets		3,186	-
Statutory deposit	8	25,000	25,000
Accrued income on statutory deposit		2,390	2,164
TOTAL ASSETS		1,003,089	862,351
LIABILITIES			
Policyholders claims payable		13,072	11,512
Accrued and other liabilities		51,839	36,947
Reinsurers' balances payable		8,980	9,902
Unearned premiums	7	415,281	322,609
Unearned reinsurance commission		2,674	2,244
Outstanding claims	7	58,964	45,489
Claims incurred but not reported	7	134,354	132,287
Premium deficiency reserve		140	2,304
Other technical reserves		3,977	3,977
End-of-service indemnities		10,124	9,262
Surplus distribution payable		14,418	13,097
Zakat	13	21,189	18,189
Accrued commission income payable to SAMA		2,390	2,164
TOTAL LIABILITIES		737,402	609,983
SHAREHOLDERS' EQUITY			
Share capital	14	250,000	250,000
Statutory reserve		1,734	1,734
Retained earnings		13,953	634
TOTAL EQUITY		265,687	252,368
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,003,089	862,351
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 AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<i>Notes</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR'000	SR'000	SR'000	SR'000
<u>REVENUES</u>				
Gross premiums written	224,273	201,968	470,502	429,847
Reinsurance premiums ceded				
- Local	(207)	(233)	(611)	(600)
- Foreign	(3,157)	(3,759)	(9,239)	(9,706)
	(3,364)	(3,992)	(9,850)	(10,306)
Excess of loss expenses				
- Local	(128)	(270)	(248)	(308)
- Foreign	(7,420)	(3,287)	(12,206)	(7,056)
	(7,548)	(3,557)	(12,454)	(7,364)
Net premiums written	213,361	194,419	448,198	412,177
Changes in unearned premiums, net	(30,517)	(26,810)	(91,381)	(98,180)
Net premiums earned	182,844	167,609	356,817	313,997
Reinsurance commissions	1,250	1,190	2,359	2,048
Other underwriting income	-	4,267	3,333	4,267
TOTAL REVENUES	184,094	173,066	362,509	320,312
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	129,112	112,138	273,951	215,426
Reinsurers' share of claims paid	(71)	(367)	(3,764)	(2,018)
Net claims paid	129,041	111,771	270,187	213,408
Changes in outstanding claims, net	10,137	1,858	4,549	5,043
Changes in claims incurred but not reported, net	155	15,071	729	14,999
Net claims incurred	139,333	128,700	275,465	233,450
Change Premium deficiency reserve	-	-	(2,164)	-
Policy acquisition costs	8,088	7,297	16,545	13,198
Other underwriting expenses	7,515	3,536	14,524	11,162
TOTAL UNDERWRITING COSTS AND EXPENSES	154,936	139,533	304,370	257,810
NET UNDERWRITING INCOME	29,158	33,533	58,139	62,502

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 AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

		<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>Notes</i>	30 June 2018 (Unaudited) SR'000	30 June 2017 (Unaudited) SR'000	30 June 2018 (Unaudited) SR'000	30 June 2017 (Unaudited) SR'000
<u>OTHER OPERATING (EXPENSES) /</u>					
<u>INCOME</u>					
Allowance for doubtful debts		(2,318)	(3,488)	(4,899)	(4,130)
General and administrative expenses		(19,619)	(16,288)	(43,242)	(32,236)
Investment income		1,603	1,834	4,728	4,136
Unrealized gain on investments		1,128	2,193	2,914	2,841
Other income		-	-	-	379
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(19,206)</u>	<u>(15,749)</u>	<u>(40,499)</u>	<u>(29,010)</u>
Net income for the period		9,952	17,784	17,640	33,492
Net income attributed to the insurance operations	17	<u>(924)</u>	<u>(1,625)</u>	<u>(1,321)</u>	<u>(3,156)</u>
Net income for the period attributable to the shareholders		<u>9,028</u>	<u>16,159</u>	<u>16,319</u>	<u>30,336</u>
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 earnings per share	16	0.36	0.65	0.65	1.21

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 AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

	Notes	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		30 June 2018 (Unaudited) SR'000	30 June 2017 (Unaudited) SR'000	30 June 2018 (Unaudited) SR'000	30 June 2017 (Unaudited) SR'000
Net income for the period		9,952	17,784	17,640	33,492
Other comprehensive income					
<i>Items that are or may be reclassified to interim statements of income in subsequent periods</i>					
<i>- Available for sale investments:</i>					
- Net change in fair value		-	-	-	-
- Net amounts transferred to statement of income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,952	17,784	17,640	33,492
Total comprehensive income attributed to the insurance operations	17	(924)	(1,625)	(1,321)	(3,156)
Total comprehensive income for the period attributable to the shareholders		<u>9,028</u>	<u>16,159</u>	<u>16,319</u>	<u>30,336</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 CHANGES IN SHAREHOLDERS' EQUITY – (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

<u>2018</u>	Notes	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Fair value reserve (loss) / gain on investments 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		-	-	16,319	-	16,319
Other comprehensive income		-	-	-	-	-
Zakat for the period	13	-	-	16,319	-	16,319
		-	-	(3,000)	-	(3,000)
Balance as at 30 June 2018 (unaudited)		250,000	1,734	13,953	-	265,687

<u>2017</u>	Notes	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Fair value reserve (loss) / gain on investments SR'000	Total Equity SR'000
Balance as at 31 December 2016 (audited)		250,000	-	(56,824)	-	193,176
<i>Total comprehensive income for the period</i>						
Net income for the period – Attributable to shareholders		-	-	30,336	-	30,336
Other comprehensive income		-	-	-	-	-
Zakat for the period	13	-	-	30,336	-	30,336
		-	-	(2,500)	-	(2,500)
Balance as at 30 June 2017 (unaudited)		250,000	-	(28,988)	-	221,012

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

SALAMA COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF CASHFLOWS – (Unaudited)
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2018

	Notes	30 June 2018 (Unaudited) SR'000	30 June 2017 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		17,640	33,492
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment		977	825
Amortization of intangible assets		94	-
Amortization related to HTM investments		139	134
Allowance for doubtful debts		4,899	4,130
Unrealized gain on investments		(4,307)	(5,914)
Provision for end-of-service indemnities, net		862	435
		<u>20,304</u>	<u>33,102</u>
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable		(86,888)	(55,727)
Reinsurers' share of unearned premiums		(1,291)	(3,021)
Reinsurers' share of outstanding claims		(8,926)	1,796
Reinsurers' share of claims Incurred but not reported		(1,338)	270
Deferred policy acquisition costs		(68)	(5,821)
Prepaid expenses and other assets		(14,736)	4,956
Accrued income on statutory deposit		(226)	(168)
Policyholders and accounts payables		1,560	8,460
Accrued and other liabilities		14,892	7,830
Reinsurers' balances payable		(922)	2,611
Unearned premiums		92,672	101,201
Unearned reinsurance commission		430	825
Outstanding claims		13,475	3,246
Claims incurred but not reported		2,067	14,730
Premium deficiency reserve		(2,164)	-
Accrued commission income payable to SAMA		226	168
Net cash flows from operating activities		<u>29,067</u>	<u>114,458</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments		-	(165,292)
Proceeds from sale of investments	6	316,766	14,992
Purchase of property and equipment		(5,146)	(1,974)
Purchase of intangible assets		(3,280)	-
Net cash flows from / (used in) investing activities		<u>308,340</u>	<u>(152,274)</u>
Net change in cash and cash equivalents		337,407	(37,816)
Cash and cash equivalents, beginning of the period		14,403	58,030
Cash and cash equivalents, end of the period		<u>351,810</u>	<u>20,214</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)

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

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 Agency 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.

SALAMA 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)

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. 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 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.

SALAMA 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 recognized 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.

SALAMA COOPERATIVE INSURANCE COMPANY
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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.

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

4. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Bank balances and cash	220,760	14,392
	220,760	14,392
	Shareholders' operations	
	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Bank balances	131,050	11
	131,050	11

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Policyholders	211,703	134,429
Related parties (note 11)	35,524	25,775
Receivables from reinsurers	2,194	2,329
	249,421	162,533
Provision for doubtful receivables	(39,133)	(34,234)
Premiums and reinsurers' receivable – net	210,288	128,299

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

6. INVESTMENTS

Investment are classified as follows:

		Insurance operations	
		30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
- Held as FVSI		168,525	354,374
- Held to maturity		35,709	35,790
<i>Total</i>		204,234	390,164
		Shareholders' operations	
		30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
- Held as FVSI		90,370	216,980
- Available for sale		1,923	1,923
- Held to maturity		13,584	13,642
<i>Total</i>		105,877	232,545

Movement in held as FVSI investment balance is as follows:

		Insurance operations	
		30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance		354,374	254,516
Purchases during the period / year		-	114,667
Disposals during the period / year		(186,846)	(20,500)
		167,528	348,683
Changes in fair value of investments		997	5,691
<i>Closing balance</i>		168,525	354,374
		30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
	Source of Fair Value		
Units in local money market funds	NAV**	25,283	211,656
Units in local equity funds	NAV**	3,517	3,664
Local DPM money market securities	NAV**	139,725	139,054
		168,525	354,374

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

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

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6. INVESTMENTS – (continued)

Movement in held as FVSI investment balance is as follows:

		Shareholders' operations	
		30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance		216,980	145,210
Purchases during the period / year		-	82,500
Disposals during the period / year		(129,920)	(14,992)
		87,060	212,718
Changes in fair value of investments		3,310	4,262
Closing balance		90,370	216,980

	Source of Fair Value	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Units in local money market funds	NAV**	-	84,756
Units in local equity funds	NAV**	2,201	6,588
Units in local real estate funds	NAV**	9,380	10,149
Local "DPM" money market securities	NAV**	20,101	59,401
Local "DPM" equity securities	Quoted	20,039	17,125
Foreign "DPM" equity securities	Quoted	16,898	16,623
Foreign bonds and sukuk	Quoted	21,751	22,338
		90,370	216,980

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

		Shareholders' operations	
		30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance		1,923	1,923
Closing balance		1,923	1,923

- (i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (2017: 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	
	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance	35,790	35,947
Amortization of held to maturity investments	(81)	(157)
<i>Closing balance</i>	<u>35,709</u>	<u>35,790</u>

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance	13,642	13,755
Amortization of held to maturity investments	(58)	(113)
<i>Closing balance</i>	<u>13,584</u>	<u>13,642</u>

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Outstanding claims	58,964	45,489
Claims incurred but not reported	<u>134,354</u>	<u>132,287</u>
	193,318	177,776
Less:		
- Reinsurers' share of outstanding claims	(18,877)	(9,951)
- Reinsurers' share of claims Incurred but not reported	(2,831)	(1,493)
	<u>(21,708)</u>	<u>(11,444)</u>
Net outstanding claims and reserves	<u>171,610</u>	<u>166,332</u>

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7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Six-month ended 30 June 2018		
	(Unaudited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the period	322,609	(8,889)	313,720
Premium written during the period	470,502	(9,850)	460,652
Premium earned during the period	(377,830)	8,559	(369,271)
Balance as at the end of the period	415,281	(10,180)	405,101
	Year ended 31 December 2017		
	(Audited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	280,969	(4,752)	276,217
Premium written during the year	750,691	(19,641)	731,050
Premium earned during the year	(709,051)	15,504	(693,547)
Balance as at the end of the year	322,609	(8,889)	313,720

8. STATUTORY DEPOSIT

	30 June	31 December
	2018	2017
	(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 (2017: 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:

	30 June 2018 (Unaudited) SR'000	31 December 2017 (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 2017.

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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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

<u>Insurance 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>			

30 June 2018 (Unaudited)

Financial assets measured at fair value

- Investments held as FVSI	-	168,525	-	168,525
	-	168,525	-	168,525

Financial assets not measured at fair value

- Held to maturity investments	-	35,709	-	35,709
	-	35,709	-	35,709

<u>Insurance 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 2017 (Audited)

Financial assets measured at fair value

- Investments held as FVSI	-	354,373	-	354,373
	-	354,373	-	354,373

Financial assets not measured at fair value

- Held to maturity investments	-	35,790	-	35,790
	-	35,790	-	35,790

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

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>			

30 June 2018 (Unaudited)

Financial assets measured at fair value

- Investments held as FVSI	-	90,370	-	90,370
	-	90,370	-	90,370

Financial assets not measured at fair value

- Held to maturity investments	-	13,584	-	13,584
	-	13,584	-	13,584

<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 2017 (Audited)

Financial assets measured at fair value

- Investments held as FVSI	-	216,980	-	216,980
	-	216,980	-	216,980

Financial assets not measured at fair value

- Held to maturity investments	-	13,642	-	13,642
	-	13,642	-	13,642

SALAMA COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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11. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess 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 2017.

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 30 June 2018 and 31 December 2017, 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 30 June 2018 (Unaudited)						
Insurance operations					Shareholders ' operations	Total
Medical	Motor	Property & casualty	Total – Insurance operations			
SR'000						
Assets						
Reinsurers' share of unearned premiums	-	-	10,180	10,180	-	10,180
Reinsurers' share of outstanding claims	-	-	18,877	18,877	-	18,877
Reinsurers' share of claims Incurred but not reported	-	-	2,831	2,831	-	2,831
Deferred policy acquisition costs	1,793	11,159	1,632	14,584	-	14,584
Unallocated assets				692,211	264,406	956,617
Total assets				738,683	264,406	1,003,089
Liabilities						
Unearned premiums	31,824	369,472	13,985	415,281	-	415,281
Unearned reinsurance commission	-	-	2,674	2,674	-	2,674
Outstanding claims	13,003	22,210	23,751	58,964	-	58,964
Claims incurred but not reported	4,885	125,754	3,715	134,354	-	134,354
Premium deficiency reserve	-	140	-	140	-	140
Other technical reserves	1,729	2,248	-	3,977	-	3,977
Unallocated liabilities and surplus				98,433	23,579	122,012
				713,823	23,579	737,402
Shareholders' Equity						
Share capital				-	250,000	250,000
Statutory reserve				-	1,734	1,734
Retained earnings				-	13,953	13,953
Total Equity				-	265,687	265,687
Total liabilities and Shareholders' Equity				713,823	289,266	1,003,089

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

As at 31 December 2017 (Audited)						
Insurance operations						
	Medical	Motor	Property & casualty	Total – Insurance operations	Shareholders ' operations	Total
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	-	8,889	8,889	-	8,889
Reinsurers' share of outstanding claims	-	-	9,951	9,951	-	9,951
Reinsurers' share of claims incurred but not reported	-	-	1,493	1,493	-	1,493
Deferred policy acquisition costs	1,926	11,281	1,309	14,516	-	14,516
Unallocated assets				567,659	259,843	827,502
Total assets				602,508	259,843	862,351
Liabilities						
Unearned premiums	29,529	281,214	11,866	322,609	-	322,609
Unearned reinsurance commission	-	-	2,244	2,244	-	2,244
Outstanding claims	6,985	24,738	13,766	45,489	-	45,489
Claims incurred but not reported	6,162	123,954	2,171	132,287	-	132,287
Premium deficiency reserve	-	2,304	-	2,304	-	2,304
Other technical reserves	1,729	2,248	-	3,977	-	3,977
Unallocated liabilities and surplus				80,720	20,353	101,073
				589,630	20,353	609,983
Shareholders' Equity						
Share capital				-	250,000	250,000
Statutory reserve				-	1,734	1,734
Retained earnings				-	634	634
Total Equity				-	252,368	252,368
Total liabilities and Shareholders' Equity				589,630	272,721	862,351

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11. OPERATING SEGMENTS – (continued)

	For the three-month period ended 30 June 2018 (Unaudited)			
	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Property & casualty SR'000</i>	<i>Total SR'000</i>
<u>REVENUES</u>				
Gross premiums written	20,352	199,208	4,713	224,273
Reinsurance premiums ceded				
- Local	-	-	(207)	(207)
- Foreign	-	-	(3,157)	(3,157)
	-	-	(3,364)	(3,364)
Excess of loss expenses				
- Local	-	(128)	-	(128)
- Foreign	-	(7,194)	(226)	(7,420)
	-	(7,322)	(226)	(7,548)
Net premiums written	20,352	191,886	1,123	213,361
Changes in unearned premiums, net	(3,106)	(27,648)	237	(30,517)
Net premiums earned	17,246	164,238	1,360	182,844
Reinsurance commissions	-	-	1,250	1,250
<u>TOTAL REVENUES</u>	<u>17,246</u>	<u>164,238</u>	<u>2,610</u>	<u>184,094</u>
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	9,279	119,678	155	129,112
Reinsurers' share of claims paid	-	-	(71)	(71)
Net claims paid	9,279	119,678	84	129,041
Changes in outstanding claims, net	1,715	7,679	743	10,137
Changes in claims incurred but not reported, net	(1,277)	1,277	155	155
Net claims incurred	9,717	128,634	982	139,333
Policy acquisition costs	1,042	6,405	641	8,088
Other underwriting expenses	4,059	3,417	39	7,515
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	<u>14,818</u>	<u>138,456</u>	<u>1,662</u>	<u>154,936</u>
NET UNDERWRITING (LOSS) / INCOME	2,428	25,782	948	29,158
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
General and administrative expenses				(19,619)
Allowance for doubtful debts				(2,318)
Investment income				1,603
Unrealized gain on investments				1,128
<u>TOTAL OTHER OPERATING EXPENSES</u>				<u>(19,206)</u>
<u>NET INCOME FOR THE PERIOD</u>				9,952
Net income for the period attributable to insurance operations				(924)
Net income for the period attributable to the shareholders'				9,028

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11. OPERATING SEGMENTS – (continued)

	For the Six-month period ended 30 June 2018 (Unaudited)			
	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Property & casualty SR'000</i>	<i>Total SR'000</i>
REVENUES				
Gross premiums written	39,571	417,094	13,837	470,502
Reinsurance premiums ceded				
- Local	-	-	(611)	(611)
- Foreign	-	-	(9,239)	(9,239)
	-	-	(9,850)	(9,850)
Excess of loss expenses				
- Local	-	(190)	(58)	(248)
- Foreign	(500)	(11,255)	(451)	(12,206)
	(500)	(11,445)	(509)	(12,454)
Net premiums written	39,071	405,649	3,478	448,198
Changes in unearned premiums, net	(2,295)	(88,258)	(828)	(91,381)
Net premiums earned	36,776	317,391	2,650	356,817
Reinsurance commissions	-	-	2,359	2,359
Other underwriting income	-	3,333	-	3,333
TOTAL REVENUES	36,776	320,724	5,009	362,509
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	19,965	253,288	698	273,951
Reinsurers' share of claims paid	-	(3,422)	(342)	(3,764)
Net claims paid	19,965	249,866	356	270,187
Changes in outstanding claims, net	6,018	(2,528)	1,059	4,549
Changes in claims incurred but not reported, net	(1,277)	1,799	207	729
Net claims incurred	24,706	249,137	1,622	275,465
Change premium deficiency reserves	-	(2,164)	-	(2,164)
Policy acquisition costs	2,276	13,054	1,215	16,545
Other underwriting expenses	8,189	6,200	135	14,524
TOTAL UNDERWRITING COSTS AND EXPENSES	35,171	266,227	2,972	304,370
NET UNDERWRITING (LOSS) / INCOME	1,605	54,497	2,037	58,139
OTHER OPERATING (EXPENSES) / INCOME				
General and administrative expenses				(43,242)
Allowance for doubtful debts				(4,899)
Investment income				4,728
Unrealized gain on investments				2,914
TOTAL OTHER OPERATING EXPENSES				(40,499)
NET INCOME FOR THE PERIOD				17,640
Net income for the period attributable to insurance operations				(1,321)
Net income for the period attributable to the shareholders'				16,319

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11. OPERATING SEGMENTS – (continued)

	For the Three-month period ended 30 June 2017 (Unaudited)			
	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Property & casualty SR'000</i>	<i>Total SR'000</i>
REVENUES				
Gross premiums written	23,067	173,170	5,731	201,968
Reinsurance premiums ceded				
- Local	-	-	(233)	(233)
- Foreign	-	-	(3,759)	(3,759)
	-	-	(3,992)	(3,992)
Excess of loss expenses				
- Local	-	(270)	-	(270)
- Foreign	-	(3,067)	(220)	(3,287)
	-	(3,337)	(220)	(3,557)
Net premiums written	23,067	169,833	1,519	194,419
Changes in unearned premiums, net	(8,724)	(17,606)	(480)	(26,810)
Net premiums earned	14,343	152,227	1,039	167,609
Reinsurance commissions	-	-	1,190	1,190
Other underwriting income	-	4,267	-	4,267
TOTAL REVENUES	14,343	156,494	2,229	173,066
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	4,058	107,577	503	112,138
Reinsurers' share of claims paid	-	-	(367)	(367)
Net claims paid	4,058	107,577	136	111,771
Changes in outstanding claims, net	1,858	(312)	312	1,858
Changes in claims incurred but not reported, net	-	15,000	71	15,071
Net claims incurred	5,916	122,265	519	128,700
Policy acquisition costs	806	5,982	509	7,297
Other underwriting expenses	1,452	2,033	51	3,536
TOTAL UNDERWRITING COSTS AND EXPENSES	8,174	130,280	1,079	139,533
NET UNDERWRITING (LOSS) / INCOME	6,169	26,214	1,150	33,533
OTHER OPERATING (EXPENSES) / INCOME				
General and administrative expenses				(16,288)
Allowance for doubtful debts				(3,488)
Investment income				1,834
Unrealized gain on investments				2,193
TOTAL OTHER OPERATING EXPENSES				(15,749)
NET INCOME FOR THE PERIOD				17,784
Net income for the period attributable to insurance operations				(1,625)
Net income for the period attributable to the shareholders'				16,159

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11. OPERATING SEGMENTS – (continued)

	For the Six-month period ended 30 June 2017 (Unaudited)			
	<i>Medical</i>	<i>Motor</i>	<i>Property & casualty</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES				
Gross premiums written	49,313	366,231	14,303	429,847
Reinsurance premiums ceded				
- Local	-	-	(600)	(600)
- Foreign	-	-	(9,706)	(9,706)
	-	-	(10,306)	(10,306)
Excess of loss expenses				
- Local	-	(308)	-	(308)
- Foreign	(450)	(6,166)	(440)	(7,056)
	(450)	(6,474)	(440)	(7,364)
Net premiums written	48,863	359,757	3,557	412,177
Changes in unearned premiums, net	(25,580)	(70,981)	(1,619)	(98,180)
Net premiums earned	23,283	288,776	1,938	313,997
Reinsurance commissions	-	-	2,048	2,048
Other underwriting income	-	4,267	-	4,267
TOTAL REVENUES	23,283	293,043	3,986	320,312
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	8,210	205,083	2,133	215,426
Reinsurers' share of claims paid	(550)	-	(1,468)	(2,018)
Net claims paid	7,660	205,083	665	213,408
Changes in outstanding claims, net	2,370	2,839	(166)	5,043
Changes in claims incurred but not reported, net	-	15,000	(1)	14,999
Net claims incurred	10,030	222,922	498	233,450
Policy acquisition costs	1,283	11,072	843	13,198
Other underwriting expenses	3,512	7,525	125	11,162
TOTAL UNDERWRITING COSTS AND EXPENSES	14,825	241,519	1,466	257,810
NET UNDERWRITING (LOSS) / INCOME	8,458	51,524	2,520	62,502
OTHER OPERATING (EXPENSES) / INCOME				
General and administrative expenses				(32,236)
Allowance for doubtful debts				(4,130)
Investment income				4,136
Unrealized gain on investments				2,841
Other income				379
TOTAL OTHER OPERATING EXPENSES				(29,010)
NET INCOME FOR THE PERIOD				33,492
Net income for the period attributable to insurance operations				(3,156)
Net income for the period attributable to the shareholders'				30,336

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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 Six-month period ended		Balance receivable/(payable) as at	
		30 June 2018 (Unaudited) SR'000	30 June 2017 (Unaudited) SR'000	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Tajeer Co. (affiliate)	Premium written	41,886	41,854	51,048	73,069
	Payments and claims paid	-	-	-	(79,081)
Chairman of the Board	Premium written	117	131	204	341
	Payments and claims paid	-	-	-	(414)
Rusd Global Company	Premium written	142	180	149	150
	Payments and claims paid	-	-	-	(341)
Al Firdous Group Co.	Premium written	1,509	1,617	1,042	1,742
	Payments and claims paid	-	-	-	(1,741)
Jabal Edsas Est.	Rent paid	3,025	-	-	-
	Commission paid	111	-	-	-
Tajeer International Co.	Services received	3,911	2,315	(106)	20
Concord Insurance and Reinsurance Brokerage	Insurance commission	1,380	35	(1,297)	(21)
Kwader Pro	Services received	128	136	-	-
Alawwal Capital Co.	Investments in DPM and mutual funds	-	-	156,616	344,528
Rusd Capital	Investments in mutual funds	-	-	7,457	7,465

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

	30 June 2018 (Unaudited) SR'000	30 June 2017 (Unaudited) SR'000
Salaries and other allowances	119	1,831
End of service indemnities	3,082	121
	3,201	1,952
Remuneration to those charged with governance – Board of Directors	149	696
Remuneration to those charged with governance – Board Committees	-	42
	149	738

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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	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Balance at the beginning of the period / year	18,189	14,054
Charge for the period / year	3,000	6,300
Paid during the period / year	-	(2,165)
Balance at the end of the period / year	21,189	18,189

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 2017 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. EARNINGS PER SHARE

Earnings per share for the period has been calculated by dividing the net income for the period by the weighted average number of issued and outstanding shares for the period.

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17. 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
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS						
Cash and cash equivalents	220,760	131,050	351,810	14,392	11	14,403
Short term deposits	15,292	-	15,292	15,292	-	15,292
Premiums and reinsurers' receivable – net	210,288	-	210,288	128,299	-	128,299
Reinsurers' share of unearned premiums	10,180	-	10,180	8,889	-	8,889
Reinsurers' share of outstanding claims	18,877	-	18,877	9,951	-	9,951
Reinsurers' share of claims Incurred but not reported	2,831	-	2,831	1,493	-	1,493
Deferred policy acquisition costs	14,584	-	14,584	14,516	-	14,516
Investments	204,234	105,877	310,111	390,164	232,545	622,709
Due from insurance operations	-	24,860	24,860	-	12,878	12,878
Prepaid expenses and other assets	29,351	89	29,440	14,581	123	14,704
Property and equipment	9,100	-	9,100	4,931	-	4,931
Intangible assets	3,186	-	3,186	-	-	-
Statutory deposit	-	25,000	25,000	-	25,000	25,000
Accrued income on statutory deposit	-	2,390	2,390	-	2,164	2,164
	738,683	289,266	1,027,949	602,508	272,721	875,229
Less: Inter-operations eliminations	-	(24,860)	(24,860)	-	(12,878)	(12,878)
TOTAL ASSETS	738,683	264,406	1,003,089	602,508	259,843	862,351

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17. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – (continued)

	30 June 2018 (Unaudited)			31 December 2017 (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	13,072	-	13,072	11,512	-	11,512
Accrued and other liabilities	51,839	-	51,839	36,947	-	36,947
Reinsurers' balances payable	8,980	-	8,980	9,902	-	9,902
Unearned premiums	415,281	-	415,281	322,609	-	322,609
Unearned reinsurance commission	2,674	-	2,674	2,244	-	2,244
Outstanding claims	58,964	-	58,964	45,489	-	45,489
Claims incurred but not reported	134,354	-	134,354	132,287	-	132,287
Premium deficiency reserves	140	-	140	2,304	-	2,304
Other technical reserves	3,977	-	3,977	3,977	-	3,977
Due to shareholders' operations	24,860	-	24,860	12,878	-	12,878
End-of-service indemnities	10,124	-	10,124	9,262	-	9,262
Insurance operations' surplus	14,418	-	14,418	13,097	-	13,097
Zakat	-	21,189	21,189	-	18,189	18,189
Accrued commission income payable to SAMA	-	2,390	2,390	-	2,164	2,164
	738,683	23,579	762,262	602,508	20,353	622,861
Less: Inter-operations eliminations	(24,860)	-	(24,860)	(12,878)	-	(12,878)
<u>TOTAL LIABILITIES</u>	713,823	23,579	737,402	589,630	20,353	609,983
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	250,000	250,000	-	250,000	250,000
Statutory reserve	-	1,734	1,734	-	1,734	1,734
Retained earnings / Accumulated losses	-	13,953	13,953	-	634	634
<u>TOTAL EQUITY</u>	-	265,687	265,687	-	252,368	252,368
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	713,823	289,266	1,003,089	589,630	272,721	862,351
<u>COMMITMENTS AND CONTINGENCIES</u>	10,200	-	10,200	10,200	-	10,200

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17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

	Three-month period ended					
	30 June 2018 (Unaudited)			30 June 2017 (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	224,273	-	224,273	201,968	-	201,968
Reinsurance premiums ceded	224,273	-	224,273	201,968	-	201,968
- Local	(207)	-	(207)	(233)	-	(233)
- Foreign	(3,157)	-	(3,157)	(3,759)	-	(3,759)
	(3,364)	-	(3,364)	(3,992)	-	(3,992)
Excess of loss expenses						
- Local	(128)	-	(128)	(270)	-	(270)
- Foreign	(7,420)	-	(7,420)	(3,287)	-	(3,287)
	(7,548)	-	(7,548)	(3,557)	-	(3,557)
Net premiums written	213,361	-	213,361	194,419	-	194,419
Changes in unearned premiums, net	(30,517)	-	(30,517)	(26,810)	-	(26,810)
Net premiums earned	182,844	-	182,844	167,609	-	167,609
Reinsurance commissions	1,250	-	1,250	1,190	-	1,190
Other underwriting income	-	-	-	4,267	-	4,267
TOTAL REVENUES	184,094	-	184,094	173,066	-	173,066
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	129,112	-	129,112	112,138	-	112,138
Reinsurers' share of claims paid	(71)	-	(71)	(367)	-	(367)
Net claims and other benefits paid	129,041	-	129,041	111,771	-	111,771
Changes in outstanding claims, net	10,137	-	10,137	1,858	-	1,858
Changes in claims incurred but not reported, net	155	-	155	15,071	-	15,071
Net claims and other benefits incurred	139,333	-	139,333	128,700	-	128,700
Policy acquisition costs	8,088	-	8,088	7,297	-	7,297
Other underwriting expenses	7,515	-	7,515	3,536	-	3,536
TOTAL UNDERWRITING COSTS AND EXPENSES	154,936	-	154,936	139,533	-	139,533
NET UNDERWRITING INCOME	29,158	-	29,158	33,533	-	33,533

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income – (continued)

	Three-month period ended					
	30 June 2018 (Unaudited)			30 June 2017 (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	(2,318)	-	(2,318)	(3,488)	-	(3,488)
General and administrative expenses	(19,530)	(89)	(19,619)	(15,541)	(747)	(16,288)
Investment income / (loss)	1,932	(329)	1,603	1,753	81	1,834
Unrealized gain on investments	-	1,128	1,128	-	2,193	2,193
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(19,916)	710	(19,206)	(17,276)	1,527	(15,749)
<u>NET SURPLUS FROM INSURANCE OPERATIONS</u>	9,242	710	9,952	16,257	1,527	17,784
Surplus transferred to Shareholders	(8,318)	(710)	(9,028)	(14,632)	(1,527)	(16,159)
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	924	-	924	1,625	-	1,625
 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 earnings per share	-	0.36	0.36	-	0.65	0.65

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17. SUPPLEMENTARY INFORMATION – (continued)

c) Interim statement of comprehensive income

	Three-month period ended					
	30 June 2018 (Unaudited)			30 June 2017 (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 income for the period	924	9,028	9,952	1,625	16,159	17,784
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 INCOME FOR THE PERIOD	924	9,028	9,952	1,625	16,159	17,784

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income

	Six-month period ended					
	30 June 2018 (Unaudited)			30 June 2017 (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	470,502	-	470,502	429,847	-	429,847
	470,502	-	470,502	429,847	-	429,847
Reinsurance premiums ceded						
- Local	(611)	-	(611)	(600)	-	(600)
- Foreign	(9,239)	-	(9,239)	(9,706)	-	(9,706)
	(9,850)	-	(9,850)	(10,306)	-	(10,306)
Excess of loss expenses						
- Local	(248)	-	(248)	(308)	-	(308)
- Foreign	(12,206)	-	(12,206)	(7,056)	-	(7,056)
	(12,454)	-	(12,454)	(7,364)	-	(7,364)
Net premiums written	448,198	-	448,198	412,177	-	412,177
Changes in unearned premiums, net	(91,381)	-	(91,381)	(98,180)	-	(98,180)
Net premiums earned	356,817	-	356,817	313,997	-	313,997
Reinsurance commissions	2,359	-	2,359	2,048	-	2,048
Other underwriting income	3,333	-	3,333	4,267	-	4,267
TOTAL REVENUES	362,509	-	362,509	320,312	-	320,312
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	273,951	-	273,951	215,426	-	215,426
Reinsurers' share of claims paid	(3,764)	-	(3,764)	(2,018)	-	(2,018)
Net claims and other benefits paid	270,187	-	270,187	213,408	-	213,408
Changes in outstanding claims, net	4,549	-	4,549	5,043	-	5,043
Changes in claims incurred but not reported, net	729	-	729	14,999	-	14,999
Net claims and other benefits incurred	275,465	-	275,465	233,450	-	233,450
Change premium deficiency reserves	(2,164)	-	(2,164)	-	-	-
Policy acquisition costs	16,545	-	16,545	13,198	-	13,198
Other underwriting expenses	14,524	-	14,524	11,162	-	11,162
TOTAL UNDERWRITING COSTS AND EXPENSES	304,370	-	304,370	257,810	-	257,810
NET UNDERWRITING INCOME	58,139	-	58,139	62,502	-	62,502

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of income – (continued)

	Six-month period ended					
	30 June 2018 (Unaudited)			30 June 2017 (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	(4,899)	-	(4,899)	(4,130)	-	(4,130)
General and administrative expenses	(42,750)	(492)	(43,242)	(31,144)	(1,092)	(32,236)
Investment income	2,725	2,003	4,728	3,960	176	4,136
Unrealized gain on investments	-	2,914	2,914	-	2,841	2,841
Other income	-	-	-	379	-	379
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(44,924)	4,425	(40,499)	(30,935)	1,925	(29,010)
<u>NET SURPLUS FROM INSURANCE OPERATIONS</u>	13,215	4,425	17,640	31,567	1,925	33,492
Surplus transferred to Shareholders	(11,894)	(4,425)	(16,319)	(28,411)	(1,925)	(30,336)
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	1,321	-	1,321	3,156	-	3,156
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 earnings per share	-	0.65	0.65	-	1.21	1.21

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

17. SUPPLEMENTARY INFORMATION – (continued)

e) Interim statement of comprehensive income

	Six-month period ended					
	30 June 2018 (Unaudited)			30 June 2017 (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 income for the period	1,321	16,319	17,640	3,156	30,336	33,492
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 INCOME FOR THE PERIOD	1,321	16,319	17,640	3,156	30,336	33,492

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17. SUPPLEMENTARY INFORMATION – (continued)
f) Interim statement of cash flows

	Six-month period ended			Six-month period ended		
	30 June 2018			30 June 2017		
	(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 OPERATING ACTIVITIES						
Net income for the period	1,321	16,319	17,640	3,156	30,336	33,492
Adjustments for non-cash items:						
Depreciation of property and equipment	977	-	977	825	-	825
Amortization of intangible assets	94	-	94	-	-	-
Amortization related to HTM investments	81	58	139	78	56	134
Allowance for doubtful debts	4,899	-	4,899	4,130	-	4,130
Unrealized gain on investments	(997)	(3,310)	(4,307)	(3,069)	(2,845)	(5,914)
Provision for end-of-service indemnities	862	-	862	435	-	435
	7,237	13,067	20,304	5,555	27,547	33,102
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(86,888)	-	(86,888)	(55,727)	-	(55,727)
Reinsurers' share of unearned premiums	(1,291)	-	(1,291)	(3,021)	-	(3,021)
Reinsurers' share of outstanding claims	(8,926)	-	(8,926)	1,796	-	1,796
Reinsurers' share of claims Incurred but not reported	(1,338)	-	(1,338)	270	-	270
Deferred policy acquisition costs	(68)	-	(68)	(5,821)	-	(5,821)
Prepaid expenses and other assets	(14,770)	34	(14,736)	4,946	10	4,956
Accrued income on statutory deposit	-	(226)	(226)	-	(168)	(168)
Policyholders and accounts payables	1,560	-	1,560	8,460	-	8,460
Accrued and other liabilities	14,892	-	14,892	7,830	-	7,830
Reinsurers' balances payable	(922)	-	(922)	2,611	-	2,611
Unearned premiums	92,672	-	92,672	101,201	-	101,201
Unearned reinsurance commission	430	-	430	825	-	825
Outstanding claims	13,475	-	13,475	3,246	-	3,246
Claims incurred but not reported	2,067	-	2,067	14,730	-	14,730
Additional premium reserves	(2,164)	-	(2,164)	-	-	-
Accrued commission income payable to SAMA	-	226	226	-	168	168
Net cash flows from operating activities	15,966	13,101	29,067	86,901	27,557	114,458

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2018

17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of cash flows – (continued)

	Six-month period ended			Six-month period ended		
	30 June 2018			30 June 2017		
	(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	-	-	-	(105,292)	(60,000)	(165,292)
Proceeds from sale of investments	186,846	129,920	316,766	-	14,992	14,992
Purchase of property and equipment	(5,146)	-	(5,146)	(1,974)	-	(1,974)
Purchase of intangible assets	(3,280)	-	(3,280)	-	-	-
Net cash flows from / (used in) investing activities	178,420	129,920	308,340	(107,266)	(45,008)	(152,274)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to shareholders' operations	11,982	(11,982)	-	(17,451)	17,451	-
Net cash flows from / (used in) from financing activities	11,982	(11,982)	-	(17,451)	17,451	-
Net change in cash and cash equivalents	206,368	131,039	337,407	(37,816)	-	(37,816)
Cash and cash equivalents, beginning of the period	14,392	11	14,403	58,019	11	58,030
Cash and cash equivalents, end of the period	220,760	131,050	351,810	20,203	11	20,214

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 16 Dhul Qaedah 1439H, corresponding to 29 July 2018.