

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2018**

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at June 30, 2018 and the interim statements of income and comprehensive income for the three month and six month periods then ended, and interim statements of changes in shareholders' equity and cash flows for the six months period then ended and other explanatory notes (the interim condensed financial information). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as modified by Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income taxes. Our responsibility is to express a conclusion on these interim condensed financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 information is not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for accounting of zakat and income taxes.

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27 Dhul Qa'adah 1439 H
9 August 2018 G

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION**

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
SAR'000			
ASSETS			
Statutory deposit	10	125,000	125,000
Accrued income on statutory deposit		2,125	1,997
Property and equipment, net		268,136	279,051
Intangible assets		5,025	7,653
Investment property		9,861	9,861
Investments in associates		86,319	95,468
Available for sale investments	4	5,742,295	5,525,209
Murabaha deposits	5	-	82,035
Prepaid expenses and other assets		172,400	191,369
Deferred excess of loss premiums		-	11,293
Deferred policy acquisition costs		148,480	170,790
Reinsurers' share of gross outstanding claims	7	1,301,831	1,375,277
Reinsurers' share of incurred but not reported claims	7	202,731	391,207
Reinsurers' share of unearned premiums	7	583,238	591,125
Receivables, net	3	2,544,695	2,257,678
Accrued investment income		103,487	158,093
Cash and cash equivalents	6	871,399	1,397,203
TOTAL ASSETS		12,167,022	12,670,309
LIABILITIES			
Reserve for discontinued operations		1,621	1,621
End-of-service indemnities		121,521	119,242
Return payable on statutory deposit		2,125	1,997
Claims payable, accrued expenses and other liabilities		1,928,819	1,291,652
Reserve for takaful activities		9,404	10,576
Gross outstanding claims	7	1,874,728	2,374,764
Incurred but not reported claims reserve	7	1,562,574	1,700,269
Premium deficiency reserve	7	118,389	137,248
Unearned commission income		38,485	53,661
Gross unearned premiums	7	4,098,734	4,405,244
Reinsurers' balances payable		120,295	207,922
Dividends payable		6,414	6,414
Zakat		255,550	233,318
TOTAL LIABILITIES		10,138,659	10,543,928
ACCUMULATED SURPLUS - INSURANCE OPERATIONS			
Fair value reserve for available for sale investments		(177,083)	(80,505)
Remeasurement of defined benefit obligation		(5,879)	(5,879)
TOTAL LIABILITIES AND ACCUMULATED SURPLUS		9,955,697	10,457,544
SHAREHOLDERS' EQUITY			
Share capital	8	1,250,000	1,250,000
Legal reserve	11	1,000,000	1,000,000
Fair value reserve for investments		(137,715)	(85,739)
Retained earnings		99,040	48,504
TOTAL SHAREHOLDERS' EQUITY		2,211,325	2,212,765
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY			
		12,167,022	12,670,309
CONTINGENCIES	9		

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INCOME

	Three months ended June 30, 2018 (Unaudited)	Three months ended June 30, 2017 (Unaudited)	Six months ended June 30, 2018 (Unaudited)	Six months ended June 30, 2017 (Unaudited)
SAR'000				
REVENUES				
Gross premiums written	1,755,864	2,104,239	3,851,576	4,132,619
Reinsurance ceded - local	(19,593)	(152,939)	(23,447)	(158,899)
Reinsurance ceded - international	(332,658)	(187,645)	(514,811)	(325,041)
Fee income from takaful	2,008	2,355	3,241	4,182
Excess of loss premiums	(8,168)	(7,512)	(15,866)	(19,972)
Net premiums written	1,397,453	1,758,498	3,300,693	3,632,889
Changes in unearned premiums, net	407,598	68,465	298,623	(56,403)
Net premiums earned	1,805,051	1,826,963	3,599,316	3,576,486
Reinsurance commissions	21,189	24,917	46,632	50,161
Other underwriting income	2,027	4,186	5,928	9,558
TOTAL REVENUES	1,828,267	1,856,066	3,651,876	3,636,205
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	1,970,458	1,518,753	4,176,179	2,950,707
Expenses incurred related to claims	5,924	4,200	11,682	8,614
Reinsurers' share of claims paid	(304,809)	(88,141)	(565,042)	(121,150)
Net claims and other benefits paid	1,671,573	1,434,812	3,622,819	2,838,171
Changes in outstanding claims, net	28,752	(6,631)	(426,590)	(27,246)
Changes in incurred but not reported claims reserve, net	(65,733)	20,824	50,781	50,836
Changes in premium deficiency reserve	12,888	-	(18,859)	-
Net claims and other benefits incurred	1,647,480	1,449,005	3,228,151	2,861,761
Changes in reserves for takaful activities	(424)	(160)	(1,172)	(91)
Policy acquisition costs	101,465	109,742	201,794	214,802
Other underwriting expenses	31,719	38,881	74,131	77,589
Manafeth insurance share distribution	11,061	22,805	32,349	52,039
TOTAL UNDERWRITING COSTS AND EXPENSES	1,791,301	1,620,273	3,535,253	3,206,100
Net underwriting income	36,966	235,793	116,623	430,105
OTHER OPERATING (EXPENSES) / INCOME				
General and administrative expenses	(109,218)	(114,238)	(202,487)	(217,903)
(Allowance for) / reversal of doubtful debts	(9,598)	6,329	(17,098)	12,349
Dividend and realized gain on investments, net	105,122	131,339	160,349	200,740
Share of profit from investments in associates, net	7,968	5,045	13,865	7,095
Other income, net	4,604	5,330	8,945	11,473
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(1,122)	33,805	(36,426)	13,754
Net income for the period	35,844	269,598	80,197	443,859
Net loss / (income) attributed to the insurance operations	2,425	(20,835)	-	(34,801)
Net income for the period attributable to the shareholders	38,269	248,763	80,197	409,058
Earnings per share				
Basic and diluted earnings per share (in SAR)	0.31	1.99	0.64	3.27
Weighted average number of shares in issue	125,000,000	125,000,000	125,000,000	125,000,000

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF COMPREHENSIVE INCOME**

Notes	Three months ended	Three months ended	Six months ended	Six months ended
	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
SAR'000				
	35,844	269,598	80,197	443,839
	Total income for the period			
	Other comprehensive income:			
	<i>To be recycled back to interim statement of income in subsequent periods:</i>			
	<i>Available for sale investments:</i>			
	- Net change in fair value			
4	(177,763)	23,064	(146,843)	119,241
	- Net amounts transferred to interim statement of income			
4	(259)	(2,559)	(902)	(73,645)
	Share of other comprehensive loss of associates			
	(1,711)	-	(809)	-
	(143,889)	290,103	(68,357)	489,455
	Total comprehensive (loss) / income for the period			
	Total comprehensive (loss) / income attributed to the insurance operations			
	(85,620)	59,593	(96,578)	25,003
	Total comprehensive (loss) / income for the period attributable to the shareholders			
	(58,269)	230,510	28,221	464,452

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Notes	Share capital	Legal reserve	Fair value reserve for investments	Retained earnings	Total
<i>Unaudited</i>					
	1,000,000	1,000,000	(71,182)	998,707	2,927,525
Balance at January 1, 2017					
Comprehensive income for the period:					
	-	-	-	409,058	409,058
18	-	-	-	409,058	409,058
	-	-	63,861	-	63,861
18	-	-	63,861	-	63,861
	-	-	(8,467)	-	(8,467)
18	-	-	(8,467)	-	(8,467)
	-	-	55,394	409,058	464,452
	-	-	-	409,058	409,058
17	-	-	-	409,058	409,058
	250,000	-	-	(250,000)	-
	-	-	-	(250,000)	(250,000)
17	-	-	-	(250,000)	(250,000)
	-	-	-	(500,000)	(500,000)
	1,250,000	1,000,000	(15,788)	622,269	2,856,481
	1,250,000	1,000,000	(85,739)	48,504	2,212,765
<i>Unaudited</i>					
	1,250,000	1,000,000	(85,739)	48,504	2,212,765
Balance at January 1, 2018					
Comprehensive income for the period:					
	-	-	-	80,197	80,197
18	-	-	-	80,197	80,197
	-	-	(47,651)	-	(47,651)
18	-	-	(47,651)	-	(47,651)
	-	-	(3,516)	-	(3,516)
18	-	-	(3,516)	-	(3,516)
	-	-	(809)	-	(809)
18	-	-	(809)	-	(809)
	-	-	(51,976)	80,197	28,221
	-	-	-	80,197	80,197
17	-	-	-	80,197	80,197
	-	-	-	(29,661)	(29,661)
17	-	-	-	(29,661)	(29,661)
	1,250,000	1,000,000	(137,715)	99,040	2,211,325
	1,250,000	1,000,000	(137,715)	99,040	2,211,325
Balance at June 30, 2018					

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

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**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASHFLOWS**

	Notes	Six months ended June 30, 2018 (Unaudited)	Six months ended June 30, 2017 (Unaudited)
SAR'000			
Operating activities:			
Net income for the period		80,197	443,859
Adjustments for non-cash items:			
Depreciation of property and equipment		10,915	11,729
Amortization of intangible assets		2,791	805
Allowance for/(reversal of) doubtful debts		17,098	(12,349)
Gain on sale of investments		(902)	(73,645)
Share of profit of associates, net		(14,646)	(1,286)
Provision for end-of-service indemnities		6,216	7,241
		<u>101,669</u>	<u>376,354</u>
Changes in operating assets and liabilities:			
Prepaid expenses and others assets		18,969	158,063
Deferred excess of loss premiums		11,293	3,096
Deferred policy acquisition costs		22,310	(32,470)
Reinsurers' share of gross outstanding claims		73,446	(53,922)
Reinsurers' share of claims incurred but not reported		188,476	(6,012)
Reinsurers' share of unearned premiums		7,887	(14,635)
Receivables, net		(304,115)	209,680
Reinsurers' balances payable		(87,627)	90,926
Gross unearned premiums		(306,510)	71,038
Unearned commission income		(15,176)	8,699
Gross outstanding claims		(500,036)	26,676
Incurred but not reported claims reserve		(137,695)	56,848
Premium deficiency reserve		(18,859)	-
Reserve for takaful activities		(1,172)	(91)
Claims payable, accrued expenses and other liabilities		<u>637,167</u>	<u>(370,620)</u>
		<u>(309,973)</u>	<u>523,630</u>
End-of-service indemnities paid		<u>(3,937)</u>	<u>(7,059)</u>
Net cash (used in)/ from operating activities		<u>(313,910)</u>	<u>516,571</u>
Investing activities:			
Statutory deposit		-	(25,000)
Proceeds from sale of available-for-sale investments		329,792	2,940,395
Purchase of available-for-sale investments		(693,721)	(4,266,544)
Proceeds from sale of murabaha deposits		82,035	-
Accrued investment income		54,606	-
Dividends received from investments in associates		22,986	11,285
Purchase of property and equipment		-	(2,943)
Purchase of intangible assets		(163)	(12,991)
Net cash used in investing activities		<u>(204,465)</u>	<u>(1,355,798)</u>
Financing activities:			
Dividends paid		-	(499,734)
Zakat paid during the period		(7,429)	(20,038)
Net cash used in financing activities		<u>(7,429)</u>	<u>(519,772)</u>
Net change in cash and cash equivalents		<u>(525,804)</u>	<u>(1,358,999)</u>
Cash and cash equivalents, beginning of the period	6	<u>1,397,203</u>	<u>2,401,149</u>
Cash and cash equivalents, end of the period	6	<u>871,399</u>	<u>1,042,150</u>
Non-cash supplemental information:			
Changes in fair value for investments		<u>(148,554)</u>	<u>45,596</u>

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
JUNE 30, 2018

1. GENERAL

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986, corresponding to Jumada Al-Awal 8, 1406H, under Commercial Registration No. 1010061695. The Company's head office is located on Thumamah Road (At Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003, corresponding to Jumada al-Thani 2, 1424H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004, corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004, the Company amended its Articles of Association, giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

2. BASIS OF PREPARATION

(a) Basis of presentation

The accompanying interim condensed financial statements (interim condensed financial information) of the Company for the three and six months period ended Jun 30, 2018 has been prepared 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, which requires, adoption of all IFRSs as issued by the International Accounting standard Board ("IASB") except for the application of International Accounting Standard (IAS) 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these related to zakat and income tax. As per the SAMA Circular no. 381000074519 dated 14 Rajab 1438H (corresponding to April 11, 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 at fair value of available-for-sale investments and investment in associates which is accounted for under the equity method. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: statutory deposit, accrued income on statutory deposit, property and equipment, intangible assets, investment property, investments in associates, available for sale investments, reserve for discontinued operations, end-of-service indemnities and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

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 (Note 18). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. 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, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 18 of the financial information have been provided as supplementary financial information 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.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

2. BASIS OF PREPARATION (continued)

(a) Basis of presentation (continued)

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The interim condensed financial information do not include all of the information required for full annual financial information and should be read in conjunction with the annual financial information as of and for the year ended December 31, 2017. These interim condensed financial information 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 the interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017.

Following are the accounting judgments and estimates that are critical in preparation of these interim condensed financial statements:

i) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) Impairment of available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

2. BASIS OF PREPARATION (continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

iv) Fair value of financial instruments

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The accounting and risk management policies adopted in the preparation of these condensed interim financial information are consistent with the Company's audited financial statements for the year ended December 31, 2017, except for adoption of the amendments to existing standards which has had no material impact on the financial information of the Company.

(c) Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial information are consistent with those used in the preparation of the annual financial information for the year ended December 31, 2017 except as explained below:

- IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

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 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 income statement. 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.

The Company is eligible and have chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information 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.

- IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2021, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the income statement and the balance sheet. The Company has decided not to early adopt this new standard.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

2. BASIS OF PREPARATION (continued)

- IFRS 16 - "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The Company has decided not to early adopt this new standard.

(d) Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has four reportable segments as follows:

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Manafeth - third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the period.

(e) Seasonality of operations

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

3. RECEIVABLES, NET

Receivables comprise net amounts due from the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
Policyholders	1,856,872	1,742,599
Brokers and agents	511,777	365,938
Related parties (note 13)	33,812	155,600
	2,402,461	2,264,137
Receivables from reinsurers	273,776	110,677
Administrative service plan	24,861	22,169
	2,701,098	2,396,983
Provision for doubtful receivables	(156,403)	(139,305)
Receivables, net	2,544,695	2,257,678

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4. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
<u>Insurance operations</u>		
Local / regional funds and fixed income investments	308,555	653,225
Foreign funds and fixed income investments	2,791,264	2,291,921
Foreign equity	-	15,284
Total	3,099,819	2,960,430
<u>Shareholders' operations</u>		
Local / regional funds and fixed income investments	292,068	408,645
Foreign funds and fixed income investments	2,350,408	2,156,134
Total	2,642,476	2,564,779
Total available-for-sale investments	5,742,295	5,525,209

Movements in available-for-sale investments are as follows:

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
	SAR'000					
<u>Insurance operations</u>						
Balance at the beginning of the period / year	41,245	2,919,185	2,960,430	402,628	2,752,958	3,155,586
Purchases	-	379,084	379,084	43,806	1,453,478	1,497,284
Disposals	(18,805)	(121,698)	(140,503)	(402,628)	(1,213,533)	(1,616,161)
Changes in fair value of investments	7,405	(106,597)	(99,192)	(2,561)	(73,718)	(76,279)
Balance as at the end of the period/ year	29,845	3,069,974	3,099,819	41,245	2,919,185	2,960,430
<u>Shareholders' operations</u>						
Balance at the beginning of the period/ year	39,340	2,525,439	2,564,779	58,065	1,319,926	1,377,991
Purchases	-	314,637	314,637	40,007	4,179,252	4,219,259
Disposals	(15,007)	(174,282)	(189,289)	(66,480)	(2,950,426)	(3,016,906)
Changes in fair value of investments	3,518	(51,169)	(47,651)	7,748	(23,313)	(15,565)
Balance as at the end of the period/ year	27,851	2,614,625	2,642,476	39,340	2,525,439	2,564,779
Total	57,696	5,684,599	5,742,295	80,585	5,444,624	5,525,209

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4. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The movement of changes in fair value of investments is as follows:

	Three months ended June 30, 2018 (Unaudited)	Three months ended June 30, 2017 (Unaudited)
SAR'000		
<u>Insurance operations</u>		
Change in fair value	(82,936)	62,435
Net amount recycled to interim statement of income - insurance operations	(259)	(23,677)
	<u>(83,195)</u>	<u>38,758</u>
<u>Shareholders' operations</u>		
Change in fair value	(94,827)	(39,371)
Net amount recycled to interim statement of income - shareholders' operations	-	21,118
	<u>(94,827)</u>	<u>(18,253)</u>
SAR'000		
<u>Insurance operations</u>		
Change in fair value	(99,192)	55,380
Net amount recycled to interim statement of income - insurance operations	2,614	(65,178)
	<u>(96,578)</u>	<u>(9,798)</u>
<u>Shareholders' operations</u>		
Change in fair value	(47,651)	63,861
Net amount recycled to interim statement of income - shareholders' operations	(3,516)	(8,467)
	<u>(51,167)</u>	<u>55,394</u>

5. MURABAHA DEPOSITS

The murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three months to one year and yield financial incomes at rates 2.25% (2017: 2.25%).

The movements in murabaha deposits during the period is as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
SAR'000		
<u>Shareholders' operations</u>		
Balance at the beginning of the period/ year	82,035	-
Placed during the period/ year	-	82,035
Matured during the period/ year	(82,035)	-
Balance at the end of the period/ year	<u>-</u>	<u>82,035</u>

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6. CASH AND CASH EQUIVALENTS

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
<u>Insurance operations</u>		
Murabaha deposits	-	200,133
Bank balances and cash	<u>705,875</u>	<u>915,011</u>
	<u>705,875</u>	<u>1,115,144</u>
<u>Shareholders' operations</u>		
Murabaha deposits	-	100,000
Bank balances and cash	<u>165,524</u>	<u>182,059</u>
	<u>165,524</u>	<u>282,059</u>
Total cash and cash equivalents	<u>871,399</u>	<u>1,397,203</u>

Bank balances and cash includes call account balance of SAR 157 million (December 31, 2017: SAR 188 million). Both bank balances and murabaha deposits (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

7. UNEARNED PREMIUM AND GROSS OUTSTANDING CLAIMS AND RESERVES, NET

(i) The movement in unearned premiums is as follows:

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
	SAR'000					
Balance as at the beginning of the period / year	4,405,244	(591,125)	3,814,119	4,390,229	(553,813)	3,836,416
Premiums written during the period / year	3,851,576	(538,258)	3,313,318	8,406,669	(1,091,407)	7,315,262
Premiums earned during the period / year	<u>(4,158,086)</u>	<u>546,145</u>	<u>(3,611,941)</u>	<u>(8,391,654)</u>	<u>1,054,095</u>	<u>(7,337,559)</u>
Balance as at the end of the period / year	<u>4,098,734</u>	<u>(583,238)</u>	<u>3,515,496</u>	<u>4,405,244</u>	<u>(591,125)</u>	<u>3,814,119</u>

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7. UNEARNED PREMIUM AND GROSS OUTSTANDING CLAIMS AND RESERVES, NET (continued)

(ii) Gross outstanding claims and reserves, net comprise of the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
Gross outstanding claims	1,969,068	2,483,435
Less: Realizable value of salvage and subrogation	(94,340)	(108,671)
	1,874,728	2,374,764
Add: Incurred but not reported claims reserve	1,562,574	1,700,269
Add: Premium deficiency reserve	118,389	137,248
Gross outstanding claims and reserves	3,555,691	4,212,281
Less: Reinsurers' share of gross outstanding claims	(1,301,831)	(1,375,277)
Less: Reinsurers' share of incurred but not reported claims	(202,731)	(391,207)
Reinsurers' share of outstanding claims and reserves	(1,504,562)	(1,766,484)
Net outstanding claims and reserves	2,051,129	2,445,797

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The management and external actuary had made a detailed assessment of technical reserves and the various parameters in the valuation of technical liabilities.

As at June 30, 2018, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves) which amounted to SAR 3.5 billion (2017: SAR 4.2 billion). Significant portion of reserves relates to medical line of business.

8. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at June 30, 2018 (December 31, 2017: SAR 1.25 billion) consisting of 125 million shares (December 31, 2017: 125 million shares) of SAR 10 each.

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

	June 30, 2018		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	66,713,009	667,130	667,130
Public Pension Agency	29,737,685	297,377	297,377
General Organization for Social Insurance	28,549,306	285,493	285,493
	125,000,000	1,250,000	1,250,000
	December 31, 2017		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	66,713,009	667,130	667,130
Public Pension Agency	29,737,685	297,377	297,377
General Organization for Social Insurance	28,549,306	285,493	285,493
	125,000,000	1,250,000	1,250,000

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9. CONTINGENT LIABILITIES

As at June 30, 2018, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SAR 707 million (December 31, 2017: SAR 189 million) occurring in the normal course of business.

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. Appropriate provisions have been made in relation to pending cases and management believes that finalization of these court cases is not expected to have a material impact on the financial information.

10. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company has deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2017: SAR 125 million), in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

11. LEGAL RESERVE

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the legal reserve until it equals the value of share capital. This transfer is only made at the year end. The legal reserve is not available for distribution to the shareholders until the liquidation of the Company.

12. MANAFETH SHARED AGREEMENT

On January 13, 2015 together with 25 related insurance companies, the Company signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from 1 January 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia. The agreement was subsequently renewed for year starting from January 1, 2018 to December 31, 2018 with 26 related insurance companies.

The main terms of the above mentioned agreement are as follows:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is due to be shared equally by the Company and its related insurers.

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13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

	Transactions for the period ended		Balance receivable / (payable) as at	
	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
SAR'000				
<u>Major shareholders</u>				
Insurance premium written	1,355	202	13,486	3,631
<u>Associates</u>				
Insurance premium written/ (reversed)	49	8,264	57	(40)
Najm fees paid	15,265	12,283	11,536	(7,883)
Waseel fees paid	4,208	5,938	-	-
United Insurance Co. fees and claims, net	2,142	3,998	889	3,393
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Insurance premium written	5,536	85,565	20,269	152,009
Rent expenses paid	60	-	(56)	(56)
Amount of claims paid to hospitals	6,408	13,487	(3,560)	10,216

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration of up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

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

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
SAR'000		
Salaries and other allowances	4,573	4,682
End of service indemnities	321	1,458

14. 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 in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial information. The estimated fair values of financial instruments are based on quoted market prices, when available.

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 market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- 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.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted. Fair values of private equity investments and mutual funds classified in Level 3 are determined based on the investees' latest reported net assets values as at the date of statement of financial position taking into account the fair value of underlying investments by the fund. The fair value of underlying investments are taken by the fund manager from reliable and third party sources including Reuters, Bloomberg. As at June 30, 2018 the Company has invested an amount of SAR 5.1 billion (classified as available for sale investments) in MENA Islamic Fund SPC registered in the Cayman Islands (refer Note 4). These investments are classified under level 3, valued based on latest reported net assets values. Fair values of other investments (including sukuku) classified in Level 3 are determined based on discounted cash flows, which incorporate assumptions regarding an appropriate credit spread. There were no transfers in between levels during the period ended June 30, 2018.

The fair values of bank balances, cash and other financial assets in statement of financial position which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements due to the short term nature of balances.

The table below presents the available-for-sale investments based on the fair value hierarchy:

	SAR'000			
	Level 1	Level 2	Level 3	Total
June 30, 2018 (Unaudited)				
Available-for- sale investments				
<u>Insurance operations</u>				
Mutual funds	29,845	-	2,788,114	2,817,959
Sukuku	-	-	281,860	281,860
	<u>29,845</u>	<u>-</u>	<u>3,069,974</u>	<u>3,099,819</u>
<u>Shareholders' operations</u>				
Mutual funds	27,851	-	2,514,625	2,542,476
Sukuku	-	-	100,000	100,000
	<u>27,851</u>	<u>-</u>	<u>2,614,625</u>	<u>2,642,476</u>
Total	<u>57,696</u>	<u>-</u>	<u>5,684,599</u>	<u>5,742,295</u>
December 31, 2017 (Audited)				
Available-for-sale investments				
<u>Insurance operations</u>				
Mutual funds	25,961	-	2,637,325	2,663,286
Equity shares	15,284	-	-	15,284
Sukuku	-	-	281,860	281,860
	<u>41,245</u>	<u>-</u>	<u>2,919,185</u>	<u>2,960,430</u>
<u>Shareholders' operations</u>				
Mutual funds	39,340	-	2,425,439	2,464,779
Sukuku	-	-	100,000	100,000
	<u>39,340</u>	<u>-</u>	<u>2,525,439</u>	<u>2,564,779</u>
Total	<u>80,585</u>	<u>-</u>	<u>5,444,624</u>	<u>5,525,209</u>

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14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

June 30, 2018 (Unaudited)	SAR'000					Balance June 30
	Balance January 1	Purchases	Sales	Statement of income	Other comprehensive income	
Insurance operations						
Mutual funds	2,637,325	379,084	(121,698)	372	(106,969)	2,788,114
Sukuks	281,860	-	-	-	-	281,860
	<u>2,919,185</u>	<u>379,084</u>	<u>(121,698)</u>	<u>372</u>	<u>(106,969)</u>	<u>3,069,974</u>
Shareholders' operations						
Mutual funds	2,425,439	314,637	(174,282)	3,516	(54,685)	2,514,625
Sukuks	100,000	-	-	-	-	100,000
	<u>2,525,439</u>	<u>314,637</u>	<u>(174,282)</u>	<u>3,516</u>	<u>(54,685)</u>	<u>2,614,625</u>
Total	<u>5,444,624</u>	<u>693,721</u>	<u>(295,980)</u>	<u>3,888</u>	<u>(161,654)</u>	<u>5,684,599</u>

December 31, 2017 (Audited)	SAR'000					Balance December 31
	Balance January 1	Purchases	Sales	Statement of income	Other comprehensive income	
Insurance operations						
Mutual funds	2,448,388	1,546,680	(1,433,630)	162,860	(86,973)	2,637,325
Sukuks	304,570	-	(22,710)	-	-	281,860
	<u>2,752,958</u>	<u>1,546,680</u>	<u>(1,456,340)</u>	<u>162,860</u>	<u>(86,973)</u>	<u>2,919,185</u>
Shareholders' operations						
Mutual funds	890,076	3,823,681	(2,347,066)	81,053	(22,305)	2,425,439
Sukuks	100,000	-	-	-	-	100,000
Murabaha	329,850	-	(329,850)	-	-	-
	<u>1,319,926</u>	<u>3,823,681</u>	<u>(2,676,916)</u>	<u>81,053</u>	<u>(22,305)</u>	<u>2,525,439</u>
Total	<u>4,072,884</u>	<u>5,370,361</u>	<u>(4,133,256)</u>	<u>243,913</u>	<u>(109,278)</u>	<u>5,444,624</u>

15. OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, receivables, net and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include reserve for discontinued operations, surplus distribution payable, due to shareholders operations, reinsurance balances payable, claims payable, accrued expenses and other liabilities and fair value reserve for available-for-sale investments. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums receivable and depreciation on the property and equipments) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

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15. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended June 30, 2018						
	(Unaudited)						
	Medical	Motor	Manafeth	Property & casualty	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000							
REVENUES							
Gross premiums written							
- Retail	5,767	143,792	34,074	6,233	189,866		189,866
- Small & Medium Enterprises	157,804	19,502	-	26,444	203,750		203,750
- Corporates	1,017,899	3,308	-	341,041	1,362,248		1,362,248
	1,181,470	166,602	34,074	373,718	1,755,864		1,755,864
Reinsurance ceded - local	-	-	-	(19,593)	(19,593)		(19,593)
Reinsurance ceded - international	(8,610)	-	-	(324,048)	(332,658)		(332,658)
Fees income from takaful	2,008	-	-	-	2,008		2,008
Excess of loss premiums	-	(4,620)	(1,198)	(2,350)	(8,168)		(8,168)
Net premiums written	1,174,868	161,982	32,876	27,727	1,397,453		1,397,453
Changes in unearned premiums	286,208	117,688	(199)	3,901	407,598		407,598
Net premiums earned	1,461,076	279,670	32,677	31,628	1,805,051		1,805,051
Reinsurance commissions	683	1	-	20,505	21,189		21,189
Other underwriting income	-	2,027	-	-	2,027		2,027
TOTAL REVENUES	1,461,759	281,698	32,677	52,133	1,828,267		1,828,267
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid and related expenses	1,526,358	162,847	5,908	281,269	1,976,382		1,976,382
Reinsurers' share of claims paid	(29,984)	(2,244)	-	(272,581)	(304,809)		(304,809)
Net claims paid	1,496,374	160,603	5,908	8,688	1,671,573		1,671,573
Changes in outstanding claims, net	26,057	1,775	1,779	(859)	28,752		28,752
Changes in incurred but not reported claims reserve, net	(69,849)	786	(910)	4,240	(65,733)		(65,733)
Changes in premium deficiency reserves	17,735	-	-	(4,847)	12,888		12,888
Net claims and other benefits incurred	1,470,317	163,164	6,777	7,222	1,647,480		1,647,480
Changes in reserve for takaful activities	(424)	-	-	-	(424)		(424)
Policy acquisition costs	52,375	29,053	8,094	11,943	101,465		101,465
Other underwriting expenses	21,492	2,632	2,198	5,397	31,719		31,719
Manafeth insurance share	-	-	11,061	-	11,061		11,061
TOTAL UNDERWRITING COSTS AND EXPENSES	1,543,760	194,849	28,130	24,562	1,791,301		1,791,301
NET UNDERWRITING (LOSS)/ INCOME	(82,001)	86,849	4,547	27,571	36,966		36,966
General and administrative expenses					(106,888)	(2,330)	(109,218)
Allowance for doubtful debts					(9,598)	-	(9,598)
Dividend and realized gain on investments, net					12,323	92,799	105,122
Share of profit from investments in associates, net					-	7,968	7,968
Other income					4,604	-	4,604
NET (LOSS)/ INCOME FOR THE PERIOD					(62,593)	98,437	35,844

15. OPERATING SEGMENTS (continued)

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

Operating Segments	For the three months period ended June 30, 2017					
	(Unaudited)					
	Medical	Motor	Manafeth	Property & casualty SAR'000	Total - Insurance operations	Total Shareholders' operations Total
REVENUES						
Gross premiums written						
- Retail	9,274	223,868	50,601	10,693	294,436	294,436
- Small & Medium Enterprises	177,036	30,717	-	20,258	228,011	228,011
- Corporates	1,130,823	111,683	-	339,286	1,581,792	1,581,792
	1,317,133	366,268	50,601	370,237	2,104,239	2,104,239
Reinsurance ceded - local	-	-	-	(152,939)	(152,939)	(152,939)
Reinsurance ceded - international	(8,267)	-	-	(179,378)	(187,645)	(187,645)
Fees income from takaful	2,355	-	-	-	2,355	2,355
Excess of loss premiums	-	(4,280)	(930)	(2,302)	(7,512)	(7,512)
Net premiums written	1,311,221	361,988	49,671	35,618	1,758,498	1,758,498
Changes in unearned premiums	81,884	(8,370)	2,472	(7,521)	68,465	68,465
Net premiums earned	1,393,105	353,618	52,143	28,097	1,826,963	1,826,963
Reinsurance commissions	(286)	2	-	25,201	24,917	24,917
Other underwriting income	-	4,186	-	-	4,186	4,186
TOTAL REVENUES	1,392,819	357,806	52,143	53,298	1,856,066	1,856,066
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and related expenses	1,184,139	249,926	11,120	77,768	1,522,953	1,522,953
Reinsurers' share of claims paid	(10,015)	(8,313)	(270)	(69,543)	(88,141)	(88,141)
Net claims paid	1,174,124	241,613	10,850	8,225	1,434,812	1,434,812
Changes in outstanding claims, net	11,651	(17,445)	(193)	(644)	(6,631)	(6,631)
Changes in incurred but not reported claims reserve, net	17,102	3,300	-	422	20,824	20,824
Net claims and other benefits incurred	1,202,877	227,468	10,657	8,003	1,449,005	1,449,005
Changes in reserve for takaful activities	(160)	-	-	-	(160)	(160)
Policy acquisition costs	56,480	33,882	8,791	10,589	109,742	109,742
Other underwriting expenses	24,792	3,994	4,438	5,657	38,881	38,881
Manafeth Insurance share	-	-	22,805	-	22,805	22,805
TOTAL UNDERWRITING COSTS AND EXPENSES	1,283,989	265,344	46,691	24,249	1,620,273	1,620,273
NET UNDERWRITING INCOME	108,830	92,462	5,452	29,049	235,793	235,793
General and administrative expenses					(111,686)	(2,552)
Allowance for/ (Reversal of) doubtful debts					6,329	6,329
Dividend and realized gain on investments, net					72,585	58,754
Share of profit from investments in associates, net					-	5,045
Other income					5,330	5,330
NET INCOME FOR THE PERIOD					208,351	61,247
						269,598

15. OPERATING SEGMENTS (continued)

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

Operating Segments	For the six months period ended June 30, 2018						
	(Unaudited)						
	Medical	Motor	Manafeth	Property & casualty	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000							
REVENUES							
Gross premiums written							
- Retail	13,529	310,752	71,884	11,590	407,755		407,755
- Small & Medium Enterprises	340,066	47,042	-	59,949	447,057		447,057
- Corporates	2,493,410	7,697	-	495,657	2,996,764		2,996,764
	2,847,005	365,491	71,884	567,196	3,851,576		3,851,576
Reinsurance ceded - local	-	-	-	(23,447)	(23,447)		(23,447)
Reinsurance ceded - international	(16,713)	-	-	(498,098)	(514,811)		(514,811)
Fees income from takaful	3,241	-	-	-	3,241		3,241
Excess of loss premiums	-	(9,392)	(1,777)	(4,697)	(15,866)		(15,866)
Net premiums written	2,833,533	356,099	70,107	40,954	3,300,693		3,300,693
Changes in unearned premiums	53,064	233,869	2,090	9,600	298,623		298,623
Net premiums earned	2,886,597	589,968	72,197	50,554	3,599,316		3,599,316
Reinsurance commissions	1,351	1	-	45,280	46,632		46,632
Other underwriting income	-	5,928	-	-	5,928		5,928
TOTAL REVENUES	2,887,948	595,897	72,197	95,834	3,651,876		3,651,876
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid and related expenses	3,274,868	382,589	14,477	515,927	4,187,861		4,187,861
Reinsurers' share of claims paid	(60,863)	(6,117)	-	(498,062)	(565,042)		(565,042)
Net claims paid	3,214,005	376,472	14,477	17,865	3,622,819		3,622,819
Changes in outstanding claims, net	(435,212)	3,143	3,770	1,709	(426,590)		(426,590)
Changes in incurred but not reported claims reserve, net	63,253	859	(10,274)	(3,057)	50,781		50,781
Changes in premium deficiency reserves	(18,859)	-	-	-	(18,859)		(18,859)
Net claims and other benefits incurred	2,823,187	380,474	7,973	16,517	3,228,151		3,228,151
Changes in reserve for takaful activities	(1,172)	-	-	-	(1,172)		(1,172)
Policy acquisition costs	99,353	61,027	16,610	24,804	201,794		201,794
Other underwriting expenses	50,630	5,427	6,288	11,786	74,131		74,131
Manafeth Insurance share	-	-	32,349	-	32,349		32,349
TOTAL UNDERWRITING COSTS AND EXPENSES	2,971,998	446,928	63,220	53,107	3,535,253		3,535,253
NET UNDERWRITING (LOSS)/ INCOME	(84,050)	148,969	8,977	42,727	116,623		116,623
General and administrative expenses					(198,776)	(3,711)	(202,487)
Allowance for doubtful debts					(17,098)	-	(17,098)
Dividend and realized gain on investments, net					51,959	108,390	160,349
Share of profit from investments in associates, net					-	13,865	13,865
Other income					8,945	-	8,945
NET (LOSS)/ INCOME FOR THE PERIOD					(38,347)	118,544	80,197

15. OPERATING SEGMENTS (continued)

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

Operating Segments	For the six months period ended June 30, 2017					
	(Unaudited)					
	Medical	Motor	Manafeth	Property & casualty SAR'000	Total - Insurance operations	Total Shareholders' operations Total
REVENUES						
Gross premiums written						
- Retail	17,819	450,591	110,160	20,110	598,680	598,680
- Small & Medium Enterprises	346,752	66,505	-	38,435	451,692	451,692
- Corporates	2,401,322	204,026	-	476,899	3,082,247	3,082,247
	2,765,893	721,122	110,160	535,444	4,132,619	4,132,619
Reinsurance ceded - local	-	-	-	(158,899)	(158,899)	(158,899)
Reinsurance ceded - international	(15,710)	-	-	(309,331)	(325,041)	(325,041)
Fees income from takaful	4,182	-	-	-	4,182	4,182
Excess of loss premiums	-	(11,431)	(1,599)	(6,942)	(19,972)	(19,972)
Net premiums written	2,754,365	709,691	108,561	60,272	3,632,889	3,632,889
Changes in unearned premiums	(53,453)	(154)	2,804	(5,600)	(56,403)	(56,403)
Net premiums earned	2,700,912	709,537	111,365	54,672	3,576,486	3,576,486
Reinsurance commissions	95	4	-	50,062	50,161	50,161
Other underwriting income	7	9,551	-	-	9,558	9,558
TOTAL REVENUES	2,701,014	719,092	111,365	104,734	3,636,205	3,636,205
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and related expenses	2,298,198	539,364	21,444	100,315	2,959,321	2,959,321
Reinsurers' share of claims paid	(24,991)	(12,183)	(878)	(83,098)	(121,150)	(121,150)
Net claims paid	2,273,207	527,181	20,566	17,217	2,838,171	2,838,171
Changes in outstanding claims, net	14,699	(45,544)	65	3,534	(27,246)	(27,246)
Changes in incurred but not reported claims reserve, net	35,502	11,901	-	3,433	50,836	50,836
Net claims and other benefits incurred	2,323,408	493,538	20,631	24,184	2,861,761	2,861,761
Changes in reserve for takaful activities	(91)	-	-	-	(91)	(91)
Policy acquisition costs	110,855	65,275	17,493	21,179	214,802	214,802
Other underwriting expenses	50,038	7,594	10,101	9,856	77,589	77,589
Manafeth insurance share	-	-	52,039	-	52,039	52,039
TOTAL UNDERWRITING COSTS AND EXPENSES	2,484,210	566,407	100,264	55,219	3,206,100	3,206,100
NET UNDERWRITING INCOME	216,804	152,685	11,101	49,515	430,105	430,105
General and administrative expenses					(213,868)	(4,035) (217,903)
Reversal of allowance for doubtful debts					12,349	12,349
Dividend and realized gain on investments, net					107,951	92,789 200,740
Share of profit from investments in associates, net					-	7,095 7,095
Other income					11,473	- 11,473
NET INCOME FOR THE PERIOD					348,010	95,849 443,859

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

15. OPERATING SEGMENTS (continued)

Operating Segments	As at June 30, 2018 (Unaudited)						Total
	Medical	Motor	Manafeth	Property & casualty	Total - Insurance operations	Total - Shareholders' operations	
SAR'000							
Assets							
Reinsurer's share of unearned premiums	10,209	5	-	573,024	583,238		583,238
Reinsurer's share of incurred but not reported claims	40,863	-	-	161,868	202,731		202,731
Reinsurer's share of outstanding claims	26,916	14,821	2,000	1,258,094	1,301,831		1,301,831
Deferred policy acquisition costs	105,285	25,223	1,349	16,623	148,480		148,480
Investments (including investment property)					3,117,482	2,720,993	5,838,475
Receivables, net					2,544,695		2,544,695
Cash and cash equivalents					705,875	165,524	871,399
Unallocated assets					455,698	220,475	676,173
Total assets	183,273	40,049	3,349	2,009,609	9,060,030	3,106,992	12,167,022
Liabilities							
Gross unearned premiums	2,978,846	440,141	24,892	654,855	4,098,734		4,098,734
Gross outstanding claims	323,781	140,362	11,578	1,399,007	1,874,728		1,874,728
Incurred but not reported claims reserve	1,135,398	219,815	13,194	194,167	1,562,574		1,562,574
Premium deficiency reserve	118,389	-	-	-	118,389		118,389
Unearned commission income	4,637	-	-	33,848	38,485		38,485
Reserve for takaful activities	9,404	-	-	-	9,404		9,404
Reinsurers' balances payable					120,295		120,295
Unallocated liabilities and accumulated surplus					1,861,887	271,201	2,133,088
Total liabilities and surplus	4,570,455	800,318	49,664	2,281,877	9,684,496	271,201	9,955,697

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

15. OPERATING SEGMENTS (continued)

Operating Segments	As at December 31, 2017 (Audited)						
	Medical	Motor	Manafeth	Property & casualty	Total - Insurance operations	Total - Shareholders' operations	Total
	SAR'000						
Assets							
Reinsurer's share of unearned premiums	62,909	6		528,210	591,125		591,125
Reinsurer's share of incurred but not reported claims	28,142	14,987	1,141	346,937	391,207		391,207
Reinsurer's share of outstanding claims	25,547	19,753		1,329,977	1,375,277		1,375,277
Deferred excess of loss premiums		6,595		4,698	11,293		11,293
Deferred policy acquisition costs	99,636	47,306	1,822	22,026	170,790		170,790
Investments (including investment property)					2,977,312	2,653,226	5,630,538
Receivables, net					2,257,678		2,257,678
Cash and cash equivalents					1,115,144	282,059	1,397,203
Unallocated assets					548,062	297,136	845,198
Total assets	216,234	88,647	2,963	2,231,848	9,437,888	3,232,421	12,670,309
Liabilities							
Gross unearned premiums	3,084,610	674,011	26,982	619,641	4,405,244		4,405,244
Gross outstanding claims	757,624	142,151	5,808	1,469,181	2,374,764		2,374,764
Incurred but not reported claims reserve	1,059,424	233,943	24,609	382,293	1,700,269		1,700,269
Premium deficiency reserve	137,248	-	-	-	137,248		137,248
Unearned commission income	5,346	1	-	48,314	53,661		53,661
Reserve for takaful activities	10,576				10,576		10,576
Reinsurers' balances payable					207,922		207,922
Unallocated liabilities and surplus					1,322,131	245,729	1,567,860
Total liabilities and surplus	5,054,828	1,050,106	57,399	2,519,429	10,211,815	245,729	10,457,544

16. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated by dividing the income attributed to shareholders' by 125 million shares.

17. ZAKAT

Status of assessments

The Company had filed zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2005 to 2017. In relation to 2005 and 2006, the final assessments had been finalized and the Company had filed an appeal against the assessments of GAZT which is raised to Board of Grievances. In relation to 2007 to 2013, GAZT had raised assessments and management had subsequently filed their response. Further, GAZT has yet to commence its review for the years 2014 to 2017. Based on advice from zakat consultant, appropriate provisions have been made and management believes that finalization of the abovementioned assessments is not expected to have a material impact on the financial information.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

18. SUPPLEMENTARY INFORMATION

a) Interim condensed statement of financial position

	As at June 30, 2018			As at December 31, 2017		
	(Unaudited)			(Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
ASSETS						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,125	2,125	-	1,997	1,997
Property and equipment, net	268,136	-	268,136	279,051	-	279,051
Intangible assets	5,025	-	5,025	7,653	-	7,653
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	7,802	78,517	86,319	7,021	88,447	95,468
Available for sale investments	3,099,819	2,642,476	5,742,295	2,960,430	2,564,779	5,525,209
Murabaha deposits	-	-	-	-	82,035	82,035
Due from/ to Shareholder's operations	624,466	(624,466)	-	773,927	(773,927)	-
Prepaid expenses and other assets	172,192	208	172,400	189,619	1,750	191,369
Deferred excess of loss premiums	-	-	-	11,293	-	11,293
Deferred policy acquisition costs	148,480	-	148,480	170,790	-	170,790
Reinsurers' share of gross outstanding claims	1,301,831	-	1,301,831	1,375,277	-	1,375,277
Reinsurers' share of incurred but not reported claims	202,731	-	202,731	391,207	-	391,207
Reinsurers' share of unearned premiums	583,238	-	583,238	591,125	-	591,125
Receivables, net	2,544,695	-	2,544,695	2,257,678	-	2,257,678
Accrued investment income	10,345	93,142	103,487	71,739	86,354	158,093
Cash and cash equivalents	705,875	165,524	871,399	1,115,144	282,059	1,397,203
TOTAL ASSETS	9,684,496	2,482,526	12,167,022	10,211,815	2,458,494	12,670,309

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

18. SUPPLEMENTARY INFORMATION (continued)

a) Interim condensed statement of financial position (continued)

	As at June 30, 2018			As at December 31, 2017		
	(Unaudited)			(Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
SAR'000						
LIABILITIES						
Reserve for discontinued operations	1,621	-	1,621	1,621	-	1,621
End-of-service indemnities	121,521	-	121,521	119,242	-	119,242
Return payable on statutory deposit	-	2,125	2,125	-	1,997	1,997
Claims payable, accrued expenses and other liabilities	1,921,707	7,112	1,928,819	1,287,652	4,000	1,291,652
Reserve for takaful activities	9,404	-	9,404	10,576	-	10,576
Gross outstanding claims	1,874,728	-	1,874,728	2,374,764	-	2,374,764
Incurred but not reported claims reserve	1,562,574	-	1,562,574	1,700,269	-	1,700,269
Premium deficiency reserve	118,389	-	118,389	137,248	-	137,248
Unearned commission income	38,485	-	38,485	53,661	-	53,661
Gross unearned premiums	4,098,734	-	4,098,734	4,405,244	-	4,405,244
Reinsurers' balances payable	120,295	-	120,295	207,922	-	207,922
Dividends payable	-	6,414	6,414	-	6,414	6,414
Zakat	-	255,550	255,550	-	233,318	233,318
TOTAL LIABILITIES	9,867,458	271,201	10,138,659	10,298,199	245,729	10,543,928
ACCUMULATED SURPLUS – INSURANCE OPERATIONS						
Fair value reserve for available for sale investments	(177,083)	-	(177,083)	(80,505)	-	(80,505)
Remeasurements of defined benefit obligation	(5,879)	-	(5,879)	(5,879)	-	(5,879)
TOTAL ACCUMULATED SURPLUS	(182,962)	-	(182,962)	(86,384)	-	(86,384)
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	9,684,496	271,201	9,955,697	10,211,815	245,729	10,457,544
SHAREHOLDERS' EQUITY						
Share capital	-	1,250,000	1,250,000	-	1,250,000	1,250,000
Legal reserve	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Fair value reserve for investments	-	(137,715)	(137,715)	-	(85,739)	(85,739)
Retained earnings	-	99,040	99,040	-	48,504	48,504
TOTAL SHAREHOLDERS' EQUITY	-	2,211,325	2,211,325	-	2,212,765	2,212,765
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	9,684,496	2,482,526	12,167,022	10,211,815	2,458,494	12,670,309

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
JUNE 30, 2018

18. SUPPLEMENTARY INFORMATION (continued)

b) Interim condensed statement of income (continued)

	For the three months period ended June 30, 2018			For the three months period ended June 30, 2017		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
REVENUES						
Gross premiums written	1,755,864		1,755,864	2,104,239		2,104,239
Reinsurance premium ceded	(352,251)		(352,251)	(340,584)		(340,584)
Fees income from takaful	2,008		2,008	2,355		2,355
Excess of loss premiums	(8,168)		(8,168)	(7,512)		(7,512)
Net premiums written	1,397,453		1,397,453	1,758,498		1,758,498
Changes in unearned premiums, net	407,598		407,598	68,465		68,465
Net premiums earned	1,805,051		1,805,051	1,826,963		1,826,963
Reinsurance commissions	21,189		21,189	24,917		24,917
Other underwriting income	2,027		2,027	4,186		4,186
Total revenues	1,828,267		1,828,267	1,856,066		1,856,066
COST AND EXPENSES						
Gross claims paid	1,970,458		1,970,458	1,518,753		1,518,753
Expenses incurred related to claims	5,924		5,924	4,200		4,200
Reinsurance share of claims paid	(304,809)		(304,809)	(88,141)		(88,141)
Net claims and other benefits paid	1,671,573		1,671,573	1,434,812		1,434,812
Changes in outstanding claims, net	28,752		28,752	(6,631)		(6,631)
Changes in incurred but not reported claims, net	(65,733)		(65,733)	20,824		20,824
Changes in premium deficiency reserves	12,888		12,888	-		-
Net claims and other benefits incurred	1,647,480		1,647,480	1,449,005		1,449,005
Changes in reserves for takaful activities	(424)		(424)	(160)		(160)
Policy acquisition costs	101,465		101,465	109,742		109,742
Other underwriting expenses	31,719		31,719	38,881		38,881
Manafeth Insurers share	11,061		11,061	22,805		22,805
Total underwriting costs and expenses	1,791,301		1,791,301	1,620,273		1,620,273
Net underwriting income	36,966		36,966	235,793		235,793
General and administrative expenses	(106,888)	(2,330)	(109,218)	(111,686)	(2,552)	(114,238)
(Allowance for)/ reversal of doubtful debts	(9,598)	-	(9,598)	6,329	-	6,329
Dividend and realized gain on investments, net	12,323	92,799	105,122	72,585	58,754	131,339
Share of profit from investments in associates, net	-	7,968	7,968	-	5,045	5,045
Other income, net	4,604	-	4,604	5,330	-	5,330
Net (loss) / income for the period before appropriation	(62,593)	98,437	35,844	208,351	61,247	269,598
(Shareholders' appropriation of deficit/ surplus) / (Deficit) / Surplus transferred to Shareholders'	60,168	(60,168)	-	(187,516)	187,516	-
Net income for the period after Shareholders' appropriations	(2,425)	38,269	35,844	20,835	248,763	269,598

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18. SUPPLEMENTARY INFORMATION (continued)

b) Interim condensed statement of income (continued)

	For the six months period ended June 30, 2018			For the six months period ended June 30, 2017		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
SAR'000						
REVENUES						
Gross premiums written	3,851,576		3,851,576	4,132,619		4,132,619
Reinsurance premium ceded	(538,258)		(538,258)	(483,940)		(483,940)
Fees income from takaful	3,241		3,241	4,182		4,182
Excess of loss premiums	(15,866)		(15,866)	(19,972)		(19,972)
Net premiums written	3,300,693		3,300,693	3,632,889		3,632,889
Changes in unearned premiums, net	298,623		298,623	(56,403)		(56,403)
Net premiums earned	3,599,316		3,599,316	3,576,486		3,576,486
Reinsurance commissions	46,632		46,632	50,161		50,161
Other underwriting income	5,928		5,928	9,558		9,558
Total revenues	3,651,876		3,651,876	3,636,205		3,636,205
COST AND EXPENSES						
Gross claims paid	4,176,179		4,176,179	2,950,707		2,950,707
Expenses incurred related to claims	11,682		11,682	8,614		8,614
Reinsurance share of claims paid	(565,042)		(565,042)	(121,150)		(121,150)
Net claims and other benefits paid	3,622,819		3,622,819	2,838,171		2,838,171
Changes in outstanding claims, net	(426,590)		(426,590)	(27,246)		(27,246)
Changes in incurred but not reported claims, net	50,781		50,781	50,836		50,836
Changes in premium deficiency reserves	(18,859)		(18,859)	-		-
Net claims and other benefits incurred	3,228,151		3,228,151	2,861,761		2,861,761
Changes in reserves for takaful activities	(1,172)		(1,172)	(91)		(91)
Policy acquisition costs	201,794		201,794	214,802		214,802
Other underwriting expenses	74,131		74,131	77,589		77,589
Manafeth Insurers share	32,349		32,349	52,039		52,039
Total underwriting costs and expenses	3,535,253		3,535,253	3,206,100		3,206,100
Net underwriting income	116,623		116,623	430,105		430,105
General and administrative expenses	(198,776)	(3,711)	(202,487)	(213,868)	(4,035)	(217,903)
(Allowance for)/ reversal of doubtful debts	(17,098)	-	(17,098)	12,349	-	12,349
Dividend and realized gain on investments, net	51,959	108,390	160,349	107,951	92,789	200,740
Share of profit from investments in associates, net	-	13,865	13,865	-	7,095	7,095
Other income, net	8,945	-	8,945	11,473	-	11,473
Net (loss) / income for the period before appropriation	(38,347)	118,544	80,197	348,010	95,849	443,859
(Shareholders' appropriation of deficit/ surplus) / (Deficit) / Surplus transferred to Shareholders'	38,347	(38,347)	-	(313,209)	313,209	-
Net income for the period after Shareholders' appropriations	-	80,197	80,197	34,801	409,058	443,859

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18. SUPPLEMENTARY INFORMATION (continued)

c) Interim condensed statement of comprehensive income

	For the three months period ended June 30, 2018 (Unaudited)			For the three months period ended June 30, 2017 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income for the period	(2,425)	38,269	35,844	20,835	248,763	269,598
Other comprehensive income:						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	(82,936)	(94,827)	(177,763)	62,435	(39,371)	23,064
- Net amounts recycled to interim statement of income	(259)	-	(259)	(23,677)	21,118	(2,559)
Share of other comprehensive income of investments in associates	-	(1,711)	(1,711)	-	-	-
Total comprehensive (loss) / income for the period	(85,620)	(58,269)	(143,889)	59,593	230,510	290,103
	For the six months period ended June 30, 2018 (Unaudited)			For the six months period ended June 30, 2017 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income for the period	-	80,197	80,197	34,801	409,058	443,859
Other comprehensive income:						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	(99,192)	(47,651)	(146,843)	55,380	63,861	119,241
- Net amounts recycled to interim statement of income	2,614	(3,516)	(902)	(65,178)	(8,467)	(73,645)
Share of other comprehensive income of investments in associates	-	(809)	(809)	-	-	-
Total comprehensive (loss) / income for the period	(96,578)	28,221	(68,357)	25,003	464,452	489,455

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(continued)
JUNE 30, 2018

18. SUPPLEMENTARY INFORMATION (continued)

d) Interim condensed statement of cash flows

	For the six months period ended June 30, 2018 (Unaudited)			For the six months period ended June 30, 2017 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Operating activities:						
Net income for the period	-	80,197	80,197	34,801	409,058	443,859
Adjustments for non-cash items:						
Appropriation of (surplus) / deficit	21,821	(21,821)	-	313,209	(313,209)	-
Depreciation	10,915	-	10,915	11,729	-	11,729
Amortization of intangible assets	2,791	-	2,791	805	-	805
Allowance for/(Reversal of) doubtful debts	17,098	-	17,098	(12,349)	-	(12,349)
Gain/ (loss) on sale of available-for-sale investments	2,614	(3,516)	(902)	(65,178)	(8,467)	(73,645)
Share of profit from investments in associates, net	(781)	(13,865)	(14,646)	6,208	(7,494)	(1,286)
Provision for end-of-service indemnities	6,216	-	6,216	7,241	-	7,241
	60,674	40,995	101,669	296,466	79,888	376,354
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	17,427	1,542	18,969	158,063	-	158,063
Deferred excess of loss premiums	11,293	-	11,293	3,096	-	3,096
Deferred policy acquisition costs	22,310	-	22,310	(32,470)	-	(32,470)
Reinsurers' share of outstanding claims	73,446	-	73,446	(53,922)	-	(53,922)
Reinsurers' share of claims incurred but not reported	188,476	-	188,476	(6,012)	-	(6,012)
Reinsurers' share of unearned premiums	7,887	-	7,887	(14,635)	-	(14,635)
Receivables, net	(304,115)	-	(304,115)	209,680	-	209,680
Reinsurers' balances payable	(87,627)	-	(87,627)	90,926	-	90,926
Gross unearned premiums	(306,510)	-	(306,510)	71,038	-	71,038
Unearned commission income	(15,176)	-	(15,176)	8,699	-	8,699
Gross outstanding claims and reserves	(500,036)	-	(500,036)	26,676	-	26,676
Claims incurred but not reported reserves	(137,695)	-	(137,695)	56,848	-	56,848
Premium deficiency reserve	(18,859)	-	(18,859)	-	-	-
Reserve for takaful activities	(1,172)	-	(1,172)	(91)	-	(91)
Accrued expenses and other liabilities	634,055	3,112	637,167	(374,655)	4,035	(370,620)
Due from/ to Shareholder's operations	(21,821)	21,821	-	(313,209)	313,209	-
	(377,443)	67,470	(309,973)	126,498	397,132	523,630
End-of-service indemnities paid	(3,937)	-	(3,937)	(7,059)	-	(7,059)
Net cash (used in)/ from operating activities	(381,380)	67,470	(313,910)	119,439	397,132	516,571
Investing activities:						
Statutory deposit	-	-	-	-	(25,000)	(25,000)
Proceeds from sale of available-for-sale investments	140,503	189,289	329,792	1,046,099	1,894,296	2,940,395
Purchase of available-for-sale investments	-	82,035	82,035	-	-	-
Proceeds from Murabaha deposits	(379,084)	(314,637)	(693,721)	(1,205,715)	(3,060,829)	(4,266,544)
Accrued investment income	61,394	(6,788)	54,606	-	-	-
Dividends received from investments in associates	-	22,986	22,986	-	11,285	11,285
Purchase of property and equipment	-	-	-	(2,943)	-	(2,943)
Purchase of intangible assets	(163)	-	(163)	(12,991)	-	(12,991)
Net cash used in investing activities	(177,350)	(27,115)	(204,465)	(175,550)	(1,180,248)	(1,355,798)

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JUNE 30, 2018

18. SUPPLEMENTARY INFORMATION (continued)

d) Interim condensed statement of cash flows (continued)

	For the six months period ended June 30, 2018 (Unaudited)			For the six months period ended June 30, 2017 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Financing activities:						
Dividends paid	-	-	-	-	(499,734)	(499,734)
Zakat paid during the period	-	(7,429)	(7,429)	-	(20,038)	(20,038)
Due to shareholders	149,461	(149,461)	-	(629,479)	629,479	-
Net cash from/ (used in) financing activities	149,461	(156,890)	(7,429)	(629,479)	109,707	(519,772)
Net change in cash and cash equivalents	(409,269)	(116,535)	(525,804)	(685,590)	(673,409)	(1,358,999)
Cash and cash equivalents, beginning of the period	1,115,144	282,059	1,397,203	1,379,402	1,021,747	2,401,149
Cash and cash equivalents, end of the period	705,875	165,524	871,399	693,812	348,338	1,042,150
Non-cash supplemental information:						
Changes in fair value for investments	(96,578)	(51,976)	(148,554)	(9,798)	55,394	45,596

19. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial information of the Company.

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information have been approved by the Audit Committee on behalf of the Board of Directors, on Thu al-Qa'dah 19, 1439H, corresponding to August 01, 2018.