

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REVIEW REPORT  
(UNAUDITED)**

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

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Introduction**

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

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is 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 that are 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 as at June 30, 2018 of Al Alamiya for Cooperative Insurance Company are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as modified by SAMA for the accounting of zakat and income tax.

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August 8, 2018  
Dhu Al-Qaidah 26, 1439

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

|   | <i>Notes</i> | <b>SAR '000</b>                      |  |
|---|--------------|--------------------------------------|--|
|   |              | <b>June 30, 2018<br/>(Unaudited)</b> | <b>December 31, 2017<br/>(Audited)</b> |
| <b><u>ASSETS</u></b>                                  |              |                                      |  |
| Cash and cash equivalents                             | 4            | 15,525                               | 16,651                                 |
| Term deposits   |              | 419,215                              | 434,105                                |
| Premiums and reinsurer' receivable, net               | 5            | 98,980                               | 81,184                                 |
| Reinsurers' share of unearned premiums                | 7.2          | 42,600                               | 49,140                                 |
| Deferred excess of loss premiums                      |              | 4,080                                | --                                     |
| Reinsurers' share of outstanding claims               | 7.1          | 42,504                               | 41,545                                 |
| Reinsurers' share of claims incurred but not reported | 7.1          | 19,473                               | 25,338                                 |
| Deferred policy acquisition costs                     |              | 8,306                                | 3,792                                  |
| Investments   | 6            | 91,729                               | 77,278                                 |
| Due from related parties                              | 11           | --                                   | 31                                     |
| Prepaid expenses and other assets                     |              | 7,281                                | 5,380                                  |
| Property and equipment                                |              | 1,025                                | 686                                    |
| Statutory deposit                                     |              | 40,000                               | 40,000                                 |
| Accrued income on statutory deposit                   |              | 2,204                                | 2,204                                  |
| <b>TOTAL ASSETS</b>                                   |              | <b>792,922</b>                       | <b>777,334</b>                         |

  
Khalid Allagany  
Chief Executive Officer

  
Fadi Aboul Hosn  
Chief Financial Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)**

**AS AT 30 JUNE 2018**

|  |       | SAR '000       |                |
|--|-------|----------------|----------------|
|  |       | June 30, 2018  | December 31,   |
|  | Notes | (Unaudited)    | 2017           |
|  |       |                | (Audited)      |
| <b><u>LIABILITIES</u></b>  |       |                |                |
| Outstanding claims reserve   | 7.1   | 96,542         | 86,219         |
| Claims incurred but not reported   | 7.1   | 52,830         | 77,756         |
| Other technical reserves   | 7.1   | 942            | 1,733          |
| Accrued and other liabilities  |       | 29,885         | 33,269         |
| Reinsurers' balances payable   |       | 40,735         | 40,720         |
| Unearned premiums  | 7.2   | 118,570        | 100,103        |
| Accounts payables  |       | 12,127         | 13,019         |
| Unearned reinsurance commission  |       | 5,084          | 4,465          |
| Due to related parties   |       | 1,760          | 1,064          |
| End-of-service indemnities   |       | 11,732         | 10,921         |
| Zakat and income tax   | 12    | 33,227         | 31,055         |
| Accrued commission income payable to SAMA  |       | 2,204          | 2,204          |
| <b>TOTAL LIABILITIES EXCLUDING INSURANCE OPERATIONS' SURPLUS</b>                 |       | <b>405,638</b> | <b>402,528</b> |
| <b><u>INSURANCE OPERATIONS' SURPLUS</u></b>                                      |       |                |                |
| Accumulated surplus  |       | 11,199         | 9,616          |
| Actuarial reserve for employee benefits  |       | (1,675)        | (1,675)        |
| <b>TOTAL INSURANCE OPERATIONS' SURPLUS</b>                                       |       | <b>9,524</b>   | <b>7,941</b>   |
| <b>TOTAL LIABILITIES</b>   |       | <b>415,162</b> | <b>410,469</b> |
| <b><u>SHAREHOLDERS' EQUITY</u></b>   |       |                |                |
| Share capital  | 13    | 400,000        | 400,000        |
| Accumulated losses   |       | (20,438)       | (32,275)       |
| Fair value reserve for available for sale investments                            |       | (1,802)        | (860)          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  |       | <b>377,760</b> | <b>366,865</b> |
| <b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b> |       | <b>792,922</b> | <b>777,334</b> |
| <b>COMMITMENTS AND CONTINGENCIES</b>   | 8     | <b>1,369</b>   | <b>1,299</b>   |



**Khalid Allagany**  
Chief Executive Officer



**Fadi Aboul Hosn**  
Chief Financial Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)**

**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE**

|  | <b>SAR '000</b>                                 |                 | <b>SAR '000</b>                               |                 |
|--|---|-----------------|---|-----------------|
|  | <b>For the three month period ended June 30</b> |                 | <b>For the six month period ended June 30</b> |                 |
| <b>Notes</b>   | <b>2018</b>                                     | <b>2017</b>     | <b>2018</b>                                   | <b>2017</b>     |
| <b><u>REVENUES</u></b>   |   |                 |   |                 |
| Gross premiums written   |   |                 |   |                 |
| - Direct   | 56,101  | 48,117          | 156,720                                       | 133,972         |
| - Reinsurance  | 229   | --              | 349   | 465             |
|  | 56,330  | 48,117          | 157,069                                       | 134,437         |
| Reinsurance premiums ceded   |   |                 |   |                 |
| - Local  | (948)   | (125)           | (2,743)                                       | (269)           |
| - Foreign  | (23,963)  | (22,405)        | (52,481)                                      | (40,835)        |
|  | (24,911)  | (22,530)        | (55,224)                                      | (41,104)        |
| Excess of loss premium   |   |                 |   |                 |
| - Local  | --  | --              | --  | --              |
| - Foreign  | --  | --              | (7,641)                                       | (9,153)         |
|  | --  | --              | (7,641)                                       | (9,153)         |
| Total reinsurance premium ceded  | 7.2 (24,911)                                    | (22,530)        | (62,865)                                      | (50,257)        |
| <b><u>NET PREMIUMS WRITTEN</u></b>   | <b>31,419</b>                                   | <b>25,587</b>   | <b>94,204</b>                                 | <b>84,180</b>   |
| Changes in unearned premiums   | 12,474  | 33,717          | (18,467)                                      | 13,972          |
| Changes in reinsurance share of unearned premiums                                | (3,572)   | (11,499)        | (6,540)                                       | (23,814)        |
| Changes in excess of loss premiums   | (1,799)   | (2,242)         | 4,080   | 4,185           |
| <b><u>NET PREMIUMS EARNED</u></b>  | <b>38,522</b>                                   | <b>45,563</b>   | <b>73,277</b>                                 | <b>78,523</b>   |
| Reinsurance commissions  | 2,086   | 3,414           | 5,792   | 8,257           |
| <b><u>TOTAL REVENUES</u></b>   | <b>40,608</b>                                   | <b>48,977</b>   | <b>79,069</b>                                 | <b>86,780</b>   |
| <b><u>UNDERWRITING COSTS AND EXPENSES</u></b>                                    |   |                 |   |                 |
| Gross claims paid  | (21,472)  | (23,135)        | (41,468)                                      | (37,931)        |
| Reinsurers' share of claims paid   | 4,204   | 8,877           | 8,632   | 11,504          |
| <b><u>NET CLAIMS PAID</u></b>  | <b>(17,268)</b>                                 | <b>(14,258)</b> | <b>(32,836)</b>                               | <b>(26,427)</b> |
| Changes in outstanding claims, net   | (6,667)   | (3,922)         | (10,323)                                      | (5,026)         |
| Changes in reinsurance share of outstanding claims                               | 2,262   | (1,365)         | 947   | 1,239           |
| Changes in IBNR, net   | 8,721   | 7,056           | 19,072  | 9,839           |
| Changes in other technical reserves  | (291)   | --              | 791   | 704             |
| <b><u>NET CLAIMS INCURRED</u></b>  | <b>(13,243)</b>                                 | <b>(12,489)</b> | <b>(22,349)</b>                               | <b>(19,671)</b> |
| Policy acquisition costs   | (4,491)   | (9,909)         | (9,170)                                       | (14,403)        |
| Other underwriting expenses  | (241)   | (272)           | (671)   | (678)           |
| <b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>                              | <b>(17,975)</b>                                 | <b>(22,670)</b> | <b>(32,190)</b>                               | <b>(34,752)</b> |
| <b><u>NET UNDERWRITING INCOME</u></b>  | <b>22,633</b>                                   | <b>26,307</b>   | <b>46,879</b>                                 | <b>52,028</b>   |
| <b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>                                |   |                 |   |                 |
| Allowance for doubtful debts   | (3,104)   | (6,041)         | (4,318)                                       | (4,407)         |
| General and administrative expenses  | (15,524)  | (14,166)        | (29,397)                                      | (25,862)        |
| Commission income on term deposits   | 2,157   | 1,325           | 4,070   | 3,469           |
| Investment income  | 564   | 398             | 1,092   | 825             |
| Other income   | --  | --              | --  | 16              |
| <b><u>TOTAL OTHER OPERATING EXPENSES</u></b>                                     | <b>(15,907)</b>                                 | <b>(18,484)</b> | <b>(28,553)</b>                               | <b>(25,959)</b> |
| <b><u>TOTAL INCOME FOR THE PERIOD</u></b>  | <b>6,726</b>                                    | <b>7,823</b>    | <b>18,326</b>                                 | <b>26,069</b>   |
| <b><u>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS</u></b> | <b>(539)</b>                                    | <b>(712)</b>    | <b>(1,591)</b>                                | <b>(2,415)</b>  |
| <b><u>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</u></b>         | <b>6,187</b>                                    | <b>7,111</b>    | <b>16,735</b>                                 | <b>23,654</b>   |
| <b>BASIC AND DILUTED EARNINGS PER SHARE(SAR)</b>                                 | <b>0.15</b>                                     | <b>0.18</b>     | <b>0.42</b>                                   | <b>0.59</b>     |



**Khalid Allagany**  
Chief Executive Officer



**Fadi Aboul Hosn**  
Chief Financial Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)  
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE**

|   |              | SAR '000                                    |              | SAR '000                                  |                |
|---|--------------|---|--------------|---|----------------|
|   |              | For the three<br>month period<br>ended June |              | For the six<br>month period<br>ended June |                |
|   | <u>Notes</u> | 2018  | 2017         | 2018                                      | 2017           |
| Total income for the period   |              | 6,726                                       | 7,823        | 18,326                                    | 26,069         |
| <b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>  |              |   |              |   |                |
| <i>-Items that may be reclassified to interim condensed statement of income in subsequent periods</i> |              |   |              |   |                |
| Change in fair value of available for sale investments  | 6            | (518)                                       | (138)        | (942)                                     | 109            |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>  |              | <b>6,208</b>                                | <b>7,685</b> | <b>17,384</b>                             | <b>26,178</b>  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS</b>               | 15b          | <b>(539)</b>                                | <b>(712)</b> | <b>(1,591)</b>                            | <b>(2,415)</b> |
| <b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>                       |              | <b>5,669</b>                                | <b>6,973</b> | <b>15,793</b>                             | <b>23,763</b>  |



**Khalid Allagany**  
Chief Executive Officer



**Fadi Aboul Hosn**  
Chief Financial Officer

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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE  
Unaudited - SAR in '000'

| <u>2018</u>   | <u>Notes</u> | <u>Share capital</u> | <u>Accumulated losses</u> | <u>Fair value reserve for available for sale investments</u> | <u>Total Equity</u> |
|---|--------------|----------------------|---------------------------|--|---------------------|
| Balance at January 1, 2018  |              | 400,000              | (32,275)                  | (860)  | 366,865             |
| Total comprehensive income /(loss) for the period                             | 6            | --                   | --                        | (942)  | (942)               |
| Changes in fair values of available for sale investments                      |              | --                   | 16,735                    | --   | 16,735              |
| Net income for the period attributable to shareholders                        |              | 400,000              | (15,540)                  | (1,802)  | 382,658             |
| Total comprehensive income for the period attributable to shareholders        | 12           | --                   | (4,898)                   | --   | (4,898)             |
| Zakat and income tax charge   |              | 400,000              | (20,438)                  | (1,802)  | 377,760             |
| Balance at June 30, 2018  |              |                      |                           |  |                     |
| <u>2017</u>   |              |                      |                           |  |                     |
| Balance at January 1, 2017  |              | 400,000              | (68,356)                  | (688)  | 330,956             |
| Total comprehensive income for the period                                     |              | --                   | --                        | 109  | 109                 |
| Changes in fair values of available for sale investments                      |              | --                   | 23,654                    | --   | 23,654              |
| Net income for the period Attributable to shareholders                        |              | 400,000              | (44,702)                  | (579)  | 354,719             |
| Total comprehensive income (loss) for the period attributable to shareholders |              | --                   | (3,187)                   | --   | (3,187)             |
| Zakat and income tax charge   |              |                      |                           |  |                     |
| Balance at June 30, 2017  |              | 400,000              | (47,889)                  | (579)  | 351,532             |

  
Khalid Allagany  
Chief Executive Officer

  
Fadi About Hosn  
Chief Financial Officer

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**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE**

|   | <i>Note</i> | <b>2018</b>     | <b>2017</b>     |
|---|-------------|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |             |                 |                 |
| Net profit for the period                                       |             | <b>18,326</b>   | <b>26,069</b>   |
| Adjustments for non-cash items:                                 |             |                 |                 |
| Depreciation of property and equipment                          |             | <b>197</b>      | <b>24</b>       |
| Amortizations of investments                                    |             | <b>231</b>      | <b>274</b>      |
| Allowance for provisions for doubtful debts                     |             | <b>4,318</b>    | <b>4,407</b>    |
| Provision for end-of-service indemnities                        |             | <b>900</b>      | <b>1,100</b>    |
|   |             | <b>23,972</b>   | <b>31,874</b>   |
| <u>Changes in operating assets and liabilities:</u>             |             |                 |                 |
| Premiums and reinsurers' receivable                             |             | <b>(22,114)</b> | <b>(27,387)</b> |
| Reinsurers' share of unearned premiums                          |             | <b>6,540</b>    | <b>23,814</b>   |
| Reinsurers' share of outstanding claims                         |             | <b>(959)</b>    | <b>(1,239)</b>  |
| Reinsurers' share of claims Incurred but not reported           |             | <b>5,865</b>    | <b>8,119</b>    |
| Deferred policy acquisition costs                               |             | <b>(4,514)</b>  | <b>(4,213)</b>  |
| Deferred excess of loss premiums                                |             | <b>(4,080)</b>  | <b>(4,185)</b>  |
| Due from related parties  |             | <b>31</b>       | <b>3,337</b>    |
| Prepaid expenses and other assets                               |             | <b>(1,901)</b>  | <b>779</b>      |
| Statutory deposits  |             | <b>--</b>       | <b>(962)</b>    |
| Accounts payables   |             | <b>(892)</b>    | <b>1,615</b>    |
| Accrued and other liabilities                                   |             | <b>(3,384)</b>  | <b>(9,881)</b>  |
| Reinsurers' balances payable                                    |             | <b>15</b>       | <b>(8,664)</b>  |
| Unearned premiums   |             | <b>18,467</b>   | <b>(13,972)</b> |
| Unearned reinsurance commission                                 |             | <b>619</b>      | <b>(1,057)</b>  |
| Outstanding claims  |             | <b>10,323</b>   | <b>5,026</b>    |
| Zakat and Tax paid  |             | <b>(2,726)</b>  | <b>(1,669)</b>  |
| Claims incurred but not reported                                |             | <b>(24,926)</b> | <b>(17,958)</b> |
| Other technical reserves  |             | <b>(791)</b>    | <b>(704)</b>    |
| Due to related parties  |             | <b>696</b>      | <b>(989)</b>    |
|   |             | <b>241</b>      | <b>(18,316)</b> |
| End-of-service indemnities paid                                 |             | <b>(90)</b>     | <b>(2,018)</b>  |
| Surplus paid to policy holders                                  |             | <b>(8)</b>      | <b>(302)</b>    |
| <b>Net cash generated from / (used in) operating activities</b> |             | <b>143</b>      | <b>(20,636)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |             |                 |                 |
| (Additions)/disposals in investments, net                       |             | <b>(15,623)</b> | <b>(412)</b>    |
| Disposals / (additions) in term deposits, net                   |             | <b>14,890</b>   | <b>10,943</b>   |
| Additions in property and equipment                             |             | <b>(536)</b>    | <b>(26)</b>     |
| <b>Net cash (used in) / generated from investing activities</b> |             | <b>(1,269)</b>  | <b>10,505</b>   |
| Net change in cash and cash equivalents                         |             | <b>(1,126)</b>  | <b>(10,131)</b> |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>       |             | <b>15,751</b>   | <b>25,601</b>   |
| <b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>             | <b>4</b>    | <b>14,625</b>   | <b>15,470</b>   |
| <b>NON-CASH INFORMATION</b>                                     |             |                 |                 |
| Change in fair value of available for sale investments          | <b>6</b>    | <b>(942)</b>    | <b>109</b>      |

  
**Khalid Allagany**  
Chief Executive Officer

  
**Fadi Aboul Hosn**  
Chief Financial Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

# AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

### 1. ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company ("the Company") is a Saudi joint stock company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939). The registered address of the Company's head office is as follows:

Al Alamiya for cooperative insurance company  
Prince Mohammed bin Abdul Aziz Road,  
Home Centre Building, P.O. Box: 6393,  
Riyadh 11442, Kingdom of Saudi Arabia

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from Saudi Arabian Monetary Authority ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia.

### 2. BASIS OF PREPERATION

#### (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 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. 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 current: cash and cash equivalents, term deposits, premiums and reinsurers' receivable, net, re insurance share of unearned premiums, reinsurance share of outstanding claims, deferred policy acquisition costs, deferred excess of loss premiums, prepaid expenses and other assets and investments with the exception of available for sale investments in insurance operations. The following balances would generally be classified as non-current property and equipment, statutory deposit, accrued interest on statutory deposit and available for sale investments in insurance operations

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.

The interim condensed statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 15 of the financial information 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 below in note 15 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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**2. BASIS OF PREPERATION (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. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the Insurance Operations and Shareholders Operations are uniform for like transactions and events in similar circumstances. Surplus from insurance operations' and actuarial reserves from employee benefits are shown separately as Insurance Operations' Surplus in the statement of financial position.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% is to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Authority ("SAMA"). Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

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 interim financial information 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 information, 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 were applied to the annual financial information as at and for the year ended 31 December 2017.

**(c) Seasonality of operations**

The Company operates in an industry where significant seasonal or cyclical variations in operating income are experienced during the financial year.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies 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 31 December 2017 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the unaudited interim condensed financial statements of the Company in the current period or prior period and is expected to have no significant effect in future periods. Certain figures for the prior year have been reclassified to conform to the presentation made in the current period:

*Amendments to IASs' - "Disclosure Initiative" applicable from 1 January 2018.*

***IFRS 2 Share-based payment***

Amendments to IFRS 2 – "Share-based Payment", applicable for the period beginning on or after 1 January 2018. The amendments cover classification and measurement of three accounting areas, first, measurement of cash-settled share-based payments, second, classification of share-based payments settled net of tax withholdings, and third, accounting for a modification of a share-based payment from cash-settled to equity-settled. The application of this new standard has no material impact on the Company's interim condensed financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***IFRS 15 Revenue from contracts with customers***

IFRS 15 – “Revenue from Contracts with Customers” applicable from 1 January 2018 presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard could have a significant impact on how and when revenue is recognized (except for contracts that are within the scope of the Standards on lease insurance contracts and financial instruments), with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred. The application of this new standard has no material impact on the Company’s interim condensed financial statements.

***Standards issued but not yet effective***

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

***IFRS 9 Financial Instruments***

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. The Company will avail of the exemptions available to insurers and is considering deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021. 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. At the date of publication of these financial statements, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 9 will be adopted.

***IFRS 17 - Insurance Contracts***

IFRS 17 ‘Insurance contracts’ was published on May 18, 2017 with the effective date of 1 January 2021. IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For non-life and short-term life insurance contracts IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk, for which confidence level equivalent disclosure will be required. Further, IFRS 17 will change the presentation of insurance contract revenue, as gross premiums written will no longer be presented in profit or loss. At the date of publication of these financial statements, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 17 will be adopted.

***IFRS 16 Leases***

IFRS 16 – “Leases”, is 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 management believes that the adoption of IFRS 16 will not have a material impact on the Company’s financial statements.

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**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

| <b>SAR'000</b>   | <b>June 30,<br/>2018<br/>(Unaudited)</b> | <b>December 31,<br/>2017<br/>(Audited)</b> |
|--|--|--|
| Bank balances and cash – Insurance operations                | 13,762                                   | 14,110                                     |
| Bank balances and cash – Shareholders' operations            | 863                                      | 1,641                                      |
| Cash and cash equivalents in statement of cashflows          | 14,625                                   | 15,751                                     |
| Deposits against letters of guarantee – Insurance operations | 900                                      | 900  |
| <b>Total</b>   | <b>15,525</b>                            | <b>16,651</b>                              |

The Company holds an amount of SAR 900 thousand (31 December 2017: SAR 900 thousand) in the statement of financial position of Insurance Operations, in respect of cash and cash equivalents against letters of guarantee in favor of the Company's service providers.

**5. PREMIUMS AND REINSURERS' RECEIVABLE - NET**

Receivables comprise amounts due from the following:

| <b>SAR'000</b>                                   | <b>Insurance operations</b>              |  |
|--|--|--|
|  | <b>June 30,<br/>2018<br/>(Unaudited)</b> | <b>December 31,<br/>2017<br/>(Audited)</b> |
| Policyholders                                    | 45,868                                   | 41,236                                     |
| Brokers and agents                               | 53,892                                   | 29,231                                     |
| Related parties (note 11)                        | 12,750                                   | 5,442                                      |
| Receivables from reinsurers                      | 5,475                                    | 19,968                                     |
|  | 117,985                                  | 95,877                                     |
| Provision for doubtful receivables               | (19,005)                                 | (14,693)                                   |
| <b>Premiums and reinsurers' receivable – net</b> | <b>98,980</b>                            | <b>81,184</b>                              |

Allowance for impairment of receivables includes SAR 1.6 million (31 December 2017: SAR 1.2 million) against receivables from related parties.

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**6. INVESTMENTS**

Investments are classified as follows:

| <b>SAR'000</b>  | <b>June 30,<br/>2018<br/>(Unaudited)</b> | <b>December 31,<br/>2017<br/>(Audited)</b> |
|---|--|--|
| Available for sale investments – Insurance operations *   | 1,923                                    | 1,923                                      |
| Available for sale investments – Shareholders' operations | 89,806                                   | 75,355                                     |
| <b>Total available for sale investments</b>               | <b>91,729</b>                            | <b>77,278</b>                              |

\* This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which is a Claim's Service Provider. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value. There has been no movement in this investment during the period ended 30 June 2018 and during the year ended 31 Dec 2017.

Movement in the investment balance for shareholders' operations is as follows:

|                                      | <b>Shareholders' operations</b>          |  |
|--------------------------------------|--|--|
| <b>SAR'000</b>                       | <b>June 30,<br/>2018<br/>(Unaudited)</b> | <b>December<br/>31, 2017<br/>(Audited)</b> |
| Opening balance                      | 75,355                                   | 75,877                                     |
| Purchases                            | 19,374                                   | 18,945                                     |
| Disposals                            | (3,750)                                  | (18,750)                                   |
| Amortization of investments          | (231)                                    | (545)                                      |
| Changes in fair value of investments | (942)                                    | (172)                                      |
| <b>Closing balance</b>               | <b>89,806</b>                            | <b>75,355</b>                              |

The geographical split of investments held as available for sale comprise of sukuks/ bonds issued by Government of Kingdom of Saudi Arabia and GCC (Gulf Cooperation Council) based companies through international stock exchanges.

These investments include Bonds and Sukuks amounting to SAR 24 million which are maturing in the next twelve months.

The cumulative unrealized loss in fair value of available for sale investments amounts to SR 1.8 million (31 December 2017: loss of SR 0.86 million) is presented with in the shareholders' equity in the statement of financial position.

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**7. TECHNICAL RESERVES**

**7.1 NET OUTSTANDING CLAIMS AND RESERVES**

Net outstanding claims and reserves comprise of the following:

| <b>SAR'000</b>  | <b>Insurance operations</b>              |  |
|---|--|--|
|   | <b>June 30,<br/>2018<br/>(Unaudited)</b> | <b>December<br/>31, 2017<br/>(Audited)</b> |
| Outstanding claims                                      | 117,244                                  | 103,923                                    |
| Less: Realizable value of salvage and subrogation       | (20,702)                                 | (17,704)                                   |
| Outstanding claims reserve                              | 96,542                                   | 86,219                                     |
| Claims incurred but not reported                        | 52,830                                   | 77,756                                     |
| Other technical reserves                                | 942                                      | 1,733                                      |
|   | 150,314                                  | 165,708                                    |
| Less:   |  |  |
| - Reinsurers' share of outstanding claims               | (42,504)                                 | (41,545)                                   |
| - Reinsurers' share of claims Incurred but not reported | (19,473)                                 | (25,338)                                   |
|   | (61,977)                                 | (66,883)                                   |
| <b>Net outstanding claims and reserves</b>              | <b>88,337</b>                            | <b>98,825</b>                              |

**7.2 MOVEMENT IN UNEARNED PREMIUMS**

Movement in unearned premiums comprise of the following

| <b>SAR'000</b>                            | <b>Six months ended June 30, 2018<br/>(Unaudited)</b> |                    |            |
|---|---|--------------------|------------|
|   | <b>Gross</b>  | <b>Reinsurance</b> | <b>Net</b> |
| Balance as at the beginning of the period | 100,103   | (49,140)           | 50,963     |
| Premium written during the period         | 157,069   | *(62,865)          | 94,204     |
| Premium earned during the period          | (138,602)   | 65,325             | (73,277)   |
| Balance as at the end of the period       | 118,570   | (46,680)           | 71,890     |

\* This amount includes SR 52.5 million for reinsurance premium ceded abroad, SR 2.7 million for reinsurance premium ceded locally and SR 7.7 million for excess of loss expenses.

| <b>SAR'000</b>                            | <b>Three months ended June 30, 2018<br/>(Unaudited)</b> |                    |            |
|---|---|--------------------|------------|
|   | <b>Gross</b>  | <b>Reinsurance</b> | <b>Net</b> |
| Balance as at the beginning of the period | 131,045   | (52,052)           | 78,993     |
| Premium written during the period         | 56,330  | *(24,911)          | 31,419     |
| Premium earned during the period          | (68,805)  | 30,283             | 38,522     |
| Balance as at the end of the period       | 118,570   | (46,680)           | 71,890     |

\* This amount includes SR 24 million for reinsurance premium ceded abroad, SR 0.9 million for reinsurance premium ceded locally.

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**7.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)**

| SAR'000                                 | Year ended December 31, 2017 |             |           |
|---|------------------------------|-------------|-----------|
|   | (Audited)                    |             |           |
|   | Gross                        | Reinsurance | Net       |
| Balance as at the beginning of the year | 120,085                      | (65,178)    | 54,907    |
| Premium written during the year         | 263,369                      | *(117,001)  | 146,368   |
| Premium earned during the year          | (283,351)                    | 133,039     | (150,312) |
| Balance as at the end of the year       | 100,103                      | (49,140)    | 50,963    |

\* This amount includes SR 107.7 million for reinsurance premium ceded abroad, SR 0.5 million for reinsurance premium ceded locally and SR 8.8 million for excess of loss expenses.

**8. COMMITMENTS AND CONTINGENCIES**

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

| SAR'000                   | June 30,     | December     |
|---------------------------|--------------|--------------|
|                           | 2018         | 31, 2017     |
|                           | (Unaudited)  | (Audited)    |
| Letters of guarantee      | 900          | 900          |
| Commitments for the rents | 469          | 399          |
| <b>Total</b>              | <b>1,369</b> | <b>1,299</b> |

b) The Company is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management believes that such proceedings (including litigations) will not have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date. There was no change in the status of legal proceedings as disclosed in the annual financials of December 31, 2017.

**9. 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 advantageous 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 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.



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**9. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

**a. Carrying amounts and fair value (1)**

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.

| <u>SAR'000s</u>  | <u>Carrying<br/>value</u> | <u>Fair value</u> |                |                | <u>Total</u>  |
|--|---------------------------|-------------------|----------------|----------------|---------------|
|  |                           | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> |               |
| <b>June 30, 2018 (unaudited)</b>                                 |                           |                   |                |                |               |
| <b>Available for sale investments<br/>measured at fair value</b> |                           |                   |                |                |               |
| Bonds and Sukuks   | <b>89,806</b>             | <b>89,806</b>     | --             | --             | <b>89,806</b> |

| <u>SAR'000s</u>  | <u>Carrying value</u> | <u>Fair value</u> |                |                | <u>Total</u> |
|--|-----------------------|-------------------|----------------|----------------|--------------|
|  |                       | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> |              |
| <b>December, 2017 (unaudited)</b>                                |                       |                   |                |                |              |
| <b>Available for sale investments<br/>measured at fair value</b> |                       |                   |                |                |              |
| Bonds and Sukuks   | 75,355                | 56,118            | 19,237         | --             | 75,355       |

The unlisted security of SR 1.92 million (2017: SR 1.92 million) held as part of Company's insurance operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the period ended 30 June 2018, there were no transfers into or out of level 3 fair value measurements. As at 31 March 2018, available-for-sale investments with a carrying amount of SR 19,236,372 were transferred from Level 2 to Level 1 because these investments are now being actively traded in the market. To determine the fair value of such investments, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from Level 1 to Level 2 during the period ended 30 June 2018.

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**10. 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 their 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 condensed statement of income.

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 December 31, 2017.

Segment assets do not include (in respect of insurance operations) property and equipment, due from shareholders' operations, bank balances and cash and cash equivalents, prepaid expenses and other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralized basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, reinsurance balances payable, accrued expenses and other liabilities. Accordingly these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralized basis.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

**10. OPERATING SEGMENTS (CONTINUED)**

**As at June 30, 2018**  
**(Unaudited)**

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10. OPERATING SEGMENTS (CONTINUED)

| As at December 31, 2017<br>(Unaudited)                |                      |               |               |              |               |               |               |                          |                |                              |
|---|----------------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------------------|----------------|------------------------------|
| Operating segments                                    | Insurance operations |               |               |              |               |               |               | Shareholders' operations | Total          |                              |
|   | Property             | Motor         | Engineering   | Medical      | Marine        | Group life    | Others        |                          |                |                              |
|   |                      |               |               |              |               |               |               |                          |                | Total - Insurance operations |
| SAR'000   |                      |               |               |              |               |               |               |                          |                |                              |
| <b>Assets</b>   |                      |               |               |              |               |               |               |                          |                |                              |
| Reinsurers' share of unearned premiums                | 32,908               | --            | 7,589         | 1,189        | 4,250         | 92            | 3,113         | 49,140                   | --             | 49,140                       |
| Reinsurers' share of outstanding claims               | 17,579               | --            | 6,525         | --           | 6,291         | 7,618         | 3,532         | 41,545                   | --             | 41,545                       |
| Reinsurers' share of claims Incurred but not reported | 8,682                | --            | 4,703         | 679          | 2,689         | 7,269         | 1,316         | 25,338                   | --             | 25,338                       |
| Deferred policy acquisition costs                     | 697                  | 1,765         | 781           | 196          | 208           | 31            | 114           | 3,792                    | --             | 3,792                        |
| Unallocated assets                                    | --                   | --            | --            | --           | --            | --            | --            | 283,322                  | 374,197        | 657,519                      |
| <b>Total assets</b>                                   | <b>59,866</b>        | <b>1,765</b>  | <b>19,597</b> | <b>2,064</b> | <b>13,438</b> | <b>15,010</b> | <b>8,075</b>  | <b>403,137</b>           | <b>374,197</b> | <b>777,334</b>               |
| <b>Liabilities and shareholders' equity</b>           |                      |               |               |              |               |               |               |                          |                |                              |
| Outstanding claims                                    | 23,117               | 31,950        | 8,049         | 52           | 8,206         | 10,691        | 4,154         | 86,219                   | --             | 86,219                       |
| Claims incurred but not reported                      | 14,681               | 35,722        | 5,724         | 1,128        | 5,759         | 10,458        | 4,284         | 77,756                   | --             | 77,756                       |
| Other technical reserves                              | --                   | 814           | 256           | 396          | 125           | 19            | 123           | 1,733                    | --             | 1,733                        |
| Unearned premiums                                     | 52,061               | 23,806        | 8,590         | 2,429        | 6,912         | 178           | 6,127         | 100,103                  | --             | 100,103                      |
| Unearned reinsurance commission                       | 1,861                | --            | 1,747         | --           | 585           | --            | 272           | 4,465                    | --             | 4,465                        |
| Unallocated liabilities                               | --                   | --            | --            | --           | --            | --            | --            | 102,925                  | 404,133        | 507,058                      |
| <b>Total liabilities and shareholders' equity</b>     | <b>91,720</b>        | <b>92,292</b> | <b>24,366</b> | <b>4,005</b> | <b>21,587</b> | <b>21,346</b> | <b>14,960</b> | <b>373,201</b>           | <b>404,133</b> | <b>777,334</b>               |

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10. OPERATING SEGMENTS (CONTINUED)

| For the six months ended June 30, 2018 - (Unaudited)               |          |          |             |         |         |            |
|--|----------|----------|-------------|---------|---------|------------|
| Operating segments   | Property | Motor    | Engineering | Medical | Marine  | Group Life |
| Others   | Total    |          |             |         |         |            |
| <b>REVENUES</b>  |          |          |             |         |         |            |
| Gross premiums written   | 36,643   | 74,902   | 13,994      | 2,034   | 11,495  | 13,997     |
| Reinsurance premiums ceded   | (28,788) | --       | (10,965)    | (1,106) | (6,161) | (7,899)    |
| Excess of loss premium   | (1,909)  | (1,792)  | (342)       | (133)   | (2,380) | (800)      |
| Net premiums written   | 5,946    | 73,110   | 2,687       | 795     | 2,954   | 5,298      |
| Changes in unearned premiums, net                                  | 8,638    | (30,873) | (955)       | 269     | 1,734   | (83)       |
| Net premiums earned  | 14,584   | 42,237   | 1,732       | 1,064   | 4,688   | 5,215      |
| Reinsurance commissions  | 2,859    | (124)    | 2,411       | --      | 800     | (399)      |
| TOTAL REVENUES   | 17,443   | 42,113   | 4,143       | 1,064   | 5,488   | 4,816      |
| <b>UNDERWRITING COSTS AND EXPENSES</b>                             |          |          |             |         |         |            |
| Gross claims paid  | (598)    | (31,654) | (1,839)     | (1,802) | (261)   | (4,301)    |
| Reinsurers' share of claims paid                                   | 309      | --       | 1,705       | 1,229   | 746     | 3,209      |
| Net claims paid  | (289)    | (31,654) | (134)       | (573)   | 485     | (1,092)    |
| Changes in outstanding claims, net                                 | 4,847    | 4,240    | 817         | (192)   | 362     | (999)      |
| Net claims incurred  | 4,558    | (27,414) | 683         | (765)   | 847     | (2,091)    |
| Policy acquisition costs   | (1,898)  | (3,016)  | (1,448)     | 37      | (416)   | (1,759)    |
| Other underwriting expenses  |          |          |             |         |         |            |
| TOTAL UNDERWRITING COSTS AND EXPENSES                              |          |          |             |         |         |            |
| <b>NET UNDERWRITING INCOME</b>                                     |          |          |             |         |         |            |
|  |          |          |             |         |         |            |
| <b>OTHER OPERATING (EXPENSES)/ INCOME</b>                          |          |          |             |         |         |            |
| Allowance for doubtful debts                                       |          |          |             |         |         |            |
| General and administrative expenses                                |          |          |             |         |         |            |
| Commission income on term deposits                                 |          |          |             |         |         |            |
| Investment income  |          |          |             |         |         |            |
| TOTAL OTHER OPERATING EXPENSES                                     |          |          |             |         |         |            |
| TOTAL INCOME FOR THE PERIOD  |          |          |             |         |         |            |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'        |          |          |             |         |         |            |
| TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS |          |          |             |         |         |            |

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

**10. OPERATING SEGMENTS (CONTINUED)**

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

## 10. OPERATING SEGMENTS (CONTINUED)

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

**10. OPERATING SEGMENTS (CONTINUED)**

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

**10. OPERATING SEGMENTS (CONTINUED)**

## For the six months ended June 30, 2017 - (Unaudited)

For the three months ended June 30, 2018 - (Unaudited)For the three months ended June 30, 2017 - (Unaudited)

- The Company maintain retail(individual) and corporate customer wise breakup only.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

**11. 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:

| <u><b>Entities controlled, jointly controlled<br/>or significantly influenced by related<br/>parties</b></u> | <b>Transactions for the period<br/>ended</b>    |                              |
|--|---|------------------------------|
|  | <b>June 30,<br/>2018</b>                        | <b>June 30,<br/>2017</b>     |
|  | <b>(Unaudited)</b>                              | <b>(Unaudited)</b>           |
|  | <b>SAR' 000</b>                                 |                              |
| Gross premiums written   | 46,850  | 23,568                       |
| Gross claims paid  | 12,290  | 8,996                        |
| Reinsurance premium ceded  | 12,787  | 14,936                       |
| Reinsurance share of gross claim paid  | 3,820   | 3,287                        |
| Reinsurance commission income  | 2,090   | 4,162                        |
| Profit commission incurred-Group Life  | --  | 5,499                        |
| Technical service charges  | 3,773   | 2,469                        |
| Brand fees   | 15  | 15                           |
| Operational expenses paid on behalf of<br>affiliates and reinsurance placements                              | 159   | 110                          |
| Operational expenses paid by affiliates<br>on behalf of Company  | (947)   | (223)                        |
| <b>Key management personnel and<br/>Board members</b>  |   |                              |
| Gross written premiums   | 2   | 13                           |
| Remuneration and meeting fee   | 283   | 233                          |
| <u><b>Entities controlled, jointly controlled<br/>or significantly influenced by related<br/>parties</b></u> | <b>Balance receivable / (payable) as<br/>at</b> |                              |
|  | <b>June 30,<br/>2018</b>                        | <b>December 31,<br/>2017</b> |
|  | <b>(Unaudited)</b>                              | <b>(Audited)</b>             |
|  | <b>SAR'000</b>                                  |                              |
| Premium receivable, net  | 12,750  | 5,442                        |
| Reinsurance balance payable  | (10,059)  | (10,121)                     |
| Accrued and other liabilities  | (6,159)   | (7,729)                      |
| Reinsurance share of gross outstanding<br>claims   | 11,932  | 11,264                       |
| Gross outstanding claim  | (28,431)  | (25,586)                     |
| Due from related parties   | --  | 31                           |
| Due to related parties   | (1,760)   | (1,064)                      |

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

|                               | <b>June 30, 2018<br/>(Unaudited)</b> | <b>June 30, 2017<br/>(Unaudited)</b> |
|-------------------------------|--------------------------------------|--------------------------------------|
|                               | <b>SAR'000</b>                       |                                      |
| Salaries and other allowances | 3,707                                | 3,578                                |
| End of service indemnities    | 204                                  | 113                                  |
|                               | <b>3,911</b>                         | <b>3,691</b>                         |

# AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

### 12. ZAKAT AND INCOME TAX

#### Status of assessments

The Company's zakat and tax calculations and corresponding accruals and payment of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax.

The Company has submitted its zakat and tax returns up to the period / years ended 31 December 2016 and obtained the required certificates and acknowledgements. General Authority of Zakat and Tax "GAZT" has raised final assessments for the period / years ended 2010 to 2013 with an additional Zakat and withholding tax (WHT) liabilities. The company submitted an appeal against the GAZT's assessments. GAZT's review is awaited.

The zakat and tax charge for the six-month period ended are as follows:

|  | 30 June 2018<br>(Unaudited)<br>SR | 30 December 2017<br>(Unaudited)<br>SR |
|--|-----------------------------------|---------------------------------------|
| Charge for zakat for the period              | 4,083                             | 6,697                                 |
| Charge for tax for the period                | 815                               | 1,706                                 |
|  | <b>4,898</b>                      | <b>8,403</b>                          |
| Zakat and tax provision at the end of period | <b>33,227</b>                     | <b>31,055</b>                         |

### 13. SHARE CAPITAL

The authorized and paid up share capital of the Company is SAR 400 million divided into 40 million shares of SAR 10 each (31 December 2017: SAR 400 million divided into 40 million shares of SAR 10 each).

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

|                      | June 30, 2018     |  |
|----------------------|-------------------|--|
|                      | No. of Shares     | Authorized, issued and paid up capital |
|                      | '000              | SAR'000                                |
| Royal & Sun Alliance | 20,028            | 200,280                                |
| Riyadh Bank          | 7,968             | 79,680                                 |
| Others               | 12,004            | 120,040                                |
|                      | <b>40,000</b>     | <b>400,000</b>                         |
|                      | December 31, 2017 |  |
|                      | No. of Shares     | Authorized, issued and paid up capital |
|                      | '000              | SAR'000                                |
| Royal & Sun Alliance | 20,028            | 200,280                                |
| Riyadh Bank          | 7,968             | 79,680                                 |
| Others               | 12,004            | 120,040                                |
|                      | <b>40,000</b>     | <b>400,000</b>                         |

### 14. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves.

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In order to maintain or adjust the capital structure, the Company may issue right shares.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

**14. CAPITAL MANAGEMENT (CONTINUED)**

As per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per SAMA Implementing Regulations.

The Company has fully complied with the externally imposed capital requirements during the reported financial period.

**15. SUPPLEMENTARY INFORMATION**

**A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

|   | SAR '000                    |                          |                |                               |                          |                |
|---|-----------------------------|--------------------------|----------------|-------------------------------|--------------------------|----------------|
|   | June 30, 2018 - (Unaudited) |                          |                | December 31, 2017 - (Audited) |                          |                |
|   | Insurance operations        | Shareholders' operations | Total          | Insurance operations          | Shareholders' operations | Total          |
| <b>ASSETS</b>   |                             |                          |                |                               |                          |                |
| Cash and cash equivalents   | 14,662                      | 863                      | 15,525         | 15,010                        | 1,641                    | 16,651         |
| Term deposits   | 179,257                     | 239,958                  | 419,215        | 181,538                       | 252,567                  | 434,105        |
| Premiums and reinsurers' receivable, net                          | 98,980                      | --                       | 98,980         | 81,184                        | --                       | 81,184         |
| Reinsurers' share of unearned premiums                            | 42,600                      | --                       | 42,600         | 49,140                        | --                       | 49,140         |
| Deferred excess of loss premiums                                  | 4,080                       | --                       | 4,080          | --                            | --                       | --             |
| Reinsurers' share of outstanding claims                           | 42,504                      | --                       | 42,504         | 41,545                        | --                       | 41,545         |
| Reinsurers' share of claims Incurred but not reported             | 19,473                      | --                       | 19,473         | 25,338                        | --                       | 25,338         |
| Deferred policy acquisition costs                                 | 8,306                       | --                       | 8,306          | 3,792                         | --                       | 3,792          |
| Investments   | 1,923                       | 89,806                   | 91,729         | 1,923                         | 75,355                   | 77,278         |
| Due from related parties  | --                          | --                       | --             | 31                            | --                       | 31             |
| Prepaid expenses and other assets                                 | 3,232                       | 4,049                    | 7,281          | 2,950                         | 2,430                    | 5,380          |
| Property and equipment  | 1,025                       | --                       | 1,025          | 686                           | --                       | 686            |
| Statutory deposit   | --                          | 40,000                   | 40,000         | --                            | 40,000                   | 40,000         |
| Accrued income on statutory deposit                               | --                          | 2,204                    | 2,204          | --                            | 2,204                    | 2,204          |
| <b>TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION</b>        | <b>416,042</b>              | <b>376,880</b>           | <b>792,922</b> | <b>403,137</b>                | <b>374,197</b>           | <b>777,334</b> |
| <b>ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION</b> |                             |                          |                |                               |                          |                |
| Due from shareholders' / insurance operations                     | --                          | 41,383                   | 41,383         | --                            | 29,936                   | 29,936         |
| <b>TOTAL ASSETS</b>   | <b>416,042</b>              | <b>418,263</b>           | <b>834,305</b> | <b>403,137</b>                | <b>404,133</b>           | <b>807,270</b> |

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

|  | SAR '000                    |                          |                |                               |                          |                |
|--|-----------------------------|--------------------------|----------------|-------------------------------|--------------------------|----------------|
|  | June 30, 2018 - (Unaudited) |                          |                | December 31, 2017 – (Audited) |                          |                |
|  | Insurance operations        | Shareholders' operations | Total          | Insurance operations          | Shareholders' operations | Total          |
| <b><u>LIABILITIES</u></b>  |                             |                          |                |                               |                          |                |
| Outstanding claims   | 96,542                      | --                       | 96,542         | 86,219                        | --                       | 86,219         |
| Claims incurred but not reported   | 52,830                      | --                       | 52,830         | 77,756                        | --                       | 77,756         |
| Other technical reserves   | 942                         | --                       | 942            | 1,733                         | --                       | 1,733          |
| Accrued and other liabilities  | 25,226                      | 4,659                    | 29,885         | 29,673                        | 3,596                    | 33,269         |
| Reinsurers' balances payable   | 40,735                      | --                       | 40,735         | 40,720                        | --                       | 40,720         |
| Unearned premiums  | 118,570                     | --                       | 118,570        | 100,103                       | --                       | 100,103        |
| Accounts payables  | 12,127                      | --                       | 12,127         | 13,019                        | --                       | 13,019         |
| Unearned reinsurance commission  | 5,084                       | --                       | 5,084          | 4,465                         | --                       | 4,465          |
| Due to related parties   | 1,347                       | 413                      | 1,760          | 651                           | 413                      | 1,064          |
| End-of-service indemnities   | 11,732                      | --                       | 11,732         | 10,921                        | --                       | 10,921         |
| Zakat and income tax   | --                          | 33,227                   | 33,227         | --                            | 31,055                   | 31,055         |
| Accrued commission income payable to SAMA  | --                          | 2,204                    | 2,204          | --                            | 2,204                    | 2,204          |
| <b>TOTAL LIABILITIES EXCLUDING INSURANCE OPERATIONS' SURPLUS</b>   | <b>365,135</b>              | <b>40,503</b>            | <b>405,638</b> | <b>365,260</b>                | <b>37,268</b>            | <b>402,528</b> |
| <b><u>INSURANCE OPERATIONS' SURPLUS</u></b>  |                             |                          |                |                               |                          |                |
| Insurance operations' surplus  | 11,199                      | --                       | 11,199         | 9,616                         | --                       | 9,616          |
| Re-measurement of defined benefit liability  | (1,675)                     | --                       | (1,675)        | (1,675)                       | --                       | (1,675)        |
| <b>TOTAL INSURANCE OPERATIONS' SURPLUS</b>   | <b>9,524</b>                | <b>--</b>                | <b>9,524</b>   | <b>7,941</b>                  | <b>--</b>                | <b>7,941</b>   |
| <b><u>SHAREHOLDERS' EQUITY</u></b>   |                             |                          |                |                               |                          |                |
| Share capital  | --                          | 400,000                  | 400,000        | --                            | 400,000                  | 400,000        |
| Accumulated losses   | --                          | (20,438)                 | (20,438)       | --                            | (32,275)                 | (32,275)       |
| Fair value reserve for available for sale investments  | --                          | (1,802)                  | (1,802)        | --                            | (860)                    | (860)          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  | <b>--</b>                   | <b>377,760</b>           | <b>377,760</b> |                               | <b>366,865</b>           | <b>366,865</b> |
| <b>TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY IN THE STATEMENT OF FINANCIAL POSITION</b> | <b>374,659</b>              | <b>418,263</b>           | <b>792,922</b> | <b>373,201</b>                | <b>404,133</b>           | <b>777,334</b> |
| <b>LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION</b>   |                             |                          |                |                               |                          |                |
| Due to shareholders'/insurance operations  | 41,383                      | --                       | 41,383         | 29,936                        | --                       | 29,936         |
| <b>TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>  | <b>416,042</b>              | <b>418,263</b>           | <b>834,305</b> | <b>403,137</b>                | <b>404,133</b>           | <b>807,270</b> |

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**B) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

|  | SAR '000                            |                          |          |                      |                          |          |
|--|-------------------------------------|--------------------------|----------|----------------------|--------------------------|----------|
|  | For the six month period ended June |                          |          |                      |                          |          |
|  | 2018 - (Unaudited)                  |                          |          | 2017 - (Unaudited)   |                          |          |
|  | Insurance operations                | Shareholders' operations | Total    | Insurance operations | Shareholders' operations | Total    |
| <b>REVENUES</b>                                  |                                     |                          |          |                      |                          |          |
| Gross premiums written                           |                                     |                          |          |                      |                          |          |
| - Direct   | 156,720                             | --                       | 156,720  | 133,972              | --                       | 133,972  |
| - Reinsurance                                    | 349                                 | --                       | 349      | 465                  | --                       | 465      |
|  | 157,069                             | --                       | 157,069  | 134,437              | --                       | 134,437  |
| Reinsurance premiums ceded                       | (55,224)                            | --                       | (55,224) | (41,104)             | --                       | (41,104) |
|  | (7,641)                             | --                       | (7,641)  | (9,153)              | --                       | (9,153)  |
| Excess of loss expenses                          |                                     |                          |          |                      |                          |          |
| Net premiums written                             | 94,204                              | --                       | 94,204   | 84,180               | --                       | 84,180   |
| Changes in unearned premiums, net                | (18,467)                            | --                       | (18,467) | 13,972               | --                       | 13,972   |
| Changes in reinsurance share of unearned premium | (6,540)                             | --                       | (6,540)  | (23,814)             | --                       | (23,814) |
| Changes in excess of loss expense                | 4,080                               | --                       | 4,080    | 4,185                | --                       | 4,185    |
| Net premiums earned                              | 73,277                              | --                       | 73,277   | 78,523               | --                       | 78,523   |
| Reinsurance commissions                          | 5,792                               | --                       | 5,792    | 8,257                | --                       | 8,257    |
| <b>TOTAL REVENUES</b>                            | 79,069                              | --                       | 79,069   | 86,780               | --                       | 86,780   |
| <b>UNDERWRITING COSTS AND EXPENSES</b>           |                                     |                          |          |                      |                          |          |
| Gross claims paid                                | (41,468)                            | --                       | (41,468) | (37,931)             | --                       | (37,931) |
| Reinsurers' share of claims paid                 | 8,632                               | --                       | 8,632    | 11,504               | --                       | 11,504   |
| Net claims and other benefits paid               | (32,836)                            | --                       | (32,836) | (26,427)             | --                       | (26,427) |
| Changes in outstanding claims, net               | (10,323)                            | --                       | (10,323) | (5,026)              | --                       | (5,026)  |
| Changes in reinsurance share of unearned premium | 947                                 | --                       | 947      | 1,239                | --                       | 1,239    |
| Changes in IBNR, net                             | 19,072                              | --                       | 19,072   | 9,839                | --                       | 9,839    |
| Other technical reserves                         | 791                                 | --                       | 791      | 704                  | --                       | 704      |
| Net claims incurred                              | (22,349)                            | --                       | (22,349) | (19,671)             | --                       | (19,671) |
| Policy acquisition costs                         | (9,170)                             | --                       | (9,170)  | (14,403)             | --                       | (14,403) |
| Other underwriting expenses                      | (671)                               | --                       | (671)    | (678)                | --                       | (678)    |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>     | (32,190)                            | --                       | (32,190) | (34,752)             | --                       | (34,752) |
| <b>NET UNDERWRITING INCOME</b>                   | 46,879                              | --                       | 46,879   | 52,028               | --                       | 52,028   |

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

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**B) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

|   | SAR '000                               |                          |                 |                      |                          |                 |
|---|--|--------------------------|-----------------|----------------------|--------------------------|-----------------|
|   | For the six month period ended June 30 |                          |                 |                      |                          |                 |
|   | 2018 - (Unaudited)                     |                          |                 | 2017 - (Unaudited)   |                          |                 |
|   | Insurance operations                   | Shareholders' operations | Total           | Insurance operations | Shareholders' operations | Total           |
| <b>OTHER OPERATING (EXPENSES)/ INCOME</b>   |  |                          |                 |                      |                          |                 |
| (Allowance) / reversal for doubtful debts   | (4,318)                                | --                       | (4,318)         | (4,407)              | --                       | (4,407)         |
| General and administrative expenses   | (28,372)                               | (1,025)                  | (29,397)        | (25,025)             | (840)                    | (25,862)        |
| Commission income on deposits   | 1,726                                  | 2,344                    | 4,070           | 1,535                | 1,934                    | 3,469           |
| Investment income   | --                                     | 1,092                    | 1,092           | --                   | 825                      | 825             |
| Other income  | --                                     | --                       | --              | 16                   | --                       | 16              |
| <b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>   | <b>(30,964)</b>                        | <b>2,411</b>             | <b>(28,553)</b> | <b>(27,878)</b>      | <b>1,919</b>             | <b>(25,959)</b> |
| <b>TOTAL INCOME FOR THE PERIOD</b>  | <b>15,915</b>                          | <b>2,411</b>             | <b>18,326</b>   | <b>24,150</b>        | <b>1,919</b>             | <b>26,069</b>   |
| Total income for the period attributed to the insurance operations                      | (1,591)                                | --                       | (1,591)         | (2,415)              | --                       | (2,415)         |
| Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)              | (16,735)                               | 16,735                   | --              | (23,654)             | 23,654                   | --              |
| <b>TOTAL INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>                         | <b>--</b>                              | <b>16,735</b>            | <b>16,735</b>   | <b>--</b>            | <b>23,654</b>            | <b>23,654</b>   |
| <b>Earnings per share (Expressed in SAR per share)</b>                                  |  |                          |                 |                      |                          |                 |
| Basic and diluted earnings per share  | --                                     | 0.42                     | 0.42            | --                   | 0.59                     | 0.59            |
| <b>Interim condensed statement of comprehensive income</b>                              |  |                          |                 |                      |                          |                 |
|   | SAR '000                               |                          |                 |                      |                          |                 |
|   | For the six month period ended June 30 |                          |                 |                      |                          |                 |
|   | 2018 - (Unaudited)                     |                          |                 | 2017 - (Unaudited)   |                          |                 |
|   | Insurance operations                   | Shareholders' operations | Total           | Insurance operations | Shareholders' operations | Total           |
| Total income for the year   | 1,591                                  | 16,735                   | 18,326          | 2,415                | 23,654                   | 26,069          |
| <b>Other comprehensive income/(loss)</b>  |  |                          |                 |                      |                          |                 |
| <i>Items that will not be reclassified to statement of income in subsequent periods</i> |  |                          |                 |                      |                          |                 |
| Change in fair value of available for sale investments                                  | --                                     | (942)                    | (942)           | --                   | 109                      | 109             |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>  | <b>1,591</b>                           | <b>15,793</b>            | <b>17,384</b>   | <b>2,415</b>         | <b>23,763</b>            | <b>26,178</b>   |
| <b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'</b>    | <b>(1,591)</b>                         | <b>--</b>                | <b>(1,591)</b>  | <b>(2,415)</b>       | <b>--</b>                | <b>(2,415)</b>  |
| <b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'</b>            | <b>--</b>                              | <b>15,793</b>            | <b>15,793</b>   | <b>--</b>            | <b>23,763</b>            | <b>23,763</b>   |

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**A) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

|  | SAR '000                                 |                          |                 |                      |                          |                 |
|--|--|--------------------------|-----------------|----------------------|--------------------------|-----------------|
|  | For the three month period ended June 30 |                          |                 |                      |                          |                 |
|  | 2018 - (Unaudited)                       |                          |                 | 2017 - (Unaudited)   |                          |                 |
|  | Insurance operations                     | Shareholders' operations | Total           | Insurance operations | Shareholders' operations | Total           |
| <b>REVENUES</b>                                  |  |                          |                 |                      |                          |                 |
| Gross premiums written                           |  |                          |                 |                      |                          |                 |
| - Direct   | 56,101                                   | --                       | 56,101          | 48,117               | --                       | 48,117          |
| - Reinsurance                                    | 229                                      | --                       | 229             | --                   | --                       | --              |
|  | 56,330                                   | --                       | 56,330          | 48,117               | --                       | 48,117          |
| Reinsurance premiums ceded                       | (24,911)                                 | --                       | (24,911)        | (22,530)             | --                       | (22,530)        |
| Excess of loss expenses                          | --                                       | --                       | --              | --                   | --                       | --              |
| <b>Net premiums written</b>                      | <b>31,419</b>                            | <b>--</b>                | <b>31,419</b>   | <b>25,587</b>        | <b>--</b>                | <b>25,587</b>   |
| Changes in unearned premiums, net                | 12,474                                   | --                       | 12,474          | 33,717               | --                       | 33,717          |
| Changes in reinsurance share of unearned premium | (3,572)                                  | --                       | (3,572)         | (11,499)             | --                       | (11,499)        |
| Changes in excess of loss expense                | (1,799)                                  | --                       | (1,799)         | (2,242)              | --                       | (2,242)         |
| <b>Net premiums earned</b>                       | <b>38,522</b>                            | <b>--</b>                | <b>38,522</b>   | <b>45,563</b>        | <b>--</b>                | <b>45,563</b>   |
| Reinsurance commissions                          | 2,086                                    | --                       | 2,086           | 3,414                | --                       | 3,414           |
| <b>TOTAL REVENUES</b>                            | <b>40,608</b>                            | <b>--</b>                | <b>40,608</b>   | <b>48,977</b>        | <b>--</b>                | <b>48,977</b>   |
| <b>UNDERWRITING COSTS AND EXPENSES</b>           |  |                          |                 |                      |                          |                 |
| Gross claims paid                                | (21,472)                                 | --                       | (21,472)        | (23,135)             | --                       | (23,135)        |
| Reinsurers' share of claims paid                 | 4,204                                    | --                       | 4,204           | 8,877                | --                       | 8,877           |
| <b>Net claims and other benefits paid</b>        | <b>(17,268)</b>                          | <b>--</b>                | <b>(17,268)</b> | <b>(14,258)</b>      | <b>--</b>                | <b>(14,258)</b> |
| Changes in outstanding claims, net               | (6,667)                                  | --                       | (6,667)         | (3,922)              | --                       | (3,922)         |
| Changes in reinsurance share of unearned premium | 2,262                                    | --                       | 2,262           | (1,365)              | --                       | (1,365)         |
| Changes in IBNR, net                             | 8,721                                    | --                       | 8,721           | 7,056                | --                       | 7,056           |
| Other technical reserves                         | (291)                                    | --                       | (291)           | --                   | --                       | --              |
| <b>Net claims incurred</b>                       | <b>(13,243)</b>                          | <b>--</b>                | <b>(13,243)</b> | <b>(12,489)</b>      | <b>--</b>                | <b>(12,489)</b> |
| Policy acquisition costs                         | (4,491)                                  | --                       | (4,491)         | (9,909)              | --                       | (9,909)         |
| Other underwriting expenses                      | (241)                                    | --                       | (241)           | (272)                | --                       | (272)           |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>     | <b>(17,975)</b>                          | <b>--</b>                | <b>(17,975)</b> | <b>(22,670)</b>      | <b>--</b>                | <b>(22,670)</b> |
| <b>NET UNDERWRITING INCOME</b>                   | <b>22,633</b>                            | <b>--</b>                | <b>22,633</b>   | <b>26,307</b>        | <b>--</b>                | <b>26,307</b>   |



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**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**B) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

|  | SAR '000                                 |                          |                 |                      |                          |                 |
|--|--|--------------------------|-----------------|----------------------|--------------------------|-----------------|
|  | For the three month period ended June 30 |                          |                 |                      |                          |                 |
|  | 2018 - (Unaudited)                       |                          |                 | 2017 - (Unaudited)   |                          |                 |
|  | Insurance operations                     | Shareholders' operations | Total           | Insurance operations | Shareholders' operations | Total           |
| <b>OTHER OPERATING (EXPENSES)/ INCOME</b>                                  |  |                          |                 |                      |                          |                 |
| (Allowance) / reversal for doubtful debts                                  | (3,104)                                  | --                       | (3,104)         | (6,041)              | --                       | (6,041)         |
| General and administrative expenses  | (15,008)                                 | (516)                    | (15,524)        | (13,746)             | (420)                    | (14,166)        |
| Commission income on deposits  | 878                                      | 1,279                    | 2,157           | 602                  | 723                      | 1,325           |
| Investment income  | --                                       | 564                      | 564             | --                   | 398                      | 398             |
| Other income   | --                                       | --                       | --              | --                   | --                       | --              |
| <b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>                            | <b>(17,234)</b>                          | <b>1,327</b>             | <b>(15,907)</b> | <b>(19,185)</b>      | <b>701</b>               | <b>(18,484)</b> |
| <b>TOTAL INCOME FOR THE PERIOD</b>   | <b>5,399</b>                             | <b>1,327</b>             | <b>6,726</b>    | <b>7,122</b>         | <b>701</b>               | <b>7,823</b>    |
| Total income for the period attributed to the insurance operations         | (539)                                    | --                       | (539)           | (712)                | --                       | (712)           |
| Shareholders' absorption of deficit/ (Surplus transferred to Shareholders) | (6,187)                                  | 6,187                    | --              | (7,111)              | 7,111                    | --              |
| <b>TOTAL INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>            | <b>--</b>                                | <b>6,187</b>             | <b>6,187</b>    | <b>--</b>            | <b>7,111</b>             | <b>7,111</b>    |
| <b>Earnings per share (Expressed in SAR per share)</b>                     |  |                          |                 |                      |                          |                 |
| Basic and diluted earnings per share                                       | --                                       | 0.15                     | 0.15            | --                   | 0.18                     | 0.18            |

**Interim condensed statement of comprehensive income**

|   | SAR '000                                 |                          |              |                      |                          |              |
|---|--|--------------------------|--------------|----------------------|--------------------------|--------------|
|   | For the three month period ended June 30 |                          |              |                      |                          |              |
|   | 2018 - (Unaudited)                       |                          |              | 2017 - (Unaudited)   |                          |              |
|   | Insurance operations                     | Shareholders' operations | Total        | Insurance operations | Shareholders' operations | Total        |
| Total income for the year   | 539                                      | 6,187                    | 6,726        | 712                  | 7,111                    | 7,823        |
| <b>Other comprehensive income/(loss)</b>  |  |                          |              |                      |                          |              |
| <i>Items that will not be reclassified to statement of income in subsequent periods</i> |  |                          |              |                      |                          |              |
| Change in fair value of available for sale investments                                  | --                                       | (518)                    | (518)        | --                   | (138)                    | (138)        |
| Transferred to realized loss on disposal of available for sale investment               | --                                       | --                       | --           | --                   | --                       | --           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>  | <b>539</b>                               | <b>5,669</b>             | <b>6,208</b> | <b>712</b>           | <b>6,973</b>             | <b>7,685</b> |
| <b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'</b>    | <b>(539)</b>                             | <b>--</b>                | <b>--</b>    | <b>(712)</b>         | <b>--</b>                | <b>(712)</b> |
| <b>NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'</b>            | <b>--</b>                                | <b>5,669</b>             | <b>5,669</b> | <b>--</b>            | <b>6,973</b>             | <b>6,973</b> |

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

**15. SUPPLEMENTARY INFORMATION (CONTINUED)**

**C) INTERIM CONDENSED STATEMENT OF CASH FLOWS**

|   | Note | Insurance<br>operations        | Shareholders<br>' operations | Total          | Insurance<br>operations        | Shareholders<br>' operations | Total           |
|---|------|--------------------------------|------------------------------|----------------|--------------------------------|------------------------------|-----------------|
|   |      | ----- 2018 - (Unaudited) ----- |                              |                | ----- 2017 - (Unaudited) ----- |                              |                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |      |                                |                              |                |                                |                              |                 |
| Net profit/(loss) for the period  |      | 1,591                          | 16,735                       | 18,326         | 2,415                          | 23,654                       | 26,069          |
| <b>Adjustments for non-cash items:</b>  |      |                                |                              |                |                                |                              |                 |
| Depreciation of property and equipment  |      | 197                            | --                           | 197            | 24                             | --                           | 24              |
| Amortization of investments   |      | --                             | 231                          | 231            | 274                            | --                           | 274             |
| Allowance for/(Reversal of) doubtful debts  |      | 4,318                          | --                           | 4,318          | 4,407                          | --                           | 4,407           |
| Provision for end-of-service indemnities  |      | 900                            | --                           | 900            | 1,100                          | --                           | 1,100           |
| <b>Changes in operating assets and liabilities:</b>   |      |                                |                              |                |                                |                              |                 |
| Premiums and reinsurers' receivable   |      | (22,114)                       | --                           | (22,114)       | (27,387)                       | --                           | (27,387)        |
| Reinsurers' share of unearned premiums  |      | 6,540                          | --                           | 6,540          | 23,814                         | --                           | 23,814          |
| Reinsurers' share of outstanding claims   |      | (959)                          | --                           | (959)          | (1,239)                        | --                           | (1,239)         |
| Reinsurers' share of claims Incurred but not reported   |      | 5,865                          | --                           | 5,865          | 8,119                          | --                           | 8,119           |
| Deferred policy acquisition costs   |      | (4,514)                        | --                           | (4,514)        | (4,213)                        | --                           | (4,213)         |
| Deferred excess of loss premiums  |      | (4,080)                        | --                           | (4,080)        | (4,185)                        | --                           | (4,185)         |
| Due from related parties  |      | 31                             | --                           | 31             | 3,337                          | --                           | 3,337           |
| Prepaid expenses and other assets   |      | (282)                          | (1,619)                      | (1,901)        | 399                            | 380                          | 779             |
| Additions/disposals on statutory deposits   |      | --                             | --                           | --             | --                             | (962)                        | (962)           |
| Policyholders and accounts payables   |      | (892)                          | --                           | (892)          | 1,615                          | --                           | 1,615           |
| Accrued and other liabilities   |      | (1,720)                        | (1,664)                      | (3,384)        | (7,714)                        | (2,167)                      | (9,881)         |
| Reinsurers' balances payable  |      | 15                             | --                           | 15             | (8,664)                        | --                           | (8,664)         |
| Unearned premiums   |      | 18,467                         | --                           | 18,467         | (13,972)                       | --                           | (13,972)        |
| Unearned reinsurance commission   |      | 619                            | --                           | 619            | (1,057)                        | --                           | (1,057)         |
| Outstanding claims  |      | 10,323                         | --                           | 10,323         | 5,026                          | --                           | 5,026           |
| Zakat and Tax paid  |      | (2,726)                        | --                           | (2,726)        | (1,669)                        | --                           | (1,669)         |
| Claims incurred but not reported  |      | (24,926)                       | --                           | (24,926)       | (17,958)                       | --                           | (17,958)        |
| Other technical reserves  |      | (791)                          | --                           | (791)          | (704)                          | --                           | (704)           |
| Due to related parties  |      | 696                            | --                           | 696            | (341)                          | (648)                        | (989)           |
|   |      | (13,442)                       | 13,683                       | 241            | (38,573)                       | 20,257                       | (18,316)        |
| End-of-service indemnities paid   |      | (90)                           | --                           | (90)           | (2,018)                        | --                           | (2,018)         |
| Surplus paid to policy holders  |      | (8)                            | --                           | (8)            | (302)                          | --                           | (302)           |
| <b>Net cash generated from/(used in) operating activities</b>   |      | <b>(13,540)</b>                | <b>13,683</b>                | <b>143</b>     | <b>(40,893)</b>                | <b>20,257</b>                | <b>(20,636)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES (Note: Additions and disposals need to be disclosed separately)</b> |      |                                |                              |                |                                |                              |                 |
| Additions/disposals in investments  |      | --                             | (15,623)                     | (15,623)       | --                             | (412)                        | (412)           |
| Additions/disposals in term deposits  |      | 2,281                          | 12,609                       | 14,890         | 8,522                          | 2,421                        | 10,943          |
| Additions/disposals in property and equipment   |      | (536)                          | --                           | (536)          | (26)                           | --                           | (26)            |
| <b>Net cash generated from/(used in) investing activities</b>   |      | <b>1,745</b>                   | <b>(3,014)</b>               | <b>(1,269)</b> | <b>8,496</b>                   | <b>2,009</b>                 | <b>10,505</b>   |
| <b>Net change in cash and cash equivalents</b>  |      | <b>(11,795)</b>                | <b>10,669</b>                | <b>(1,126)</b> | <b>(32,888)</b>                | <b>22,757</b>                | <b>(10,131)</b> |
| <b>Cash and cash equivalents, beginning of the period</b>   |      | <b>14,110</b>                  | <b>1,641</b>                 | <b>15,751</b>  | <b>25,392</b>                  | <b>209</b>                   | <b>25,601</b>   |
| <b>Due from/ (to) insurance operations</b>  |      | <b>11,447</b>                  | <b>(11,447)</b>              | <b>--</b>      | <b>21,432</b>                  | <b>(21,432)</b>              | <b>--</b>       |
| <b>Cash and cash equivalents, end of the period</b>   |      | <b>13,762</b>                  | <b>863</b>                   | <b>14,625</b>  | <b>13,936</b>                  | <b>1,534</b>                 | <b>15,470</b>   |

**16. COMPARATIVE FIGURES**

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

**17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION**

The interim condensed financial information have been approved by the board 18 Dhu Al Kaada 1439, corresponding to 31 July 2018.