

Walaa Cooperative Insurance Company
(A Saudi Joint Stock Company)

Interim Condensed Financial Information (Unaudited)

June 30, 2018

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

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KPMG Al Fozan & Partners
Certified Public Accountants



Al-Bassam & Co.
Allied Accountants
(Member firm of PKF International)

**Independent Auditors' Report On Review Of
Interim condensed Financial Information**

**To The Shareholders of
Walaa Cooperative Insurance Company
(A Saudi Joint Stock Company)
Al Khobar
Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Walaa Cooperative Insurance Company** (A Saudi Joint Stock Company) as at June 30, 2018, and the related interim condensed statements of income and comprehensive income for the three and six months periods then ended and the interim condensed statements of changes in equity and cash flows for the six months period then ended, and the related notes which form integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard ("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 the 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 condensed 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

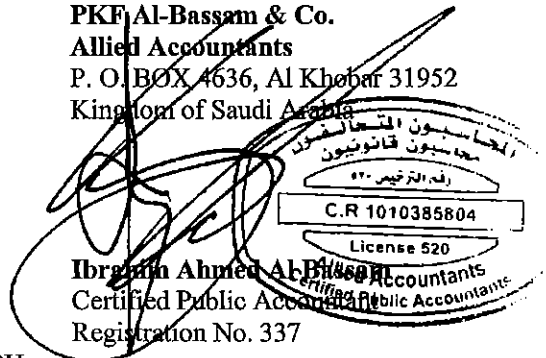
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at June 30, 2018 of **Walaa Cooperative Insurance Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as modified by SAMA for the accounting of zakat and income tax.

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25 Dhul Qadah 1439H
07 August 2018 G

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Notes	June 30, 2018 - (Unaudited)	December 31, 2017 - (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	494,951	309,919
Short term deposits		640,000	824,833
Premiums and reinsurers' receivable - net	5	236,491	127,341
Reinsurers' share of unearned premiums	7.2	156,157	130,247
Reinsurers' share of outstanding claims	7.1	119,662	110,606
Reinsurers' share of claims incurred but not reported	7.1	43,722	42,106
Deferred policy acquisition costs		32,359	37,018
Investments	6	140,519	96,767
Due from insurance operations		23,622	15,064
Prepaid expenses and other assets		36,351	28,391
Property and equipment		9,448	8,691
Intangible assets		771	504
Statutory deposit		44,000	40,000
Accrued income on statutory deposit		3,633	3,178
Accrued commission income		5,264	5,486
<u>TOTAL ASSETS</u>		<u>1,986,950</u>	<u>1,780,151</u>
<u>LIABILITIES</u>			
Policyholders claims payable		11,584	13,760
Accrued and other liabilities		95,513	74,248
Reinsurers' balances payable		152,004	61,791
Unearned premiums	7.2	539,769	538,493
Unearned reinsurance commission		11,443	9,842
Outstanding claims	7.1	182,145	160,619
Claims incurred but not reported	7.1	246,409	255,904
Additional premium reserves	7.1	5,041	3,197
Other technical reserves	7.1	5,471	5,316
Due to shareholders' operations		23,622	15,064
End-of-service indemnities		13,834	12,779
Zakat and income tax	12	21,632	25,715
Accrued commission income payable to SAMA		3,633	3,178
<u>TOTAL LIABILITIES</u>		<u>1,312,100</u>	<u>1,179,906</u>
<u>INSURANCE OPERATIONS' SURPLUS</u>			
Accumulated surplus from insurance operations		26,594	31,055
Reserve for actuarial losses on end-of-service indemnities		(2,174)	(2,174)
<u>TOTAL INSURANCE OPERATIONS' SURPLUS</u>		<u>24,420</u>	<u>28,881</u>
<u>TOTAL LIABILITIES INCLUDING INSURANCE OPERATIONS' SURPLUS</u>			
		<u>1,336,520</u>	<u>1,208,787</u>
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	13	440,000	400,000
Share premium	13	30,108	30,108
Statutory reserve		31,722	31,722
Retained earnings		152,008	126,888
Fair value reserve loss on investments		(3,408)	(17,354)
<u>TOTAL SHAREHOLDERS' EQUITY</u>		<u>650,430</u>	<u>571,364</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
		<u>1,986,950</u>	<u>1,780,151</u>
Commitments and contingencies	8		

The accompanying notes 1 to 18 form an integral part of these interim condensed financial information.


Chief Financial Officer

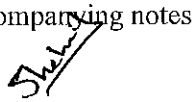
For 
Chief Executive Officer

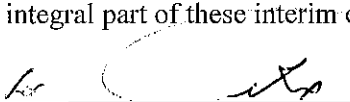

Board Member

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2018	2017	2018	2017
<u>REVENUES</u>					
Gross premiums written					
- Direct		248,046	217,638	558,273	517,020
- Reinsurance		26	-	327	378
	7.2	248,072	217,638	558,600	517,398
Reinsurance premiums ceded					
- Local ceded		(2,474)	(3,392)	(4,863)	(5,128)
- Foreign ceded		(106,109)	(38,841)	(164,814)	(87,346)
	7.2	(108,583)	(42,233)	(169,677)	(92,474)
Excess of loss expenses	7.2	(2,580)	(2,423)	(5,161)	(4,547)
Net premiums written		136,909	172,982	383,762	420,377
Changes in unearned premiums, net		68,447	27,054	24,634	(29,522)
Net premiums earned		205,356	200,036	408,396	390,855
Reinsurance commissions		5,879	3,870	10,397	7,289
Other underwriting income		1,494	1,399	2,850	2,976
TOTAL REVENUES		212,729	205,305	421,643	401,120
<u>UNDERWRITING COSTS AND EXPENSES</u>					
Gross claims paid		115,628	124,828	235,506	250,549
Expenses incurred related to claims		8,579	8,591	18,335	17,267
Reinsurers' share of claims paid		(2,623)	(5,673)	(7,646)	(19,731)
Net claims and other benefits paid		121,584	127,746	246,195	248,085
Changes in outstanding claims, net		3,937	(14,268)	12,470	(6,938)
Changes in IBNR, net		-	10,000	(11,111)	470
Net claims and other benefits incurred		125,521	123,478	247,554	241,617
Additional premium reserves		-	-	1,844	570
Other technical reserves		-	-	155	(193)
Policy acquisition costs		18,218	18,181	36,900	36,153
Other underwriting expenses		2,775	1,110	5,252	1,230
TOTAL UNDERWRITING COSTS AND EXPENSES		146,514	142,769	291,705	279,377
NET UNDERWRITING INCOME		66,215	62,536	129,938	121,743
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
Allowance for doubtful debts		(6,196)	(1,000)	(6,196)	(2,000)
General and administrative expenses		(26,538)	(24,149)	(51,917)	(49,512)
Commission income on deposits		4,582	2,257	8,569	5,291
Dividend and realized loss on investments, net		-	-	606	-
TOTAL OTHER OPERATING EXPENSES		(28,152)	(22,892)	(48,938)	(46,221)
Total income for the period		38,063	39,644	81,000	75,522
Total income attributed to the insurance operations	16	(3,736)	(4,057)	(7,938)	(7,704)
Net income for the period attributable to the shareholders		34,327	35,587	73,062	67,818
Earnings per share (EPS) (SAR per share)					
Basic and diluted EPS (2017 : restated)	15	0.78	0.81	1.66	1.54

The accompanying notes 1 to 18 form an integral part of these interim condensed financial information.


Chief Financial Officer


Chief Executive Officer


Board Member

WALAA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2018**

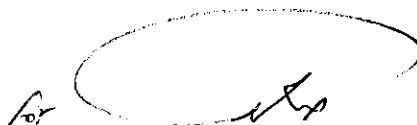
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	<u>Notes</u>	<u>For the three months</u> <u>period ended June 30,</u>		<u>For the six months</u> <u>period ended June 30,</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Total income for the period		38,063	39,644	81,000	75,522
Other comprehensive income					
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>					
- Available for sale investments:					
- Net change in fair value	6	6,684	3,537	13,946	4,074
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>		44,747	43,181	94,946	79,596
Total comprehensive income attributed to the insurance operations		(3,736)	(4,057)	(7,938)	(7,704)
Net comprehensive income for the period attributable to the shareholders		41,011	39,124	87,008	71,892


The accompanying notes 1 to 18 form an integral part of these interim condensed financial information.



Chief Financial Officer



Chief Executive Officer



Board Member

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	Retained earnings	Fair value reserve loss on investments	Total
2018							
Balance at the beginning of the period		400,000	30,108	31,722	126,888	(17,354)	571,364
Total comprehensive income for the period							
Unrealized fair value changes on available-for-sale investments, net	6	-	-	-	-	13,946	13,946
Net income for the period attributable to shareholders		-	-	-	73,062	-	73,062
Total comprehensive income for the period attributable to shareholders		-	-	-	73,062	13,946	87,008
Bonus shares	13	40,000	-	-	(40,000)	-	-
Zakat charge		-	-	-	(7,942)	-	(7,942)
Balance at the end of the period		440,000	30,108	31,722	152,008	(3,408)	650,430
2017							
Balance at the beginning of the period		400,000	30,108	5,976	23,903	(24,499)	435,488
Total comprehensive income for the period							
Unrealized fair value changes on available-for-sale investments, net		-	-	-	-	4,074	4,074
Net income for the period attributable to shareholders		-	-	-	67,818	-	67,818
Total comprehensive income for the period attributable to shareholders		-	-	-	67,818	4,074	71,892
Zakat charge		-	-	-	(4,947)	-	(4,947)
Income tax charge		-	-	-	(1,553)	-	(1,553)
Balance at the end of the period		400,000	30,108	5,976	85,221	(20,425)	500,880

The accompanying notes 1 to 18 form an integral part of these interim condensed financial information.

Stamp

Signature

Chief Financial Officer

Chief Executive Officer

for


Signature

Board Member

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		81,000	75,522
<u>Adjustments for non-cash items:</u>			
Depreciation of property and equipment		1,651	1,486
Amortization of intangible assets		529	206
Allowance for doubtful debts		6,196	2,000
Dividend and realized loss on investments, net		(606)	-
Commission income		(8,569)	(5,291)
Provision for end-of-service indemnities		1,445	4,860
<u>Changes in operating assets and liabilities:</u>			
Premiums and reinsurers' receivable		(127,745)	(26,149)
Reinsurers' share of unearned premiums		(25,910)	25,014
Reinsurers' share of outstanding claims		(9,056)	8,490
Reinsurers' share of claims incurred but not reported		(1,616)	(16,360)
Deferred policy acquisition costs		4,659	(1,534)
Prepaid expenses and other assets		(7,960)	18,668
Policyholders payables		(2,176)	(6,113)
Accrued and other liabilities		21,265	6,273
Reinsurers' balances payable		90,213	37,516
Unearned premiums		1,276	4,509
Unearned reinsurance commission		1,601	724
Outstanding claims		21,526	(35,993)
Claims incurred but not reported		(9,495)	16,829
Additional premium reserves		1,844	570
Other technical reserves		155	(193)
		<u>40,227</u>	<u>111,034</u>
End-of-service indemnities paid		(390)	(834)
Zakat and income tax paid		(12,025)	(9,940)
Net cash generated from operating activities		<u>27,812</u>	<u>100,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in intangible assets		(797)	(61)
Additions in investments		(30,000)	-
Commission income received		8,791	3,209
Dividend received		800	-
Disposals of short term deposits		184,833	-
Additions in property and equipment		(2,407)	(1,504)
Net cash generated from investing activities		<u>161,220</u>	<u>1,644</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in statutory deposit		(4,000)	-
Net cash used in financing activities		<u>(4,000)</u>	<u>-</u>
Net change in cash and cash equivalents		185,032	101,904
Cash and cash equivalents, beginning of the period		309,919	884,355
Cash and cash equivalents, end of the period	4	<u>494,951</u>	<u>986,259</u>
<u>NON-CASH INFORMATION</u>			
Unrealised changes in fair value of available for sale investments		<u>13,946</u>	<u>4,074</u>


The accompanying notes 1 to 18 form an integral part of these interim condensed financial information.



Chief Financial Officer



Chief Executive Officer



Board Member

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

1. General

Walaa Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. (S/114) dated 02/05/1428H. The Company operates under Commercial Registration no. 2051034982 dated 19 Jumada II 1428H corresponding to July 4, 2007. The registered address of the Company's head office is as follows:

Walaa Cooperative Insurance Company
Head Office
Custodian of Two Holy Mosques Road
P.O. Box 31616
Al-Khobar 31952, Saudi Arabia

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

On 2 Jumada II 1424H, corresponding to 31 July 2003, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 28 Jumada II 1429H corresponding to July 2, 2008, the Saudi Arabian Monetary Authority (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license number (TMN/16/2008) to transact insurance activities in the Kingdom of Saudi Arabia.

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

The General Assembly approved 10% bonus share during the period, as a result the share capital of the Company has increased from SR 400 million to SR 440 million (refer note 13). However, the Company is in the process of updating its Commercial Registration and Articles of Association.

Subsequent to the reporting period, the company obtained Saudi Arabian Monetary Authority letter No.6813/41 dated 03/07/2018 approving the opening of 47 points of sales located around the Kingdom. In relation with the opening of these new sales points, the Company has signed a memorandum of understanding with a local entity to source trained staff and assist in identifying favorable locations to expand the Company’s retail branch network.

Proposed merger

The Board of Directors in their meeting held on 18 April 2018 approved the start of the initial understanding with Al-Sagr Cooperative Insurance Company (“Al-Sagr”) to study the economic feasibility of the merger of the two companies. On 26 April 2018, Company signed a non-binding memorandum of understanding (“MOU”) with Al-Sagr to conduct the technical, financial and legal due diligence and continue non-binding discussions on terms and conditions of the proposed merger. The MOU will end when the two companies sign the merger agreement or after six months from the date of the MOU. Further, both companies are eligible to end MOU only by written notice to other party. However, this merger process would be subject to regulatory approvals of the competent regulatory authorities in the Kingdom of Saudi Arabia and General Assemblies of both companies.

2. Basis of preparation

(a) Basis of presentation

The interim condensed financial information of the Company has been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as modified by SAMA for the accounting of Zakat and income tax’, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board (“IASB”) except for the application of International Accounting Standard (IAS) 12 - “Income Taxes” and IFRIC 21 - “Levies” so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated 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.

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)

(a) Basis of presentation (continued)

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement 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 Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, statutory deposit, accrued income on statutory deposit, end-of-service benefits and accrued commission income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors (refer supplementary information).

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented on pages 23 to 32 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 require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial 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.

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

The interim condensed financial information does 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.

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

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)

(b) Critical accounting judgments, estimates and assumptions

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

(c) Seasonality of operations

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

3. Significant accounting policies

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

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

- 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 information.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) effective for annual period on or after January 1, 2018.
- Transfers of Investment Property (Amendments to IAS 40) effective for annual period on or after January 1, 2018.
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28) effective for annual period on or after January 1, 2018.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective for annual period on or after January 1, 2018.

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2019 and have not been early adopted by the Company

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim condensed financial information are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2019;

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

3. Significant accounting policies (continued)

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2019 and have not been early adopted by the Company (continued)

- 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 information, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 9 will be adopted.
- IFRS 16 – "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The management believes that the adoption of IFRS 16 will not have a material impact on the Company's financial information.
- 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 premium written will no longer be presented in profit or loss. At the date of publication of these financial information, it was not practicable to quantify what the potential impact would be on the financial information once IFRS 17 will be adopted.
- IFRIC 23 Uncertainty over Income Tax Treatments effective for annual period on or after January 1, 2019.
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) effective for annual period on or after January 1, 2019.
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19) effective for annual period on or after January 1, 2019.
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23) effective for annual period on or after January 1, 2019.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) available for early adoption /effective date deferred indefinitely.

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4. Cash and cash equivalents

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

	Insurance operations	
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Bank balances and cash	<u>269,979</u>	<u>289,505</u>
	Shareholders' operations	
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Bank balances	20,517	20,414
Deposits maturing within 3 months from the acquisition date	204,455	-
Total	<u>224,972</u>	<u>20,414</u>

5. Premiums and reinsurers' receivable - net

Receivables comprise of amounts due from the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Policyholders	79,621	52,626
Brokers and agents	192,744	105,878
Related parties (note 11)	1,705	235
Receivables from reinsurers	1,462	1,447
	<u>275,532</u>	<u>160,186</u>
Provision for doubtful receivables	(39,041)	(32,845)
Premiums and reinsurers' receivable – net	<u>236,491</u>	<u>127,341</u>

6. Investments

Investments are classified as follows:

	Shareholders' operations	
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Available for sale investments	<u>140,519</u>	<u>96,767</u>

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6. Investments (continued)

Movement in the investment balance is as follows:

	Shareholders' operations	
	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Opening balance	96,767	109,622
Purchase	30,000	-
Adjustment/ disposals	(194)	(14,595)
Changes in fair value of investments, net	13,946	1,740
Closing balance	140,519	96,767

Available-for-sale investments include the following:

	Shareholders' operations	
	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Quoted securities	117,396	73,644
Unquoted securities	23,123	23,123
	140,519	96,767

7. Technical reserves

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Outstanding claims	191,645	160,619
Less: Realizable value of salvage and subrogation	(9,500)	-
	182,145	160,619
Claims incurred but not reported	246,409	255,904
Premium deficiency reserve	5,041	3,197
Other technical reserves	5,471	5,316
	439,066	425,036
Less:		
- Reinsurers' share of outstanding claims	119,662	110,606
- Reinsurers' share of claims incurred but not reported	43,722	42,106
	163,384	152,712
Net outstanding claims and reserves	275,682	272,324

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7. Technical reserves (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	June 30, 2018 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	538,493	(130,247)	408,246
Premiums written during the period	558,600	(174,838)	383,762
Premiums earned during the period	(557,324)	148,928	(408,396)
Balance as at the end of the period	<u>539,769</u>	<u>(156,157)</u>	<u>383,612</u>
	December 31, 2017 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	495,320	(136,568)	358,752
Premiums written during the year	1,102,332	(260,744)	841,588
Premiums earned during the year	(1,059,159)	267,065	(792,094)
Balance as at the end of the year	<u>538,493</u>	<u>(130,247)</u>	<u>408,246</u>

8. Commitments and Contingencies

The Company's commitments and contingencies are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Letters of guarantee	<u>6,199</u>	<u>6,089</u>

The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at 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 advantages accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed financial information.

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9. Fair values of financial instruments (Continued)

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets 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 since the carrying amount is a reasonable approximation to fair value.

Shareholders' Operations	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
June 30, 2018 (Unaudited)					
Financial assets measured at fair value					
- Available for sale investments	140,519	117,396	-	23,123	140,519
	140,519	117,396	-	23,123	140,519

Shareholders' Operations	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2017 (Audited)					
Financial assets measured at fair value					
- Available for sale investments	96,767	73,644	-	23,123	96,767
	96,767	73,644	-	23,123	96,767

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9. Fair values of financial instruments (Continued)

b. Measurement of fair values

The Company has investments amounting to SR 23 million in unquoted securities. These investments have not been measured at fair value because of unavailability of quoted prices of comparable companies and other financial information to compute EBITDA of these investee companies. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

Transfer between the Levels

During the period, there were no transfers into or out of each level.

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 its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2017.

Segment assets do not include cash and cash equivalents, short term deposits, premiums and insurance balances receivable - net, due from shareholders' operations, accrued commission income, prepaid expenses and other assets, property and equipment and intangible assets. Accordingly, they are included in unallocated assets.

Segment liabilities do not include policyholders' payables, accrued and other liabilities, reinsurance balances payable, due to shareholders' operations, end-of-service indemnities and accrual loss thereon, and insurance operations' surplus. Accordingly, they are included in unallocated liabilities.

Segments do not include shareholders' assets and liabilities hence these are presented under unallocated assets/liabilities accordingly.

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

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10. Operating Segments (Continued)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at June 30, 2018 and December 31, 2017, its total revenues, expenses, and net income for the three and six month periods then ended, are as follows:

	As at June 30, 2018 (Unaudited)						
	Insurance operations					Shareholders' operations	
	Medical	Motor	Property	Engineering	Others		Total - Insurance operations
Total	Total	Total	Total	Total	Total	Total	
Assets							
Reinsurers' share of unearned premiums	-	-	62,884	40,288	52,985	156,157	-
Reinsurers' share of outstanding claims	-	15	77,563	28,650	13,434	119,662	-
Reinsurers' share of claims incurred but not reported	541	374	4,696	11,689	26,422	43,722	-
Deferred policy acquisition costs	3,489	21,268	1,536	1,488	4,578	32,359	-
Unallocated assets	-	-	-	-	-	956,284	678,766
Total assets	4,030	21,657	146,679	82,115	97,419	1,308,184	1,986,950
Liabilities and shareholders' equity							
Unearned premiums	46,397	323,298	64,196	41,734	64,144	539,769	-
Unearned reinsurance commission	-	-	3,261	3,811	4,371	11,443	-
Outstanding claims	33,245	7,011	82,085	30,480	29,324	182,145	-
Claims incurred but not reported	9,278	184,323	5,927	12,189	34,692	246,409	-
Additional premium reserves	1,384	-	1,771	1,508	378	5,041	-
Other technical reserves	210	3,999	470	259	533	5,471	-
Unallocated liabilities and shareholders' equity	-	-	-	-	-	317,906	678,766
Total liabilities and shareholders' equity	90,514	518,631	157,710	89,981	133,442	1,308,184	1,986,950

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10. Operating Segments (Continued)

	As at December 31, 2017 (Audited)						
	Insurance operations						Total - Insurance operations
	Medical	Motor	Property	Engineering	Others	Shareholders' operations	
Assets							
Reinsurers' share of unearned premiums	-	-	59,008	39,984	31,255	130,247	-
Reinsurers' share of outstanding claims	-	15	76,521	29,197	4,873	110,606	-
Reinsurers' share of claims incurred but not reported	-	422	4,925	9,627	27,132	42,106	-
Deferred policy acquisition costs	4,031	26,807	1,293	1,449	3,438	37,018	-
Unallocated assets	4,031	27,244	141,747	80,257	66,698	857,776	602,398
Total assets						1,177,753	602,398
Liabilities and shareholders' equity							
Unearned premiums	52,637	341,100	60,161	42,695	41,900	538,493	-
Unearned reinsurance commission	-	-	2,540	3,685	3,617	9,842	-
Outstanding claims	15,427	13,645	81,540	30,826	19,181	160,619	-
Claims incurred but not reported	9,180	195,895	6,296	10,157	34,376	255,904	-
Additional premium reserves	-	-	2,125	-	1,072	3,197	-
Other technical reserves	-	4,096	471	256	493	5,316	-
Unallocated liabilities and shareholders' equity	77,244	554,736	153,133	87,619	100,639	204,382	602,398
Total liabilities and shareholders' equity						1,177,753	602,398
							1,780,151

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10. Operating Segments (Continued)

	For the three months ended June 30, 2018 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
REVENUES						
Gross premiums written						
- Direct	24,892	109,268	64,877	22,717	26,292	248,046
- Reinsurance	-	-	26	-	-	26
	24,892	109,268	64,903	22,717	26,292	248,072
Reinsurance premiums ceded						
- Local ceded	-	-	(1,270)	(1,204)	-	(2,474)
- Foreign ceded	-	(173)	(62,770)	(20,346)	(22,820)	(106,109)
	-	(173)	(64,040)	(21,550)	(22,820)	(108,583)
Excess of loss expenses	(600)	(1,460)	(146)	(146)	(228)	(2,580)
Net premiums written	24,292	107,635	717	1,021	3,244	136,909
Changes in unearned premiums, net	3,854	59,573	(88)	(137)	5,245	68,447
Net premiums earned	28,146	167,208	629	884	8,489	205,356
Reinsurance commissions	-	5	1,660	1,505	2,709	5,879
Other underwriting income	-	1,458	2	2	32	1,494
TOTAL REVENUES	28,146	168,671	2,291	2,391	11,230	212,729
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	14,505	94,001	1,329	1,772	4,021	115,628
Expenses incurred related to claims	499	8,080	-	-	-	8,579
Reinsurers' share of claims paid	-	-	(801)	(1,279)	(543)	(2,623)
Net claims and other benefits paid	15,004	102,081	528	493	3,478	121,584
Changes in outstanding claims, net	9,831	(8,143)	(60)	(137)	2,446	3,937
Changes in IBNR, net	-	-	-	-	-	-
Net claims and other benefits incurred	24,835	93,938	468	356	5,924	125,521
Additional premium reserves	-	-	-	-	-	-
Other technical reserves	-	-	-	-	-	-
Policy acquisition costs	3,137	12,241	868	713	1,259	18,218
Other underwriting expenses	-	2,756	-	-	19	2,775
TOTAL UNDERWRITING COSTS AND EXPENSES	27,972	108,935	1,336	1,069	7,202	146,514
NET UNDERWRITING INCOME	174	59,736	955	1322	4028	66,215
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses						(26,538)
Allowance for doubtful debts						(6,196)
Commission income on deposits						4,582
TOTAL OTHER OPERATING EXPENSES						(28,152)
NET INCOME FOR THE PERIOD						38,063
Total income for the period attributable to insurance operations						(3,736)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						34,327

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10. Operating Segments (Continued)

	For the three months ended June 30, 2017 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
REVENUES						
Gross premiums written						
- Direct	26,549	139,020	21,176	6,868	24,025	217,638
- Reinsurance	-	-	-	-	-	-
	26,549	139,020	21,176	6,868	24,025	217,638
Reinsurance premiums ceded						
- Local ceded	-	-	(2,413)	(979)	-	(3,392)
- Foreign ceded	-	-	(17,251)	(5,275)	(16,315)	(38,841)
			(19,664)	(6,254)	(16,315)	(42,233)
Excess of loss expenses	(362)	(1,489)	(162)	(162)	(248)	(2,423)
Net premiums written	26,187	137,531	1,350	452	7,462	172,982
Changes in unearned premiums, net	2,084	25,588	(529)	114	(203)	27,054
Net premiums earned	28,271	163,119	821	566	7,259	200,036
Reinsurance commissions	-	97	1,703	1,103	967	3,870
Other underwriting income	39	1,343	3	2	12	1,399
TOTAL REVENUES	28,310	164,559	2,527	1,671	8,238	205,305
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	22,188	92,794	2,377	2,738	4,731	124,828
Expenses incurred related to claims	1,428	7,163	-	-	-	8,591
Reinsurers' share of claims paid	-	(177)	(1,330)	(2,593)	(1,573)	(5,673)
Net claims and other benefits paid	23,616	99,780	1,047	145	3,158	127,746
Changes in outstanding claims, net	(8,298)	(6,460)	(852)	79	1,263	(14,268)
Changes in IBNR, net	10,000	-	-	-	-	10,000
Net claims and other benefits incurred	25,318	93,320	195	224	4,421	123,478
Additional premium reserves	-	-	-	-	-	-
Other technical reserves	-	-	-	-	-	-
Policy acquisition costs	2,243	13,301	888	645	1,104	18,181
Other underwriting expenses	-	1,019	-	-	91	1,110
TOTAL UNDERWRITING COSTS AND EXPENSES	27,561	107,640	1,083	869	5,616	142,769
NET UNDERWRITING INCOME	749	56,919	1,444	802	2,622	62,536
OTHER OPERATING (EXPENSES)/INCOME						
General and administrative expense						(24,149)
Allowance for doubtful debts						(1,000)
Commission income on deposits						2,257
TOTAL OTHER OPERATING EXPENSES						(22,892)
NET INCOME FOR THE PERIOD						39,644
Total income for the period attributable to insurance operations						(4,057)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						35,587

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10. Operating Segments (Continued)

	For the Six months ended June 30, 2018 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
REVENUES						
Gross premiums written						
- Direct	49,046	322,687	70,079	37,786	78,675	558,273
- Reinsurance	-	-	352	(25)	-	327
	49,046	322,687	70,431	37,761	78,675	558,600
Reinsurance premiums ceded						
- Local ceded	-	-	(2,040)	(2,823)	-	(4,863)
- Foreign ceded	-	(173)	(66,593)	(34,091)	(63,957)	(164,814)
	-	(173)	(68,633)	(36,914)	(63,957)	(169,677)
Excess of loss expenses	(1,200)	(2,919)	(291)	(291)	(460)	(5,161)
Net premiums written	47,846	319,595	1,507	556	14,258	383,762
Changes in unearned premiums, net	6,240	17,802	(160)	1,265	(513)	24,634
Net premiums earned	54,086	337,397	1,347	1,821	13,745	408,396
Reinsurance commissions	-	5	3,197	3,107	4,088	10,397
Other underwriting income	-	2,794	5	4	47	2,850
TOTAL REVENUES	54,086	340,196	4,549	4,932	17,880	421,643
Gross claim paid	28,633	189,502	2,008	6,689	8,674	235,506
Expenses incurred related to claims	1,849	16,486	-	-	-	18,335
Reinsurers' share of claims paid	-	(135)	(1,351)	(5,214)	(946)	(7,646)
Net claims and other benefits paid	30,482	205,853	657	1,475	7,728	246,195
Changes in outstanding claims, net	17,819	(6,634)	(497)	201	1,581	12,470
Changes in IBNR, net	(444)	(11,524)	(139)	(29)	1,025	(11,111)
Net claims and other benefits incurred	47,857	187,695	21	1,647	10,334	247,554
Unexpired risk reserves	1,384	-	(355)	1,508	(693)	1,844
Other technical reserves	210	(96)	-	3	38	155
Policy acquisition costs	5,215	25,441	1,718	1,262	3,264	36,900
Other underwriting expenses	-	5,227	-	-	25	5,252
TOTAL UNDERWRITING COSTS AND EXPENSES	54,666	218,267	1,384	4,420	12,968	291,705
NET UNDERWRITING (LOSS) / INCOME	(580)	121,929	3,165	512	4,912	129,938
OTHER OPERATING (EXPENSES) / INCOME						
General and administrative expense						(51,917)
Allowance for doubtful debts						(6,196)
Commission income on deposits						8,569
Dividend and realized loss on investment, net						606
TOTAL OTHER OPERATING EXPENSES						(48,938)
NET INCOME FOR THE PERIOD						81,000
Total income for the period attributable to insurance operations						(7,938)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						73,062

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10. Operating Segments (Continued)

	For the Six months ended June 30, 2017 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
REVENUES						
Gross premiums written						
- Direct	39,983	364,778	27,922	21,600	62,737	517,020
- Reinsurance	-	-	-	378	-	378
	39,983	364,778	27,922	21,978	62,737	517,398
Reinsurance premiums ceded						
- Local ceded	-	-	(3,333)	(1,795)	-	(5,128)
- Foreign ceded	-	-	(22,409)	(18,656)	(46,281)	(87,346)
	-	-	(25,742)	(20,451)	(46,281)	(92,474)
Excess of loss expenses	(725)	(2,678)	(324)	(324)	(496)	(4,547)
Net premiums written	39,258	362,100	1,856	1,203	15,960	420,377
Changes in unearned premiums, net	22,703	(49,784)	(209)	90	(2,322)	(29,522)
Net premiums earned	61,961	312,316	1,647	1,293	13,638	390,855
Reinsurance commissions	-	160	3,381	2,210	1,538	7,289
Other underwriting income	77	2,863	6	4	26	2,976
TOTAL REVENUES	62,038	315,339	5,034	3,507	15,202	401,120
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	41,206	177,188	15,088	5,497	11,570	250,549
Expenses incurred related to claims	3,211	14,056	-	-	-	17,267
Reinsurers' share of claims paid	-	(497)	(11,929)	(5,001)	(2,304)	(19,731)
Net claims and other benefits paid	44,417	190,747	3,159	496	9,266	248,085
Changes in outstanding claims, net	(8,298)	6,081	(2,827)	199	(2,093)	(6,938)
Changes in IBNR, net	(7,119)	5,337	(28)	53	2,227	470
Net claims and other benefits incurred	29,000	202,165	304	748	9,400	241,617
Unexpired risk reserves	-	-	-	570	-	570
Other technical reserves	(950)	723	(20)	54	-	(193)
Policy acquisition costs	4,979	25,761	1,811	1,369	2,233	36,153
Other underwriting expenses	-	1,136	-	-	94	1,230
TOTAL UNDERWRITING COSTS AND EXPENSES	33,029	229,785	2,095	2,741	11,727	279,377
NET UNDERWRITING INCOME	29,009	85,554	2,939	766	3,475	121,743
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expense						(49,512)
Allowance for doubtful debts						(2,000)
Commission income on deposits						5,291
TOTAL OTHER OPERATING EXPENSES						(46,221)
NET INCOME FOR THE PERIOD						75,522
Total income for the period attributable to insurance operations						(7,704)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						67,818

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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>Transactions for the period ended</u>		<u>Balance receivable / (payable) as at</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Insurance premium written	2,686	3,520	-	-
Claims paid	898	941	-	-
Receivable / (payable), net	-	-	1,705	222
Outstanding claims	-	-	178	233

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Salaries and other allowances	2,338	1,882
End of service indemnities	418	409
	<u>2,756</u>	<u>2,291</u>
Remuneration to those charged with governance	<u>2,947</u>	<u>3,000</u>

12. Zakat and income tax**Status of assessments**

The Company had filed Zakat and income tax returns with the General Authority of Zakat and Tax ("GAZT") up to the year ended 31 December 2017 and obtained the required certificate from GAZT that is valid up to April 30, 2019.

Provision for zakat and income tax

Provision for zakat has been made at 2.5% of the higher of approximate zakat base and adjusted net income attributable to the Saudi shareholders of the Company.

Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

Shareholding subject to zakat and income tax

The following is the shareholding percentage for computation as at the end of the period/year:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	<u>%</u>	<u>%</u>
Shareholding subject to zakat	100	94.75
Shareholding subject to income tax	-	5.25

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13. Share capital

The authorized, issued and paid up capital of the Company was SAR 440 million at June 30, 2018 (December 31, 2017: SAR 400 million) consisting of 44 million shares (December 31, 2017: 40 million shares) of SAR 10 each.

In the year 2015, the Company had increased its share capital from SAR 200 million to SAR 400 million, by issuing 20 million right shares to its existing shareholders, which were offered at an exercise price of SAR 12 per share. This resulted in a share premium less issuance cost amounting to SAR 30.1 million.

The Company's Board of Directors in their meeting held on October 29, 2017 corresponding to 9 Safar 1439H recommended to Extraordinary General Assembly Meeting to increase share capital of the Company by issuing 4 million bonus shares which was approved by Extraordinary General Assembly on May 29, 2018 corresponding to 14 Ramadan 1439H. The Capital Market Authority in its resolution dated April 18, 2018 approved this increase in capital by issuing bonus shares.

Shareholding structure of the Company is as below.

	June 30, 2018		
	Authorized and issued	Paid up	
	No. of Shares "000"	SAR "000"	
International General Insurance Company	2,310	23,100	23,100
Others	41,690	416,900	416,900
Total	44,000	440,000	440,000

	December 31, 2017		
	Authorized and issued	Paid up	
	No. of Shares "000"	SAR "000"	
International General Insurance Company	2,100	21,000	21,000
Others	37,900	379,000	379,000
Total	40,000	400,000	400,000

14. Capital management

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

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

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

15. Earnings per share ("EPS")

Basic and diluted earnings per share from shareholders' income is calculated by dividing net income for the period by weighted average number of ordinary shares outstanding during the period. The Company has issued 4 million bonus shares during the current period as a result, the basic and diluted EPS of the Company for the three and six months period ended June 30, 2017 has been restated.

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16. Supplementary information**Interim condensed financial position**

	June 30, 2018 - (Unaudited)			December 31, 2017 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
ASSETS						
Cash and cash equivalents	269,979	224,972	494,951	289,505	20,414	309,919
Short term deposits	400,000	240,000	640,000	400,000	424,833	824,833
Premiums and reinsurers' receivable - net	236,491	-	236,491	127,341	-	127,341
Reinsurers' share of unearned premiums	156,157	-	156,157	130,247	-	130,247
Reinsurers' share of outstanding claims	119,662	-	119,662	110,606	-	110,606
Reinsurers' share of claims incurred but not reported	43,722	-	43,722	42,106	-	42,106
Deferred policy acquisition costs	32,359	-	32,359	37,018	-	37,018
Investments	-	140,519	140,519	-	96,767	96,767
Due from insurance operations	-	23,622	23,622	-	15,064	15,064
Prepaid expenses and other assets	36,351	-	36,351	28,391	-	28,391
Property and equipment	9,448	-	9,448	8,691	-	8,691
Intangible assets	771	-	771	504	-	504
Statutory deposit	-	44,000	44,000	-	40,000	40,000
Accrued income on statutory deposit	-	3,633	3,633	-	3,178	3,178
Accrued commission income	3,244	2,020	5,264	3,344	2,142	5,486
TOTAL ASSETS	1,308,184	678,766	1,986,950	1,177,753	602,398	1,780,151

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16. Supplementary information (Continued)

Interim condensed financial position (Continued)

	June 30, 2018 - (Unaudited)			December 31, 2017- (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>LIABILITIES</u>						
Policyholders claims payable	11,584	-	11,584	13,760	-	13,760
Accrued and other liabilities	92,442	3,071	95,513	72,107	2,141	74,248
Reinsurers' balances payable	152,004	-	152,004	61,791	-	61,791
Unearned premiums	539,769	-	539,769	538,493	-	538,493
Unearned reinsurance commission	11,443	-	11,443	9,842	-	9,842
Outstanding claims	182,145	-	182,145	160,619	-	160,619
Claims incurred but not reported	246,409	-	246,409	255,904	-	255,904
Additional premium reserves	5,041	-	5,041	3,197	-	3,197
Other technical reserves	5,471	-	5,471	5,316	-	5,316
End-of-service indemnities	13,834	-	13,834	12,779	-	12,779
Zakat and income tax	-	21,632	21,632	-	25,715	25,715
Accrued commission income payable to SAMA	-	3,633	3,633	-	3,178	3,178
Due to shareholders' operations	23,622	-	23,622	15,064	-	15,064
<u>TOTAL LIABILITIES</u>	1,283,764	28,336	1,312,100	1,148,872	31,034	1,179,906
<u>INSURANCE OPERATIONS' SURPLUS</u>						
Insurance operations' surplus	26,594	-	26,594	31,055	-	31,055
Accumulated actuarial loss on end-of-service indemnities	(2,174)	-	(2,174)	(2,174)	-	(2,174)
<u>TOTAL INSURANCE OPERATIONS' SURPLUS</u>	24,420	-	24,420	28,881	-	28,881
<u>TOTAL LIABILITIES INCLUDING INSURANCE OPERATIONS' SURPLUS</u>						
	1,308,184	28,336	1,336,520	1,177,753	31,034	1,208,787
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	440,000	440,000	-	400,000	400,000
Share premium	-	30,108	30,108	-	30,108	30,108
Statutory reserve	-	31,722	31,722	-	31,722	31,722
Retained earnings	-	152,008	152,008	-	126,888	126,888
Fair value reserve loss on investments	-	(3,408)	(3,408)	-	(17,354)	(17,354)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	650,430	650,430	-	571,364	571,364
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>						
	1,308,184	678,766	1,986,950	1,177,753	602,398	1,780,151

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16. Supplementary information (Continued)

Interim condensed statement of income for the three months period ended

(Unaudited)	June 30, 2018			June 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>REVENUES</u>						
Gross premiums written						
- Direct	248,046	-	248,046	217,638	-	217,638
- Reinsurance	26	-	26	-	-	-
	248,072	-	248,072	217,638	-	217,638
Reinsurance premiums ceded						
- Local ceded	(2,474)	-	(2,474)	(3,392)	-	(3,392)
- Foreign ceded	(106,109)	-	(106,109)	(38,841)	-	(38,841)
	(108,583)	-	(108,583)	(42,233)	-	(42,233)
Excess of loss expenses	(2,580)	-	(2,580)	(2,423)	-	(2,423)
Net premiums written	136,909	-	136,909	172,982	-	172,982
Changes in unearned premiums, net	68,447	-	68,447	27,054	-	27,054
Net premiums earned	205,356	-	205,356	200,036	-	200,036
Reinsurance commissions	5,879	-	5,879	3,870	-	3,870
Other underwriting income	1,494	-	1,494	1,399	-	1,399
<u>TOTAL REVENUES</u>	212,729	-	212,729	205,305	-	205,305
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	115,628	-	115,628	124,828	-	124,828
Expenses incurred related to claims	8,579	-	8,579	8,591	-	8,591
Reinsurers' share of claims paid	(2,623)	-	(2,623)	(5,673)	-	(5,673)
Net claims and other benefits paid	121,584	-	121,584	127,746	-	127,746
Changes in outstanding claims, net	3,937	-	3,937	(14,268)	-	(14,268)
Changes in IBNR, net	-	-	-	10,000	-	10,000
Net claims and other benefits incurred	125,521	-	125,521	123,478	-	123,478
Additional premium reserves	-	-	-	-	-	-
Other technical reserves	-	-	-	-	-	-
Policy acquisition costs	18,218	-	18,218	18,181	-	18,181
Other underwriting expenses	2,775	-	2,775	1,110	-	1,110
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	146,514	-	146,514	142,769	-	142,769
NET UNDERWRITING INCOME	66,215	-	66,215	62,536	-	62,536

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16. Supplementary information (Continued)

Interim condensed statement of income for the three months period ended (Continued)

(Unaudited)	June 30, 2018			June 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(6,196)	-	(6,196)	(1,000)	-	(1,000)
General and administrative expenses	(24,765)	(1,773)	(26,538)	(22,349)	(1,800)	(24,149)
Commission income on deposits	2,103	2,479	4,582	1,382	875	2,257
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(28,858)	706	(28,152)	(21,967)	(925)	(22,892)
<u>NET INCOME / (LOSS) FOR THE PERIOD</u>	37,357	706	38,063	40,569	(925)	39,644
Surplus transferred to Shareholders	(33,621)	33,621	-	(36,512)	36,512	-
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	3,736	34,327	38,063	4,057	35,587	39,644

Earnings per share (Expressed in SAR per share)
Basic and diluted EPS

0.78

0.81

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16. Supplementary information (Continued)

Interim condensed statement of comprehensive income for the three months period ended

(Unaudited)	June 30, 2018			June 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Total income for the period	3,736	34,327	38,063	4,057	35,587	39,644
Other comprehensive income						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
- Available for sale investments:						
- Net change in fair value	-	6,684	6,684	-	3,537	3,537
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	3,736	41,011	44,747	4,057	39,124	43,181

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16. Supplementary information (Continued)

Interim condensed statement of income for the six months period ended

(Unaudited)	June 30, 2018			June 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
REVENUES						
Gross premiums written						
- Direct	558,273	-	558,273	517,020	-	517,020
- Reinsurance	327	-	327	378	-	378
	558,600	-	558,600	517,398	-	517,398
Reinsurance premiums ceded						
- Local ceded	(4,863)	-	(4,863)	(5,128)	-	(5,128)
- Foreign ceded	(164,814)	-	(164,814)	(87,346)	-	(87,346)
	(169,677)	-	(169,677)	(92,474)	-	(92,474)
Excess of loss expenses	(5,161)	-	(5,161)	(4,547)	-	(4,547)
Net premiums written	383,762	-	383,762	420,377	-	420,377
Changes in unearned premiums, net	24,634	-	24,634	(29,522)	-	(29,522)
Net premiums earned	408,396	-	408,396	390,855	-	390,855
Reinsurance commissions	10,397	-	10,397	7,289	-	7,289
Other underwriting income	2,850	-	2,850	2,976	-	2,976
TOTAL REVENUES	421,643	-	421,643	401,120	-	401,120
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	235,506	-	235,506	250,549	-	250,549
Expenses incurred related to claims	18,335	-	18,335	17,267	-	17,267
Reinsurers' share of claims paid	(7,646)	-	(7,646)	(19,731)	-	(19,731)
Net claims and other benefits paid	246,195	-	246,195	248,085	-	248,085
Changes in outstanding claims, net	12,470	-	12,470	(6,938)	-	(6,938)
Changes in IBNR, net	(11,111)	-	(11,111)	470	-	470
Net claims and other benefits incurred	247,554	-	247,554	241,617	-	241,617
Additional premium reserves	1,844	-	1,844	570	-	570
Other technical reserves	155	-	155	(193)	-	(193)
Policy acquisition costs	36,900	-	36,900	36,153	-	36,153
Other underwriting expenses	5,252	-	5,252	1,230	-	1,230
TOTAL UNDERWRITING COSTS AND EXPENSES	291,705	-	291,705	279,377	-	279,377
NET UNDERWRITING INCOME	129,938	-	129,938	121,743	-	121,743

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16. Supplementary information (Continued)

Interim condensed statement of income for the six months period ended (continued)

(Unaudited)	June 30, 2018			June 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(6,196)	-	(6,196)	(2,000)	-	(2,000)
General and administrative expenses	(48,370)	(3,547)	(51,917)	(45,912)	(3,600)	(49,512)
Commission income on deposits	4,007	4,562	8,569	3,205	2,086	5,291
Dividend and realized loss on investments, net		606	606	-	-	-
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(50,559)	1,621	(48,938)	(44,707)	(1,514)	(46,221)
<u>NET INCOME / (LOSS) FOR THE PERIOD</u>	79,379	1,621	81,000	77,036	(1,514)	75,522
Surplus transferred to Shareholders	(71,441)	71,441	-	(69,332)	69,332	-
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	7,938	73,062	81,000	7,704	67,818	75,522

Earnings per share (Expressed in SAR per share)
Basic and diluted EPS

1.66

1.54

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16. Supplementary information (Continued)

(Unaudited)	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Total income for the period	7,938	73,062	81,000	7,704	67,818	75,522
Other comprehensive income						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
- Available for sale investments:						
- Net change in fair value	-	13,946	13,946	-	4,074	4,074
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	7,938	87,008	94,946	7,704	71,892	79,596

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16. Supplementary information (Continued)

Interim condensed statement of cash flows

(Unaudited)	Share- holders'			Share- holders'		
	Insurance operations	operations	Total	Insurance operations	operations	Total
	2018			2017		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit for the period	7,938	73,062	81,000	7,704	67,818	75,522
Adjustments for non-cash items:						
Depreciation of property and equipment	1,651	-	1,651	1,486	-	1,486
Amortization of intangible assets	529	-	529	206	-	206
Allowance for doubtful debts	6,196	-	6,196	2,000	-	2,000
Commission income	(4,007)	(4,562)	(8,569)	(3,205)	(2,086)	(5,291)
Dividend and realized loss on investments, net	-	(606)	(606)	-	-	-
Provision for end-of-service indemnities	1,445	-	1,445	4,860	-	4,860
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(127,745)	-	(127,745)	(26,149)	-	(26,149)
Reinsurers' share of unearned premiums	(25,910)	-	(25,910)	25,014	-	25,014
Reinsurers' share of outstanding claims	(9,056)	-	(9,056)	8,490	-	8,490
Reinsurers' share of claims incurred but not reported	(1,616)	-	(1,616)	(16,360)	-	(16,360)
Deferred policy acquisition costs	4,659	-	4,659	(1,534)	-	(1,534)
Due from/ to shareholders'/insurance operations	8,558	(8,558)	-	(16,533)	16,533	-
Prepaid expenses and other assets	(7,960)	-	(7,960)	18,668	-	18,668
Policyholders and accounts payables	(2,176)	-	(2,176)	(6,113)	-	(6,113)
Accrued and other liabilities	20,335	930	21,265	3,598	2,675	6,273
Reinsurers' balances payable	90,213	-	90,213	37,516	-	37,516
Unearned premiums	1,276	-	1,276	4,509	-	4,509
Unearned reinsurance commission	1,601	-	1,601	724	-	724
Outstanding claims	21,526	-	21,526	(35,993)	-	(35,993)

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16. Supplementary information (Continued)

Interim condensed statement of cash flows (Continued)

	Insurance	Share-	Total	Insurance	Share-	Total
	operations	holders'		operations	holders'	
	2018			2017		
Claims incurred but not reported	(9,495)	-	(9,495)	16,829	-	16,829
Additional premium reserves	1,844	-	1,844	570	-	570
Other technical reserves	155	-	155	(193)	-	(193)
	<u>(20,039)</u>	<u>60,266</u>	<u>40,227</u>	<u>26,094</u>	<u>84,940</u>	<u>111,034</u>
End-of-service indemnities paid	(390)	-	(390)	(834)	-	(834)
Zakat and income tax paid	-	(12,025)	(12,025)	-	(9,940)	(9,940)
Net cash (used in)/ generated from operating activities	(20,429)	48,241	27,812	25,260	75,000	100,260
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in intangible assets	(797)	-	(797)	(61)	-	(61)
Additions in investments	-	(30,000)	(30,000)	-	-	-
Commission income received	4,107	4,684	8,791	1,970	1,239	3,209
Dividend received	-	800	800	-	-	-
Disposals of short term deposits	-	184,833	184,833	-	-	-
Additions in property and equipment	(2,407)	-	(2,407)	(1,504)	-	(1,504)
Net cash generated from investing activities	903	160,317	161,220	405	1,239	1,644
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase in statutory deposit	-	(4,000)	(4,000)	-	-	-
Net cash used in investing activity	-	(4,000)	(4,000)	-	-	-
Net change in cash and cash equivalents	(19,526)	204,558	185,032	25,665	76,239	101,904
Cash and cash equivalents, beginning of the period	289,505	20,414	309,919	594,418	289,937	884,355
Cash and cash equivalents, end of the period	269,979	224,972	494,951	620,083	366,176	986,259
NON-CASH INFORMATION						
Unrealised changes in fair value of available for sale investments	-	13,946	-	-	4,074	-

17. Comparative figures

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

18. Approval of the interim condensed financial information

The interim condensed financial information has been approved by the Board of Directors, on 26 July 2018G corresponding to 13 DhuAl-Qa'dah 1439H.