

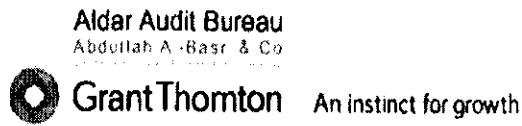
**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

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

**FOR THE THREE AND SIX MONTH PERIODS ENDED
JUNE 30, 2019**

INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) AND INDEPENDENT
AUDITORS' REVIEW REPORT FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE
30, 2019

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

TO THE SHAREHOLDERS OF AL RAJHI COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at 30 June 2019 and the related interim statements of income and comprehensive income for the three month and six month periods then ended and interim statement of changes in equity and interim statement of cash flows for the six months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 (ISRE), "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

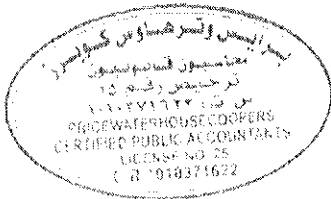
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Date: August 6, 2019
Corresponding to: Dhu l-Hijjah 5, 1440 AH



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Notes	SAR '000	
		June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Cash and cash equivalents	4	590,203	492,182
Contributions and re-takaful / reinsurance balances receivable, net	5	500,617	456,575
Re-takaful / reinsurance share of unearned contributions	9.2	80,132	88,458
Re-takaful / reinsurance share of outstanding claims	9.1 (a)	103,549	371,580
Re-takaful / reinsurance share of claims incurred but not reported	9.1 (a)	12,089	13,411
Re-takaful / reinsurance share of mathematical reserve at fair value through statement of income (FVSI)		100	109
Deferred policy acquisition costs		48,834	60,868
Investments mandatorily measured at fair value through statement of income (FVSI)	8 (a)	181,184	163,828
Investments designated as fair value through other comprehensive income (FVOCI)	8 (b)	168,328	155,462
Investments held at amortised cost	8 (c)	1,793,670	1,788,646
Prepayments and other assets		92,963	69,602
Property and equipment		17,542	18,713
Statutory deposit	7	39,969	39,968
Accrued income on statutory deposit		120	3,439
Right-of-use assets	6	11,336	-
TOTAL ASSETS		3,640,636	3,722,841
LIABILITIES			
Payable, accruals and other liabilities		148,662	132,108
Re-takaful / reinsurance balances payable		40,797	56,127
Unearned contributions	9.2	1,265,920	1,302,633
Unearned re-takaful / reinsurance commission income		7,040	6,002
Gross outstanding claims	9.1 (a)	340,318	564,096
Claims Incurred but not reported	9.1 (a)	782,019	731,714
Contribution deficiency reserve	9.1 (a)	47,800	9,034
Unit linked liabilities at FVSI	15	69,011	52,336
End-of-service benefits (EOSB)		16,756	15,119
Provision for zakat and income tax	14	28,732	33,689
Payables to SAMA		4,830	4,346
Lease obligations		9,932	-
		2,761,817	2,907,204
Takaful operations' surplus payable		52,193	47,236
TOTAL LIABILITIES AND ACCUMULATED SURPLUS		2,814,010	2,954,440
EQUITY			
Share capital	16	400,000	400,000
Statutory reserve		102,397	91,302
Retained earnings		304,598	270,733
Remeasurement reserve for EOSB		(187)	(187)
Fair value reserve - Investments designated as FVOCI		19,818	6,553
TOTAL EQUITY		826,626	768,401
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY		3,640,636	3,722,841
COMMITMENTS AND CONTINGENCIES	10	15,533	14,437



Naser Abdullah Aloufi
Member-Board



Abdulaziz Mohammed Al Sedeas
Chief Executive Officer




Robert Pereira
Chief Financial Officer


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

INTERIM STATEMENT OF INCOME (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30

	Notes	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
		SAR '000		SAR '000	
		June 30, 2019	June 30, 2018 (restated)	June 30, 2019	June 30, 2018 (restated)
REVENUES					
Gross contribution written	9.2	544,658	638,164	1,388,231	1,653,849
Re-takaful / reinsurance contributions ceded - domestic	9.2	(539)	(444)	(811)	(1,044)
Re-takaful / reinsurance contributions ceded - foreign	9.2	(17,727)	(23,862)	(33,955)	(51,047)
Excess of loss expenses (XOL)	9.2	(2,308)	(3,114)	(3,232)	(6,228)
Net contributions written	9.2	524,084	610,744	1,350,233	1,595,530
Changes in unearned contributions, net		162,866	116,654	28,388	(154,871)
Net contributions earned		686,950	727,398	1,378,621	1,440,659
Re-takaful / reinsurance commission income		1,896	2,821	3,939	5,475
Other underwriting income		337	2,998	1,103	6,294
TOTAL REVENUES		689,183	733,217	1,383,663	1,452,428
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses		(502,168)	(498,788)	(1,308,667)	(1,036,055)
Surrenders and maturities		(1,900)	(1,028)	(3,008)	(1,680)
Expenses incurred related to claims		(16,123)	(15,325)	(33,070)	(33,170)
Re-takaful / reinsurance share of claims paid		6,704	9,620	303,517	20,590
Net claims and other benefits paid		(513,487)	(505,521)	(1,041,228)	(1,050,315)
Changes in outstanding claims, net		(3,181)	17,109	(44,254)	15,156
Changes in incurred but not reported (IBNR) claims, net		(46,790)	(99,990)	(51,626)	(143,834)
Change in contribution deficiency reserve		14,457	-	(38,766)	-
Net claims and other benefits incurred		(549,001)	(588,402)	(1,175,874)	(1,178,993)
Change in unit linked liabilities at FVSI, net		(6,024)	(4,767)	(12,746)	(9,455)
Policy acquisition costs		(29,337)	(24,760)	(56,136)	(58,529)
Other underwriting expenses		(6,909)	(6,369)	(13,864)	(13,881)
TOTAL UNDERWRITING COSTS AND EXPENSES		(591,271)	(624,298)	(1,258,620)	(1,260,858)
NET UNDERWRITING INCOME		97,912	108,919	125,043	191,570
OTHER OPERATING (EXPENSES)/ INCOME					
Allowance for doubtful debts - Contributions and re-takaful / reinsurance balances receivable		(2,070)	(9,405)	(3,324)	(10,899)
General and administrative expenses		(66,424)	(61,271)	(110,572)	(115,474)
Special commission income		18,534	16,296	37,149	31,523
Net gains on investments mandatorily measured at FVSI		4,835	1,805	7,726	4,329
Dividend income		2,531	1,555	3,402	2,014
Impairment loss on financial assets		185	(50)	114	(379)
Other income		413	390	879	1,118
TOTAL OTHER OPERATING EXPENSES		(41,996)	(50,680)	(64,626)	(87,768)
Net income for the period before zakat		55,916	58,239	60,417	103,802
Net income for the period attributed to takaful operations	19	(4,840)	(5,355)	(4,957)	(9,557)
Net income for the period attributable to the shareholders		51,076	52,884	55,460	94,245
Provision for zakat	14	(5,685)	(3,800)	(10,500)	(8,200)
Net income for the period after zakat and income tax		45,391	49,084	44,960	86,045
Earnings per share (EPS)					
Basic and diluted EPS	18	1.13	1.23	1.12	2.15


Naser Abdullah Aloufi
Member-Board


Abdulaziz Mohammed Al Sedeas
Chief Executive Officer


Robert Pereira
Chief Financial Officer

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

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

Notes	<i>For the three month period ended</i>		<i>For the Six month period ended</i>	
	SAR '000		SAR '000	
	June 30, 2019 (Unaudited)	June 30, 2018 (restated)	June 30, 2019 (Unaudited)	June 30, 2018 (restated)
	45,391	49,084	44,960	86,045
Net income for the period after zakat				
Other comprehensive income:				
Items that will not be reclassified to statement of income in subsequent periods				
- Net fair value changes on investments designated as FVOCI				
- Shareholder's operations	8 (b)	(1,775)	7,020	11,589
				13,643
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</u>		43,616	56,104	56,549
				99,688
Items that will not be reclassified to statement of income in subsequent periods				
- Net fair value changes on investments designated as FVOCI				
- Takaful operations	8 (b)	714	(497)	1,676
				(3,570)
Total comprehensive income attributed to takaful operations		4,840	5,355	4,957
				9,557
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO TAKAFUL OPERATIONS</u>		5,554	4,858	6,633
				5,987
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>		49,170	60,962	63,182
				105,675



Naser Abdullah Aloufi
Member-Board



Abdulaziz Mohammed Al Sedeas
Chief Executive Officer




Robert Pereira
Chief Financial Officer

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

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

	Notes	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - Investments designated as FVOCI	Total
Balance as at January 1, 2019		400,000	91,302	270,733	(187)	6,553	768,401
Total comprehensive income:							
Net income for the period after zakat		-	-	44,960	-	-	44,960
-Net fair value changes on investments designated as FVOCI	19.3	-	-	-	-	13,265	13,265
		-	-	44,960	-	13,265	58,225
Transfer to statutory reserve		-	11,095	(11,095)	-	-	-
Balance as at June 30, 2019		400,000	102,397	304,598	(187)	19,818	826,626
		Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - Investments designated as FVOCI	Total
Balance as at January 1, 2018		400,000	54,297	142,211	-	1,552	598,060
Total comprehensive income: (restated)	20						
Net income for the period after zakat		-	-	86,045	-	-	86,045
-Net fair value changes on investments designated as FVOCI	19.3	-	-	-	-	13,643	13,643
		-	-	86,045	-	13,643	99,688
Transfer to statutory reserve		-	18,851	(18,851)	-	-	-
Balance as at June 30, 2018		400,000	73,148	209,405	-	15,195	697,748


Naser Abdullah Aloufi
Member-Board

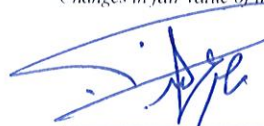

Abdulaziz Mohammed Al Sedeas
Chief Executive Officer


Robert Pereira
Chief Financial Officer

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

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

	Notes	SAR '000	
		Jun 30, 2019	Jun 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before zakat and income tax		60,417	103,802
Adjustments for non-cash items:			
Depreciation of property and equipment		4,309	3,880
Depreciation of right-of-use assets		2,675	-
Allowance for doubtful debts -Contributions and re-takaful / reinsurance balances receivable	5	3,324	10,899
Unrealized gain on investments mandatorily measured at FVSI		(3,966)	(1,686)
Impairment loss on financial assets		(114)	379
Provision for end-of-service benefits (EOSB)		2,380	3,112
		<u>69,025</u>	<u>120,386</u>
Changes in operating assets and liabilities:			
Contributions and re-takaful / reinsurance balances receivable		(47,366)	(326,678)
Re-takaful / reinsurance share of unearned contributions		8,326	(7,226)
Re-takaful / reinsurance share of outstanding claims		268,031	(282,878)
Re-takaful / reinsurance share of claims incurred but not reported		1,322	-
Re-takaful / reinsurance share of mathematical reserve at FVSI		9	2
Deferred policy acquisition costs		12,034	(20,693)
Prepayments and other assets		(22,564)	(13,586)
Right-of-use assets		(14,011)	-
Accrued income on statutory deposit		3,319	(424)
Payable, accruals and other liabilities		16,554	16,260
Other reserves		-	-
Unit linked liabilities at FVSI		16,675	10,936
Re-takaful / reinsurance balances payable		(15,330)	(17,291)
Unearned contributions		(36,713)	162,096
Unearned re-takaful / reinsurance commission		1,038	377
Gross outstanding claims		(223,778)	411,556
Claims Incrred but not rported		50,305	-
Contribution deficiency reserve		38,766	-
Lease obligations		9,932	-
Deposit against guarantees		(1,096)	-
Payables to SAMA		484	424
Statutory deposit income		(3,801)	424
		<u>131,161</u>	<u>53,685</u>
Zakat paid	14	(15,457)	(12,301)
End-of-service benefits paid		(743)	(396)
Net cash generated from operating activities		114,961	40,988
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments mandatorily measured at FVSI		(1,035,394)	(1,046,872)
Disposals of investments mandatorily measured at FVSI		1,022,004	1,052,000
Purchase of investments designated as FVOCI		-	(71,349)
Disposals of investments designated as FVOCI		-	43,938
Movement in cash balance in equity share portfolio		(399)	(3,353)
Purchase of investments held at amortised cost		(925,000)	(580,000)
Disposal of investments held at amortised cost		920,000	230,000
Additions in property and equipment		(3,138)	(2,876)
Net cash (used in) investing activities		(21,927)	(378,512)
Net change in cash and cash equivalents		93,034	(343,552)
Cash and cash equivalents, at beginning of the period	4	476,940	816,779
Cash and cash equivalents, at end of the period	4	569,974	473,227
NON-CASH INFORMATION			
Changes in fair value of investments designated as FVOCI		13,265	10,073



Naser Abdullah Aloufi
Member-Board



Abdulaziz Mohammed Al Sedeas
Chief Executive Officer



Robert Pereira
Chief Financial Officer

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

Notes to the interim condensed financial information

For the six month period ended June 30, 2019

1. GENERAL

Al Rajhi Company for Cooperative Insurance (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. (M/35) dated Jumada al thani 27, 1429. (January 1, 2008). The Company operates under Commercial Registration no. 1010270371 dated Rajab 5, 1430 corresponding to June 28, 2009. The registered address of the Company's head office is as follows:

Al Rajhi Company for Cooperative Insurance
P.O. Box 67791
Riyadh 11517
Kingdom of Saudi Arabia.

The purpose of the Company is to conduct takaful operations and all related activities including re-takaful / re-insurance and agency activities. Its principal lines of business include motor, medical, protection & savings, marine, fire, engineering and casualty insurance.

On July 31, 2003, corresponding to Jumada al thani 2, 1424, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On April 20, 2004, corresponding to Rabi' al-awwal 1, 1425, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32).

As a commitment from the Company for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Company has established a Shari'a Authority to review and approve the activities and the products of the Company.

Statement of compliance

The interim condensed financial statements of the Company as at and for the period ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements issued by Saudi Organization of Certified Public Accountants (SOCPA)."

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 -- "Income Taxes" and IFRIC 21 -- "Levies" so far as these relate to zakat).

On 23 July 2019, SAMA instructed the insurance and / or reinsurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income with reference to Royal Decree No. 36763 dated 03-07-1440 A.H and SOCPA circular No. 2019/23099 dated 26/08/1440 A.H. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB").

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (as disclosed in note 3b) and the effects of this change are disclosed in note 14 to the interim condensed financial statements).

Notes to the interim condensed financial information

For the six month period ended June 30, 2019

2. BASIS OF PREPARATION

(a) Basis of presentation

The company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with international accounting standard 8, accounting policies, change in accounting estimates and errors (As disclosed in note 3 (b) and the effects of this change are disclosed in note 14 to the interim financial statements).

The Company presents its interim statement of financial position in order of liquidity. 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 statements accordingly (Note 19). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed 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 statement as of and for the year ended December 31, 2018. This interim condensed financial information is expressed in Saudi Arabian Riyals (SAR) and is rounded off to the nearest thousand.

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for financial assets measured at fair value through profit or loss (FVPL), financial assets measured at fair value through other comprehensive income (FVOCI) financial liabilities measured at fair value through profit or loss (FVPL) and end of service benefits at present value.

The Company's interim statement of financial position is not presented using a current / non-current classification. The following balances would generally be classified as non-current: financial assets at fair value through other comprehensive income, financial asset at amortised cost, property and equipment, statutory deposit, other assets, end of service benefits and payable to shareholders. All other assets and liabilities are classified as current.

As required by the Saudi Arabian Insurance Regulations and guidelines of the sharia board, the Company maintains separate books of accounts for takaful operations and shareholders' operations and presents the financial information accordingly (refer note 19). 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.

As per the Company's policy, all general and administrative expenses of takaful operations are charged to shareholders' operations. The Company in accordance with the Islamic Shariah provisions managing the co-operative insurance operations and calculates the management fee in the below manner and pays it in full shortly after at the end of the fiscal year.

The first component of the management fee is calculated based on the net contributions written for the period after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the interim statement of income - shareholders'

(refer note 19); and the other component of the management fee is determined up to 90% of the net surplus, if any, for the period from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

2. BASIS OF PREPARATION

(a) Basis of presentation (continued)

The interim statement of financial position, statements of income, comprehensive income and cash flows of the takaful operations and shareholders' operations which are presented in note 19 of the condensed interim financial information have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the takaful operations and the shareholders' operations. Accordingly, the interim statements of financial position, statements of income, comprehensive income and cash flows prepared for the takaful 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 IFRSs, the balances and transactions of the takaful 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 takaful operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

b) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed 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 the 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 applied to the annual financial statements as at and for the year ended December 31, 2018.

c) Seasonality of operations

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

d) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The financial information values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

The interim condensed financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended December 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 10 years for offices, vehicles and equipments. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the incremental borrowing cost. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

IFRS 16: Leases ("IFRS 16")

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of SAR 13.8 million were recorded as of January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019, the rate applied is 6.15%

The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The following table reconciles the Company's operating lease obligations at December 31, 2018, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	80,356
Discounted using the incremental borrowing rate at January 1, 2019	(1,078)
Recognition exemptions / not yet commenced	(65,468)
Lease obligations recognized at January 1, 2019	<u>13,810</u>

(b) Change in accounting policy in relation to accounting for zakat

As mentioned in note 2(a) the basis of preparation has been changed for the period ended 30 June 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat retrospectively (see note 14) to the interim condensed financial statements. The change has resulted in reduction of reported income of the Company for the three and six month period ended 30 June 2018 by SAR 3.8 million and SAR 8.2 million respectively. The change has had no impact on the statement of cash flows for the period ended 30 June 2018.

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4. CASH AND CASH EQUIVALENTS

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

	Takaful operations	
	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000		
Bank balances and cash	428,032	205,425
Deposits maturing within 3 months from the acquisition date	-	150,000
Cash and cash equivalents in the statement of cash flow	428,032	355,425
Less : Impairment loss	-	(65)
Cash and bank balances, net	428,032	355,360
Deposits against letters of guarantee	15,533	14,437
Total	443,565	369,797
	Shareholders' operations	
	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000		
Bank balances and cash	91,942	71,515
Deposits maturing within 3 months from the acquisition date	50,000	50,000
Cash and cash equivalents in the statement of cash flow	141,942	121,515
Less : Impairment loss	(13)	(38)
Cash and bank balances, net	141,929	121,477
Cash at banks (statutory deposit income)	4,709	908
Total	146,638	122,385
Total	590,203	492,182

5. CONTRIBUTIONS AND RE-TAKAFUL / RE-INSURANCE BALANCES RECEIVABLE - NET

Receivables comprise amounts due from the following:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000		
Policyholders	216,584	224,746
Brokers and agents	58,789	47,858
Related parties	276,342	253,255
Receivables from re-takaful / reinsurance	30,428	8,918
	582,143	534,777
Provision for doubtful receivables	(81,526)	(78,202)
Contributions and re-takaful / reinsurance balances receivable - net	500,617	456,575

6. RIGHT -OF-USE ASSETS

The following table presents the right-of-use assets for the Company:

	Offices	Vehicles	Equipments	Total
Balance at January 1, 2019	10,422	1,872	1,717	14,011
Depreciation/ Amortization	(2,160)	(251)	(264)	(2,675)
Balance at June 30, 2019	8,262	1,621	1,453	11,336

7. STATUTORY DEPOSIT

Statutory deposit amounting to SAR 40 million (December 2018: SAR 40 million) kept with a local bank, represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA. Under ECL method the Company charged an impairment loss amounting to SAR 0.03 million (2018: SAR 0.03 million)

8. INVESTMENTS

Investments are classified as follows:

		Takaful operations	
		June 30,	December 31,
		2019	2018
SAR'000	Notes	(Unaudited)	(Audited)
- Investments mandatorily measured at FVSI (mutual funds)	8 (a)	165,005	129.853
- Investments designated as FVOCI (equity shares)	8 (b)	27,003	25.327
- Investments held at amortised cost (deposits and sukuk)	8 (c)	1,448,773	1,703.637
Total		<u>1,640,781</u>	<u>1,858.817</u>

		Shareholders' operations	
		June 30,	December 31,
		2019	2018
SAR'000		(Unaudited)	(Audited)
- Investments mandatorily measured at FVSI (mutual funds)	8 (a)	16,179	33.975
- Investments designated as FVOCI (equity shares)	8 (b)	141,325	130.135
- Investments held at amortised cost (deposits and sukuk)	8 (c)	344,897	85.009
Total		<u>502,401</u>	<u>249.119</u>

8. INVESTMENTS (continued)

Movement in the investment balance is as follows:

a) Investments mandatorily measured at FVSI (mutual funds)

	Takaful operations	
	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000		
At the beginning of the period / year	129,853	124,829
Purchased during the period / year	743,394	1,215,073
Sold during the period / year	(712,273)	(1,211,077)
Net change in fair values during the period / year	4,031	1,028
At the end of the period / year	165,005	129,853
	Shareholders' operations	
	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000		
At the beginning of the period / year	33,975	32,481
Purchased during the period / year	292,000	545,000
Sold during the period / year	(309,731)	(543,712)
Net change in fair values during the period / year	(65)	206
At the end of the period / year	16,179	33,975
Total	181,184	163,828

8. INVESTMENTS (continued)

b) Investments designated as FVOCI (equity shares)

SAR'000	Takaful operations	
	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Opening balance	25,327	-
Purchases	-	31,038
Changes in fair value of investments	1,676	(5,711)
Closing balance	27,003	25,327
SAR'000	Shareholders' operations	
	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
At the beginning of the period / year		
Balance of equity shares portfolio with Al Rajhi Capital	122,507	78,738
Cash balance with Al Rajhi Capital	86	(22)
Equity - unlisted shares	7,542	6,050
Total at the beginning of the period / year	130,135	84,766
Movement during the period / year		
Purchased during the period / year	-	94,148
Sold during the period / year	-	(59,899)
Net change in fair values during the period / year	11,589	10,712
Net change in cash balance with Al Rajhi Capital	(399)	108
Closing balance of equity shares portfolio	141,325	130,135
Portfolio balance with Al Rajhi Capital at the end of the period	134,096	122,507
Cash balance with Al Rajhi Capital	(313)	86
Equity - unlisted shares	7,542	7,542
At the end of the period / year	141,325	130,135
Total	168,328	155,462

d) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below also represents the Company's maximum exposure to credit risk on these assets.

i) Takaful operations

Financial statement line item	June 30, 2019 (Unaudited)				December 31, 2018	
	Stage 1	Stage 2	Stage 3	Total		
	12-month ECL	Lifetime ECL	Lifetime ECL			
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	
Bank balances	443,565	-	-	443,565	368,648	
Investments held at amortised cost	1,450,000	-	-	1,450,000	1,705,000	
Gross carrying amount	1,893,565	-	-	1,893,565	2,073,648	
Loss allowance	(1,227)	-	-	(1,227)	(1,428)	
Carrying amount	1,892,338	-	-	1,892,338	2,072,220	

Credit grade	June 30, 2019 (Unaudited)				December 31, 2018	
	Stage 1	Stage 2	Stage 3	Total		
	12-month ECL	Lifetime ECL	Lifetime ECL			
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	
Investment grade	1,893,565	-	-	1,893,565	2,073,648	
Non investment grade	-	-	-	-	-	
Gross carrying amount	1,893,565	-	-	1,893,565	2,073,648	
Loss allowance	(1,227)	-	-	(1,227)	(1,428)	
Carrying amount	1,892,338	-	-	1,892,338	2,072,220	

The Company's exposures to credit risk are not collateralized.

Investment grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

d) Maximum exposure to credit risk -- financial instruments subject to ECL. (continued)

ii) Shareholders' operations

Financial statement line item	June 30, 2019 (Unaudited)			December 31, 2018	
	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000	SAR'000
Bank balances	146,651	-	-	146,651	122,385
Investments held at amortised cost	345,074	-	-	345,074	85,074
Statutory deposit	40,000	-	-	40,000	40,000
Gross carrying amount	531,725	-	-	531,725	247,459
Loss allowance	(221)	-	-	(221)	(134)
Carrying amount	531,504	-	-	531,504	247,325

Credit grade	June 30, 2019 (Unaudited)			December 31, 2018	
	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000	SAR'000
Investment grade	531,725	-	-	531,725	247,459
Non investment grade	-	-	-	-	-
Gross carrying amount	531,725	-	-	531,725	247,459
Loss allowance	(221)	-	-	(221)	(134)
Carrying amount	531,504	-	-	531,504	247,325

The Company's exposures to credit risk are not collateralized.

Investment Grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

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e) Loss allowance

The loss allowance recognised in the period and the change in the loss allowance between the beginning and the end of the annual period is given below:

i) Takaful operations:

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Loss allowance as at January 1, 2019	1,428	-	-	1,428
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	436	-	-	436
Net re-measurement of loss allowance	-	-	-	-
Financial assets derecognised during the period	(637)	-	-	(637)
Write-offs	-	-	-	-
Total loss allowance for the period / year	(201)	-	-	(201)
Loss allowance as at June 30, 2019	1,227	-	-	1,227

ii) Shareholders' operations:

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Loss allowance as at January 1, 2019	134	-	-	134
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	283	-	-	283
Net re-measurement of loss allowance	-	-	-	-
Financial assets derecognised during the period / year	(196)	-	-	(196)
Write-offs	-	-	-	-
Total loss allowance for the period / year	87	-	-	87
Loss allowance as at June 30, 2019	221	-	-	221

9. TECHNICAL RESERVES

9.1 Net outstanding claims and reserves

a) Net outstanding claims and reserves comprise of the following:

SAR'000	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Outstanding claims	449,332	677,569
Less: Realizable value of salvage and subrogation	(109,014)	(113,473)
Claims incurred but not reported	782,019	731,714
Contribution deficiency reserve	47,800	9,034
	1,170,137	1,304,844
Unit linked liabilities at FVSI	69,011	52,336
	1,239,148	1,357,180
Less:		
Re-takaful / reinsurance share of outstanding claims	103,549	371,580
Re-takaful / reinsurance share of claims incurred but not reported	12,089	13,411
	115,638	384,991
Net outstanding claims and reserves	1,123,510	972,189

9.2 Movement in unearned contributions

Movement in unearned contributions comprise of the following:

SAR'000	Six month period ended June 30, 2019 (Unaudited)			
	Gross	Re-takaful (Reinsurance)	XOL	Net
Balance at the beginning of the period	1,302,633	(88,458)	-	1,214,175
Contribution written during the period	1,388,231	(34,766)	(3,232)	1,350,233
Contribution earned during the period	(1,424,944)	43,092	3,232	(1,378,620)
Balance at the end of the period	1,265,920	(80,132)	-	1,185,788
	Year ended December 31, 2018 (Audited)			
SAR'000	Gross	Re-takaful (Reinsurance)	XOL	Net
Balance at the beginning of the year	1,304,110	(91,709)	-	1,212,401
Contribution written during the year	2,973,594	(95,594)	(14,997)	2,863,003
Contribution earned during the year	(2,975,071)	98,845	14,997	(2,861,229)
Balance at the end of the year	1,302,633	(88,458)	-	1,214,175

10. COMMITMENTS AND CONTINGENCIES

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

SAR'000	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Letters of guarantee	<u>15,533</u>	<u>14,437</u>
Total	<u>15,533</u>	<u>14,437</u>

b) The Company enters into takaful contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position.

11. 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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

SAR'000s	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2019 (Unaudited)					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	181,184	181,184	-	-	181,184
- Investments designated as FVOCI - Quoted securities	160,786	160,786	-	-	160,786
- Investments designated as FVOCI - Unquoted securities	7,542	-	-	7,542	7,542
	349,512	341,970	-	7,542	349,512
Financial assets not measured at fair value					
- Cash and cash equivalents	590,203	-	-	-	590,203
- Investments held at amortised cost	1,793,670	-	-	-	1,793,670
- Statutory deposit	39,969	-	-	-	39,969
- Other assets	21,950	-	-	-	21,950
	2,445,792	-	-	-	2,445,792

SAR'000s	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2018 (Audited)					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	163,828	163,828	-	-	163,828
- Investments designated as FVOCI - Quoted securities	147,920	147,920	-	-	147,920
- Investments designated as FVOCI - Unquoted securities	7,542	-	-	7,542	7,542
	319,290	311,748	-	7,542	319,290
Financial assets not measured at fair value					
- Cash and cash equivalents	491,033	-	-	-	491,033
- Investments held at amortised cost	1,788,646	-	-	-	1,788,646
- Statutory deposits at amortised cost	39,969	-	-	-	39,969
- Other assets	21,680	-	-	-	21,680
	2,341,328	-	-	-	2,341,328

The fair values of the financial assets not measured at fair value are not materially different from their carrying values.

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

SAR'000s	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2019 (Unaudited)					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	69,011	69,011	-	-	69,011
	<u>69,011</u>	<u>69,011</u>	<u>-</u>	<u>-</u>	<u>69,011</u>

SAR'000s	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2018 (Audited)					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	52,336	52,336	-	-	52,336
	<u>52,336</u>	<u>52,336</u>	<u>-</u>	<u>-</u>	<u>52,336</u>

i) Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Shareholders' operations	Financial assets at FVOCI – Unquoted securities
SAR'000s	
Balance at January 1, 2019	7,542
Purchases	-
Sales	-
Gain / loss included in statement of income	-
Gain / loss included in OCI	-
Balance at June 30, 2019	<u>7,542</u>

The fair value of unquoted securities at level 3 is not materially different than its cost price.

12. 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 Chief Executive Officer as his function as key 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 interim 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 surplus or deficit since December 31, 2018.

Segment assets do not include takaful operations' bank balances and cash, net contributions receivable, investments etc., accordingly, they are included in unallocated assets. Segment liabilities do not include takaful operations' payables accruals and other liabilities and re-takaful / re-insurance balances payable etc., accordingly, they are included in unallocated liabilities.

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

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at June 30, 2019 and December 31, 2018, its total revenues, expenses, and net income for period ended, are as follows:

For the three month period ended June 30, 2019 (Unaudited)					
Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
SAR'000					
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	10,527	119,022	1,567	11,128	142,244
Very small	20,247	-	-	-	20,247
Small	15,549	23,217	-	-	38,766
Medium	29,455	44,634	-	-	74,089
Corporate	29,466	205,598	22,214	12,034	269,312
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	<u>105,244</u>	<u>392,471</u>	<u>23,781</u>	<u>23,162</u>	<u>544,658</u>
For the three month period ended June 30, 2018 (Unaudited)					
Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
SAR'000					
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	1,627	97,065	1,142	8,354	108,188
Very small	30,433	-	-	-	30,433
Small	23,372	12,814	-	-	36,186
Medium	44,275	68,338	-	-	112,613
Corporate	74,930	244,687	20,909	10,218	350,744
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	<u>174,637</u>	<u>422,904</u>	<u>22,051</u>	<u>18,572</u>	<u>638,164</u>

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12. OPERATING SEGMENTS (continued)

For the six month period ended June 30, 2019
(Unaudited)

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	16,761	232,581	2,951	21,882	274,175
Very small	55,859	-	-	-	55,859
Small	42,899	27,255	-	-	70,154
Medium	81,266	50,505	-	-	131,771
Corporate	101,336	692,584	38,577	23,775	856,272
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	<u>298,121</u>	<u>1,002,925</u>	<u>41,528</u>	<u>45,657</u>	<u>1,388,231</u>

For the six month period ended June 30, 2018
(Unaudited)

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	2,658	217,653	1,963	16,133	238,407
Very small	52,710	-	-	-	52,710
Small	40,480	15,474	-	-	55,954
Medium	76,684	72,206	-	-	148,890
Corporate	149,012	929,655	55,167	21,503	1,155,337
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	<u>321,543</u>	<u>1,234,988</u>	<u>57,130</u>	<u>37,636</u>	<u>1,651,297</u>

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12. OPERATING SEGMENTS (continued)

As at June 30, 2019
(Unaudited)

Operating segments	Takaful operations					Total - Takaful operations	Shareholders' operations	Total
	Medical	Motor	Property & casualty	Protection & Savings	Total - Takaful operations			
SAR'000								
Assets:								
Cash and cash equivalents	-	-	-	-	-	443,565	146,638	590,203
Contributions and re-takaful / reinsurance balances receivable – net	-	-	-	-	-	500,617	-	500,617
Re-takaful / reinsurance share of unearned contributions	-	34,282	44,171	1,679	-	80,132	-	80,132
Re-takaful / reinsurance share of outstanding claims	-	14,856	85,716	2,977	-	103,549	-	103,549
Re-takaful / reinsurance share of claims incurred but not reported	-	-	5,081	7,008	-	12,089	-	12,089
Deferred policy acquisition costs	20,535	24,683	3,327	289	-	48,834	-	48,834
Investments mandatorily measured at FVSI	-	-	-	-	-	165,005	16,179	181,184
Investments designated as FVOCI	-	-	-	-	-	27,003	141,325	168,328
Investments held at amortised cost	-	-	-	-	-	1,448,773	344,897	1,793,670
Right-of-use assets	-	-	-	-	-	-	11,336	11,336
Unallocated assets	-	-	-	-	-	(114,820)	265,514	150,694
Total assets	20,535	73,821	138,295	11,953	-	2,714,747	925,889	3,640,636
Liabilities:								
Unearned contributions	290,896	912,909	57,733	4,382	-	1,265,920	-	1,265,920
Unearned re-takaful / reinsurance commission	-	-	7,040	-	-	7,040	-	7,040
Gross outstanding claims	58,666	188,210	89,364	4,078	-	340,318	-	340,318
Claims incurred but not reported	177,240	587,018	6,401	11,360	-	782,019	-	782,019
Contribution deficiency reserve	46,762	-	1,038	-	-	47,800	-	47,800
Lease obligations	-	-	-	-	-	-	9,932	9,932
Unallocated liabilities and surplus	-	-	-	-	-	271,650	915,957	1,187,607
Total liabilities, Accumulated surplus and equity	573,564	1,688,137	161,576	19,820	-	2,714,747	925,889	3,640,636

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12. OPERATING SEGMENTS (continued)

As at December 31, 2018
(Audited)

Operating segments	Takaful operations					Total - Takaful operations	Shareholders' operations	Total
	Medical	Motor	Property casualty	Protection & Savings	Total - Takaful operations			
SAR'000								
Assets:								
Cash and cash equivalents	-	-	-	-	369,797	122,385	492,182	
Contributions and re-takaful / reinsurance balances receivable net	-	-	-	-	456,575	-	456,575	
Re-takaful / reinsurance share of unearned contributions	-	35,746	51,231	1,481	88,458	-	88,458	
Re-takaful / reinsurance share of outstanding claims	-	10,019	358,843	2,718	371,580	-	371,580	
Re-takaful / reinsurance share of claims incurred but not reported	-	-	6,496	6,915	13,411	-	13,411	
Deferred policy acquisition costs	28,845	28,359	3,253	411	60,868	-	60,868	
Investments mandatorily measured at FVSI	-	-	-	-	129,853	33,975	163,828	
Investments designated as FVOCI	-	-	-	-	25,327	130,135	155,462	
Investments held at amortised cost	-	-	-	-	1,703,637	85,009	1,788,646	
Unallocated assets	-	-	-	-	(361,994)	493,825	131,831	
Total assets	28,845	74,124	419,823	11,525	2,857,512	865,329	3,722,841	
Liabilities:								
Unearned contributions	361,798	873,955	62,485	4,395	1,302,633	-	1,302,633	
Unearned re-takaful / reinsurance commission	-	-	6,002	-	6,002	-	6,002	
Gross outstanding claims	39,582	158,399	362,230	3,885	564,096	-	564,096	
Claims incurred but not reported	92,105	620,331	8,277	11,001	731,714	-	731,714	
Contribution deficiency reserve	9,034	-	-	-	9,034	-	9,034	
Unallocated liabilities and surplus	-	-	-	-	244,033	865,329	1,109,362	
Total liabilities, accumulated surplus and equity	502,519	1,652,685	438,994	19,281	2,857,512	865,329	3,722,841	

12. OPERATING SEGMENTS (continued)

Operating segments	For the three month period ended June 30, 2019 (Unaudited)				
	Medical	Motor	Property & Casualty	Protection & Savings	Total
	SAR'000				
REVENUES					
Gross contributions written	105,244	392,471	23,781	23,162	544,658
Re-takaful / reinsurance contributions ceded	-	(487)	(14,527)	(3,252)	(18,266)
Excess of loss expenses (XOL)	-	(1,639)	(669)	-	(2,308)
Net contributions written	105,244	390,345	8,585	19,910	524,084
Changes in unearned contributions, net	80,223	84,764	(2,734)	613	162,866
Net contributions earned	185,467	475,109	5,851	20,523	686,950
Re-takaful / reinsurance commission income	-	178	1,718	-	1,896
Other underwriting income	(105)	63	25	354	337
TOTAL REVENUES	185,362	475,350	7,594	20,877	689,183
UNDERWRITING COSTS AND					
Gross claims paid and loss adjustment expenses	(207,941)	(303,361)	(1,904)	(5,085)	(518,291)
Surrender and maturities	-	-	-	(1,900)	(1,900)
Re-takaful / reinsurance share of claims paid	-	1,569	1,800	3,335	6,704
Net claims and other benefits paid	(207,941)	(301,792)	(104)	(3,650)	(513,487)
Changes in outstanding claims, net	23,064	(26,790)	(227)	772	(3,181)
Changes in incurred but not reported (IBNR) claims, net	(54,586)	6,912	319	565	(46,790)
Contribution deficiency reserve	12,928	-	1,529	-	14,457
Net claims and other benefits incurred	(226,535)	(321,670)	1,517	(2,313)	(549,001)
Change in unit linked liabilities at FVSI, net	-	-	-	(6,024)	(6,024)
Policy acquisition costs	(12,798)	(11,920)	(1,908)	(2,711)	(29,337)
Other underwriting expenses	(2,404)	(4,137)	(253)	(115)	(6,909)
TOTAL UNDERWRITING COSTS AND EXPENSES	(241,737)	(337,727)	(644)	(11,163)	(591,271)
NET UNDERWRITING INCOME	(56,375)	137,623	6,950	9,714	97,912
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	-	-	-	-	(2,070)
General and administrative expenses	-	-	-	-	(66,424)
Special commission income	-	-	-	-	18,534
Net gains on investments mandatorily measured at FVSI	-	-	-	-	4,835
Dividend income	-	-	-	-	2,531
Impairment loss on financial assets	-	-	-	-	185
Other income	-	-	-	-	413
NET INCOME FOR THE PERIOD					55,916

12. OPERATING SEGMENTS (continued)

For the three month period ended June 30, 2018
(Unaudited)

Operating segments	Medical	Motor	Property & casualty	Protection & Savings	Total
	SAR'000				
REVENUES					
Gross contributions written	174,637	422,904	22,051	18,572	638,164
Re-takaful / reinsurance contributions ceded	165	(6,544)	(15,185)	(2,742)	(24,306)
Excess of loss expenses (XOL)	-	(2,533)	(581)	-	(3,114)
Net contributions written	174,802	413,827	6,285	15,830	610,744
Changes in unearned contributions, net	(44,244)	157,783	1,642	1,473	116,654
Net contributions earned	130,558	571,610	7,927	17,303	727,398
Re-takaful / reinsurance commission income	-	72	2,749	-	2,821
Other underwriting income	(1)	2,588	92	319	2,998
TOTAL REVENUES	130,557	574,270	10,768	17,622	733,217
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(92,180)	(409,923)	(10,103)	(1,907)	(514,113)
Surrender and maturities	-	-	-	(1,028)	(1,028)
Re-takaful / reinsurance share of claims paid	-	945	7,288	1,387	9,620
Net claims and other benefits paid	(92,180)	(408,978)	(2,815)	(1,548)	(505,521)
Changes in outstanding claims, net	19,833	(2,956)	442	(210)	17,109
Changes in incurred but not reported (IBNR) claims, net	(29,366)	(70,164)	73	(533)	(99,990)
Net claims and other benefits incurred	(101,713)	(482,098)	(2,300)	(2,291)	(588,402)
Change in unit linked liabilities at FVSI	-	-	-	(4,767)	(4,767)
Policy acquisition costs	(7,679)	(13,301)	(2,092)	(1,688)	(24,760)
Other underwriting expenses	(2,219)	(3,705)	(644)	199	(6,369)
TOTAL UNDERWRITING COSTS AND EXPENSES	(111,611)	(499,104)	(5,036)	(8,547)	(624,298)
NET UNDERWRITING INCOME	18,946	75,166	5,732	9,075	108,919
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	(2,516)	(6,366)	(32)	(491)	(9,405)
General and administrative expenses	(14,789)	(34,523)	(3,451)	(8,508)	(61,271)
Special commission income	-	-	-	-	16,296
Net gains on investments mandatorily measured at FVSI	-	-	-	-	1,805
Dividend income	-	-	-	-	1,555
Impairment loss on financial assets	-	-	-	-	(50)
Other income	-	-	-	-	390
NET INCOME FOR THE PERIOD					58,239

12. OPERATING SEGMENTS (continued)

Operating segments	For the six month period ended June 30, 2019				
	(Unaudited)				
	Medical	Motor	Property & Casualty	Protection & Savings	Total
SAR'000					
REVENUES					
Gross contributions written	298,121	1,002,925	41,528	45,657	1,388,231
Re-takaful / reinsurance contributions ceded	-	(1,646)	(26,597)	(6,523)	(34,766)
Excess of loss expenses (XOL)	-	(2,710)	(522)	-	(3,232)
Net contributions written	298,121	998,569	14,409	39,134	1,350,233
Changes in unearned contributions, net	70,902	(40,418)	(2,307)	211	28,388
Net contributions earned	369,023	958,151	12,102	39,345	1,378,621
Re-takaful / reinsurance commission income	-	409	3,530	-	3,939
Other underwriting income	(105)	303	108	797	1,103
TOTAL REVENUES	368,918	958,863	15,740	40,142	1,383,663
UNDERWRITING COSTS AND					
EXPENSES					
Gross claims paid and loss adjustment expenses	(371,574)	(666,975)	(295,330)	(7,858)	(1,341,737)
Surrender and maturities	-	-	-	(3,008)	(3,008)
Re-takaful / reinsurance share of claims paid	-	4,294	294,261	4,962	303,517
Net claims and other benefits paid	(371,574)	(662,681)	(1,069)	(5,904)	(1,041,228)
Changes in outstanding claims, net	(19,084)	(24,972)	(264)	66	(44,254)
Changes in incurred but not reported (IBNR) claims, net	(85,135)	33,314	461	(266)	(51,626)
Contribution deficiency reserve	(37,728)	-	(1,038)	-	(38,766)
Net claims and other benefits incurred	(513,521)	(654,339)	(1,910)	(6,104)	(1,175,874)
Change in unit linked liabilities at FVSI, net	-	-	-	(12,746)	(12,746)
Policy acquisition costs	(28,143)	(20,179)	(3,737)	(4,077)	(56,136)
Other underwriting expenses	(5,734)	(8,009)	106	(227)	(13,864)
TOTAL UNDERWRITING COSTS AND EXPENSES	(547,398)	(682,527)	(5,541)	(23,154)	(1,258,620)
NET UNDERWRITING INCOME	(178,480)	276,336	10,199	16,988	125,043
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	-	-	-	-	(3,324)
General and administrative expenses	-	-	-	-	(110,572)
Special commission income	-	-	-	-	37,149
Net gains on investments mandatorily measured at FVSI	-	-	-	-	7,726
Dividend income	-	-	-	-	3,402
Impairment loss on financial assets	-	-	-	-	114
Other income	-	-	-	-	879
NET INCOME FOR THE PERIOD					60,417

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12. OPERATING SEGMENTS (continued)

Operating segments	For the six month period ended June 30, 2018 (Unaudited)				Total
	Medical	Motor	Property & casualty	Protection & Savings	
	SAR'000				
REVENUES					
Gross contributions written	321,543	1,237,540	57,130	37,636	1,653,849
Re-takaful / reinsurance contributions ceded	165	(6,929)	(39,574)	(5,753)	(52,091)
Excess of loss expenses (XOL)	-	(5,063)	(1,165)	-	(6,228)
Net contributions written	321,708	1,225,548	16,391	31,883	1,595,530
Changes in unearned contributions, net	(77,084)	(74,033)	(2,565)	(1,189)	(154,871)
Net contributions earned	244,624	1,151,515	13,826	30,694	1,440,659
Re-takaful / reinsurance commission income	-	178	5,297	-	5,475
Other underwriting income	(4)	5,383	133	782	6,294
TOTAL REVENUES	244,620	1,157,076	19,256	31,476	1,452,428
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(178,693)	(867,635)	(20,285)	(2,612)	(1,069,225)
Surrender and maturities	-	-	-	(1,680)	(1,680)
Re-takaful / reinsurance share of claims paid	-	2,027	16,621	1,942	20,590
Net claims and other benefits paid	(178,693)	(865,608)	(3,664)	(2,350)	(1,050,315)
Changes in outstanding claims, net	24,457	(11,015)	2,218	(504)	15,156
Changes in incurred but not reported (IBNR) claims, net	(42,557)	(100,901)	489	(865)	(143,834)
Net claims and other benefits incurred	(196,793)	(977,524)	(957)	(3,719)	(1,178,993)
Change in unit linked liabilities at FVSI	-	-	-	(9,455)	(9,455)
Policy acquisition costs	(17,200)	(33,795)	(3,709)	(3,825)	(58,529)
Other underwriting expenses	(4,567)	(8,570)	(830)	86	(13,881)
TOTAL UNDERWRITING COSTS AND EXPENSES	(218,560)	(1,019,889)	(5,496)	(16,913)	(1,260,858)
NET UNDERWRITING INCOME	26,060	137,187	13,760	14,563	191,570
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	(2,992)	(7,059)	(52)	(796)	(10,899)
General and administrative expenses	(27,349)	(65,230)	(6,959)	(15,936)	(115,474)
Special commission income	-	-	-	-	31,523
Net gains on investments mandatorily measured at FVSI	-	-	-	-	4,329
Dividend income	-	-	-	-	2,014
Impairment loss on financial assets	-	-	-	-	(379)
Other income	-	-	-	-	1,118
NET INCOME FOR THE PERIOD					103,802

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Transactions for the period ended		Balance receivable / (payable) as at	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000			
<u>Major shareholders</u>				
Gross contribution written	444,884	573,218	274,092	249,872
Claims paid	324,445	504,253	(416)	(2,172)
Claims incurred and notified during the period	294,857	383,619	(118,413)	(148,001)
Reimbursement from related party	-	340	-	-
Bank Balance	-	-	498,163	274,705
Investment in shares of Al Rajhi Banking and Investment Corporation	-	-	31,741	25,901
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Gross contribution written	1,327	23,034	2,250	3,382
Claims paid	985	20,203	-	-
Claims incurred and notified during the period	2,085	286,483	(1,254)	(277,417)
Investments managed by affiliates	21,265	14,205	112,857	95,500
Income received from sale of investment in Al Rajhi Capital commodity fund	4,024	2,830	-	-
Investment management fee paid to Al Rajhi Capital Company	1,450	1,457	-	-

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

	For the period ended	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
	SAR'000	
Salaries and other allowances	3,571	3,084
End of service benefits	2,171	2,487
	5,742	5,571
Shariah committee remuneration	128	195

14. ZAKAT AND INCOME TAX

A summary of Movement in the Zakat and income tax accrued during the six month period ended 30 June 2019 and the year ended 31 December 2018 are as follows:

	Zakat payable	
	June 30, 2019 (Unaudited) SR '000	December 31, 2018 (Audited) SR '000
Balance at beginning of the year	33,689	26,490
Provided during the period / year	10,500	19,500
Payments during the period / year	(15,457)	(12,301)
Balance at end of the period / year	<u>28,732</u>	<u>33,689</u>

Status of assessments

The Company had filed zakat and income tax returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2010 to 2018.

For the year 2011, the Company has filed an appeal to recover the additional paid zakat against the additional zakat assessment of SAR 1.852 million raised by the GAZT. The appeal is still pending, accordingly no receivable is recorded

The Zakat and income tax payable by the Company has been calculated based on the best estimate of the management.

Prior period restatement

The change in accounting treatment for zakat and income tax (as explained in note 3(b)) has the following impact on the line items of interim statement of income, comprehensive income and shareholders equity

Interim statement of income (Unaudited)

Account	SAR '000	
	As previously stated for three months ended June 30, 2018	As previously stated for six months ended June 30, 2018
Net income for the period attributable to the shareholders before Zakat	52,884	94,245
Effect of restatement relating to zakat (Zakat charge for the period)	(3,800)	(8,200)
Net income for the period after Zakat and income tax	<u>49,084</u>	<u>86,045</u>

Interim statement of comprehensive income (unaudited)

Account	SAR '000	
	As previously stated for three months ended June 30, 2018	As previously stated for six months ended June 30, 2018
Total comprehensive income for the period before zakat	64,762	113,875
Effect of restatement relating to zakat (Zakat charge for the period)	(3,800)	(8,200)
Net income for the period after Zakat	<u>60,962</u>	<u>105,675</u>

14. ZAKAT AND INCOME TAX (continued)

Interim statement of changes in shareholders' equity (Unaudited)	SAR'000		
	As previously stated	Effect of restatement relating to zakat	As restated
Net income for the period six months ended June 30, 2018	94,245	(8,200)	86,045

The basic and diluted earning per share have been restated for the effects of the change in accounting policy, as mentioned below:

Basic and diluted earning per share	SAR'000		
	As previously stated	Effect of restatement relating to zakat	As restated
Basic and diluted earning per share for the three month period ended June 30, 2018	1.32	(0.09)	1.23
Basic and diluted earning per share for the six month period ended June 30, 2018	2.36	(0.21)	2.15

15. UNIT LINKED LIABILITIES AT FVSI

The movement during the period / year in financial liabilities at fair value through profit or loss is set out below:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	SAR'000
At the beginning of the period/ year	52,336	30,595
Net changes in reserve during the period/ year	12,737	20,784
Net change in fair values during the period/ year	3,938	957
At the end of the period/ year	69,011	52,336

16. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 400 million at June 30, 2019 (December 31, 2018: SAR 400 million) consisting of 40 million shares (December 31, 2018: 40 million shares) of SAR 10 each.

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

	June 30, 2019		
	Authorized and issued No. of shares	Paid up SAR'000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	9,000,000	90,000	90,000
Oman Insurance Company - Dubai	2,400,000	24,000	24,000
Others	18,000,000	180,000	180,000
	40,000,000	400,000	400,000
	December 31, 2018		
	Authorized and issued No. of Shares	Paid up SAR'000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	9,000,000	90,000	90,000
Oman Insurance Company - Dubai	2,400,000	24,000	24,000
Others	18,000,000	180,000	180,000
	40,000,000	400,000	400,000

17. 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.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. 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.

The Company maintains its capital 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. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SAR 200 million
Premium Solvency Margin
Claims Solvency Margin

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at June 30, 2019 consists of paid-up share capital of SAR 400 million, statutory reserves of SAR 102.4 million and retained earnings of SAR 304.6 million (December 31, 2018: paid-up share capital of SAR 400 million, statutory reserves of SAR 91.3 million and retained earnings of SAR 270.7 million.) in the statement of financial position

18. EARNINGS PER SHARE ("EPS")

Earnings per share for the period ended June 30, 2019 and year ended December 31, 2018 is calculated by dividing the net income for the period attributable to the equity holders by 40 million shares. There were no dilutive potential shares in issue as at June 30, 2019 and December 31, 2018.

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19. SUPPLEMENTARY INFORMATION
19.1 Interim Statement of financial position

	SAR '000					
	June 30, 2019 - (Unaudited)		December 31, 2018 (Audited)			
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
ASSETS:						
Cash and cash equivalents	443,565	146,638	590,203	369,797	122,385	492,182
Contributions and re-takaful / reinsurance balances receivable - net	500,617	-	500,617	456,575	-	456,575
Re-takaful / reinsurance share of unearned contributions	80,132	-	80,132	88,458	-	88,458
Re-takaful / reinsurance share of outstanding claims	103,549	-	103,549	371,580	-	371,580
Re-takaful / reinsurance share of outstanding claims IBNR	12,089	-	12,089	13,411	-	13,411
Re-takaful / reinsurance share of mathematical reserve at FVSI	100	-	100	109	-	109
Deferred policy acquisition costs	48,834	-	48,834	60,868	-	60,868
Investments mandatorily measured at FVSI	165,005	16,179	181,184	129,853	33,975	163,828
Investments designated as FVOCI	27,003	141,325	168,328	25,327	130,135	155,462
Due (to) / from shareholders' / takaful operations	(155,184)	155,184	-	(401,888)	401,888	-
Investments held at amortised cost	1,448,773	344,897	1,793,670	1,703,637	85,009	1,788,646
Prepayments and other assets	40,264	52,699	92,963	39,785	29,817	69,602
Property and equipment	-	17,542	17,542	-	18,713	18,713
Statutory deposit	-	39,969	39,969	-	39,968	39,968
Accrued income on statutory deposit	-	120	120	-	3,439	3,439
Right-of-use assets	-	11,336	11,336	-	-	-
TOTAL ASSETS	2,714,747	925,889	3,640,636	2,857,512	865,329	3,722,841

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

19. SUPPLEMENTARY INFORMATION (continued)
19.1 Interim Statement of financial position (continued)

	SAR '000				
	June 30, 2019 - (Unaudited)		December 31, 2018 (Audited)		
	Takaful operations	Shareholders' operations	Total	Shareholders' operations	Total
LIABILITIES:					
Payable, accruals and other liabilities	113,683	34,979	148,662	94,045	38,063
Re-takaful / reinsurance balances payable	40,797	-	40,797	56,127	-
Unearned contributions	1,265,920	-	1,265,920	1,302,633	-
Unearned re-takaful / reinsurance commission income	7,040	-	7,040	6,002	-
Gross outstanding claims	340,318	-	340,318	564,096	-
Claim Incurred but not reported	782,019	-	782,019	731,714	-
Contribution deficiency reserve	47,800	-	47,800	9,034	-
Unit linked liabilities at FVSI	69,011	-	69,011	52,336	-
End-of-service benefits	-	16,756	16,756	-	15,119
Provision for zakat and income tax	-	28,732	28,732	-	33,689
Payables to SAMA	-	4,830	4,830	-	4,346
Lease obligations	-	9,932	9,932	-	-
	2,666,588	95,229	2,761,817	2,815,987	91,217
	52,193	-	52,193	47,236	-
Takaful operations' surplus payable					
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	2,718,781	95,229	2,814,010	2,863,223	91,217
EQUITY:					
Share capital	-	400,000	400,000	-	400,000
Statutory reserve	-	102,397	102,397	-	91,302
Retained earnings	-	304,598	304,598	-	270,733
Remeasurement reserve for FOSB	-	(187)	(187)	-	(187)
Fair value reserve - Investments designated as FVOCI	(4,034)	23,852	19,818	(5,711)	12,264
TOTAL EQUITY	(4,034)	830,660	826,626	(5,711)	774,112
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY	2,714,747	925,889	3,640,636	2,857,512	865,329
COMMITMENTS AND CONTINGENCIES	15,533	-	15,533	14,437	-

19. SUPPLEMENTARY INFORMATION (continued)

19.2 Interim Statement of income

(For the three month period ended)

	SAR '000					
	June 30, 2019			June 30, 2018		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written	544,658	-	544,658	638,164	-	638,164
Re-takaful - reinsurance contributions ceded - domestic	(539)	-	(539)	(444)	-	(444)
Re-takaful - reinsurance contributions ceded - foreign	(17,727)	-	(17,727)	(23,862)	-	(23,862)
Excess of loss expenses - foreign	(2,308)	-	(2,308)	(3,114)	-	(3,114)
Net contributions written	524,084	-	524,084	610,744	-	610,744
Changes in unearned contributions, net	162,866	-	162,866	116,654	-	116,654
Net contributions earned	686,950	-	686,950	727,398	-	727,398
Re-takaful - reinsurance commission income	1,896	-	1,896	2,821	-	2,821
Other underwriting income	337	-	337	2,998	-	2,998
TOTAL REVENUES	689,183	-	689,183	733,217	-	733,217
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	(502,168)	-	(502,168)	(498,788)	-	(498,788)
Surrenders and maturities	(1,900)	-	(1,900)	(1,028)	-	(1,028)
Expenses incurred related to claims	(16,123)	-	(16,123)	(15,325)	-	(15,325)
Reinsurers' share of claims paid	6,704	-	6,704	9,620	-	9,620
Net claims and other benefits paid	(513,487)	-	(513,487)	(505,521)	-	(505,521)
Changes in outstanding claims, net	(3,181)	-	(3,181)	17,109	-	17,109
Changes in incurred but not reported (IBNR) claims, net	(46,790)	-	(46,790)	(99,990)	-	(99,990)
Change in contribution deficiency reserve	14,457	-	14,457	-	-	-
Net claims and other benefits incurred	(549,001)	-	(549,001)	(588,402)	-	(588,402)
Change in unit linked liabilities at FVSI, net	(6,024)	-	(6,024)	(4,767)	-	(4,767)
Policy acquisition costs	(29,337)	-	(29,337)	(24,760)	-	(24,760)
Other underwriting expenses	(6,909)	-	(6,909)	(6,369)	-	(6,369)
TOTAL UNDERWRITING COSTS AND EXPENSES	(591,271)	-	(591,271)	(624,298)	-	(624,298)
NET UNDERWRITING INCOME	97,912	-	97,912	108,919	-	108,919
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts - contribution and re-takaful - reinsurance balances receivable	(2,070)	-	(2,070)	(9,405)	-	(9,405)
Management fee for administration of takaful operations	(66,424)	66,424	-	(61,271)	61,271	-
General and administrative expenses	-	(66,424)	(66,424)	-	(61,271)	(61,271)
Special commission income	14,507	4,027	18,534	13,937	2,359	16,296
Net gains on investments mandatorily measured at FVSI	4,340	495	4,835	1,394	411	1,805
Dividend income	-	2,531	2,531	-	1,555	1,555
Reversal (impairment loss) of impairment loss	131	54	185	(23)	(27)	(50)
Other income	-	413	413	-	390	390
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(49,516)	7,520	(41,996)	(55,368)	4,688	(50,680)
NET INCOME FOR THE PERIOD BEFORE ATTRIBUTION OF MANAGEMENT FEE	48,396	7,520	55,916	53,551	4,688	58,239
Management fee attributable to shareholders' operations	(43,556)	43,556	-	(48,196)	48,196	-
NET INCOME FOR THE PERIOD AFTER ATTRIBUTION OF MANAGEMENT FEE	4,840	51,076	55,916	5,355	52,884	58,239
Provision for zakat	-	(5,685)	(5,685)	-	(3,800)	(3,800)
Net income for the period after zakat	4,840	45,391	50,231	5,355	49,084	54,439

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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19. SUPPLEMENTARY INFORMATION (continued)

19.2 Interim Statement of income (continued)

(For the six month period ended)

	SAR '000					
	June 30, 2019			June 30, 2018		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written	1,388,231	-	1,388,231	1,653,849	-	1,653,849
Re-takaful reinsurance contributions ceded - domestic	(811)	-	(811)	(1,044)	-	(1,044)
Re-takaful reinsurance contributions ceded - foreign	(33,955)	-	(33,955)	(51,047)	-	(51,047)
Excess of loss expenses - foreign	(3,232)	-	(3,232)	(6,228)	-	(6,228)
Net contributions written	1,350,233	-	1,350,233	1,595,530	-	1,595,530
Changes in unearned contributions, net	28,388	-	28,388	(154,871)	-	(154,871)
Net contributions earned	1,378,621	-	1,378,621	1,440,659	-	1,440,659
Re-takaful reinsurance commission income	3,939	-	3,939	5,475	-	5,475
Other underwriting income	1,103	-	1,103	6,294	-	6,294
TOTAL REVENUES	1,383,663	-	1,383,663	1,452,428	-	1,452,428
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	(1,308,667)	-	(1,308,667)	(1,036,055)	-	(1,036,055)
Surrenders and maturities	(3,008)	-	(3,008)	(1,680)	-	(1,680)
Expenses incurred related to claims	(33,070)	-	(33,070)	(33,170)	-	(33,170)
Reinsurers' share of claims paid	303,517	-	303,517	20,590	-	20,590
Net claims and other benefits paid	(1,041,228)	-	(1,041,228)	(1,050,315)	-	(1,050,315)
Changes in outstanding claims, net	(44,254)	-	(44,254)	15,156	-	15,156
Changes in incurred but not reported (IBNR) claims, net	(51,626)	-	(51,626)	(143,834)	-	(143,834)
Change in contribution deficiency reserve	(38,766)	-	(38,766)	-	-	-
Net claims and other benefits incurred	(1,175,874)	-	(1,175,874)	(1,178,993)	-	(1,178,993)
Change in unit linked liabilities at FVSI, net	(12,746)	-	(12,746)	(9,455)	-	(9,455)
Policy acquisition costs	(56,136)	-	(56,136)	(58,529)	-	(58,529)
Other underwriting expenses	(13,864)	-	(13,864)	(13,881)	-	(13,881)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,258,620)	-	(1,258,620)	(1,260,858)	-	(1,260,858)
NET UNDERWRITING INCOME	125,043	-	125,043	191,570	-	191,570
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts - contribution and re-takaful reinsurance balances receivable	(3,324)	-	(3,324)	(10,899)	-	(10,899)
Management fee for administration of takaful operations	(110,572)	110,572	-	(115,474)	115,474	-
General and administrative expenses	-	(110,572)	(110,572)	-	(115,474)	(115,474)
Special commission income	31,697	5,452	37,149	27,176	4,347	31,523
Net gains on investments mandatorily measured at FVSI	6,522	1,204	7,726	3,518	811	4,329
Dividend income	-	3,402	3,402	-	2,014	2,014
Reversal (impairment loss) of impairment loss	201	(87)	114	(320)	(59)	(379)
Other income	-	879	879	-	1,118	1,118
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(75,476)	10,850	(64,626)	(95,999)	8,231	(87,768)
NET INCOME FOR THE PERIOD BEFORE ATTRIBUTION OF MANAGEMENT FEE	49,567	10,850	60,417	95,571	8,231	103,802
Management fee attributable to shareholders' operations	(44,610)	44,610	-	(86,014)	86,014	-
NET INCOME FOR THE PERIOD AFTER ATTRIBUTION OF MANAGEMENT FEE	4,957	55,460	60,417	9,557	94,245	103,802
Provision for zakat	-	(10,500)	(10,500)	-	(8,200)	(8,200)
Net income for the period after zakat	4,957	44,960	49,917	9,557	86,045	95,602

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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19. SUPPLEMENTARY INFORMATION (continued)

19.3 Interim Statement of comprehensive income

	For the three month period ended					
	(Unaudited)					
	SAR '000					
	June 30, 2019			June 30, 2018		
				Restated		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net income after attribution of management fee to shareholders' operations	4,840	45,391	50,231	5,355	49,084	54,439
Other comprehensive income / (loss) :						
Items that will not be reclassified to statement of income in subsequent periods						
- Net change in fair value in investments designated as FVOCI	714	(1,775)	(1,061)	(497)	7,020	6,523
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	5,554	43,616	49,170	4,858	56,104	60,962

	For the six month period ended					
	(Unaudited)					
	SAR '000					
	June 30, 2019			June 30, 2018		
				Restated		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net income after attribution of management fee to shareholders' operations	4,957	44,960	49,917	9,557	86,045	95,602
Other comprehensive income / (loss) :						
Items that will not be reclassified to statement of income in subsequent periods						
- Net change in fair value in investments designated as FVOCI	1,676	11,589	13,265	(3,570)	13,643	10,073
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	6,633	56,549	63,182	5,987	99,688	105,675

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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19. SUPPLEMENTARY INFORMATION (continued)
19.4 Interim Statement of cash flows

	SAR '000					
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
	June 30, 2019		June 30, 2018			
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period year after attribution of management fee	4,957	55,460	60,417	9,557	94,245	103,802
Adjustments for non-cash items:						
Depreciation of property and equipment	-	4,309	4,309	-	3,880	3,880
Depreciation of right-of-use assets	-	2,675	2,675	-	-	-
Management fee for administration of takaful operations	110,572	(110,572)	-	115,474	(115,474)	-
Management fee attributable to shareholders' operations	44,610	(44,610)	-	86,014	(86,014)	-
Allowance for doubtful debts - contribution and retakaful reinsurance balances receivable	3,324	-	3,324	10,899	-	10,899
Unrealized gain on investments mandatorily measured at FVSI	(4,031)	65	(3,966)	(1,616)	(70)	(1,686)
Reversal Impairment of impairment of investments held at amortised cost	(201)	87	(114)	320	59	379
Provision for end-of-service benefits	-	2,380	2,380	-	3,112	3,112
	159,231	(90,206)	69,025	220,648	(100,262)	120,386
Changes in operating assets and liabilities:						
Contributions and re-takaful balances receivable	(47,366)	-	(47,366)	(326,678)	-	(326,678)
Re-takaful / reinsurance share of unearned contributions	8,326	-	8,326	(7,226)	-	(7,226)
Re-takaful / reinsurance share of outstanding claims	268,031	-	268,031	(282,878)	-	(282,878)
Re-takaful / reinsurance share of claims incurred but not reported	1,322	-	1,322	-	-	-
Re-takaful / reinsurance share of financial liabilities at FVSI	9	-	9	2	-	2
Deferred policy acquisition costs	12,034	-	12,034	(20,693)	-	(20,693)
Prepayments and other assets	(476)	(22,088)	(22,564)	312	(13,898)	(13,586)
Other assets	-	-	-	(5,466)	-	(5,466)
Right-of-use assets	-	(14,011)	(14,011)	-	-	-
Accrued income on statutory deposit:	-	3,319	3,319	-	(424)	(424)
Payable to SAMIA	-	484	484	-	424	424
Payable, accruals and other liabilities	19,638	(3,084)	16,554	18,740	(2,480)	16,260
Financial liabilities at FVSI	16,675	-	16,675	10,936	-	10,936
Re-takaful / reinsurance balances payable	(15,330)	-	(15,330)	(17,291)	-	(17,291)
Unearned contributions	(36,713)	-	(36,713)	162,096	-	162,096
Unearned re-takaful reinsurance commission	1,038	-	1,038	377	-	377

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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19. SUPPLEMENTARY INFORMATION (continued)
19.4 Interim Statement of cash flows (continued)

	SAR '000				
	Takaful operations	Shareholders' operations	Total	Shareholders' operations	
				Takaful operations	Total
					June 30, 2018
					June 30, 2019
Gross outstanding claims	(223,778)	-	(223,778)	411,556	-
Claims Incurred but not reported	50,305	-	50,305	-	-
Contribution deficiency reserve	38,766	-	38,766	-	-
Lease obligations	-	9,932	9,932	-	-
Deposit against letters of guarantee	(1,096)	-	(1,096)	(138)	-
Statutory deposit income	-	(3,801)	(3,801)	-	-
Management fee (paid) / received	250,616	(119,455)	131,161	64,297	(116,640)
Zakat paid	(401,888)	401,888	-	(343,709)	343,709
End-of-service benefits paid	-	(15,457)	(15,457)	-	(12,301)
	-	(743)	(743)	-	(396)
Net cash generated from operating activities	(151,272)	266,233	114,961	(179,412)	214,372
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments mandatorily measured at FVSI	(743,394)	(292,000)	(1,035,394)	(746,131)	(300,741)
Disposals of investments mandatorily measured at FVSI	712,273	309,731	1,022,004	735,000	317,000
Purchase of investments designated as FVOCI	-	-	-	(31,038)	(40,311)
Disposals of investments designated as FVOCI	-	-	-	-	43,938
Movement in cash balance in equity share portfolio	-	(399)	(399)	-	(3,353)
Purchase of investments held at amortised cost	(500,000)	(425,000)	(925,000)	(370,000)	(210,000)
Disposal of investments held at amortised cost	755,000	165,000	920,000	100,000	130,000
Additions in property and equipment	-	(3,138)	(3,138)	-	(2,876)
Net cash generated from / (used in) investing activities	223,879	(245,806)	(21,927)	(312,169)	(66,343)
CASH FLOWS FROM FINANCING ACTIVITIES					
Due (to) / from shareholders / takaful operations	-	-	-	(205,263)	205,263
Net cash generated from / (used in) financing activities	-	-	-	(205,263)	205,263
Net change in cash and cash equivalents	72,607	20,427	93,034	(286,318)	(57,234)
Cash and cash equivalents, beginning of the period	355,425	121,515	476,940	566,460	250,319
Cash and cash equivalents, end of the period	428,032	141,942	569,974	280,142	193,085
NON-CASH INFORMATION					
Changes in fair value of investments designated as FVOCI	1,676	11,589	13,265	(3,570)	13,643
					10,073

20. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company, on Dhu al-Qidah 22, 1440, corresponding July 25, 2019.