

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

UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

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

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at March 31, 2019 and the related interim statement of income, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the three-month period then ended and other explanatory notes (the interim condensed financial information). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as modified by Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income taxes. Our responsibility is to express a conclusion on these interim condensed financial information based on our review.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for accounting of zakat and income taxes.


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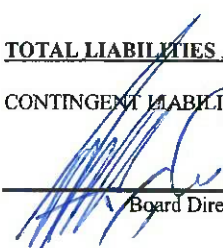

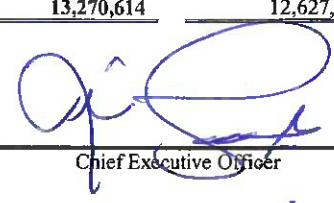


Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



Ramadan 7, 1440H
May 12, 2019

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

	Notes	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000			
ASSETS			
Statutory deposit	10	125,000	125,000
Accrued income on statutory deposit		2,319	2,254
Property and equipment, net		260,831	266,233
Intangible assets		3,407	3,633
Investment property		9,861	9,861
Investments in associates		91,797	95,116
Available for sale investments	4	2,957,530	2,905,130
Mudaraba deposits	5	2,425,972	2,239,125
Prepaid expenses and other assets		234,962	261,088
Deferred excess of loss premiums		4,298	8,775
Deferred policy acquisition costs		133,685	130,651
Reinsurers' share of gross outstanding claims	7	2,523,918	2,725,809
Reinsurers' share of incurred but not reported claims	7	225,516	191,837
Reinsurers' share of unearned premiums	7	481,497	544,839
Receivables, net	3	2,185,583	1,517,987
Cash and cash equivalents	6	1,604,438	1,600,240
TOTAL ASSETS		13,270,614	12,627,578
LIABILITIES			
Reserve for discontinued operations		1,621	1,621
End-of-service indemnities		135,614	133,276
Return payable on statutory deposit		2,319	2,254
Claims payable, accrued expenses and other liabilities		1,485,980	1,513,102
Reserve for takaful activities		7,810	8,690
Gross outstanding claims	7	3,069,346	3,271,156
Incurred but not reported claims reserve	7	1,660,192	1,684,183
Premium deficiency reserve	7	1,815	7,272
Unearned commission income		33,289	39,299
Gross unearned premiums	7	4,323,763	3,820,293
Reinsurers' balances payable		266,140	94,720
Dividends payable		6,411	6,411
Accumulated surplus		2,048	-
Zakat		253,094	237,080
TOTAL LIABILITIES		11,249,442	10,819,357
EQUITY			
Share capital	8	1,250,000	1,250,000
Legal reserve	11	1,000,000	1,000,000
Fair value reserve for investments		(14,817)	(198,724)
Remeasurement of defined benefit obligation		(12,226)	(12,226)
Retained earnings		(201,785)	(230,829)
TOTAL EQUITY		2,021,172	1,808,221
TOTAL LIABILITIES AND EQUITY		13,270,614	12,627,578
CONTINGENT LIABILITIES	9		
			
Board Director			
			
Chief Financial Officer			
			
Chief Executive Officer			

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

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

	Three months ended March 31, 2019 (Unaudited)	Three months ended March 31, 2018 (Unaudited)
	SAR'000	
REVENUES		
Gross premiums written	2,457,033	2,095,712
Reinsurance ceded - local	(7,355)	(3,854)
Reinsurance ceded - international	(229,314)	(182,153)
Fee income from takaful	798	1,233
Excess of loss premiums	(6,416)	(7,698)
Net premiums written	2,214,746	1,903,240
Changes in unearned premiums	(503,470)	(18,980)
Changes in reinsurers' share of unearned premiums	(63,342)	(89,995)
Net premiums earned	1,647,934	1,794,265
Reinsurance commissions	26,819	25,443
Other underwriting income	3,520	3,901
TOTAL REVENUES	1,678,273	1,823,609
UNDERWRITING COSTS AND EXPENSES		
Gross claims paid	1,821,403	2,205,721
Expenses incurred related to claims	5,314	5,758
Reinsurers' share of claims paid	(319,454)	(260,233)
Net claims and other benefits paid	1,507,263	1,951,246
Changes in outstanding claims	(201,810)	(273,602)
Changes in reinsurance share of outstanding claims	201,891	(181,740)
Changes in incurred but not reported claims reserve	(23,991)	(74,546)
Changes in reinsurance share of incurred but not reported claims	(33,679)	191,060
Changes in premium deficiency reserve	(5,457)	(31,747)
Net claims and other benefits incurred	1,444,217	1,580,671
Changes in reserves for takaful activities	(880)	(748)
Policy acquisition costs	86,872	100,329
Other underwriting expenses	40,205	42,412
Manafeth insurance share distribution	19,182	21,288
TOTAL UNDERWRITING COSTS AND EXPENSES	1,589,596	1,743,952
Net underwriting income	88,677	79,657
OTHER OPERATING (EXPENSES) / INCOME		
General and administrative expenses	(123,524)	(93,269)
Reversal of/ (allowance for) doubtful debts	17,800	(7,500)
Dividend and realized gain on investments, net	54,261	54,701
Share of profit from investments in associates, net	4,985	6,423
Other income, net	5,877	4,341
TOTAL OTHER OPERATING EXPENSES	(40,601)	(35,304)
Net income for the period	48,076	44,353
Net income for the period attributed to the insurance operations	(2,048)	(2,425)
Net income for the period attributable to the shareholders	46,028	41,928
Earnings per share		
Basic and diluted earnings per share (in SAR)	0.37	0.34
Weighted average number of shares in issue	125,000,000	125,000,000

 Board Director

 Chief Financial Officer

 Chief Executive Officer

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

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

Notes	Three months ended	Three months ended
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
SAR'000		
	48,076	44,353
Net income for the period		
Net income attributed to the insurance operations	<u>(2,048)</u>	<u>(2,425)</u>
Net income attributable to the shareholders	46,028	41,928
Other comprehensive income:		
<i>To be recycled back to interim statement of income in subsequent periods:</i>		
<i>Available for sale investments:</i>		
- Net change in fair value	4 181,126	30,920
- Net amounts recycled to interim statement of income	4 1,145	(643)
Share of other comprehensive income of investment in associates	<u>1,636</u>	<u>902</u>
Total comprehensive income for the period	<u>229,935</u>	<u>73,107</u>



 Board Director



 Chief Financial Officer



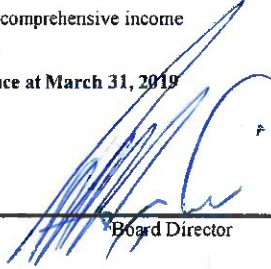
 Chief Executive Officer

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

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

	Notes	Share capital	Legal reserve	Fair value reserve for investments	Remeasurements of defined benefit obligation	Retained earnings	Total
		SAR'000					
<i>Unaudited</i>							
Balance at January 1, 2018		1,250,000	1,000,000	(166,244)	(5,879)	48,504	2,126,381
Comprehensive income for the period:							
Net income for the period attributable to the shareholders	18	-	-	-	-	41,928	41,928
Changes in fair value of available-for-sale investments	18	-	-	30,920	-	-	30,920
Net amount recycled to interim statement of income	18	-	-	(643)	-	-	(643)
Share of other comprehensive income of investments in associates		-	-	902	-	-	902
Total comprehensive income		-	-	31,179	-	41,928	73,107
Zakat	17	-	-	-	-	(14,851)	(14,851)
Balance at March 31, 2018		1,250,000	1,000,000	(135,065)	(5,879)	75,581	2,184,637

<i>Unaudited</i>							
Balance at January 1, 2019		1,250,000	1,000,000	(198,724)	(12,226)	(230,829)	1,808,221
Comprehensive income for the period:							
Net income for the period attributable to the shareholders	18	-	-	-	-	46,028	46,028
Changes in fair value of available-for-sale investments	18	-	-	181,126	-	-	181,126
Net amount recycled to interim statement of income	18	-	-	1,145	-	-	1,145
Share of other comprehensive income investments in associates	18	-	-	1,636	-	-	1,636
Total comprehensive income		-	-	183,907	-	46,028	229,935
Zakat		-	-	-	-	(16,984)	(16,984)
Balance at March 31, 2019		1,250,000	1,000,000	(14,817)	(12,226)	(201,785)	2,021,172


Board Director


Chief Financial Officer


Chief Executive Officer

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

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

	Notes	Three months ended March 31, 2019 (Unaudited)	Three months ended March 31, 2018 (Unaudited)
SAR'000			
Operating activities:			
Net income for the period		48,076	44,353
Adjustments for non-cash items:			
Depreciation of property and equipment		5,494	5,581
Amortization of intangible assets		1,328	2,157
(Reversal of)/ allowance for/ doubtful debts		(17,800)	7,500
Loss/ (gain) on sale of investments		1,145	(643)
Share of (profit)/loss of associates , net		(4,985)	(6,423)
Provision for end-of-service indemnities		4,623	2,223
		<u>37,881</u>	<u>54,748</u>
Changes in operating assets and liabilities:			
Prepaid expenses and others assets		26,126	(27,122)
Deferred excess of loss premiums		4,477	8,366
Deferred policy acquisition costs		(3,034)	19,351
Reinsurers' share of gross outstanding claims		201,891	(181,740)
Reinsurers' share of claims incurred but not reported		(33,679)	191,060
Reinsurers' share of unearned premiums		63,342	89,995
Receivables, net		(649,796)	(370,422)
Reinsurers' balances payable		171,420	(31,696)
Gross unearned premiums		503,470	18,980
Unearned commission income		(6,010)	(11,641)
Gross outstanding claims		(201,810)	(273,602)
Incurred but not reported claims reserve		(23,991)	(74,546)
Premium deficiency reserve		(5,457)	(31,747)
Reserve for takafal activities		(880)	(748)
Claims payable, accrued expenses and other liabilities		(27,122)	170,248
		<u>56,828</u>	<u>(450,516)</u>
End-of-service indemnities paid		(2,285)	(1,616)
Net cash (generated from)/ used in operating activities		<u>54,543</u>	<u>(452,132)</u>
Investing activities:			
Proceeds from sale of available-for-sale investments		178,514	258,008
Purchase of available-for-sale investments		(49,788)	(510,797)
Proceeds from maturity of mudaraba deposits		2,239,125	82,035
Placement in mudaraba deposits		(2,425,972)	-
Accrued investment income		-	109,343
Dividends received from investments in associates		9,940	14,911
Purchase of property and equipment		(92)	-
Purchase of intangible assets		(1,102)	-
Net cash used in investing activities		<u>(49,375)</u>	<u>(46,500)</u>
Financing activities:			
Zakat paid during the period		(970)	(424)
Net cash used in financing activities		<u>(970)</u>	<u>(424)</u>
Net change in cash and cash equivalents		<u>4,198</u>	<u>(499,056)</u>
Cash and cash equivalents, beginning of the period	6	<u>1,600,240</u>	<u>1,397,203</u>
Cash and cash equivalents, end of the period	6	<u>1,604,438</u>	<u>898,147</u>
Non-cash supplemental information:			
Changes in fair value for available-for-sale investments		182,271	30,277
Share of other comprehensive income of associates		1,636	902

Board Director

Chief Financial Officer

Chief Executive Officer

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

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2018

1. GENERAL

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

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

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying interim condensed financial statements (interim condensed financial information) of the Company for the three-month period ended March 31, 2019 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by Saudi Arabian Monetary Authority (SAMA) for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standard Board ("IASB") except for the application of International Accounting Standard (IAS) 12 "Income Taxes" and IFRIC 21 "Levies" so far as these 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 equity under retained earnings.

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments and investment in associates which is accounted for under the equity method and end of service benefits based on actuarial valuation techniques. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: statutory deposit, accrued income on statutory deposit, property and equipment, intangible assets, investment property, investments in associates, available for sale investments, reserve for discontinued operations, end-of-service indemnities and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

The Company presents its 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 18). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 18 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
MARCH 31, 2019

2. BASIS OF PREPARATION (continued)

(a) Basis of presentation (continued)

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

The interim condensed financial information 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 thousands.

(b) Critical accounting judgments, estimates and assumptions

The preparation of the interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

The estimate and judgments used by management in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2018.

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

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

ii) Impairment of available-for-sale financial assets

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

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
MARCH 31, 2019**

2. BASIS OF PREPARATION (continued)

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

iii) Impairment of receivables

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

iv) Fair value of financial instruments

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

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Please refer fair value of financial instruments disclosure in note 14.

The accounting and risk management policies adopted in the preparation of these condensed interim financial information are consistent with the Company's audited financial statements for the year ended December 31, 2018, except for adoption of the amendments to existing standards which has had no material impact on the financial information of the Company.

(c) Significant accounting policies

The significant accounting policies used in the preparation of these financial information are consistent with those used in the preparation of the previous financial year, except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the financial statements of the Company on the current year or prior year and is expected to have no significant effect in future years:

- The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as lease applying IAS 17 and IFRIC 4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. During the period the Company has performed an assessment of IFRS 16 and resolved that impact of difference as compared to leases accounted for applying IAS 17 & IFRIC 4 is not material to the Company's financial statements as a whole.

Standards issued but not yet effective

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

IFRS 9 - "Financial Instruments", (including amendments to IFRS 4, Insurance Contracts) In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
MARCH 31, 2019

2. BASIS OF PREPARATION (continued)

(c) Significant accounting policies (continued)

In September 2016, the IASB published amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance. The Company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities for the period ended March 31, 2019 and 2018.

The Company is eligible and have chosen to apply the temporary exemption under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. IASB through its amendments to IFRS 4 issued in September 2016 had allowed temporary exemption if a Company meets the following criteria:

- the Company has not previously applied any version of IFRS 9; and
- its activities are predominantly connected with insurance that is defined as total percentage of carrying amount of insurance liabilities is greater than 90% of its total liabilities.

The Company performed a high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. Further, the Company believes that IFRS 9 would have an impact on the classification of financial instruments required to be mandatorily mentioned at fair value i.e investments classified under available for sale investments in Note 5. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

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2. BASIS OF PREPARATION (continued)

(d) Segmental reporting

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

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

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

(e) Seasonality of operations

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

3. RECEIVABLES, NET

Receivables comprise net amounts due from the following:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Policyholders	1,446,468	778,456
Brokers and agents	732,482	757,943
Related parties (note 13)	75,403	55,506
	<u>2,254,353</u>	<u>1,591,905</u>
Receivables from reinsurers	55,181	62,517
Administrative service plan	17,789	23,105
	<u>2,327,323</u>	<u>1,677,527</u>
Provision for doubtful receivables	(141,740)	(159,540)
Receivables, net	<u>2,185,583</u>	<u>1,517,987</u>

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4. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise the following:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Mutual funds	261,912	191,404
Fixed income portfolio (Governments and corporations securities)	871,286	790,304
Sukuks	141,140	225,140
Funds placed with portfolio manager	6,944	28,059
Total	<u>1,281,282</u>	<u>1,234,907</u>
<u>Shareholders' Operations</u>		
Mutual funds	1,278,923	1,210,899
Fixed income portfolio (Governments and corporations securities)	387,703	358,556
Sukuks	-	90,000
Funds placed with portfolio manager	9,622	10,768
Total	<u>1,676,248</u>	<u>1,670,223</u>
Total available-for-sale investments	<u>2,957,530</u>	<u>2,905,130</u>

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

	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
	SAR'000					
<u>Insurance Operations</u>						
Balance at the beginning						
of the period / year	-	1,234,907	1,234,907	41,245	2,919,185	2,960,430
Purchases	-	49,788	49,788	-	1,784,785	1,784,785
Disposals	-	(84,000)	(84,000)	(42,932)	(3,436,511)	(3,479,443)
Changes in fair value of investments	-	80,587	80,587	1,687	(32,552)	(30,865)
Balance as at the end of the period/ year	<u>-</u>	<u>1,281,282</u>	<u>1,281,282</u>	<u>-</u>	<u>1,234,907</u>	<u>1,234,907</u>
<u>Shareholders' Operations</u>						
Balance at the beginning						
of the period/ year	-	1,670,223	1,670,223	39,340	2,525,439	2,564,779
Purchases	-	-	-	-	2,076,116	2,076,116
Disposals	-	(94,514)	(94,514)	(40,007)	(2,952,467)	(2,992,474)
Changes in fair value of investments	-	100,539	100,539	667	21,135	21,802
Balance as at the end of the period/ year	<u>-</u>	<u>1,676,248</u>	<u>1,676,248</u>	<u>-</u>	<u>1,670,223</u>	<u>1,670,223</u>
Total	<u>-</u>	<u>2,957,530</u>	<u>2,957,530</u>	<u>-</u>	<u>2,905,130</u>	<u>2,905,130</u>

As at March 31, 2019 the Company invested in Shraiah Notes amounting to SAR 2.6 billion (December 31, 2018 SAR 2.3 billion). The Shraiah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Dubai International Financial Center in Dubai. The underlying investments of Shariah Notes include mutual funds, private equity funds and fixed income portfolios. The legal ownership of these underlying investments is not with the Company, however, the Company is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes and underlying investments. The custody of the underlying investments is in the custody account of the SPV or its nominee account opened with fund and portfolio managers.

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4. AVAILABLE-FOR-SALE INVESTMENTS (continued)

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

	Three months ended March 31, 2019 (Unaudited)	Three months ended March 31, 2018 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Change in fair value	80,587	(16,256)
Net amount recycled to interim statement of income - insurance operations	-	2,873
	<u>80,587</u>	<u>(13,383)</u>
<u>Shareholders' Operations</u>		
Change in fair value	100,539	47,176
Net amount recycled to interim statement of income - shareholders' operations	1,145	(3,516)
	<u>101,684</u>	<u>43,660</u>
Total	<u>182,271</u>	<u>30,277</u>

5. MUDARABA DEPOSITS

The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in Mudaraba structures. These deposits are denominated in US Dollars and have an original maturity of more than three months to one year and yield on average financial incomes at rates 4.08%.

The movements in deposits during the period/ year is as follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Balance at the beginning of the period/ year	1,387,500	-
Placed during the period/ year	1,520,464	1,387,500
Proceeds during the period/ year	(1,387,500)	-
Balance at the end of the period/ year	<u>1,520,464</u>	<u>1,387,500</u>
<u>Shareholders' Operations</u>		
Balance at the beginning of the period/ year	851,625	82,035
Placed during the period/ year	905,508	851,625
Matured during the period/ year	(851,625)	(82,035)
Balance at the end of the period/ year	<u>905,508</u>	<u>851,625</u>
Total	<u>2,425,972</u>	<u>2,239,125</u>

6. CASH AND CASH EQUIVALENTS

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Mudaraba deposits	110,000	210,000
Bank balances and cash	990,344	907,258
	<u>1,100,344</u>	<u>1,117,258</u>
<u>Shareholders' Operations</u>		
Mudaraba deposits	400,000	400,000
Bank balances and cash	104,094	82,982
	<u>504,094</u>	<u>482,982</u>
Total cash and cash equivalents	<u>1,604,438</u>	<u>1,600,240</u>

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6. CASH AND CASH EQUIVALENTS (continued)

Mudaraba deposits are maintained with banks and financial institutions and have a maturity of three months or less from the date of acquisition. These earn commission at an average rate of 3.99% per annum as at March 31, 2019 and December 31, 2018.

Bank balances and cash includes call account balance of SAR 43 million (December 31, 2018: SAR 65 million). Both bank balances and mudaraba deposits (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

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

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

	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
	SAR'000					
Balance as at the beginning of the period / year	3,820,293	(544,839)	3,275,454	4,405,244	(591,125)	3,814,119
Premiums written during the period / year	2,457,033	(236,669)	2,220,364	7,641,245	(1,098,103)	6,543,142
Premiums earned during the period / year	(1,953,563)	300,011	(1,653,552)	(8,226,196)	1,144,389	(7,081,807)
Balance as at the end of the period / year	4,323,763	(481,497)	3,842,266	3,820,293	(544,839)	3,275,454

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Gross outstanding claims	3,116,693	3,330,828
Less: Realizable value of salvage and subrogation	(47,347)	(59,672)
	3,069,346	3,271,156
Add: Incurred but not reported claims reserve	1,660,192	1,684,183
Add: Premium deficiency reserve	1,815	7,272
Gross outstanding claims and reserves	4,731,353	4,962,611
Less: Reinsurers' share of gross outstanding claims	(2,523,918)	(2,725,809)
Less: Reinsurers' share of incurred but not reported claims	(225,516)	(191,837)
Reinsurers' share of outstanding claims and reserves	(2,749,434)	(2,917,646)
Net outstanding claims and reserves	1,981,919	2,044,965

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

As at March 31, 2019, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves) which amounted to SAR 4.73 billion (2018: SAR 4.96 billion). Significant portion of reserves relates to medical line of business which are a best-estimate of the expected ultimate claim trends as at March 31, 2019.

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8. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at March 31, 2019 (December 31, 2018: SAR 1.25 billion) consisting of 125 million shares (December 31, 2018: 125 million shares) of SAR 10 each.

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

	March 31, 2019		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	66,713,009	667,130	667,130
Public Pension Agency	29,737,685	297,377	297,377
General Organization for Social Insurance	28,549,306	285,493	285,493
	<u>125,000,000</u>	<u>1,250,000</u>	<u>1,250,000</u>
	December 31, 2018		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	66,713,009	667,130	667,130
Public Pension Agency	29,737,685	297,377	297,377
General Organization for Social Insurance	28,549,306	285,493	285,493
	<u>125,000,000</u>	<u>1,250,000</u>	<u>1,250,000</u>

9. CONTINGENT LIABILITIES

As at March 31, 2019, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SAR 131 million (December 31, 2018: SAR 143 million) occurring in the normal course of business.

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

10. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company has deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2018: SAR 125 million), in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

11. LEGAL RESERVE

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

12. MANAFETH SHARED AGREEMENT

On January 13, 2015 together with 25 related insurance companies, the Company signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from 1 January 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia. The agreement has subsequently been renewed for two years from January 1, 2019 to December 31, 2020 with 25 related insurance companies.

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

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

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13. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Transactions for the period ended		Balance receivable / (payable) as at	
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000			
<u>Major shareholders</u>				
Insurance premium written	22,502	16,010	6,592	4,091
General Organization for Social Insurance - Other services	37	-	-	-
<u>Associates</u>				
Insurance premium written/ (reversed)	(22)	76	(68)	210
Najm fees paid	2,668	7,278	(1,200)	-
Waseel fees paid	1,849	1,896	-	-
United Insurance Co. fees and claims, net	2,797	2,741	3,131	3,712
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Insurance premium written	75,776	41,692	68,879	51,205
Rent expenses paid	17	30	-	-
Amount of claims paid to hospitals	24,868	8,418	(2,968)	(12,088)

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

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

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
	SAR'000	
Salaries and other allowances	2,525	2,270
End of service indemnities	162	159

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14. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial information. The estimated fair values of financial instruments are based on quoted market prices, when available.

Determination of fair value and fair value hierarchy

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

- Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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

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

	SAR'000			Total
	Level 1	Level 2	Level 3	
March 31, 2019 (Unaudited)				
Available-for- sale investments				
<u>Insurance Operations</u>				
Mutual funds	-	261,912	-	261,912
Fixed income portfolio (Governments and corporations securities)	-	871,286	-	871,286
Sukuks	-	-	141,140	141,140
Funds placed with portfolio manager	6,944	-	-	6,944
	<u>6,944</u>	<u>1,133,198</u>	<u>141,140</u>	<u>1,281,282</u>
<u>Shareholders' Operations</u>				
Mutual funds	-	660,742	618,181	1,278,923
Fixed income portfolio (Governments and corporations securities)	-	387,703	-	387,703
Funds placed with portfolio manager	9,622	-	-	9,622
	<u>9,622</u>	<u>1,048,445</u>	<u>618,181</u>	<u>1,676,248</u>
Total	<u>16,566</u>	<u>2,181,643</u>	<u>759,321</u>	<u>2,957,530</u>
December 31, 2018 (Audited)				
Available-for-sale investments				
<u>Insurance Operations</u>				
Mutual funds	-	191,404	-	191,404
Fixed income portfolio (Governments and corporations securities)	-	790,304	-	790,304
Sukuks	-	-	225,140	225,140
Funds placed with portfolio manager	28,059	-	-	28,059
	<u>28,059</u>	<u>981,708</u>	<u>225,140</u>	<u>1,234,907</u>
<u>Shareholders' Operations</u>				
Mutual funds	-	609,270	601,629	1,210,899
Fixed income portfolio (Governments and corporations securities)	-	358,556	-	358,556
Sukuks	-	-	90,000	90,000
Funds placed with portfolio manager	10,768	-	-	10,768
	<u>10,768</u>	<u>967,826</u>	<u>691,629</u>	<u>1,670,223</u>
Total	<u>38,827</u>	<u>1,949,534</u>	<u>916,769</u>	<u>2,905,130</u>

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14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

March 31, 2019 (Unaudited)	Balance January 1	Purchases	Sales	SAR'000		Balance March 31
				Statement of income	Other comprehensive income	
Insurance Operations						
Sukuks	225,140	-	(84,000)	-	-	141,140
	225,140	-	(84,000)	-	-	141,140
Shareholders' operations						
Mutual funds	601,629	-	(4,514)	-	21,066	618,181
Sukuks	90,000	-	(90,000)	-	-	-
	691,629	-	(94,514)	-	21,066	618,181
Total	916,769	-	(178,514)	-	21,066	759,321

December 31, 2018 (Audited)	Balance January 1	Purchases	Sales	SAR'000		Balance December 31
				Statement of income	Other comprehensive income	
Insurance Operations						
Mutual funds	2,637,325	928,066	(3,667,918)	16,318	86,209	-
Sukuks	281,860	-	(56,720)	-	-	225,140
	2,919,185	928,066	(3,724,638)	16,318	86,209	225,140
Shareholders' operations						
Mutual funds	2,425,439	937,028	(3,005,602)	185,388	59,376	601,629
Sukuks	100,000	-	(10,000)	-	-	90,000
	2,525,439	937,028	(3,015,602)	185,388	59,376	691,629
Total	5,444,624	1,865,094	(6,740,240)	201,706	145,585	916,769

15. OPERATING SEGMENTS

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

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

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

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15. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended March 31, 2019							Total
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
SAR'000								
REVENUES								
Gross premiums written								
- Retail	8,305	148,353	42,904	5,463	-	205,025		205,025
- Micro Enterprises	55,997	4,585	-	15,353	-	75,935		75,935
- Small Enterprises	68,722	4,444	-	5,700	80	78,946		78,946
- Medium Enterprises	121,870	7,332	-	3,460	320	132,982		132,982
- Corporates	1,723,826	13,848	-	223,881	2,590	1,964,145		1,964,145
	1,978,720	178,562	42,904	253,857	2,990	2,457,033		2,457,033
Reinsurance ceded - local	-	-	-	(6,990)	(365)	(7,355)		(7,355)
Reinsurance ceded - international	(4,516)	-	-	(222,470)	(2,328)	(229,314)		(229,314)
Fees income from takaful	-	-	-	-	798	798		798
Excess of loss premiums	-	(4,493)	(477)	(1,446)	-	(6,416)		(6,416)
Net premiums written	1,974,204	174,069	42,427	22,951	1,095	2,214,746		2,214,746
Changes in unearned premiums, net	(553,986)	(14,454)	(116)	1,454	290	(566,812)		(566,812)
Net premiums earned	1,420,218	159,615	42,311	24,405	1,385	1,647,934		1,647,934
Reinsurance commissions	840	-	-	25,979	-	26,819		26,819
Other underwriting income	-	3,520	-	-	-	3,520		3,520
TOTAL REVENUES	1,421,058	163,135	42,311	50,384	1,385	1,678,273		1,678,273
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid and related expenses	1,436,972	83,230	6,635	294,867	5,013	1,826,717		1,826,717
Reinsurers' share of claims paid	(23,371)	(2,282)	-	(289,229)	(4,572)	(319,454)		(319,454)
Net claims paid	1,413,601	80,948	6,635	5,638	441	1,507,263		1,507,263
Changes in outstanding claims, net	(14,190)	15,105	(329)	(484)	(21)	81		81
Changes in incurred but not reported claims reserve, net	(29,525)	(30,118)	(350)	2,323	-	(57,670)		(57,670)
Changes in premium deficiency reserves	(4,510)	-	-	(947)	-	(5,457)		(5,457)
Net claims and other benefits incurred	1,365,376	65,935	5,956	6,530	420	1,444,217		1,444,217
Changes in reserve for takaful activities	-	-	-	-	(880)	(880)		(880)
Policy acquisition costs	49,141	20,171	8,477	8,826	257	86,872		86,872
Other underwriting expenses	29,906	892	3,735	5,126	546	40,205		40,205
Manafeth insurance share distribution	-	-	19,182	-	-	19,182		19,182
TOTAL UNDERWRITING COSTS AND EXPENSES	1,444,423	86,998	37,350	20,482	343	1,589,596		1,589,596
NET UNDERWRITING (LOSS) INCOME	(23,365)	76,137	4,961	29,902	1,042	88,677		88,677
General and administrative expenses						(123,303)	(221)	(123,524)
Reversal of provision for doubtful debts						17,800	-	17,800
Dividend and realized gain on investments, net						31,008	23,253	54,261
Share of profit from investments in associates, net						425	4,560	4,985
Other income						5,877	-	5,877
NET INCOME FOR THE PERIOD						20,484	27,592	48,076

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15. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended March 31, 2018							Total
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
	SAR'000							
REVENUES								
Gross premiums written								
- Retail	6,290	166,842	37,810	5,395	-	216,337		216,337
- Micro Enterprises	63,174	7,488	-	6,385	-	77,047		77,047
- Small Enterprises	33,040	4,357	-	4,181	106	41,684		41,684
- Medium Enterprises	73,797	7,454	-	3,571	511	85,333		85,333
- Corporates	1,482,514	12,748	-	173,946	6,103	1,675,311		1,675,311
	1,658,815	198,889	37,810	193,478	6,720	2,095,712		2,095,712
Reinsurance ceded - local	-	-	-	(3,854)	-	(3,854)		(3,854)
Reinsurance ceded - international	(1,979)	-	-	(174,050)	(6,124)	(182,153)		(182,153)
Fees income from takaful	-	-	-	-	1,233	1,233		1,233
Excess of loss premiums	-	(4,772)	(579)	(2,347)	-	(7,698)		(7,698)
Net premiums written	1,656,836	194,117	37,231	13,227	1,829	1,903,240		1,903,240
Changes in unearned premiums, net	(233,268)	116,181	2,289	5,699	124	(108,975)		(108,975)
Net premiums earned	1,423,568	310,298	39,520	18,926	1,953	1,794,265		1,794,265
Reinsurance commissions	668	-	-	24,775	-	25,443		25,443
Other underwriting income	-	3,901	-	-	-	3,901		3,901
TOTAL REVENUES	1,424,236	314,199	39,520	43,701	1,953	1,823,609		1,823,609
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid and related expenses	1,743,431	219,742	8,569	234,658	5,079	2,211,479		2,211,479
Reinsurers' share of claims paid	(26,137)	(3,873)	-	(225,481)	(4,742)	(260,233)		(260,233)
Net claims paid	1,717,294	215,869	8,569	9,177	337	1,951,246		1,951,246
Changes in outstanding claims, net	(461,483)	1,368	1,991	2,568	214	(455,342)		(455,342)
Changes in incurred but not reported claims reserve, net	133,102	73	(9,364)	(7,297)	-	116,514		116,514
Changes in premium deficiency reserves	(36,594)	-	-	4,847	-	(31,747)		(31,747)
Net claims and other benefits incurred	1,352,319	217,310	1,196	9,295	551	1,580,671		1,580,671
Changes in reserve for takaful activities	-	-	-	-	(748)	(748)		(748)
Policy acquisition costs	46,643	31,974	8,516	12,861	335	100,329		100,329
Other underwriting expenses	28,411	2,795	4,090	6,389	727	42,412		42,412
Manafeth insurance share distribution	-	-	21,288	-	-	21,288		21,288
TOTAL UNDERWRITING COSTS AND EXPENSES	1,427,373	252,079	35,090	28,545	865	1,743,952		1,743,952
NET UNDERWRITING (LOSS)/ INCOME	(3,137)	62,120	4,430	15,156	1,088	79,657		79,657
General and administrative expenses						(91,888)	(1,381)	(93,269)
Allowance for doubtful debts						(7,500)	-	(7,500)
Dividend and realized gain on investments, net						39,110	15,591	54,701
Share of profit from investments in associates, net						526	5,897	6,423
Other income						4,341	-	4,341
NET INCOME FOR THE PERIOD						24,246	20,107	44,353

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15. OPERATING SEGMENTS (continued)

Operating Segments	As at March 31, 2019 (Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
	SAR'000							
Assets								
Reinsurer's share of unearned premiums	30,752	-	-	445,771	4,974	481,497		481,497
Reinsurer's share of incurred but not reported claims	25,610	14,932	-	182,677	2,297	225,516		225,516
Reinsurer's share of outstanding claims	403	20,281	2,000	2,475,998	25,236	2,523,918		2,523,918
Deferred excess of loss premiums	-	1,630	1,432	1,236	-	4,298		4,298
Deferred policy acquisition costs	95,657	23,545	1,380	12,785	318	133,685		133,685
Investments (including investment property)						1,299,489	1,759,699	3,059,188
Receivables, net						2,185,583	-	2,185,583
Cash and cash equivalents						1,100,344	504,094	1,604,438
Unallocated assets						2,019,244	1,033,247	3,052,491
Total assets	152,422	60,388	4,812	3,118,467	32,825	9,973,574	3,297,040	13,270,614
Liabilities								
Gross unearned premiums	3,441,895	341,964	24,179	510,026	5,699	4,323,763		4,323,763
Gross outstanding claims	241,941	169,629	13,763	2,616,674	27,339	3,069,346		3,069,346
Incurred but not reported claims reserve	1,254,542	179,515	13,572	210,001	2,562	1,660,192		1,660,192
Premium deficiency reserve	-	-	-	1,815	-	1,815		1,815
Unearned commission income	739	-	-	30,308	2,242	33,289		33,289
Reserve for takaful activities	-	-	-	-	7,810	7,810		7,810
Reinsurers' balances payable						266,140		266,140
Unallocated liabilities and accumulated surplus						1,617,441	269,646	1,887,087
Total liabilities and surplus	4,939,117	691,108	51,514	3,368,824	45,652	10,979,796	269,646	11,249,442

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15. OPERATING SEGMENTS (continued)

Operating Segments	As at December 31, 2018 (Audited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
	SAR'000							
Assets								
Reinsurer's share of unearned premiums	52,826	-	-	485,213	6,800	544,839		544,839
Reinsurer's share of incurred but not reported claims	23,327	-	-	166,213	2,297	191,837		191,837
Reinsurer's share of outstanding claims	667	18,382	2,000	2,680,763	23,997	2,725,809		2,725,809
Deferred excess of loss premiums	-	6,123	-	2,652	-	8,775		8,775
Deferred policy acquisition costs	93,533	22,520	1,312	12,793	493	130,651		130,651
Investments (including investment property)						1,252,689	1,757,418	3,010,107
Receivables, net						1,517,987	-	1,517,987
Cash and cash equivalents						1,117,258	482,982	1,600,240
Unallocated assets						1,918,454	978,879	2,897,333
Total assets	170,353	47,025	3,312	3,347,634	33,587	9,408,299	3,219,279	12,627,578
Liabilities								
Gross unearned premiums	2,909,983	327,510	24,063	550,922	7,815	3,820,293		3,820,293
Gross outstanding claims	256,395	152,625	14,092	2,821,923	26,121	3,271,156		3,271,156
Incurred but not reported claims reserve	1,281,784	194,701	13,922	191,214	2,562	1,684,183		1,684,183
Premium deficiency reserve	4,510	-	-	2,762	-	7,272		7,272
Unearned commission income	1,291	-	-	36,265	1,743	39,299		39,299
Reserve for takaful activities	-	-	-	-	8,690	8,690		8,690
Reinsurers' balances payable						94,720		94,720
Unallocated liabilities and surplus						1,640,177	253,567	1,893,744
Total liabilities and surplus	4,453,963	674,836	52,077	3,603,086	46,931	10,565,790	253,567	10,819,357

16. EARNINGS PER SHARE

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

17. ZAKAT

Status of assessments

The Company had filed Zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2005 to 2018. In relation to 2005 and 2006, the final assessments had been finalized and the Company had filed an appeal against the assessments of GAZT which is raised to Board of Grievances. During the year ended December 31, 2018 GAZT, based on letter dated 6/2/1440H corresponding to 15/10/2018, demanded Zakat amounting to SR 53 million in relation to assessment years 2005 and 2006 which was paid by the Company from zakat provision. In relation to 2007 to 2013, GAZT had raised assessments and management had subsequently filed their response. Further, GAZT has yet to commence its review for the years 2014 and 2018. Based on advice from zakat consultant management believes that, appropriate provisions have been made and management believes that finalization of the above mentioned assessments is not expected to have a material impact on the financial statements.

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18. SUPPLEMENTARY INFORMATION

i) Interim statement of financial position

	As at March 31, 2019 (Unaudited)			As at December 31, 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
ASSETS						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,319	2,319	-	2,254	2,254
Property and equipment, net	260,831	-	260,831	266,233	-	266,233
Intangible assets	3,407	-	3,407	3,633	-	3,633
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	8,346	83,451	91,797	7,921	87,195	95,116
Available for sale investments	1,281,282	1,676,248	2,957,530	1,234,907	1,670,223	2,905,130
Mudaraha deposits	1,520,464	905,508	2,425,972	1,387,500	851,625	2,239,125
Due from/ to Shareholder's operations	995,977	(995,977)	-	1,066,659	(1,066,659)	-
Prepaid expenses and other assets	234,542	420	234,962	261,088	-	261,088
Deferred excess of loss premiums	4,298	-	4,298	8,775	-	8,775
Deferred policy acquisition costs	133,685	-	133,685	130,651	-	130,651
Reinsurers' share of gross outstanding claims	2,523,918	-	2,523,918	2,725,809	-	2,725,809
Reinsurers' share of incurred but not reported claims	225,516	-	225,516	191,837	-	191,837
Reinsurers' share of unearned premiums	481,497	-	481,497	544,839	-	544,839
Receivables, net	2,185,583	-	2,185,583	1,517,987	-	1,517,987
Cash and cash equivalents	1,100,344	504,094	1,604,438	1,117,258	482,982	1,600,240
TOTAL ASSETS	10,969,551	2,301,063	13,270,614	10,474,958	2,152,620	12,627,578
LIABILITIES						
Reserve for discontinued operations	1,621	-	1,621	1,621	-	1,621
End-of-service indemnities	135,614	-	135,614	133,276	-	133,276
Return payable on statutory deposit	-	2,319	2,319	-	2,254	2,254
Claims payable, accrued expenses and other liabilities	1,478,158	7,822	1,485,980	1,505,280	7,822	1,513,102
Reserve for takaful activities	7,810	-	7,810	8,690	-	8,690
Gross outstanding claims	3,069,346	-	3,069,346	3,271,156	-	3,271,156
Incurred but not reported claims reserve	1,660,192	-	1,660,192	1,684,183	-	1,684,183
Premium deficiency reserve	1,815	-	1,815	7,272	-	7,272
Unearned commission income	33,289	-	33,289	39,299	-	39,299
Gross unearned premiums	4,323,763	-	4,323,763	3,820,293	-	3,820,293
Reinsurers' balances payable	266,140	-	266,140	94,720	-	94,720
Dividends payable	-	6,411	6,411	-	6,411	6,411
Accumulated surplus	2,048	-	2,048	-	-	-
Zakat	-	253,094	253,094	-	237,080	237,080
TOTAL LIABILITIES	10,979,796	269,646	11,249,442	10,565,790	253,567	10,819,357
EQUITY						
Share capital	-	1,250,000	1,250,000	-	1,250,000	1,250,000
Legal reserve	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Fair value reserve for investments	1,981	(16,798)	(14,817)	(78,606)	(120,118)	(198,724)
Remeasurements of defined benefit obligation	(12,226)	-	(12,226)	(12,226)	-	(12,226)
Retained earnings	-	(201,785)	(201,785)	-	(230,829)	(230,829)
TOTAL EQUITY	(10,245)	2,031,417	2,021,172	(90,832)	1,899,053	1,808,221
TOTAL LIABILITIES AND EQUITY	10,969,551	2,301,063	13,270,614	10,474,958	2,152,620	12,627,578

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18. SUPPLEMENTARY INFORMATION (continued)

ii) Interim statement of income

	For the three months period ended March 31, 2019			For the three months period ended March 31, 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
REVENUES						
Gross premiums written	2,457,033		2,457,033	2,095,712		2,095,712
Reinsurance premium ceded	(236,669)		(236,669)	(186,007)		(186,007)
Fees income from takaful	798		798	1,233		1,233
Excess of loss premiums	(6,416)		(6,416)	(7,698)		(7,698)
Net premiums written	2,214,746		2,214,746	1,903,240		1,903,240
Changes in unearned premiums, net	(566,812)		(566,812)	(108,975)		(108,975)
Net premiums earned	1,647,934		1,647,934	1,794,265		1,794,265
Reinsurance commissions	26,819		26,819	25,443		25,443
Other underwriting income	3,520		3,520	3,901		3,901
Total revenues	1,678,273		1,678,273	1,823,609		1,823,609
COST AND EXPENSES						
Gross claims paid	1,821,403		1,821,403	2,205,721		2,205,721
Expenses incurred related to claims	5,314		5,314	5,758		5,758
Reinsurance share of claims paid	(319,454)		(319,454)	(260,233)		(260,233)
Net claims and other benefits paid	1,507,263		1,507,263	1,951,246		1,951,246
Changes in outstanding claims, net	81		81	(455,342)		(455,342)
Changes in incurred but not reported claims, net	(57,670)		(57,670)	116,514		116,514
Changes in premium deficiency reserves	(5,457)		(5,457)	(31,747)		(31,747)
Net claims and other benefits incurred	1,444,217		1,444,217	1,580,671		1,580,671
Changes in reserves for takaful activities	(880)		(880)	(748)		(748)
Policy acquisition costs	86,872		86,872	100,329		100,329
Other underwriting expenses	40,205		40,205	42,412		42,412
Manafeth insurance share distribution	19,182		19,182	21,288		21,288
Total underwriting costs and expenses	1,589,596		1,589,596	1,743,952		1,743,952
Net underwriting income	88,677		88,677	79,657		79,657
General and administrative expenses	(123,303)	(221)	(123,524)	(91,888)	(1,381)	(93,269)
Reversal of/ (allowance for) doubtful debts	17,800	-	17,800	(7,500)	-	(7,500)
Dividend and realized gain on investments, net	31,008	23,253	54,261	39,110	15,591	54,701
Share of profit from investments in associates, net	425	4,560	4,985	526	5,897	6,423
Other income, net	5,877	-	5,877	4,341	-	4,341
Net income for the period before appropriation	20,484	27,592	48,076	24,246	20,107	44,353
Surplus transferred to Shareholders'	(18,436)	18,436	-	(21,821)	21,821	-
Net income for the period after Shareholders' appropriations	2,048	46,028	48,076	2,425	41,928	44,353

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18. SUPPLEMENTARY INFORMATION (continued)

iii) Interim statement of comprehensive income

	For the three months period ended March 31, 2019 (Unaudited)			For the three months period ended March 31, 2018 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Net income for the period	2,048	46,028	48,076	2,425	41,928	44,353
Other comprehensive income:						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	80,587	100,539	181,126	(16,256)	47,176	30,920
- Net amounts recycled to interim statement of income	-	1,145	1,145	2,873	(3,516)	(643)
Share of other comprehensive income of investments in associates	-	1,636	1,636	-	902	902
Total comprehensive (loss) / income for the Period	82,635	149,348	231,983	(10,958)	86,490	75,532
Reconciliation:						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(2,048)			(2,425)
Total comprehensive income for the period			229,935			73,107

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18. SUPPLEMENTARY INFORMATION (continued)

iv) Interim statement of cash flows

	For the three months period ended March 31, 2019			For the three months period ended March 31, 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Operating activities:						
Net income for the period	2,048	46,028	48,076	2,425	41,928	44,353
Adjustments for non-cash items:						
Depreciation	5,494	-	5,494	5,581	-	5,581
Amortization of intangible assets	1,328	-	1,328	2,157	-	2,157
Reversal of/ (allowance for) doubtful debts	(17,800)	-	(17,800)	7,500	-	7,500
Loss/ (gain) on sale of available-for-sale investments	-	1,145	1,145	2,873	(3,516)	(643)
Share of profit from investments in associates, net	(425)	(4,560)	(4,985)	(526)	(5,897)	(6,423)
Provision for end-of-service indemnities	4,623	-	4,623	2,223	-	2,223
	(4,732)	42,613	37,881	22,233	32,515	54,748
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	26,546	(420)	26,126	(28,380)	1,258	(27,122)
Deferred excess of loss premiums	4,477	-	4,477	8,366	-	8,366
Deferred policy acquisition costs	(3,034)	-	(3,034)	19,351	-	19,351
Reinsurers' share of outstanding claims	201,891	-	201,891	(181,740)	-	(181,740)
Reinsurers' share of claims incurred but not reported	(33,679)	-	(33,679)	191,060	-	191,060
Reinsurers' share of unearned premiums	63,342	-	63,342	89,995	-	89,995
Receivables, net	(649,796)	-	(649,796)	(370,422)	-	(370,422)
Reinsurers' balances payable	171,420	-	171,420	(31,696)	-	(31,696)
Gross unearned premiums	503,470	-	503,470	18,980	-	18,980
Unearned commission income	(6,010)	-	(6,010)	(11,641)	-	(11,641)
Gross outstanding claims	(201,810)	-	(201,810)	(273,602)	-	(273,602)
Claims incurred but not reported reserves	(23,991)	-	(23,991)	(74,546)	-	(74,546)
Premium deficiency reserve	(5,457)	-	(5,457)	(31,747)	-	(31,747)
Reserve for takaful activities	(880)	-	(880)	(748)	-	(748)
Claims payable, accrued expenses and other liabilities	(27,122)	-	(27,122)	169,181	1,067	170,248
	14,635	42,193	56,828	(485,356)	34,840	(450,516)
End-of-service indemnities paid	(2,285)	-	(2,285)	(1,616)	-	(1,616)
Net cash (used in)/ from operating activities	12,350	42,193	54,543	(486,972)	34,840	(452,132)
Investing activities:						
Proceeds from sale of available-for-sale investments	84,000	94,514	178,514	68,719	189,289	258,008
Purchase of available-for-sale investments	(49,788)	-	(49,788)	(253,698)	(257,099)	(510,797)
Proceeds from maturity of murabaha deposits	1,387,500	851,625	2,239,125	-	82,035	82,035
Placement in mudarabah deposits	(1,520,464)	(905,508)	(2,425,972)	-	-	-
Accrued investment income	-	-	-	32,364	76,979	109,343
Dividends received from investments in associates	-	9,940	9,940	-	14,911	14,911
Purchase of property and equipment	(92)	-	(92)	-	-	-
Purchase of intangible assets	(1,102)	-	(1,102)	-	-	-
Net cash (used in) / from investing activities	(99,946)	50,571	(49,375)	(152,615)	106,115	(46,500)

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
MARCH 31, 2019

18. SUPPLEMENTARY INFORMATION (continued)

iv) Interim statement of cash flows (continued)

	For the three months period ended March 31, 2019 (Unaudited)			For the three months period ended March 31, 2018 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Financing activities:						
Zakat paid during the period	-	(970)	(970)	-	(424)	(424)
Due to shareholders	70,682	(70,682)	-	122,751	(122,751)	-
Net cash from/ (used in) financing activities	70,682	(71,652)	(970)	122,751	(123,175)	(424)
Net change in cash and cash equivalents	(16,914)	21,112	4,198	(516,836)	17,780	(499,056)
Cash and cash equivalents, beginning of the period	1,117,258	482,982	1,600,240	1,115,144	282,059	1,397,203
Cash and cash equivalents, end of the period	1,100,344	504,094	1,604,438	598,308	299,839	898,147
Non-cash supplemental information:						
Changes in fair value for available-for-sale investments	80,587	101,684	182,271	(13,383)	43,660	30,277
Share of other comprehensive income of associates	-	1,636	1,636	-	902	902

19. RECLASSIFICATION OF COMPARATIVE FIGURES

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

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information have been approved by the Audit Committee on behalf of the Board of Directors, on Sha'ban 24, 1440H, corresponding to April 29, 2019.