

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

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION AND**  
**INDEPENDENT AUDITORS' REVIEW REPORT**  
**FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

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الدكتور محمد العمري وشركاه  
Dr. Mohamed Al-Amri & Co.

**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 September 30, 2019 and the related interim statement of income, interim statement of comprehensive income for the three and nine months period then ended, and interim statement of changes in equity and interim statement of cash flows for nine 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 endorsed in the Kingdom of Saudi Arabia. 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 endorsed in the Kingdom of Saudi Arabia.

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9 Rabi Al-Awal 1441 (H)  
6 November 2019 (G)

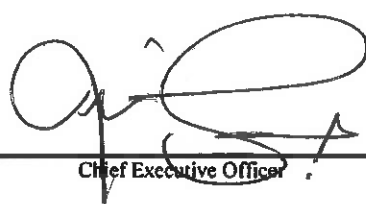


**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF FINANCIAL POSITION**

	Notes	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000			
<b>ASSETS</b>			
Statutory deposit	10	125,000	125,000
Accrued income on statutory deposit		2,448	2,254
Property and equipment, net		251,132	266,233
Intangible assets		5,271	3,633
Investment property		9,861	9,861
Investments in associates		84,286	95,116
Available for sale investments	4	2,586,844	2,905,130
Mudaraba deposits	5	3,314,457	2,239,125
Prepaid expenses and other assets		327,298	261,088
Deferred excess of loss premiums		7,437	8,775
Deferred policy acquisition costs		125,051	130,651
Reinsurers' share of gross outstanding claims	7	3,297,230	2,725,809
Reinsurers' share of incurred but not reported claims	7	254,818	191,837
Reinsurers' share of unearned premiums	7	552,782	544,839
Receivables, net	3	1,382,235	1,517,987
Accrued investment income		62,489	-
Cash and cash equivalents	6	1,564,097	1,600,240
<b>TOTAL ASSETS</b>		<b>13,952,736</b>	<b>12,627,578</b>
<b>LIABILITIES</b>			
Defined benefit obligations		132,350	133,276
Return payable on statutory deposit		2,448	2,254
Claims payable, accrued expenses and other liabilities		1,585,213	1,514,723
Reserve for takaful activities		7,265	8,690
Gross outstanding claims	7	3,943,079	3,271,156
Incurred but not reported claims reserve	7	1,801,232	1,684,183
Premium deficiency reserve	7	1,596	7,272
Unearned commission income		41,360	39,299
Gross unearned premiums	7	3,614,155	3,820,293
Reinsurers' balances payable		239,617	94,720
Dividends payable		6,411	6,411
Accumulated surplus		15,438	-
Zakat		232,958	237,080
<b>TOTAL LIABILITIES</b>		<b>11,623,122</b>	<b>10,819,357</b>
<b>EQUITY</b>			
Share capital	8	1,250,000	1,250,000
Legal reserve	11	1,000,000	1,000,000
Fair value reserve for investments		149,110	(198,724)
Remeasurement of defined benefit obligation		(12,226)	(12,226)
Retained earnings		(57,270)	(230,829)
<b>TOTAL EQUITY</b>		<b>2,329,614</b>	<b>1,808,221</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,952,736</b>	<b>12,627,578</b>
<b>CONTINGENT LIABILITIES</b>			
	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 September 30, 2019 (Unaudited)	Three months ended September 30, 2018 (Unaudited) (Restated)	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited) (Restated)
<b>SAR'000</b>				
<b>REVENUES</b>				
Gross premiums written	1,422,638	1,207,781	5,879,185	5,059,357
Reinsurance ceded - local	(10,545)	(12,257)	(72,573)	(35,704)
Reinsurance ceded - international	(229,457)	(204,304)	(866,298)	(719,115)
Fee income from takaful	1,968	925	4,506	4,166
Excess of loss premiums	(3,581)	(5,135)	(15,974)	(21,001)
Net premiums written	1,181,023	987,010	4,928,846	4,287,703
Changes in unearned premiums	691,713	840,916	206,138	1,147,426
Changes in reinsurers' share of unearned premiums	(86,361)	(75,706)	7,943	(83,593)
Net premiums earned	1,786,375	1,752,220	5,142,927	5,351,536
Reinsurance commissions	28,474	25,074	78,377	71,706
Other underwriting income	2,979	2,561	8,606	8,489
<b>TOTAL REVENUES</b>	<b>1,817,828</b>	<b>1,779,855</b>	<b>5,229,910</b>	<b>5,431,731</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>				
Gross claims paid	1,437,468	1,717,894	4,830,001	5,894,073
Expenses incurred related to claims	7,358	5,120	17,843	16,802
Reinsurers' share of claims paid	(262,424)	(119,435)	(690,034)	(684,477)
Net claims and other benefits paid	1,182,402	1,603,579	4,157,810	5,226,398
Changes in outstanding claims	768,107	58,233	671,923	(441,803)
Changes in reinsurance share of outstanding claims	(634,791)	(156,808)	(571,421)	(83,362)
Changes in incurred but not reported claims reserve	154,218	132,685	117,049	(5,010)
Changes in reinsurance share of incurred but not reported claims	(9,623)	29,691	(62,981)	218,167
Changes in premium deficiency reserve	(319)	(61,496)	(5,676)	(80,355)
Net claims and other benefits incurred	1,459,994	1,605,884	4,306,704	4,834,035
Changes in reserves for takaful activities	(125)	23	(1,425)	(1,149)
Policy acquisition costs	90,890	93,069	263,360	294,863
Other underwriting expenses	30,245	30,203	98,892	104,334
Manafeth insurance share distribution	16,234	13,972	46,893	46,321
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,597,238</b>	<b>1,743,151</b>	<b>4,714,424</b>	<b>5,278,404</b>
Net underwriting income	220,590	36,704	515,486	153,327
<b>OTHER OPERATING (EXPENSES) / INCOME</b>				
General and administrative expenses	(129,705)	(116,087)	(379,888)	(318,574)
(Allowance for) reversal of doubtful debts	(37,965)	6,191	(96,288)	(10,907)
Dividend and realized gain on investments, net	57,146	32,293	172,016	191,861
Share of profit from investments in associates, net	2,674	7,803	14,024	22,449
Other income, net	5,458	10,229	15,630	19,174
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(102,392)</b>	<b>(59,571)</b>	<b>(274,506)</b>	<b>(95,997)</b>
Net income/ (loss) before attribution and zakat	118,198	(22,867)	240,980	57,330
Net income for the period attributed to the insurance operations	(9,090)	-	(15,438)	-
Net income/ (loss) for the period attributable to the shareholders before Zakat	109,108	(22,867)	225,542	57,330
Zakat charge for the period	(16,141)	(13,648)	(51,983)	(43,309)
Net income/ (loss) attributable to the shareholders after Zakat	92,967	(36,515)	173,559	14,021
<b>Earnings per share</b>				
Basic and diluted earnings per share (in SAR)	0.74	(0.29)	1.39	0.11
Weighted average number of shares in issue	125,000,000	125,000,000	125,000,000	125,000,000

Board Director

Chief Financial Officer

Chief Executive Officer

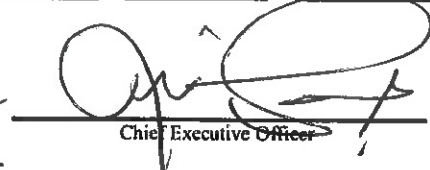
The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

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

Notes	Three months ended September 30, 2019 (Unaudited)	Three months ended September 30, 2018 (Unaudited) Restated	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited) Restated
	SAR'000			
Net income/ (loss) attributable to the shareholders after Zakat	92,967	(36,515)	173,559	14,021
<b>Other comprehensive income:</b>				
<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	87,645	(10,539)	345,334
- Net amounts transferred to interim statement of income	4	-	-	1,145
Share of other comprehensive income of investment in associates		-	865	1,355
<b>Total comprehensive income/ (loss) for the period</b>	<u>180,612</u>	<u>(46,189)</u>	<u>521,393</u>	<u>(144,207)</u>

  
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Board Director

  
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Chief Financial Officer

  
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Chief Executive Officer

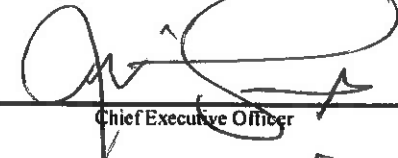
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**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CHANGES IN EQUITY**

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
Total comprehensive income/ (loss) for the period (restated):						
Net income for the period attributable to the shareholders after zakat	18	-	-	-	14,021	14,021
Changes in fair value of available-for-sale investments	18	-	(157,382)	-	-	(157,382)
Net amount recycled to interim statement of income	18	-	(902)	-	-	(902)
Share of other comprehensive income of investments in associates	-	-	56	-	-	56
Total comprehensive income / (loss)	-	-	(158,228)	-	14,021	(144,207)
Balance at September 30, 2018	1,250,000	1,000,000	(324,472)	(5,879)	62,525	1,982,174
<i>(Unaudited)</i>						
Balance at January 1, 2019	1,250,000	1,000,000	(198,724)	(12,226)	(230,829)	1,808,221
Total comprehensive income for the period:						
Net income for the period attributable to the shareholders after zakat	18	-	-	-	173,559	173,559
Changes in fair value of available-for-sale investments	18	-	345,334	-	-	345,334
Net amount recycled to interim statement of income	18	-	1,145	-	-	1,145
Share of other comprehensive income of investments in associates	18	-	1,355	-	-	1,355
Total comprehensive income	-	-	347,834	-	173,559	521,393
Balance at September 30, 2019	1,250,000	1,000,000	149,110	(12,226)	(57,270)	2,329,614

  
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 Board Director

  
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 Chief Financial Officer

  
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 Chief Executive Officer

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

	Notes	Nine months ended	Nine months ended
		September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
SAR'000			
<b>Operating activities:</b>			
Net income before attribution and zakat		240,980	57,330
<b>Adjustments for non-cash items:</b>			
Depreciation of property and equipment		16,826	16,671
Amortization of intangible assets		3,769	5,943
Allowance for doubtful debts		96,288	10,907
Loss / (gain) on sale of investments		1,145	(902)
Share of profit from investments in associates, net		(14,024)	(22,449)
Provision for defined benefit obligations		9,924	11,677
		<u>354,908</u>	<u>79,177</u>
<b>Changes in operating assets and liabilities:</b>			
Prepaid expenses and others assets		(66,210)	(130,519)
Deferred excess of loss premiums		1,338	8,138
Deferred policy acquisition costs		5,600	49,146
Reinsurers' share of gross outstanding claims		(571,421)	(83,362)
Reinsurers' share of claims incurred but not reported		(62,981)	218,167
Reinsurers' share of unearned premiums		(7,943)	83,593
Receivables, net		39,464	458,517
Reinsurers' balances payable		144,897	(90,813)
Gross unearned premiums		(206,138)	(1,147,426)
Unearned commission income		2,061	(21,764)
Gross outstanding claims		671,923	(441,803)
Incurred but not reported claims reserve		117,049	(5,010)
Premium deficiency reserve		(5,676)	(80,355)
Reserve for takaful activities		(1,425)	(1,149)
Claims payable, accrued expenses and other liabilities		70,490	900,140
		<u>485,936</u>	<u>(205,323)</u>
Defined benefit obligations paid		(10,850)	(6,337)
<b>Net cash generated from/ (used in) operating activities</b>		<u>475,086</u>	<u>(211,660)</u>
<b>Investing activities:</b>			
Proceeds from sale of available-for-sale investments		1,310,144	537,810
Purchase of available-for-sale investments		(646,524)	(1,017,726)
Proceeds from maturity of mudaraba/ murabaha deposits		6,733,216	82,035
Placement in mudaraba deposits		(7,808,548)	-
Accrued investment income		(62,489)	132,293
Dividends received from investments in associates		26,209	30,441
Purchase of property and equipment		(1,725)	(9,434)
Purchase of intangible assets		(5,407)	(2,979)
<b>Net cash used in investing activities</b>		<u>(455,124)</u>	<u>(247,560)</u>
<b>Financing activities:</b>			
Zakat paid during the period		(56,105)	(8,005)
<b>Net cash used in financing activities</b>		<u>(56,105)</u>	<u>(8,005)</u>
<b>Net change in cash and cash equivalents</b>		<u>(36,143)</u>	<u>(467,225)</u>
Cash and cash equivalents, beginning of the period	6	1,600,240	1,397,203
Cash and cash equivalents, end of the period	6	<u>1,564,097</u>	<u>929,978</u>
<b>Non-cash supplemental information:</b>			
Changes in fair value for available-for-sale investments		346,479	(158,284)
Share of other comprehensive income of associates		1,355	56

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  
SEPTEMBER 30, 2019**

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**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 interim condensed financial information of the Company as at and for the period ended 30 September 2019 have been prepared in accordance with *International Accounting Standard 34 Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for 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 and income tax).

On 18 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with *International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors* (as disclosed in note 2(c)(iii) and the effects of this change are disclosed in note 17 to the interim condensed financial information.

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 FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (continued)  
SEPTEMBER 30, 2019**

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**2. BASIS OF PREPARATION (continued)**

**(a) Basis of presentation (continued)**

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 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 income or losses of the respective operations.

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 information 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.

**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (continued)  
SEPTEMBER 30, 2019**

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

**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.

**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.

**(c) Significant accounting policies**

The accounting policies used 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 31 December 2018, except for the adoption of the new standards mentioned in note 2(c)(i) and change in the accounting for zakat and income tax as mentioned in 2(c)(iii) below:

**i) Standard effective from January 1, 2019**

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.

**ii) 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.

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**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies (continued)**

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

In September 2016, the IASB published amendments to IFRS 4 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 September 30, 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)**

**(c) Significant accounting policies (continued)**

**iii) 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 September 2019, based on latest instructions from SAMA dated 18 July 2019. Previously, zakat was recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. As per SAMA instructions dated 18 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 and the effects of the above change are disclosed in note 17 to the interim condensed financial information. The change has resulted in reduction of reported income of the Company for the three month and nine month periods ended 30 September 2018 by SR 13.6 million and SR 43.3 million, respectively. The change has had no impact on the interim statement of cash flows for the period ended 30 September 2018.

**Zakat:**

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

**(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:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Policyholders	1,180,811	778,456
Brokers and agents	324,009	757,943
Related parties (note 13)	53,456	55,506
	<u>1,558,276</u>	<u>1,591,905</u>
Receivables from reinsurers	67,164	62,517
Administrative service plan	12,623	23,105
	<u>1,638,063</u>	<u>1,677,527</u>
Provision for doubtful receivables	<u>(255,828)</u>	<u>(159,540)</u>
Receivables, net	<u>1,382,235</u>	<u>1,517,987</u>

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**4. AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments comprise the following:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
<b><u>Insurance Operations</u></b>		
Mutual funds	47,875	191,404
Fixed income portfolio (Governments and corporations securities )	1,050,048	790,304
Discretionary Portfolio Management – Equity share	157,978	-
Sukuks	31,709	225,140
Funds placed with portfolio manager	-	28,059
<b>Total</b>	<b>1,287,610</b>	<b>1,234,907</b>
<b><u>Shareholders' Operations</u></b>		
Mutual funds	694,007	1,210,899
Fixed income portfolio (Governments and corporations securities )	410,854	358,556
Discretionary Portfolio Management – Equity share	194,373	-
Sukuks	-	90,000
Funds placed with portfolio manager	-	10,768
<b>Total</b>	<b>1,299,234</b>	<b>1,670,223</b>
<b>Total available-for-sale investments</b>	<b>2,586,844</b>	<b>2,905,130</b>

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

	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
	SAR'000					
<b><u>Insurance Operations</u></b>						
Balance at the beginning of the period/ year	-	1,234,907	1,234,907	41,245	2,919,185	2,960,430
Purchases	153,750	107,338	261,088	-	1,784,785	1,784,785
Disposals	-	(405,419)	(405,419)	(42,932)	(3,436,511)	(3,479,443)
Changes in fair value of investments	4,228	192,806	197,034	1,687	(32,552)	(30,865)
Balance as at the end of the period/ year	157,978	1,129,632	1,287,610	-	1,234,907	1,234,907
<b><u>Shareholders' Operations</u></b>						
Balance at the beginning of the period/ year	-	1,670,223	1,670,223	39,340	2,525,439	2,564,779
Purchases	180,093	205,343	385,436	-	2,076,116	2,076,116
Disposals	-	(904,725)	(904,725)	(40,007)	(2,952,467)	(2,992,474)
Changes in fair value of investments	14,280	134,020	148,300	667	21,135	21,802
Balance as at the end of the period/ year	194,373	1,104,861	1,299,234	-	1,670,223	1,670,223
<b>Total</b>	<b>352,351</b>	<b>2,234,493</b>	<b>2,586,844</b>	<b>-</b>	<b>2,905,130</b>	<b>2,905,130</b>

As at September 30, 2019 the Company invested in Shariah Notes amounting to SAR 2.3 billion (December 31, 2018 SAR 2.3 billion). The Shariah 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 (real estate, private equity etc.), Discretionary Portfolio – Equity share 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 September 30, 2019 (Unaudited)	Three months ended September 30, 2018 (Unaudited)	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited)
SAR'000				
<b><u>Insurance Operations</u></b>				
Change in fair value	70,990	3,082	197,034	(96,110)
Net amount recycled to interim statement of income	-	-	-	2,614
	<u>70,990</u>	<u>3,082</u>	<u>197,034</u>	<u>(93,496)</u>
<b><u>Shareholders' Operations</u></b>				
Change in fair value	16,655	(13,621)	148,300	(61,272)
Net amount recycled to interim statement of income	-	-	1,145	(3,516)
	<u>16,655</u>	<u>(13,621)</u>	<u>149,445</u>	<u>(64,788)</u>
Total	<u>87,645</u>	<u>(10,539)</u>	<u>346,479</u>	<u>(158,284)</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 Saudi Riyal and have an original maturity of more than three months to one year and yield on average financial incomes at rates 3.26%.

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000		
<b><u>Insurance Operations</u></b>		
Balance at the beginning of the period/ year	1,387,500	-
Placed during the period/ year	4,358,494	1,387,500
Proceeds during the period/ year	(4,208,633)	-
Balance at the end of the period/ year	<u>1,537,361</u>	<u>1,387,500</u>
<b><u>Shareholders' Operations</u></b>		
Balance at the beginning of the period/ year	851,625	82,035
Placed during the period/ year	3,450,054	851,625
Matured during the period/ year	(2,524,583)	(82,035)
Balance at the end of the period/ year	<u>1,777,096</u>	<u>851,625</u>
Total	<u>3,314,457</u>	<u>2,239,125</u>

**6. CASH AND CASH EQUIVALENTS**

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000		
<b><u>Insurance Operations</u></b>		
Mudaraba deposits	-	210,000
Bank balances and cash	1,308,468	907,258
	<u>1,308,468</u>	<u>1,117,258</u>
<b><u>Shareholders' Operations</u></b>		
Mudaraba deposits	-	400,000
Bank balances and cash	255,629	82,982
	<u>255,629</u>	<u>482,982</u>
Total cash and cash equivalents	<u>1,564,097</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 nil as at September 30, 2019 (December 31, 2018: 3.99% per annum).

Bank balances and cash includes call account balance of SAR 247 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:

	September 30, 2019			December 31, 2018		
	(Unaudited)			(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	5,879,185	(938,871)	4,940,314	7,641,245	(1,098,103)	6,543,142
Premiums earned during the period / year	(6,085,323)	930,928	(5,154,395)	(8,226,196)	1,144,389	(7,081,807)
Balance as at the end of the period / year	3,614,155	(552,782)	3,061,373	3,820,293	(544,839)	3,275,454

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

	September 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
	SAR'000	
Gross outstanding claims	3,975,411	3,330,828
Less: Realizable value of salvage and subrogation	(32,332)	(59,672)
	3,943,079	3,271,156
Add: Incurred but not reported claims reserve	1,801,232	1,684,183
Add: Premium deficiency reserve	1,596	7,272
Gross outstanding claims and reserves	5,745,907	4,962,611
Less: Reinsurers' share of gross outstanding claims	(3,297,230)	(2,725,809)
Less: Reinsurers' share of incurred but not reported claims	(254,818)	(191,837)
Reinsurers' share of outstanding claims and reserves	(3,552,048)	(2,917,646)
Net outstanding claims and reserves	2,193,859	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 September 30, 2019, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves) which amounted to SAR 5.74 billion (2018: SAR 4.96 billion). Significant portion of gross reserves relates to medical and property and casualty line of business which are a best-estimate of the expected ultimate claim trends as at September 30, 2019.



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**8. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at September 30, 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.

	September 30, 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
	<b>125,000,000</b>	<b>1,250,000</b>	<b>1,250,000</b>
	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
	<b>125,000,000</b>	<b>1,250,000</b>	<b>1,250,000</b>

**9. CONTINGENT LIABILITIES**

As at September 30, 2019, the Company had contingencies related to outstanding letters of guarantee amounting to SAR 179 million (December 31, 2018: SAR 449 million) issued in favour of GAZT related to Zakat assessment raised for previous years (Note 17).

As at September 30, 2019, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting nil (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 three and nine month period and the related balances:

	Transactions for the three month period ended		Transactions for the nine month period ended		Balance receivable / (payable) as at	
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000					
<b>Major shareholders</b>						
Insurance premium written	30,983	28,947	54,047	46,312	34,427	4,091
General Organisation for Social Insurance - Other Services	-	-	82	-	-	-
<b>Associates</b>						
Insurance premium written	15,156	14,103	15,082	14,228	703	210
Najm fees paid	2,721	8,141	9,806	30,684	4,971	-
Waseel fees paid	4,614	6,094	11,613	12,198	-	-
United Insurance Co. fees and claims, net	2,920	3,157	8,667	8,040	2,729	3,712
<b>Entities controlled, jointly controlled or significantly influenced by related parties</b>						
Insurance premium written	33,808	24,133	119,415	71,361	18,326	51,205
Rent expenses paid	41	23	223	113	-	-
Amount of claims paid to hospitals	9,631	16,834	46,918	31,660	(5,741)	(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:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
	SAR'000	
Salaries and other allowances	7617	7,017
End of service indemnities	522	1,238

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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 interim condensed financial information due to the short term nature of balances.

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

	SAR'000			
	Level 1	Level 2	Level 3	Total
<b>September 30, 2019 (Unaudited)</b>				
Available-for- sale investments				
<b><u>Insurance Operations</u></b>				
Mutual funds	-	47,875	-	47,875
Fixed income portfolio (Governments and corporations securities )	-	1,050,048	-	1,050,048
Discretionary Portfolio Management - Equities	157,978	-	-	157,978
Sukuks	-	-	31,709	31,709
	<b>157,978</b>	<b>1,097,923</b>	<b>31,709</b>	<b>1,287,610</b>
<b><u>Shareholders' Operations</u></b>				
Mutual funds	-	36,393	657,614	694,007
Fixed income portfolio (Governments and corporations securities )	-	410,854	-	410,854
Discretionary Portfolio Management - Equities	194,373	-	-	194,373
	<b>194,373</b>	<b>447,247</b>	<b>657,614</b>	<b>1,299,234</b>
<b>Total</b>	<b>352,351</b>	<b>1,545,170</b>	<b>689,323</b>	<b>2,586,844</b>
<b>December 31, 2018 (Audited)</b>				
Available-for-sale investments				
<b><u>Insurance Operations</u></b>				
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
	<b>28,059</b>	<b>981,708</b>	<b>225,140</b>	<b>1,234,907</b>
<b><u>Shareholders' Operations</u></b>				
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
	<b>10,768</b>	<b>967,826</b>	<b>691,629</b>	<b>1,670,223</b>
<b>Total</b>	<b>38,827</b>	<b>1,949,534</b>	<b>916,769</b>	<b>2,905,130</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
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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:

September 30, 2019 (Unaudited)	Balance January 1	Purchases	Sales	SAR'000		Balance September 30
				Statement of income	Other comprehensive income	
<b>Insurance Operations</b>						
Sukuks	225,140	-	(193,431)	-	-	31,709
	225,140	-	(193,431)	-	-	31,709
<b>Shareholders' operations</b>						
Mutual funds	601,629	-	(4,514)	-	60,499	657,614
Sukuks	90,000	-	(90,000)	-	-	-
	691,629	-	(94,514)	-	60,499	657,614
<b>Total</b>	<b>916,769</b>	<b>-</b>	<b>(287,945)</b>	<b>-</b>	<b>60,499</b>	<b>689,323</b>

December 31, 2018 (Audited)	Balance January 1	Purchases	Sales	SAR'000		Balance December 31
				Statement of income	Other comprehensive income	
<b>Insurance Operations</b>						
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
<b>Shareholders' operations</b>						
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
<b>Total</b>	<b>5,444,624</b>	<b>1,865,094</b>	<b>(6,740,240)</b>	<b>201,706</b>	<b>145,585</b>	<b>916,769</b>

**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 September 30, 2019							Total
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
SAR'000								
<b>REVENUES</b>								
Gross premiums written								
- Retail	5,521	136,542	38,169	7,341	-	187,573		187,573
- Micro Enterprises	28,111	4,374	-	4,375	-	36,860		36,860
- Small Enterprises	55,494	3,331	-	3,771	32	62,628		62,628
- Medium Enterprises	85,604	2,693	-	4,040	317	92,654		92,654
- Corporates	886,032	7,030	-	141,410	8,451	1,042,923		1,042,923
	1,060,762	153,970	38,169	160,937	8,800	1,422,638		1,422,638
Reinsurance ceded - local	-	-	-	(4,117)	(6,428)	(10,545)		(10,545)
Reinsurance ceded - international	(89,276)	-	-	(138,607)	(1,574)	(229,457)		(229,457)
Fees income from takaful	-	-	-	-	1,968	1,968		1,968
Excess of loss premiums	-	(2,953)	(477)	(151)	-	(3,581)		(3,581)
Net premiums written	971,486	151,017	37,692	18,062	2,766	1,181,023		1,181,023
Changes in unearned premiums, net	594,512	3,560	7	7,193	80	605,352		605,352
Net premiums earned	1,565,998	154,577	37,699	25,255	2,846	1,786,375		1,786,375
Reinsurance commissions	576	-	-	27,898	-	28,474		28,474
Other underwriting income	-	2,979	-	-	-	2,979		2,979
<b>TOTAL REVENUES</b>	<b>1,566,574</b>	<b>157,556</b>	<b>37,699</b>	<b>53,153</b>	<b>2,846</b>	<b>1,817,828</b>		<b>1,817,828</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related expenses	1,117,906	75,074	6,118	244,780	948	1,444,826		1,444,826
Reinsurers' share of claims paid	(19,547)	(2,812)	-	(239,196)	(869)	(262,424)		(262,424)
Net claims paid	1,098,359	72,262	6,118	5,584	79	1,182,402		1,182,402
Changes in outstanding claims, net	123,043	9,167	54	1,067	(15)	133,316		133,316
Changes in incurred but not reported claims reserve, net	150,275	(4,241)	(12)	(1,427)	-	144,595		144,595
Changes in premium deficiency reserves	-	-	-	(319)	-	(319)		(319)
Net claims and other benefits incurred	1,371,677	77,188	6,160	4,905	64	1,459,994		1,459,994
Changes in reserve for takaful activities	-	-	-	-	(125)	(125)		(125)
Policy acquisition costs	49,984	23,703	7,876	9,083	244	90,890		90,890
Other underwriting expenses	20,375	770	3,170	5,837	93	30,245		30,245
Manafeth insurance share distribution	-	-	16,234	-	-	16,234		16,234
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,442,036</b>	<b>101,661</b>	<b>33,440</b>	<b>19,825</b>	<b>276</b>	<b>1,597,238</b>		<b>1,597,238</b>
<b>NET UNDERWRITING INCOME</b>	<b>124,538</b>	<b>55,895</b>	<b>4,259</b>	<b>33,328</b>	<b>2,570</b>	<b>220,590</b>		<b>220,590</b>
General and administrative expenses						(126,583)	(3,122)	(129,705)
Allowance for doubtful debts						(37,965)	-	(37,965)
Dividend and realized gain on investments, net						28,931	28,215	57,146
Share of profit from investments in associates, net						476	2,198	2,674
Other income						5,458	-	5,458
<b>NET INCOME FOR THE PERIOD BEFORE ZAKAT</b>						<b>90,907</b>	<b>27,291</b>	<b>118,198</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
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**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months period ended September 30, 2018							Total
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
SAR'000								
<b>REVENUES</b>								
Gross premiums written								
- Retail	16,177	107,348	37,227	6,123	-	166,875		166,875
- Micro Enterprises	24,776	5,429	-	2,259	-	32,464		32,464
- Small Enterprises	38,284	2,909	-	2,901	22	44,116		44,116
- Medium Enterprises	56,086	2,399	-	3,837	378	62,700		62,700
- Corporates	755,127	9,100	-	136,123	1,276	901,626		901,626
	890,450	127,185	37,227	151,243	1,676	1,207,781		1,207,781
Reinsurance ceded - local	-	-	-	(12,257)	-	(12,257)		(12,257)
Reinsurance ceded - international	(90,333)	-	-	(112,514)	(1,457)	(204,304)		(204,304)
Fees income from takaful	-	-	-	-	925	925		925
Excess of loss premiums	-	(3,111)	(579)	(1,445)	-	(5,135)		(5,135)
Net premiums written	800,117	124,074	36,648	25,027	1,144	987,010		987,010
Changes in unearned premiums, net	654,296	103,458	1,134	6,214	108	765,210		765,210
Net premiums earned	1,454,413	227,532	37,782	31,241	1,252	1,752,220		1,752,220
Reinsurance commissions	605	134	-	24,335	-	25,074		25,074
Other underwriting income	-	2,561	-	-	-	2,561		2,561
<b>TOTAL REVENUES</b>	<b>1,455,018</b>	<b>230,227</b>	<b>37,782</b>	<b>55,576</b>	<b>1,252</b>	<b>1,779,855</b>		<b>1,779,855</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related expenses	1,472,679	144,141	6,683	97,349	2,162	1,723,014		1,723,014
Reinsurers' share of claims paid	(25,338)	(1,778)	-	(90,905)	(1,414)	(119,435)		(119,435)
Net claims paid	1,447,341	142,363	6,683	6,444	748	1,603,579		1,603,579
Changes in outstanding claims, net	(104,463)	2,097	1,452	2,340	(1)	(98,575)		(98,575)
Changes in incurred but not reported claims reserve, net	189,790	(24,130)	144	(3,428)	-	162,376		162,376
Changes in premium deficiency reserves	(61,496)	-	-	-	-	(61,496)		(61,496)
Net claims and other benefits incurred	1,471,172	120,330	8,279	5,356	747	1,605,884		1,605,884
Changes in reserve for takaful activities	-	-	-	-	23	23		23
Policy acquisition costs	50,534	22,484	8,263	11,523	265	93,069		93,069
Other underwriting expenses	20,123	2,436	2,746	4,687	211	30,203		30,203
Manafeth insurance share distribution	-	-	13,972	-	-	13,972		13,972
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,541,829</b>	<b>145,250</b>	<b>33,260</b>	<b>21,566</b>	<b>1,246</b>	<b>1,743,151</b>		<b>1,743,151</b>
<b>NET UNDERWRITING (LOSS)/ INCOME</b>	<b>(86,811)</b>	<b>84,977</b>	<b>4,522</b>	<b>34,010</b>	<b>6</b>	<b>36,704</b>		<b>36,704</b>
General and administrative expenses						(115,353)	(734)	(116,087)
Reversal of allowance for doubtful debts						6,191	-	6,191
Dividend and realized gain on investments, net						4,357	27,936	32,293
Share of profit from investments in associates, net						-	7,803	7,803
Other income						10,229	-	10,229
<b>NET (LOSS)/ INCOME FOR THE PERIOD BEFORE ZAKAT</b>						<b>(57,872)</b>	<b>35,005</b>	<b>(22,867)</b>

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**15. OPERATING SEGMENTS (continued)**

For the nine months period ended September 30, 2019  
(Unaudited)

Operating Segments	Medical	Motor	Manafeth	Property	Protection	Total - Insurance operations	Total Shareholders' operations	Total
				& casualty	& Savings			
SAR'000								
<b>REVENUES</b>								
Gross premiums written								
- Retail	19,405	402,309	115,924	19,291	-	556,929		556,929
- Micro Enterprises	177,521	12,628	-	30,870	-	221,019		221,019
- Small Enterprises	219,498	10,770	-	16,165	127	246,560		246,560
- Medium Enterprises	299,881	14,468	-	13,823	846	329,018		329,018
- Corporates	3,670,396	25,443	-	816,414	13,406	4,525,659		4,525,659
	4,386,701	465,618	115,924	896,563	14,379	5,879,185		5,879,185
Reinsurance ceded - local	-	-	-	(64,434)	(8,139)	(72,573)		(72,573)
Reinsurance ceded - international	(93,832)	-	-	(767,908)	(4,558)	(866,298)		(866,298)
Fees income from takaful	-	-	-	-	4,506	4,506		4,506
Excess of loss premiums	-	(11,710)	(1,432)	(2,832)	-	(15,974)		(15,974)
Net premiums written	4,292,869	453,908	114,492	61,389	6,188	4,928,846		4,928,846
Changes in unearned premiums, net	189,294	14,128	(1,216)	11,560	315	214,081		214,081
Net premiums earned	4,482,163	468,036	113,276	72,949	6,503	5,142,927		5,142,927
Reinsurance commissions	2,002	148	-	76,227	-	78,377		78,377
Other underwriting income	-	8,606	-	-	-	8,606		8,606
<b>TOTAL REVENUES</b>	<b>4,484,165</b>	<b>476,790</b>	<b>113,276</b>	<b>149,176</b>	<b>6,503</b>	<b>5,229,910</b>		<b>5,229,910</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related expenses	3,950,344	237,905	19,877	630,251	9,467	4,847,844		4,847,844
Reinsurers' share of claims paid	(60,126)	(6,438)	-	(614,786)	(8,684)	(690,034)		(690,034)
Net claims paid	3,890,218	231,467	19,877	15,465	783	4,157,810		4,157,810
Changes in outstanding claims, net	60,320	38,617	1,200	857	(492)	100,502		100,502
Changes in incurred but not reported claims reserve, net	100,319	(43,273)	(1,108)	(1,874)	4	54,068		54,068
Changes in premium deficiency reserves	(4,510)	-	-	(1,166)	-	(5,676)		(5,676)
Net claims and other benefits incurred	4,046,347	226,811	19,969	13,282	295	4,306,704		4,306,704
Changes in reserve for takaful activities	-	-	-	-	(1,425)	(1,425)		(1,425)
Policy acquisition costs	148,195	63,762	23,657	27,011	735	263,360		263,360
Other underwriting expenses	70,492	2,328	9,186	15,473	1,413	98,892		98,892
Manafeth insurance share distribution	-	-	46,893	-	-	46,893		46,893
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>4,265,034</b>	<b>292,901</b>	<b>99,705</b>	<b>55,766</b>	<b>1,018</b>	<b>4,714,424</b>		<b>4,714,424</b>
<b>NET UNDERWRITING INCOME</b>	<b>219,131</b>	<b>183,889</b>	<b>13,571</b>	<b>93,410</b>	<b>5,485</b>	<b>515,486</b>		<b>515,486</b>
General and administrative expenses						(376,296)	(3,592)	(379,888)
Allowance for doubtful debts						(96,288)	-	(96,288)
Dividend and realized gain on investments, net						94,951	77,065	172,016
Share of profit from investments in associates, net						901	13,123	14,024
Other income						15,630	-	15,630
<b>NET INCOME FOR THE PERIOD BEFORE ZAKAT</b>						<b>154,384</b>	<b>86,596</b>	<b>240,980</b>

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**15. OPERATING SEGMENTS (continued)**

For the nine months period ended September 30, 2018

(Unaudited)

Operating Segments	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
<b>REVENUES</b>								
Gross premiums written								
- Retail	27,980	418,346	109,111	17,617	-	573,054		573,054
- Micro Enterprises	151,137	16,823	-	13,717	-	181,677		181,677
- Small Enterprises	129,355	10,763	-	9,904	157	150,179		150,179
- Medium Enterprises	193,348	16,654	-	11,380	1,191	222,573		222,573
- Corporates	3,219,608	30,090	-	665,821	16,355	3,931,874		3,931,874
	3,721,428	492,676	109,111	718,439	17,703	5,059,357		5,059,357
Reinsurance ceded - local	-	-	-	(35,704)	-	(35,704)		(35,704)
Reinsurance ceded - international	(92,846)	-	-	(610,612)	(15,657)	(719,115)		(719,115)
Fees income from takaful	-	-	-	-	4,166	4,166		4,166
Excess of loss premiums	-	(12,503)	(2,356)	(6,142)	-	(21,001)		(21,001)
Net premiums written	3,628,582	480,173	106,755	65,981	6,212	4,287,703		4,287,703
Changes in unearned premiums, net	707,309	337,327	3,224	15,814	159	1,063,833		1,063,833
Net premiums earned	4,335,891	817,500	109,979	81,795	6,371	5,351,536		5,351,536
Reinsurance commissions	1,956	135	-	69,615	-	71,706		71,706
Other underwriting income	-	8,489	-	-	-	8,489		8,489
<b>TOTAL REVENUES</b>	<b>4,337,847</b>	<b>826,124</b>	<b>109,979</b>	<b>151,410</b>	<b>6,371</b>	<b>5,431,731</b>		<b>5,431,731</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related expenses	4,733,583	526,730	21,160	613,276	16,126	5,910,875		5,910,875
Reinsurers' share of claims paid	(73,043)	(7,895)	-	(588,967)	(14,572)	(684,477)		(684,477)
Net claims paid	4,660,540	518,835	21,160	24,309	1,554	5,226,398		5,226,398
Changes in outstanding claims, net	(540,094)	5,240	5,222	4,049	418	(525,165)		(525,165)
Changes in incurred but not reported claims reserve, net	253,043	(23,271)	(10,130)	(6,485)	-	213,157		213,157
Changes in premium deficiency reserves	(80,355)	-	-	-	-	(80,355)		(80,355)
Net claims and other benefits incurred	4,293,134	500,804	16,252	21,873	1,972	4,834,035		4,834,035
Changes in reserve for takaful activities	-	-	-	-	(1,149)	(1,149)		(1,149)
Policy acquisition costs	149,302	83,511	24,873	36,327	850	294,863		294,863
Other underwriting expenses	69,573	7,863	9,034	16,473	1,391	104,334		104,334
Manafeth insurance share distribution	-	-	46,321	-	-	46,321		46,321
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>4,512,009</b>	<b>592,178</b>	<b>96,480</b>	<b>74,673</b>	<b>3,064</b>	<b>5,278,404</b>		<b>5,278,404</b>
<b>NET UNDERWRITING (LOSS)/ INCOME</b>	<b>(174,162)</b>	<b>233,946</b>	<b>13,499</b>	<b>76,737</b>	<b>3,307</b>	<b>153,327</b>		<b>153,327</b>
General and administrative expenses						(314,129)	(4,445)	(318,574)
Allowance for doubtful debts						(10,907)	-	(10,907)
Dividend and realized gain on investments, net						56,316	136,326	192,642
Share of profit from investments in associates, net						-	21,668	21,668
Other income						19,174	-	19,174
<b>NET (LOSS)/ INCOME FOR THE PERIOD BEFORE ZAKAT</b>						<b>(96,219)</b>	<b>153,549</b>	<b>57,330</b>



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**15. OPERATING SEGMENTS (continued)**

Operating Segments	As at September 30, 2019 (Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
	SAR'000							
<b>Assets</b>								
Reinsurer's share of unearned premiums	73,569	-	-	476,041	3,172	552,782		552,782
Reinsurer's share of incurred but not reported claims	21,119	13,528	-	217,874	2,297	254,818		254,818
Reinsurer's share of outstanding claims	201	20,576	2,100	3,254,292	20,061	3,297,230		3,297,230
Deferred excess of loss premiums	-	6,507	477	453	-	7,437		7,437
Deferred policy acquisition costs	90,800	21,599	1,471	10,749	432	125,051		125,051
Investments (including investment property, mudaraba deposit, investments in associates and accrued investment income )						2,876,140	3,181,797	6,057,937
Receivables, net						1,382,235		1,382,235
Cash and cash equivalents						1,308,468	255,629	1,564,097
Unallocated assets						583,601	127,548	711,149
<b>Total assets</b>	<b>185,689</b>	<b>62,210</b>	<b>4,048</b>	<b>3,959,409</b>	<b>25,962</b>	<b>10,387,762</b>	<b>3,564,974</b>	<b>13,952,736</b>
<b>Liabilities</b>								
Gross unearned premiums	2,741,432	313,382	25,279	530,190	3,872	3,614,155		3,614,155
Gross outstanding claims	316,249	193,436	15,392	3,396,309	21,693	3,943,079		3,943,079
Incurred but not reported claims reserve	1,379,895	164,956	12,814	241,001	2,566	1,801,232		1,801,232
Premium deficiency reserve	-	-	-	1,596	-	1,596		1,596
Unearned commission income	1,810	-	-	38,517	1,033	41,360		41,360
Reserve for takaful activities	-	-	-	-	7,265	7,265		7,265
Reinsurers' balances payable						239,617		239,617
Unallocated liabilities and accumulated Surplus						1,729,981	244,837	1,974,818
<b>Total liabilities</b>	<b>4,439,386</b>	<b>671,774</b>	<b>53,485</b>	<b>4,207,613</b>	<b>36,429</b>	<b>11,378,285</b>	<b>244,837</b>	<b>11,623,122</b>

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**15. OPERATING SEGMENTS (continued)**

Operating Segments	As at December 31, 2018 (Audited)							Total
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	
SAR'000								
<b>Assets</b>								
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, mudaraba deposit, investments in associates and accrued investment income )						2,640,189	2,609,043	5,249,232
Receivables, net						1,517,987	-	1,517,987
Cash and cash equivalents						1,117,258	482,982	1,600,240
Unallocated assets						530,954	127,254	658,208
<b>Total assets</b>	<b>170,353</b>	<b>47,025</b>	<b>3,312</b>	<b>3,347,634</b>	<b>33,587</b>	<b>9,408,299</b>	<b>3,219,279</b>	<b>12,627,578</b>
<b>Liabilities</b>								
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						1,640,177	253,567	1,893,744
<b>Total liabilities</b>	<b>4,453,963</b>	<b>674,836</b>	<b>52,077</b>	<b>3,603,086</b>	<b>46,931</b>	<b>10,565,790</b>	<b>253,567</b>	<b>10,819,357</b>

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**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**

**a) 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. GAZT issued a final demand order amounting to SR 235 million pertaining to assessment years 2007 to 2013. The Company paid SR 235 million from the zakat and withholding tax provision during July 2019. Further, GAZT has yet to commence its review for the years 2014 and 2018. Management believes that, appropriate provisions have been made that finalization of the above mentioned assessments is not expected to have a material impact on the interim condensed financial information.

**b) Change in accounting treatment in relation to zakat**

The change in the accounting treatment for zakat (as explained in note 2(c)(iii)) has the following impact on the line items of the interim statements of income and changes in shareholders' equity.

As at and for the three-month period ended September 30, 2018:

Financial statement impacted	Account	As previously stated for three months ended September 30, 2018	Effect of restatement relating to zakat	As restated for three months ended September 30, 2018
		<b>SAR '000</b>		
Statement of income	Zakat charge for the period	-	(13,648)	(13,648)
Statement of income	Basic and diluted earning per share	(0.18)	(0.11)	(0.29)

As at and for the nine-month period ended September 30, 2018:

Financial statement impacted	Account	As previously stated for nine months ended September 30, 2018	Effect of restatement relating to zakat	As restated for nine months ended September 30, 2018
		<b>SAR '000</b>		
Statement of income	Zakat charge for the period	-	(43,309)	(43,309)
Statement of income	Basic and diluted earning per share	0.46	(0.35)	0.11
Statement of changes in shareholders' equity	Net income for the period attributable to the shareholders	57,330	(43,309)	14,021
Statement of change in shareholders' equity	Zakat charge for the period	(43,309)	43,309	-

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**18. SUPPLEMENTARY INFORMATION**

**i) Interim statement of financial position**

	As at September 30, 2019 (Unaudited)			As at December 31, 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>SAR'000</b>						
<b>ASSETS</b>						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,448	2,448	-	2,254	2,254
Property and equipment, net	251,132	-	251,132	266,233	-	266,233
Intangible assets	5,271	-	5,271	3,633	-	3,633
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	8,822	75,464	84,286	7,921	87,195	95,116
Available for sale investments	1,287,610	1,299,234	2,586,844	1,234,907	1,670,223	2,905,130
Mudaraba deposits	1,537,361	1,777,096	3,314,457	1,387,500	851,625	2,239,125
Due from/ to Shareholder's operations	1,096,725	(1,096,725)	-	1,066,659	(1,066,659)	-
Prepaid expenses and other assets	327,198	100	327,298	261,088	-	261,088
Deferred excess of loss premiums	7,437	-	7,437	8,775	-	8,775
Deferred policy acquisition costs	125,051	-	125,051	130,651	-	130,651
Reinsurers' share of gross outstanding claims	3,297,230	-	3,297,230	2,725,809	-	2,725,809
Reinsurers' share of incurred but not reported claims	254,818	-	254,818	191,837	-	191,837
Reinsurers' share of unearned premiums	552,782	-	552,782	544,839	-	544,839
Receivables, net	1,382,235	-	1,382,235	1,517,987	-	1,517,987
Accrued investment income	32,486	30,003	62,489	-	-	-
Cash and cash equivalents	1,308,468	255,629	1,564,097	1,117,258	482,982	1,600,240
<b>TOTAL ASSETS</b>	<b>11,484,487</b>	<b>2,468,249</b>	<b>13,952,736</b>	<b>10,474,958</b>	<b>2,152,620</b>	<b>12,627,578</b>
<b>LIABILITIES</b>						
Defined benefit obligations	132,350	-	132,350	133,276	-	133,276
Return payable on statutory deposit	-	2,448	2,448	-	2,254	2,254
Claims payable, accrued expenses and other liabilities	1,582,193	3,020	1,585,213	1,506,901	7,822	1,514,723
Reserve for takaful activities	7,265	-	7,265	8,690	-	8,690
Gross outstanding claims	3,943,079	-	3,943,079	3,271,156	-	3,271,156
Incurred but not reported claims reserve	1,801,232	-	1,801,232	1,684,183	-	1,684,183
Premium deficiency reserve	1,596	-	1,596	7,272	-	7,272
Unearned commission income	41,360	-	41,360	39,299	-	39,299
Gross unearned premiums	3,614,155	-	3,614,155	3,820,293	-	3,820,293
Reinsurers' balances payable	239,617	-	239,617	94,720	-	94,720
Dividends payable	-	6,411	6,411	-	6,411	6,411
Accumulated surplus	15,438	-	15,438	-	-	-
Zakat	-	232,958	232,958	-	237,080	237,080
<b>TOTAL LIABILITIES</b>	<b>11,378,285</b>	<b>244,837</b>	<b>11,623,122</b>	<b>10,565,790</b>	<b>253,567</b>	<b>10,819,357</b>
<b>EQUITY</b>						
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	118,428	30,682	149,110	(78,606)	(120,118)	(198,724)
Remeasurements of defined benefit obligation	(12,226)	-	(12,226)	(12,226)	-	(12,226)
Retained earnings	-	(57,270)	(57,270)	-	(230,829)	(230,829)
<b>TOTAL EQUITY</b>	<b>106,202</b>	<b>2,223,412</b>	<b>2,329,614</b>	<b>(90,832)</b>	<b>1,899,053</b>	<b>1,808,221</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,484,487</b>	<b>2,468,249</b>	<b>13,952,736</b>	<b>10,474,958</b>	<b>2,152,620</b>	<b>12,627,578</b>

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**18. SUPPLEMENTARY INFORMATION (continued)**

**ii) Interim statement of income**

	For the three months period ended September 30, 2019			For the three months period ended September 30, 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	<b>SAR'000</b>					
<b>REVENUES</b>						
Gross premiums written	1,422,638		1,422,638	1,207,781		1,207,781
Reinsurance premium ceded	(240,002)		(240,002)	(216,561)		(216,561)
Fees income from takaful	1,968		1,968	925		925
Excess of loss premiums	(3,581)		(3,581)	(5,135)		(5,135)
Net premiums written	1,181,023		1,181,023	987,010		987,010
Changes in unearned premiums, net	605,352		605,352	765,210		765,210
Net premiums earned	1,786,375		1,786,375	1,752,220		1,752,220
Reinsurance commissions	28,474		28,474	25,074		25,074
Other underwriting income	2,979		2,979	2,561		2,561
<b>Total revenues</b>	<b>1,817,828</b>		<b>1,817,828</b>	<b>1,779,855</b>		<b>1,779,855</b>
<b>COST AND EXPENSES</b>						
Gross claims paid	1,437,468		1,437,468	1,717,894		1,717,894
Expenses incurred related to claims	7,358		7,358	5,120		5,120
Reinsurance share of claims paid	(262,424)		(262,424)	(119,435)		(119,435)
Net claims and other benefits paid	1,182,402		1,182,402	1,603,579		1,603,579
Changes in outstanding claims, net	133,316		133,316	(98,575)		(98,575)
Changes in incurred but not reported claims, net	144,595		144,595	162,376		162,376
Changes in premium deficiency reserves	(319)		(319)	(61,496)		(61,496)
Net claims and other benefits incurred	1,459,994		1,459,994	1,605,884		1,605,884
Changes in reserves for takaful activities	(125)		(125)	23		23
Policy acquisition costs	90,890		90,890	93,069		93,069
Other underwriting expenses	30,245		30,245	30,203		30,203
Manafeth insurance share distribution	16,234		16,234	13,972		13,972
<b>Total underwriting costs and expenses</b>	<b>1,597,238</b>		<b>1,597,238</b>	<b>1,743,151</b>		<b>1,743,151</b>
<b>Net underwriting income</b>	<b>220,590</b>		<b>220,590</b>	<b>36,704</b>		<b>36,704</b>
General and administrative expenses	(126,583)	(3,122)	(129,705)	(115,353)	(734)	(116,087)
(Allowance for)/ reversal of doubtful debts	(37,965)	-	(37,965)	6,191	-	6,191
Dividend and realized gain on investments, net	28,931	28,215	57,146	4,357	27,936	32,293
Share of profit from investments in associates, net	476	2,198	2,674	-	7,803	7,803
Other income, net	5,458	-	5,458	10,229	-	10,229
<b>Net income/ (loss) for the period before Zakat</b>	<b>90,907</b>	<b>27,291</b>	<b>118,198</b>	<b>(57,872)</b>	<b>35,005</b>	<b>(22,867)</b>
<b>(Surplus) / Deficit transferred to Shareholders'</b>	<b>(81,817)</b>	<b>81,817</b>	<b>-</b>	<b>57,872</b>	<b>(57,872)</b>	<b>-</b>
<b>Net income/ (loss) for the period after</b>						
Shareholders' appropriations before Zakat	9,090	109,108	118,198	-	(22,867)	(22,867)
Zakat charge for the period		(16,141)			(13,648)	
<b>Net income / (loss) for the period after Zakat</b>		<b>92,967</b>			<b>(36,515)</b>	

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**18. SUPPLEMENTARY INFORMATION (continued)**

**iii) Interim statement of income (continued)**

	For the nine months period ended September 30, 2019			For the nine months period ended September 30, 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	<b>SAR'000</b>					
<b>REVENUES</b>						
Gross premiums written	5,879,185		5,879,185	5,059,357		5,059,357
Reinsurance premium ceded	(938,871)		(938,871)	(754,819)		(754,819)
Fees income from takaful	4,506		4,506	4,166		4,166
Excess of loss premiums	(15,974)		(15,974)	(21,001)		(21,001)
Net premiums written	4,928,846		4,928,846	4,287,703		4,287,703
Changes in unearned premiums, net	214,081		214,081	1,063,833		1,063,833
Net premiums earned	5,142,927		5,142,927	5,351,536		5,351,536
Reinsurance commissions	78,377		78,377	71,706		71,706
Other underwriting income	8,606		8,606	8,489		8,489
<b>Total revenues</b>	<b>5,229,910</b>		<b>5,229,910</b>	<b>5,431,731</b>		<b>5,431,731</b>
<b>COST AND EXPENSES</b>						
Gross claims paid	4,830,001		4,830,001	5,894,073		5,894,073
Expenses incurred related to claims	17,843		17,843	16,802		16,802
Reinsurance share of claims paid	(690,034)		(690,034)	(684,477)		(684,477)
Net claims and other benefits paid	4,157,810		4,157,810	5,226,398		5,226,398
Changes in outstanding claims, net	100,502		100,502	(525,165)		(525,165)
Changes in incurred but not reported claims, net	54,068		54,068	213,157		213,157
Changes in premium deficiency reserves	(5,676)		(5,676)	(80,355)		(80,355)
Net claims and other benefits incurred	4,306,704		4,306,704	4,834,035		4,834,035
Changes in reserves for takaful activities	(1,425)		(1,425)	(1,149)		(1,149)
Policy acquisition costs	263,360		263,360	294,863		294,863
Other underwriting expenses	98,892		98,892	104,334		104,334
Manafeth insurance share distribution	46,893		46,893	46,321		46,321
<b>Total underwriting costs and expenses</b>	<b>4,714,424</b>		<b>4,714,424</b>	<b>5,278,404</b>		<b>5,278,404</b>
<b>Net underwriting income</b>	<b>515,486</b>		<b>515,486</b>	<b>153,327</b>		<b>153,327</b>
General and administrative expenses	(376,296)	(3,592)	(379,888)	(314,129)	(4,445)	(318,574)
Allowance for doubtful debts	(96,288)	-	(96,288)	(10,907)	-	(10,907)
Dividend and realized gain on investments, net	94,951	77,065	172,016	56,316	136,326	192,642
Share of profit from investments in associates, net	901	13,123	14,024	-	21,668	21,668
Other income, net	15,630	-	15,630	19,174	-	19,174
<b>Net income/ (loss) for the period before Zakat</b>	<b>154,384</b>	<b>86,596</b>	<b>240,980</b>	<b>(96,219)</b>	<b>153,549</b>	<b>57,330</b>
<b>(Surplus) / Deficit transferred to Shareholders'</b>	<b>(138,946)</b>	<b>138,946</b>	<b>-</b>	<b>96,219</b>	<b>(96,219)</b>	<b>-</b>
<b>Net income for the period after</b>						
<b>Shareholders' appropriations before Zakat</b>	<b>15,438</b>	<b>225,542</b>	<b>240,980</b>	<b>-</b>	<b>57,330</b>	<b>57,330</b>
<b>Zakat charge for the period</b>		<b>(51,983)</b>			<b>(43,309)</b>	
<b>Net income for the period after Zakat</b>		<b>173,559</b>			<b>14,021</b>	

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**18. SUPPLEMENTARY INFORMATION (continued)**

**iv) Interim statement of comprehensive income**

	For the three months period ended September 30, 2019 (Unaudited)			For the three months period ended September 30, 2018 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	<b>SAR'000</b>					
Net income/ (loss) after Zakat	9,090	92,967	102,057	-	(36,515)	(36,515)
<b>Other comprehensive income:</b>						
<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	70,990	16,655	87,645	3,082	(13,621)	(10,539)
Share of other comprehensive income of investments in associates	-	-	-	-	865	865
<b>Total comprehensive income/ (loss) for the Period</b>	<b>80,080</b>	<b>109,622</b>	<b>189,702</b>	<b>3,082</b>	<b>(49,271)</b>	<b>(46,189)</b>
<b>Reconciliation:</b>						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(9,090)			-
<b>Total comprehensive income/ (loss) for the period</b>			<b>180,612</b>			<b>(46,189)</b>
	<b>For the nine months period ended September 30, 2019 (Unaudited)</b>			<b>For the nine months period ended September 30, 2018 (Unaudited)</b>		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	<b>SAR'000</b>					
Net income after Zakat	15,438	173,559	188,997	-	14,021	14,021
<b>Other comprehensive income:</b>						
<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	197,034	148,300	345,334	(96,110)	(61,272)	(157,382)
- Net amounts recycled to interim statement of income	-	1,145	1,145	2,614	(3,516)	(902)
Share of other comprehensive income of investments in associates	-	1,355	1,355	-	56	56
<b>Total comprehensive income / (loss) for the Period</b>	<b>212,472</b>	<b>324,359</b>	<b>536,831</b>	<b>(93,496)</b>	<b>(50,711)</b>	<b>(144,207)</b>
<b>Reconciliation:</b>						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(15,438)			-
<b>Total comprehensive income/ (loss) for the period</b>			<b>521,393</b>			<b>(144,207)</b>

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**18. SUPPLEMENTARY INFORMATION (continued)**

**v) Interim statement of cash flows**

	For the nine months period ended September 30, 2019			For the nine months period ended September 30, 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
<b>Operating activities:</b>						
Net income before attribution and zakat	15,438	225,542	240,980	-	57,330	57,330
<b>Adjustments for non-cash items:</b>						
Depreciation of property and equipment	16,826	-	16,826	16,671	-	16,671
Amortization of intangible assets	3,769	-	3,769	5,943	-	5,943
Allowance for doubtful debts	96,288	-	96,288	10,907	-	10,907
Loss/ (gain) on sale of available-for-sale investments	-	1,145	1,145	2,614	(3,516)	(902)
Share of profit from investments in associates, net	(901)	(13,123)	(14,024)	(781)	(21,668)	(22,449)
Provision for defined benefit obligation	9,924	-	9,924	11,677	-	11,677
	141,344	213,564	354,908	47,031	32,146	79,177
<b>Changes in operating assets and liabilities:</b>						
Prepaid expenses and others assets	(66,110)	(100)	(66,210)	(132,165)	1,646	(130,519)
Deferred excess of loss premiums	1,338	-	1,338	8,138	-	8,138
Deferred policy acquisition costs	5,600	-	5,600	49,146	-	49,146
Reinsurers' share of outstanding claims	(571,421)	-	(571,421)	(83,362)	-	(83,362)
Reinsurers' share of claims incurred but not reported	(62,981)	-	(62,981)	218,167	-	218,167
Reinsurers' share of unearned premiums	(7,943)	-	(7,943)	83,593	-	83,593
Receivables, net	39,464	-	39,464	458,517	-	458,517
Reinsurers' balances payable	144,897	-	144,897	(90,813)	-	(90,813)
Gross unearned premiums	(206,138)	-	(206,138)	(1,147,426)	-	(1,147,426)
Unearned commission income	2,061	-	2,061	(21,764)	-	(21,764)
Gross outstanding claims	671,923	-	671,923	(441,803)	-	(441,803)
Claims incurred but not reported reserves	117,049	-	117,049	(5,010)	-	(5,010)
Premium deficiency reserve	(5,676)	-	(5,676)	(80,355)	-	(80,355)
Reserve for takaful activities	(1,425)	-	(1,425)	(1,149)	-	(1,149)
Claims payable, accrued expenses and other liabilities	75,292	(4,802)	70,490	896,399	3,741	900,140
	277,274	208,662	485,936	(242,856)	37,533	(205,323)
Defined benefit obligation paid	(10,850)	-	(10,850)	(6,337)	-	(6,337)
<b>Net cash from / (used in) operating activities</b>	<b>266,424</b>	<b>208,662</b>	<b>475,086</b>	<b>(249,193)</b>	<b>37,533</b>	<b>(211,660)</b>
<b>Investing activities:</b>						
Proceeds from sale of available-for-sale investments	405,419	904,725	1,310,144	346,771	191,039	537,810
Purchase of available-for-sale investments	(261,088)	(385,436)	(646,524)	(553,660)	(464,066)	(1,017,726)
Proceeds from maturity of murabaha deposits	4,208,633	2,524,583	6,733,216	-	82,035	82,035
Placement in mudarabah deposits	(4,358,494)	(3,450,054)	(7,808,548)	-	-	-
Accrued investment income	(32,486)	(30,003)	(62,489)	71,739	60,554	132,293
Dividends received from investments in associates	-	26,209	26,209	-	30,441	30,441
Purchase of property and equipment	(1,725)	-	(1,725)	(9,434)	-	(9,434)
Purchase of intangible assets	(5,407)	-	(5,407)	(2,979)	-	(2,979)
<b>Net cash used in investing activities</b>	<b>(45,148)</b>	<b>(409,976)</b>	<b>(455,124)</b>	<b>(147,563)</b>	<b>(99,997)</b>	<b>(247,560)</b>



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (continued)**  
**SEPTEMBER 30, 2019**

**18. SUPPLEMENTARY INFORMATION (continued)**

**iv) Interim statement of cash flows (continued)**

	For the nine months period ended September 30, 2019			For the nine months period ended September 30, 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
<b>Financing activities:</b>						
Zakat paid during the period	-	(56,105)	(56,105)	-	(8,005)	(8,005)
Due to shareholders	(30,066)	30,066	-	47,376	(47,376)	-
<b>Net cash from/ (used in) financing activities</b>	<b>(30,066)</b>	<b>(26,039)</b>	<b>(56,105)</b>	<b>47,376</b>	<b>(55,381)</b>	<b>(8,005)</b>
<b>Net change in cash and cash equivalents</b>	<b>191,210</b>	<b>(227,353)</b>	<b>(36,143)</b>	<b>(349,380)</b>	<b>(117,845)</b>	<b>(467,225)</b>
Cash and cash equivalents, beginning of the period	1,117,258	482,982	1,600,240	1,115,144	282,059	1,397,203
<b>Cash and cash equivalents, end of the period</b>	<b>1,308,468</b>	<b>255,629</b>	<b>1,564,097</b>	<b>765,764</b>	<b>164,214</b>	<b>929,978</b>
<b>Non-cash supplemental information:</b>						
Changes in fair value for available-for-sale investments	197,034	149,445	346,479	(93,496)	(64,788)	(158,284)
Share of other comprehensive income of associates	-	1,355	1,355	-	56	56

**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 Rabi 1 01, 1441H, corresponding to October 29, 2019.