
MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL INFORMATION AND INDEPENDENT AUDITORS'
REVIEW REPORT**
AS AT AND FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2019

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**INDEPENDENT AUDITORS' REVIEW REPORT
ON THE INTERIM CONDENSED FINANCIAL INFORMATION**

**TO THE SHAREHOLDERS OF MALATH CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)**

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of **Malath Co-operative Insurance Company** (A Saudi Joint Stock Company) (the "Company") as of 30 June 2019 and the related interim condensed statements of income and comprehensive income for the three-month and six-month period then ended, and interim condensed statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other selected explanatory notes from 1 to 18.

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 this interim condensed financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "*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 condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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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5 Dhual-Hijja 1440 H
6 August 2019 G



MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		30 June 2019 (Unaudited)	31 December 2018 (Audited)
	Notes	(SR '000)	
<u>ASSETS</u>			
Cash and cash equivalents	4	93,145	114,143
Short term Murabaha deposits	5	678,000	678,349
Premiums and reinsurers' receivables – net	6	329,408	172,366
Reinsurers' share of unearned premiums	7 (ii)	36,779	19,190
Reinsurers' share of outstanding claims	7 (i)	63,938	67,855
Reinsurers' share of claims incurred but not reported	7 (i)	17,878	17,878
Deferred policy acquisition costs		35,156	21,058
Deferred excess of loss premiums		249	1,088
Available for sale investments	8	36,630	35,621
Prepaid expenses and other assets		22,431	21,640
Property and equipment		3,806	3,834
Statutory deposit	9	75,000	75,000
Accrued income on statutory deposit		6,879	5,505
TOTAL ASSETS		1,399,299	1,233,527



Chief Financial Officer



Chief Executive Officer

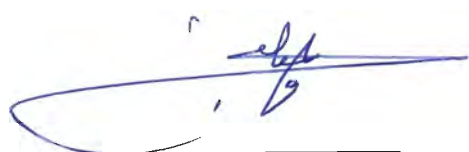


Director

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2019

		30 June 2019 (Unaudited)	31 December 2018 (Audited)
	Notes	(SR '000)	
<u>LIABILITIES</u>			
Policyholders claims payable		100,945	54,313
Accrued expenses and other liabilities		104,624	93,469
Reinsurers' balances payable		35,891	5,266
Unearned premiums	7 (ii)	381,450	267,020
Unearned reinsurance commission		8,948	4,469
Outstanding claims	7 (i)	52,475	35,039
Claims incurred but not reported	7 (i)	192,115	236,506
Additional premium reserves	7 (i)	15,612	15,612
Other technical reserves	7 (i)	10,978	12,697
Due to related parties	10	1	165
End-of-service indemnities		14,442	13,852
Accumulated surplus		9,657	9,657
Zakat provision	11	25,637	29,866
Accrued commission income payable to SAMA		6,879	5,505
TOTAL LIABILITIES		959,654	783,436
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	12	500,000	500,000
Statutory reserve		2,131	2,131
Accumulated losses		(58,240)	(47,478)
Unrealized gain on available for sale investment		85	(231)
Re-measurement loss on end of service indemnities		(4,331)	(4,331)
TOTAL EQUITY		439,645	450,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,399,299	1,233,527
COMMITMENTS AND CONTINGENCIES	13	-	-


 Chief Financial Officer

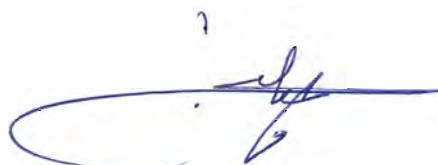

 Chief Executive Officer


 Director

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME

	Three-month period ended		Six-month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Restated		Restated	
	Unaudited (SAR '000)			
REVENUES				
Gross written premiums	101,832	130,291	482,127	502,731
Reinsurance premiums ceded – Local	(888)	(1,227)	(3,443)	(2,462)
Reinsurance premiums ceded – International	(11,649)	(25,012)	(49,570)	(50,895)
Excess of loss expenses	(5,303)	(4,209)	(10,614)	(14,200)
Net premiums written	83,992	99,843	418,500	435,174
Changes in unearned premiums, net	74,824	40,427	(96,840)	(142,509)
Net premiums earned	158,816	140,270	321,660	292,665
Reinsurance commissions earned	4,362	3,825	7,562	6,872
Other underwriting income	50	949	1,760	3,374
TOTAL REVENUES	163,228	145,044	330,982	302,911
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	123,835	129,642	272,230	298,524
Reinsurers’ share of claims paid	(7,754)	(9,643)	(14,389)	(43,964)
Net claims paid	116,081	119,999	257,841	254,560
Changes in outstanding claims, net	13,551	3,099	21,353	(45,145)
Changes in IBNR, net	(21,026)	(24,320)	(44,391)	(20,334)
Changes in additional premium reserves	-	(4,431)	-	(4,431)
Changes in other reserves	(1,719)	1,779	(1,719)	1,779
Net claims incurred	106,887	96,126	233,084	186,429
Policy acquisition costs	17,933	14,393	32,682	30,782
TOTAL UNDERWRITING COSTS AND EXPENSES	124,820	110,519	265,766	217,211
NET UNDERWRITING INCOME	38,408	34,525	65,216	85,700



Chief Financial Officer



Chief Executive Officer

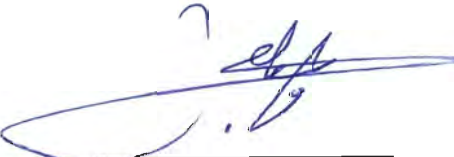


Director

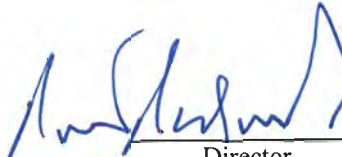
The accompanying notes 1 to 18 form an integral part of this interim condensed financial information.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	Three month period ended		Six month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Restated		Restated	
Notes	Unaudited (SAR '000)			
NET UNDERWRITING INCOME				
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>				
Provision for doubtful debts	(25,685)	-	(23,574)	(13,000)
Salaries and staff related costs	(16,598)	(18,131)	(33,181)	(37,601)
Other general and administrative expenses	(13,465)	(12,014)	(25,045)	(23,720)
Investment income	6,179	1,738	12,422	5,664
TOTAL OTHER OPERATING EXPENSES	(49,569)	(28,407)	(69,378)	(68,657)
NET (LOSS)/INCOME BEFORE ATTRIBUTION AND ZAKAT				
Total income attributable to insurance operations	(11,161)	6,118	(4,162)	17,043
Zakat charge for the period	-	(825)	-	(1,729)
Total (loss) / income attributable to the shareholders	(3,300)	(2,250)	(6,600)	(4,500)
Basic and diluted earnings per share (Saudi Riyal)	(0.29)	0.06	(0.22)	0.22
Weighted average number of ordinary shares outstanding - (in thousands)	50,000	50,000	50,000	50,000


 Chief Financial Officer


 Chief Executive Officer


 Director

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Three-month period ended		Six-month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	<i>Restated</i>		<i>Restated</i>	
	Unaudited (SAR '000)			
Net (loss)/ income for the period	(14,461)	3,043	(10,762)	10,814
Other comprehensive income				
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>				
- Re-measurement (loss)/ gain on available for sale investments	-	(142)	316	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	(14,461)	2,901	(10,446)	10,814



Chief Financial Officer



Chief Executive Officer

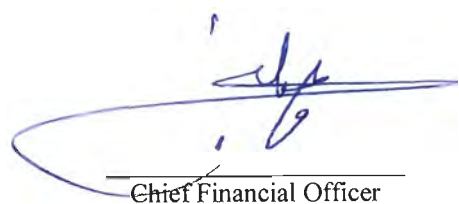


Director

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

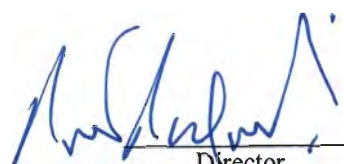
	Share capital	Statutory Reserve	Accumulated losses	Fair value reserve for available for sale investments	Re-measurement loss on end of service indemnities	Total
	(SR '000)					
(Unaudited)						
Balance at 1 January 2019	500,000	2,131	(47,478)	(231)	(4,331)	450,091
Comprehensive loss for the period - restated	-	-	(10,762)	-	-	(10,762)
Change in fair value reserve for available for sale investments	-	-	-	316	-	316
Balance at 30 June 2019	500,000	2,131	(58,240)	85	(4,331)	439,645
(Unaudited)						
Balance at 1 January 2018	500,000	2,131	(50,108)	-	(1,557)	450,466
Comprehensive income for the period - restated	-	-	10,814	-	-	10,814
Balance at 30 June 2018	500,000	2,131	(39,294)	-	(1,557)	461,280



Chief Financial Officer



Chief Executive Officer



Director

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASHFLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

	30 June 2019	30 June 2018
	Unaudited (SAR '000)	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net (loss)/ income before attribution and zakat	(4,162)	17,043
Adjustments for non-cash items:		
Depreciation	934	1,103
Impairment (reversal)/ loss impairment loss on available for sale investments	(693)	2,844
Realised loss on sale of available for sale investments	-	102
End-of-service indemnities provision	1,655	2,134
Provision for doubtful receivables	23,574	13,000
	21,308	36,226
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	(180,616)	(235,503)
Reinsurers' share of unearned premiums	(17,589)	(20,821)
Reinsurers' share of outstanding claims and IBNR - net	3,917	10,655
Deferred policy acquisition costs	(14,098)	(11,704)
Deferred excess of loss premiums	839	258
Prepaid expenses and other assets	(791)	(4,470)
Policyholders claims payable	46,632	(3,965)
Accrued expenses and other liabilities	11,155	16,485
Reinsurers' balances payable	30,625	21,580
Unearned premiums	114,430	163,330
Unearned reinsurance commission	4,479	3,979
Outstanding claims	17,436	(55,547)
Claims incurred but not reported	(44,391)	(20,587)
Other technical reserves and additional premium reserves	(1,719)	(2,652)
Due to related parties	(164)	34,576
End-of-service indemnities paid	(1,065)	(2,623)
Zakat paid	(10,829)	(5,977)
Net cash used in operating activities	(20,441)	(76,760)


 Chief Financial Officer


 Chief Executive Officer


 Director

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASHFLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

	30 June 2019	30 June 2018
	Unaudited (SAR '000)	
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Short-term Murabaha deposits, net	349	(510,349)
Additions in property and equipment	(906)	(626)
Proceeds from sale of available for sale investments	-	664
Net cash generated from / (used in) investing activities	(557)	(510,311)
Net change in cash and cash equivalents	(20,998)	(587,071)
Cash and cash equivalents, beginning of the period	114,143	698,750
Cash and cash equivalents, end of the period	93,145	111,679
<u>NON-CASH INFORMATION</u>		
Change in fair value of available for sale investments	316	-
Investment return on statutory deposit	1,374	656



Chief Financial Officer



Chief Executive Officer



Director

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

1. GENERAL

Malath Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/60 and incorporated on 21 Rabi Al-Awal 1428H corresponding to 9 April 2007 under Commercial Registration No. 1010231787. The Company's head office is situated at Mohammad Bin Abdelaziz Street, P.O. Box 99763, Riyadh 11625, and Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and related services in accordance with its by-laws and the applicable regulations in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Basis of preparation

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

The financial statements of the Company upto the three-month period ended 31 March 2019 and year ended 31 December 2018, 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.

During 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 adjusting the impact retrospectively in line with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors. For details refer to note 3 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 end of service indemnities which are measured annually using Project Credit Unit Method, short term Murabaha deposits measured at amortized cost and claims incurred but not reported, additional premium reserves and other technical reserves are estimated using actuarial method. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term Murabaha deposits, premiums and reinsurers' receivables - net, reinsurers' share of unearned premiums, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported, deferred policy acquisition cost, deferred excess of loss premiums, prepaid expenses and other assets, policyholders claims payable, accrued expenses and other liabilities, reinsurers' balances payable, unearned premiums, unearned reinsurance commission, outstanding claims, claims incurred but not reported, additional premium reserves, other technical reserves, due to related parties, accumulated surplus and zakat provision. The following balances would generally be classified as non-current: available for sale investments, property and equipment, statutory deposit, accrued income on statutory deposit, accrued commission income payable to SAMA and end-of-service indemnities.

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

BASIS OF PREPARATION *(Continued)*

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 28 to 38 of the financial information have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations.

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. 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.

In accordance with the Saudi Arabian Insurance Regulations, the Company is required to distribute 10% of the net annual surplus from the insurance operations to the policyholders and remaining 90% of the surplus is transferred to the shareholders' operations. Any deficiency arising on insurance operations is transferred to the shareholders' operations in full.

The interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2018.

The interim condensed financial information is presented in Saudi Riyals (SR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest thousand.

(b) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that were applied to the annual financial statements for the year ended 31 December 2018.

(c) Seasonality of operations

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

3. 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 1 and change in the accounting for zakat and income tax as mentioned in note 17 below:

Change in accounting policy in relation to accounting for zakat

As mentioned in note 2 the basis of preparation has been changed for the period ended 30 June 2019 as a result of the issuance of latest instructions from SAMA during July 2019. Previously, zakat was recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA during 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 six month periods ended 30 June 2018 by SR 2.25 million and SR 4.5 million, respectively. The change has had no impact on the interim statement of cash flows for the period ended 30 June 2018.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SIGNIFICANT ACCOUNTING POLICIES (Continued)

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof,

New and amended standards issued and adopted

- The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard regarding lease contracts for which the lease term ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has performed an assessment of IFRS 16 and determined the difference as compared to IAS 17 and IFRIC 4 is not material to the Company's interim condensed financial information as a whole.

The following new standards, amendments and interpretations are effective for the first time in these condensed interim financial information but none had a material effect on the Company:

- IFRS 9 Financial Instruments – Amendments related to Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 28 Long-term Interests in Associates and Joint Ventures, application of IFRS 9 if equity method is not applied to a part of long term interests in an associate or joint venture.
- IAS 23 Borrowing Costs, clarification regarding calculation of capitalization rate on general borrowings.
- IAS 19 Employee Benefits, clarifies regarding treatment of employee benefits plan amendment, curtailment or settlement.
- IAS 12 Income Taxes, clarification that all income tax consequences of dividends should be recognized in profit and loss, regardless how the tax arises.
- IFRS 11 Joint Arrangements, Annual improvement cycle 2015 – 2017 clarified re-measurement of previously held interests in joint operation.
- IAS 1 Presentation of Financial Statements, disclosure initiative brought some conceptual clarification.

Standards issued but not yet effective

The following are the new standards and amendments to standards that are effective for annual periods beginning after 31 December 2019. Where earlier application is permitted the Company has not early adopted them in preparing this interim condensed financial information.

(a) 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 measurement 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.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company is eligible to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's condensed interim financial information will, to a large extent, depends on the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

(b) IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 – Insurance Contracts, which is effective for annual periods beginning on or after 1 January 2021. The standard introduces a new measurement model for insurance contracts. Early adoption is permitted if IFRS 9 and 15 have been applied as on the application date for this standard.

The Company has not yet undertaken an assessment to determine potential impacts on the amounts reported and disclosures to be made under the applicable new standards or amendments to existing standards.

(c) Other Amendments

The following amendments to standards are not yet effective and none are expected to have a significant impact on the Company's Condensed Interim Financial Information:

Effective date	Amendments relate to following topics
1 January 2020	IFRS 3, Business Combinations- Clarification regarding definition of 'Business'.
1 January 2020	IAS 1 Presentation of Financial Statements, disclosure initiative brought some conceptual clarification.
1 January 2020	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, disclosure initiative brought some conceptual clarification.

4. CASH AND CASH EQUIVALENTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	(SR '000)	
Insurance operations		
Cash at bank	5,731	16,352
Short term Murabaha deposits having original maturity of less than three months	50,000	50,000
	55,731	66,352
Shareholders' operations		
Cash at bank	37,414	47,791
Total cash and cash equivalents	93,145	114,143

The above short term Murabaha deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company. These Murabaha deposits are subject to an average commission rate of 2.48% per annum as at 30 June 2019 (31 December 2018: 2.48% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

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5. SHORT TERM MURABAHA DEPOSITS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	(SR '000)	
Insurance operations		
Short term Murabaha deposits	365,000	365,349
Shareholders' operations		
Short term Murabaha deposits	313,000	313,000
Total short term Murabaha deposits	678,000	678,349

The above short term Murabaha deposits have an original maturity period of more than three months from the date of placement. These deposits are subject to an average commission rate of 3.28% per annum as at 30 June 2019 (31 December 2018: 3.07% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

6. PREMIUMS AND REINSURERS' RECEIVABLES- NET

Receivable from insurance operations comprise net amounts due from the following parties:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	(SR '000)	
Policyholders	368,391	200,786
Reinsurers	4,495	299
Insurance companies	10,763	3,113
Agents and brokers	3,782	2,617
Receivables, gross	387,431	206,815
Provision for doubtful receivables – insurance	(57,802)	(34,380)
Provision for doubtful receivables – reinsurance	(221)	(69)
Total provision for doubtful receivables	(58,023)	(34,449)
Premiums and reinsurers' receivables – net	329,408	172,366
Movement in provision for doubtful receivable;		
Opening balance	34,449	40,000
Provision charge for the year	23,574	11,532
Fully provided receivables written off	-	(17,083)
	58,023	34,449

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7. TECHNICAL RESERVES

(i) Net outstanding claims and reserves

Net outstanding claims and reserves comprise the following:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	(SR '000)	
Outstanding claims	78,598	60,548
Less: Realizable value of salvage and subrogation	(26,123)	(25,509)
Outstanding claims	52,475	35,039
Claims incurred but not reported	192,115	236,506
Additional premium reserves	15,612	15,612
Other technical reserves	10,978	12,697
	271,180	299,854
Reinsurers' share of outstanding claims	(63,938)	(67,855)
Reinsurers' share of claims incurred but not reported	(17,878)	(17,878)
	(81,816)	(85,733)
Net outstanding claims and reserves	189,364	214,121

As at 30 June 2019, the gross value of salvage and subrogation is amounting to SR 111.05 million (31 December 2018: SR 117.70 million).

(ii) Movement in unearned premiums

	Period ended 30 June 2019 (Unaudited)		
	Gross	Reinsurance	Net
	(SR '000)		
Balance at the beginning of the period	267,020	(19,190)	247,830
Premiums written during the period	482,127	(63,627)	418,500
Premiums earned during the period	(367,697)	46,038	(321,659)
Balance at the end of the period	381,450	(36,779)	344,671

	Year ended 31 December 2018 (Audited)		
	Gross	Reinsurance	Net
	(SR '000)		
Balance at the beginning of the year	216,401	(16,071)	200,330
Premiums written during the year	729,076	(90,226)	638,850
Premiums earned during the year	(678,457)	87,107	(591,350)
Balance at the end of the year	267,020	(19,190)	247,830

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8. AVAILABLE FOR SALE INVESTMENTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	(SR '000)	
Insurance operations		
Unquoted		
NCB Capital- Real Estate Development Fund	3,207	3,322
Shareholders' operations		
Unquoted		
TASNEE Sukuk	10,000	10,000
NCB Capital- Real Estate Development Fund	6,415	6,645
SEDCO Capital - Real Estate Income Fund 2	15,085	13,731
Najm Company for Insurance Services - Shares	1,923	1,923
	33,423	32,299
Total available for sale investments	36,630	35,621

The fair values of the unquoted mutual funds computed above are based on the latest reported net assets as at the reporting date. Further, the unquoted sukuk are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises.

a) Movement in the investment balance is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	(SR '000)	
Insurance operations		
Opening balance	3,322	4,600
Impairment loss on investment	(115)	(1,278)
Closing balance	3,207	3,322
Shareholders' operations		
Opening balance	32,299	35,851
Disposals	-	(766)
Reversal / (impairment loss) on investments	808	(2,555)
Re-measurement gain/(loss)	316	(231)
Closing balance	33,423	32,299

b) Determination of fair value and fair value hierarchy of available for sale investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability

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AVAILABLE FOR SALE INVESTMENTS (Continued)

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

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

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

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

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

The table below presents the financial instruments at their fair values as at 30 June 2019 and 31 December 2018 based on the fair value hierarchy.

	Level 1	Level 2	Total
	(SR '000)		
30 June 2019 (Unaudited)			
Insurance operations			
<u>Available for sale financial assets</u>			
Mutual Fund	-	3,207	3,207
Shareholders' operations			
<u>Available for sale financial assets</u>			
Equity securities	-	1,923	1,923
Mutual Funds	-	21,500	21,500
Sukuk	-	10,000	10,000
		33,423	33,423
	Level 1	Level 2	Total
	(SR '000)		
31 December 2018 (Audited)			
Insurance operations			
<u>Available for sale financial assets</u>			
Mutual Fund	-	3,322	3,322
Shareholders' operations			
<u>Available for sale financial assets</u>			
Equity securities	-	1,923	1,923
Mutual Funds	-	20,376	20,376
Sukuk	-	10,000	10,000
	-	32,299	32,299

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AVAILABLE FOR SALE INVESTMENTS (Continued)

The fair values of all other financial assets and liabilities which are carried at cost, are not significantly different from the carrying values included in this financial information, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and on account of the short duration of the assets and liabilities.

There were no transfers between the levels of fair value hierarchies during the year.

Level 2 valuation technique:

Level 2 investments comprise investment in private equity funds and debt instruments. The fair value of private equity funds computed is based on the funds latest reported net asset value as at the date of statement of financial position. Further, the debt instruments are carried at an amount, which as per the management is the best estimate of the exit price i.e. fair value. The carrying values as at 30 June 2019 and 31 December 2018 approximate their fair value.

9. STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations issued by the Saudi Arabian Monetary Authority (SAMA), the Company has deposited 15 percent (31 December 2018: 15 percent) of its share capital, amounting to SR 75 million (31 December 2018: 75 million), in a bank designated by SAMA. The statutory deposit is maintained with a reputed local bank and can be withdrawn only with the consent of SAMA. The Company is not entitled to receive the investment return on this deposit. This investment return is shown as a separate line item in the Statement of Financial Position.

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent 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 mutually agreed and are approved by the Company's management.

The transactions with related parties and the related amounts are as follows:

	Three-month period ended		Six-month period ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	(Unaudited)			
	(SR '000)			
Gross premiums written to companies related to the members of Board of Directors (BOD)	-	(3,418)	-	213,153
Gross premiums received from BOD members	-	-	-	1
Gross claims paid to companies related to BOD members	-	15,433	-	36,021
Board of Directors' and committees meeting fees	45	87	114	186
Net reinsurance premium paid to a reinsurance brokerage firm related to a BOD member	-	188	-	188
Remuneration paid to Board of Directors	1,750	1,625	1,750	1,625

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Balances due from / (to) related parties comprise the following:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	(SR '000)	
Premiums receivable from companies related to BOD members	-	10,826
Net reinsurance balance payable to a reinsurance brokerage firm related to a BOD member	-	151
Commission payable to brokerage firms owned by BOD Member	-	14

11. ZAKAT

Status of Assessment

The Company had filed the Zakat return for the years 2016 & 2017 and received a temporary Zakat certificate. No assessments have been received from GAZT till date in respect of these years.

Status of Appeals

Zakat years 2007 to 2010: The Company had filed an appeal against the final assessment of GAZT and submitted a letter of guarantee to GAZT for zakat and withholding income tax amounting to SR 31.81 million, which is included in the contingent liabilities note (13). During the year 2017, the primary appeal committee issued a report in which certain arguments of the Company were rejected. The Company appealed against this report in Higher Appeal Committee dated 18/10/1438 H, which is pending for decision.

Zakat years 2011 to 2015: The Company has also filed an appeal to primary appeal committee against the final assessment of Zakat issued by GAZT amounting to SR 8 million which is pending for decision.

12. SHARE CAPITAL

As at 30 June 2019 and 31 December 2018, the issued and paid up share capital of the Company amounts to SR 500 million, divided into 50 million ordinary shares of SR 10 each.

13. COMMITMENTS AND CONTINGENCIES

- a) The Company's contingent liabilities are as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	(SR '000')	
Letters of guarantee	43,806	44,512

- b) There were no outstanding commitments as at 30 June 2019 and 31 December 2018.

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14. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share has been calculated by dividing the income attributable to the shareholders for the period by the weighted average number of issued and outstanding ordinary shares.

	30 June	
	2019	2018
	(Unaudited)	
	In thousands	
Weighted average number of shares	50,000	50,000

Diluted earnings per share is the same as basic earnings per share as the Company has not issued any instrument, which would have impact on profit per share when exercised.

15. SEGMENTAL INFORMATION

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. The Chief Operating Decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is identified as the Chief Executive Officer that makes strategic decisions, information disclosed in this note is based on current reporting to the Chief Executive Officer.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2018.

Segment results do not include commission on short-term Murabaha deposits. Segment assets do not include insurance operations' cash and cash equivalents, short-term Murabaha deposits, available for sale investments, receivables, prepaid expenses and other assets and property and equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include reinsurers' balances payable, policyholders claims payable, accrued expenses and other liabilities, accumulated surplus and due to related parties. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums and reinsurers' receivable and depreciation on the property and equipment) are not reported to Chief Executive Officer under related segments and are monitored on a centralized basis.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
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SEGMENTAL INFORMATION (Continued)

For the three month period ended 30 June 2019 (Unaudited)

Operating segments	Medical	Motor	Property and casualties	Protection and savings	Total
	SR ('000')				
Gross written premiums					
-Individuals	-	18,160	128	-	18,288
-Very Small Enterprises	353	500	53	-	906
-Small Enterprises	3,655	1,034	190	-	4,879
-Medium Enterprises	9,082	1,862	6,283	-	17,227
-Corporates	35,073	16,589	8,870	-	60,532
	48,163	38,145	15,524	-	101,832
Reinsurance premiums ceded – Local	-	-	(888)	-	(888)
Reinsurance premiums ceded – International	-	-	(11,649)	-	(11,649)
Excess of loss expenses	(750)	(3,987)	(566)	-	(5,303)
Net premiums written	47,413	34,158	2,421	-	83,992
Changes in unearned premiums, net	15,661	58,607	556	-	74,824
Net premiums earned	63,074	92,765	2,977	-	158,816
Reinsurance commission earned	-	-	4,362	-	4,362
Other underwriting income	30	5	15	-	50
TOTAL REVENUES	63,104	92,770	7,354	-	163,228
UNDERWRITING COST AND EXPENSES					
Gross claims paid	46,407	70,253	7,175	-	123,835
Reinsurers' share of claims paid	(908)	(556)	(6,290)	-	(7,754)
Net claims paid	45,499	69,697	885	-	116,081
Changes in outstanding claims, net	9,027	4,840	(316)	-	13,551
Changes in IBNR, net	(3,040)	(17,986)	-	-	(21,026)
Change in other technical reserves	(394)	(1,325)	-	-	(1,719)
Net claims incurred	51,092	55,226	569	-	106,887
Policy acquisition costs	3,967	11,141	2,825	-	17,933
TOTAL UNDERWRITING COSTS	55,059	66,367	3,394	-	124,820
NET UNDERWRITING INCOME	8,045	26,403	3,960	-	38,408
Provision for doubtful debts					(25,685)
Salaries and staff related costs					(16,598)
Other general and administrative expenses					(13,465)
Investment income					6,179
TOTAL LOSS FROM OPERATIONS					(11,161)

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SEGMENTAL INFORMATION (Continued)

For the three months period ended 30 June 2018 (Unaudited)

Operating segments	Medical	Motor	Property and casualties	Protection and savings	Total
	SR ('000')				
Gross written premiums				-	
-Individuals	-	33,477	113	-	33,590
-Very Small Enterprises	494	922	16	-	1,432
-Small Enterprises	5,011	1,906	174	-	7,091
-Medium Enterprises	7,974	3,432	6,707	-	18,113
-Corporates	16,763	30,583	22,719	-	70,065
	30,242	70,320	29,729	-	130,291
Reinsurance premiums ceded - Local	-	-	(1,227)	-	(1,227)
Reinsurance premiums ceded – International	-	-	(25,012)	-	(25,012)
Excess of loss expenses	(275)	(3,416)	(518)	-	(4,209)
Net written premiums	29,967	66,904	2,972	-	99,843
Changes in unearned premiums, net	5,975	34,030	422	-	40,427
Net earned premiums	35,942	100,934	3,394	-	140,270
Reinsurance commission earned	-	-	3,825	-	3,825
Other underwriting income	27	392	530	-	949
<u>TOTAL REVENUES</u>	35,969	101,326	7,749	-	145,044
UNDERWRITING COST AND EXPENSES					
Gross claims paid	30,275	93,764	5,603	-	129,642
Reinsurers' share of claims paid	(1,271)	(3,361)	(5,011)	-	(9,643)
Net claims paid	29,004	90,403	592	-	119,999
Changes in outstanding claims, net	2,150	1,653	(704)	-	3,099
Changes in IBNR, net	(454)	(24,895)	1,029	-	(24,320)
Change in additional premium reserve	456	(4,887)	-	-	(4,431)
Change in other reserves	269	1,510	-	-	1,779
Net claims incurred	31,425	63,784	917	-	96,126
Policy acquisition costs	2,354	9,587	2,452	-	14,393
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	33,779	73,371	3,369	-	110,519
NET UNDERWRITING INCOME/ (LOSS)	2,190	27,955	4,380	-	34,525
Salaries and staff related costs					(18,131)
Other general and administrative expenses					(12,014)
Investment income					1,738
TOTAL INCOME FROM OPERATIONS					6,118

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SEGMENTAL INFORMATION (Continued)

For the six months period ended 30 June 2019 (Unaudited)

Operating segments	Medical	Motor	Property and casualties	Protection and savings	Total
	SR ('000')				
Gross written premiums					
-Individuals	-	29,715	128	-	29,843
-Very Small Enterprises	736	1,529	143	-	2,408
-Small Enterprises	11,020	2,497	728	-	14,245
-Medium Enterprises	24,831	4,218	13,837	-	42,886
-Corporates	116,497	229,489	46,759	-	392,745
	153,084	267,448	61,595	-	482,127
Reinsurance premiums ceded - Local	-	-	(3,443)	-	(3,443)
Reinsurance premiums ceded – International	-	-	(49,570)	-	(49,570)
Excess of loss expenses	(3,333)	(6,148)	(1,133)	-	(10,614)
Net written premiums	149,751	261,300	7,449	-	418,500
Changes in unearned premiums, net	(29,341)	(65,417)	(2,082)	-	(96,840)
Net earned premiums	120,410	195,883	5,367	-	321,660
Reinsurance commission earned	-	-	7,562	-	7,562
Other underwriting income	68	1,670	22	-	1,760
TOTAL REVENUES	120,478	197,553	12,951	-	330,982
UNDERWRITING COST AND EXPENSES					
Gross claims paid	92,251	171,009	8,970	-	272,230
Reinsurers' share of claims paid	(3,042)	(3,642)	(7,705)	-	(14,389)
Net claims paid	89,209	167,367	1,265	-	257,841
Changes in outstanding claims, net	14,232	7,385	(264)	-	21,353
Changes in IBNR, net	(3,040)	(41,351)	-	-	(44,391)
Change in additional premium reserves	-	-	-	-	-
Change in other technical reserves	(394)	(1,325)	-	-	(1,719)
Net claims incurred	100,007	132,076	1,001	-	233,084
Policy acquisition costs	7,420	20,343	4,919	-	32,682
TOTAL UNDERWRITING COSTS AND EXPENSES	107,427	152,419	5,920	-	265,766
NET UNDERWRITING INCOME	13,051	45,134	7,031	-	65,216
Provision for doubtful debts					(23,574)
Salaries and staff related costs					(33,181)
Other general and administrative expenses					(25,045)
Investment income					12,422
TOTAL LOSS FROM OPERATIONS					(4,162)

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SEGMENTAL INFORMATION (Continued)

For the six months period ended 30 June 2018 (Unaudited)

Operating segments	Medical	Motor	Property and casualties	Protection and savings	Total
	SR ('000')				
Gross written premiums					
-Individuals	-	47,294	113	-	47,407
-Very Small Enterprises	853	2,151	228	-	3,232
-Small Enterprises	9,083	3,655	556	-	13,294
-Medium Enterprises	18,960	6,249	12,566	-	37,775
-Corporates	65,343	285,149	50,531	-	401,023
	94,239	344,498	63,994	-	502,731
Reinsurance premiums ceded - Local	-	-	(2,462)	-	(2,462)
Reinsurance premiums ceded – International	-	-	(50,895)	-	(50,895)
Excess of loss expenses	(6,331)	(6,831)	(1,038)	-	(14,200)
Net written premiums	87,908	337,667	9,599	-	435,174
Changes in unearned premiums, net	(24,921)	(113,843)	(3,745)	-	(142,509)
Net earned premiums	62,987	223,824	5,854	-	292,665
Reinsurance commission earned	-	-	6,872	-	6,872
Other underwriting income	368	2,110	896	-	3,374
TOTAL REVENUES	63,355	225,934	13,622	-	302,911
UNDERWRITING COST AND EXPENSES					
Gross claims paid	47,255	210,431	40,838	-	298,524
Reinsurers' share of claims paid	(3,009)	(3,361)	(37,594)	-	(43,964)
Net claims paid	44,246	207,070	3,244	-	254,560
Changes in outstanding claims, net	8,906	(52,038)	(2,013)	-	(45,145)
Changes in IBNR, net	1,856	(26,417)	4,227	-	(20,334)
Change in additional premium reserves	456	(4,887)	-	-	(4,431)
Change in other technical reserves	269	1,510	-	-	1,779
Net claims incurred	55,733	125,238	5,458	-	186,429
Policy acquisition costs	4,983	21,758	4,041	-	30,782
TOTAL UNDERWRITING COSTS AND EXPENSES	60,716	146,996	9,499	-	217,211
NET UNDERWRITING INCOME	2,639	78,938	4,123	-	85,700
Provision for doubtful debts					(13,000)
Salaries and staff related costs					(37,601)
Other general and administrative expenses					(23,720)
Investment income					5,664
TOTAL INCOME FROM OPERATIONS					17,043

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SEGMENTAL INFORMATION (Continued)

As at 30 June 2019 (Unaudited)

Operating segments	Medical	Motor	Property and casualties	Protection and savings	Total
	SR ('000')				
Assets					
Reinsurers' share of unearned premiums	-	-	36,779	-	36,779
Reinsurers' share of outstanding claims	-	18,527	45,411	-	63,938
Reinsurers' share of claims incurred but not reported	-	-	17,878	-	17,878
Deferred policy acquisition costs	6,964	23,351	4,841	-	35,156
Deferred excess of loss premiums	249	-	-	-	249
Unallocated assets					<u>1,245,299</u>
Total assets					<u>1,399,299</u>
Liabilities					
Unearned premiums	121,888	217,093	42,469	-	381,450
Unearned reinsurance commission	-	-	8,948	-	8,948
Outstanding claims	37,251	(33,763)	48,987	-	52,475
Claims incurred but not reported	8,700	164,500	18,915	-	192,115
Additional premium reserves	7,107	7,699	806	-	15,612
Other technical reserves	450	10,100	428	-	10,978
Unallocated liabilities					<u>298,076</u>
Total liabilities					<u>959,654</u>

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SEGMENTAL INFORMATION (Continued)

As at 31 December 2018 (Audited)

Operating segments	Medical	Motor	Property and casualties	Protection and savings	Total
	SR ('000')				
Assets					
Reinsurers' share of unearned premiums	-	-	19,190	-	19,190
Reinsurers' share of outstanding claims	-	19,065	48,790	-	67,855
Reinsurers' share of claims incurred but not reported	-	-	17,878	-	17,878
Deferred policy acquisition costs	5,704	12,889	2,465	-	21,058
Deferred excess of loss premiums	91	997	-	-	1,088
Unallocated assets					1,106,458
Total assets					1,233,527
Liabilities					
Unearned premiums	92,547	151,676	22,797	-	267,020
Unearned reinsurance commission	-	-	4,469	-	4,469
Outstanding claims	22,026	(40,610)	53,623	-	35,039
Claims incurred but not reported	11,740	205,851	18,915	-	236,506
Additional premium reserves	7,107	7,699	806	-	15,612
Other technical reserves	844	11,425	428	-	12,697
Unallocated liabilities					212,093
Total liabilities					783,436

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

16. SUPPLEMENTARY INFORMATION

Statement of Financial Position

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(SR '000)					
ASSETS						
Cash and cash equivalents	55,731	37,414	93,145	66,352	47,791	114,143
Short term Murabaha deposits	365,000	313,000	678,000	365,349	313,000	678,349
Premiums and reinsurers' receivables – net	329,408	-	329,408	172,366	-	172,366
Reinsurers' share of unearned premiums	36,779	-	36,779	19,190	-	19,190
Reinsurers' share of outstanding claims	63,938	-	63,938	67,855	-	67,855
Reinsurers' share of claims Incurred but not reported	17,878	-	17,878	17,878	-	17,878
Deferred policy acquisition costs	35,156	-	35,156	21,058	-	21,058
Deferred excess of loss premiums	249	-	249	1,088	-	1,088
Available for sale investments	3,207	33,423	36,630	3,322	32,299	35,621
Prepaid expenses and other assets	17,910	4,521	22,431	17,108	4,532	21,640
Property and equipment	3,806	-	3,806	3,834	-	3,834
Statutory deposit	-	75,000	75,000	-	75,000	75,000
Accrued income on statutory deposit	-	6,879	6,879	-	5,505	5,505
	929,062	470,237	1,399,299	755,400	478,127	1,233,527
Due from insurance operations	-	6,793	6,793	-	12,202	12,202
TOTAL ASSETS	929,062	477,030	1,406,092	755,400	490,329	1,245,729

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Statement of Financial Position (continued)

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(SR '000)					
<u>LIABILITIES</u>						
Policyholders claims payable	100,945	-	100,945	54,313	-	54,313
Accrued expenses and other liabilities	104,086	538	104,624	92,933	536	93,469
Reinsurers' balances payable	35,891	-	35,891	5,266	-	5,266
Unearned premiums	381,450	-	381,450	267,020	-	267,020
Unearned reinsurance commission	8,948	-	8,948	4,469	-	4,469
Outstanding claims	52,475	-	52,475	35,039	-	35,039
Claims incurred but not reported	192,115	-	192,115	236,506	-	236,506
Additional premium reserves	15,612	-	15,612	15,612	-	15,612
Other technical reserves	10,978	-	10,978	12,697	-	12,697
Due to related parties	1	-	1	165	-	165
End-of-service indemnities	14,442	-	14,442	13,852	-	13,852
Accumulated surplus	9,657	-	9,657	9,657	-	9,657
Zakat provision	-	25,637	25,637	-	29,866	29,866
Accrued commission income payable to SAMA	-	6,879	6,879	-	5,505	5,505
	926,600	33,054	959,654	747,529	35,907	783,436
Due to shareholders' operations	6,793	-	6,793	12,202	-	12,202
<u>TOTAL LIABILITIES</u>	933,393	33,054	966,447	759,731	35,907	795,638
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	500,000	500,000	-	500,000	500,000
Statutory reserve	-	2,131	2,131	-	2,131	2,131
Accumulated losses	-	(58,240)	(58,240)	-	(47,478)	(47,478)
Unrealized gain/(loss) on available for sale investments	-	85	85	-	(231)	(231)
Re-measurement losses on defined benefit liability	(4,331)	-	(4,331)	(4,331)	-	(4,331)
<u>TOTAL EQUITY</u>	(4,331)	443,976	439,645	(4,331)	454,422	450,091
<u>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</u>	929,062	477,030	1,406,092	755,400	490,329	1,245,729

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of Income

	For the three-month period ended 30 June 2019 (Unaudited)			For the three-month period ended 30 June 2018 Restated (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000					
REVENUES						
Gross written premiums	101,832	-	101,832	130,291	-	130,291
Reinsurance premiums ceded- local	(888)	-	(888)	(1,227)	-	(1,227)
Reinsurance premiums ceded- International	(11,649)	-	(11,649)	(25,012)	-	(25,012)
Excess of loss expenses	(5,303)	-	(5,303)	(4,209)	-	(4,209)
Net premiums written	83,992	-	83,992	99,843	-	99,843
Changes in unearned premiums, net	74,824	-	74,824	40,427	-	40,427
Net premiums earned	158,816	-	158,816	140,270	-	140,270
Reinsurance commissions	4,362	-	4,362	3,825	-	3,825
Other underwriting income	50	-	50	949	-	949
TOTAL REVENUES	163,228	-	163,228	145,044	-	145,044
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	123,835	-	123,835	129,642	-	129,642
Reinsurers' share of claims paid	(7,754)	-	(7,754)	(9,643)	-	(9,643)
Net claims paid	116,081	-	116,081	119,999	-	119,999
Changes in outstanding claims, net	13,551	-	13,551	3,099	-	3,099
Changes in IBNR, net	(21,026)	-	(21,026)	(24,320)	-	(24,320)
Change in additional premium reserves	-	-	-	(4,431)	-	(4,431)
Change in other technical reserves	(1,719)	-	(1,719)	1,779	-	1,779
Net claims incurred	106,887	-	106,887	96,126	-	96,126
Policy acquisition costs	17,933	-	17,933	14,393	-	14,393
TOTAL UNDERWRITING COSTS AND EXPENSES	124,820	-	124,820	110,519	-	110,519
NET UNDERWRITING INCOME	38,408	-	38,408	34,525	-	34,525

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of Income- (Continued)

	For the three month period ended 30 June 2019 (Unaudited)			For the three month period ended 30 June 2018 Restated (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000					
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Provision for doubtful debts	(25,685)	-	(25,685)	-	-	-
Salaries and staff related costs	(16,598)	-	(16,598)	(18,131)	-	(18,131)
Other general and administrative expenses	(11,440)	(2,025)	(13,465)	(9,985)	(2,029)	(12,014)
Investment income	3,456	2,723	6,179	1,840	(102)	1,738
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(50,267)	698	(49,569)	(26,276)	(2,131)	(28,407)
Net income before attribution and zakat	(11,859)	698	(11,161)	8,249	(2,131)	6,118
Shareholders' appropriations	11,859	(11,859)	-	(7,424)	7,424	-
Zakat charge for the period	-	(3,300)	(3,300)	-	(2,250)	(2,250)
Total income attributable to insurance operations	-	-	-	(825)	-	(825)
<u>Total income attributable to Shareholders' operations</u>	-	(14,461)	(14,461)	-	3,043	3,043

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of Comprehensive income

	For the three month period ended 30 June 2019 (Unaudited)			For the three month period ended 30 June 2018 <i>Restated</i> (Unaudited)		
	Insurance operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' operations	Total
	SR '000					
Net income after zakat	(11,859)	(2,602)	(14,461)	8,249	(4,381)	3,868
Other comprehensive income/(loss)						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
- Re-measurement gain on available for sale investments	-	-	-	-	(142)	(142)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	(11,859)	(2,602)	(14,461)	8,249	(4,523)	3,726
Appropriation to shareholders	11,859	(11,859)	-	(7,424)	7,424	-
Total comprehensive income attributable to insurance operations	-	-	-	(825)	-	(825)
<u>Total comprehensive income attributable to shareholders</u>	-	(14,461)	(14,461)	-	2,901	2,901

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of Income

	For the six month period ended 30 June 2019 (Unaudited)			For the six month period ended 30 June 2018 Restated (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000					
REVENUES						
Gross written premiums	482,127	-	482,127	502,731	-	502,731
Reinsurance premiums ceded- local	(3,443)	-	(3,443)	(2,462)	-	(2,462)
Reinsurance premiums ceded- International	(49,570)	-	(49,570)	(50,895)	-	(50,895)
Excess of loss expenses	(10,614)	-	(10,614)	(14,200)	-	(14,200)
Net premiums written	418,500	-	418,500	435,174	-	435,174
Changes in unearned premiums, net	(96,840)	-	(96,840)	(142,509)	-	(142,509)
Net premiums earned	321,660	-	321,660	292,665	-	292,665
Reinsurance commissions	7,562	-	7,562	6,872	-	6,872
Other underwriting income	1,760	-	1,760	3,374	-	3,374
TOTAL REVENUES	330,982	-	330,982	302,911	-	302,911
	-					
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	272,230	-	272,230	298,524	-	298,524
Reinsurers' share of claims paid	(14,389)	-	(14,389)	(43,964)	-	(43,964)
Net claims paid	257,841	-	257,841	254,560	-	254,560
Changes in outstanding claims, net	21,353	-	21,353	(45,145)	-	(45,145)
Changes in IBNR, net	(44,391)	-	(44,391)	(20,334)	-	(20,334)
Change in additional premium reserves	0	-	0	(4,431)	-	(4,431)
Change in other technical reserves	(1,719)	-	(1,719)	1,779	-	1,779
Net claims incurred	233,084	-	233,084	186,429	-	186,429
Policy acquisition costs	32,682	-	32,682	30,782	-	30,782
TOTAL UNDERWRITING COSTS AND EXPENSES	265,766	-	265,766	217,211	-	217,211
NET UNDERWRITING INCOME	65,216	-	65,216	85,700	-	85,700

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of Income- (Continued)

For the six month period ended 30 June 2019 (Unaudited)			For the six month period ended 30 June 2018 <i>Restated</i> (Unaudited)		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
SR '000					

**OTHER OPERATING
(EXPENSES)/ INCOME**

Reversal of / (allowance for) doubtful debts	(23,574)	-	(23,574)	(13,000)	-	(13,000)
Salaries and staff related costs	(33,181)	-	(33,181)	(37,601)	-	(37,601)
Other general and administrative expenses	(22,832)	(2,213)	(25,045)	(21,397)	(2,323)	(23,720)
Investment income	6,711	5,711	12,422	3,585	2,079	5,664

**TOTAL OTHER
OPERATING (EXPENSES)/
INCOME**

(72,876)	3,498	(69,378)	(68,413)	(244)	(68,657)
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Net (loss) / income before attribution and zakat	(7,660)	3,498	(4,162)	17,287	(244)	17,043
Shareholders' appropriations	7,660	(7,660)	-	(15,558)	15,558	-
Zakat charge	-	(6,600)	(6,600)	-	(4,500)	(4,500)
Total income attributable to insurance operations	-	-	-	(1,729)	-	(1,729)

**Total income attributable to
Shareholders' operations**

-	(10,762)	(10,762)	-	10,814	10,814
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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of Comprehensive income

	For the six month period ended 30 June 2019 (Unaudited)			For the six month period ended 30 June 2018 Restated (Unaudited)		
	Insurance operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' operations	Total
	SR '000					
Net income for the period	(7,660)	(3,102)	(10,762)	17,287	(4,744)	12,543
Other comprehensive income/(loss)						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
- Re-measurement gain on available for sale investments	-	316	316	-	-	-
<u>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</u>	(7,660)	(2,786)	(10,446)	17,287	(4,744)	12,543
Appropriation to shareholders	7,660	(7,660)	-	(15,558)	15,558	-
Total comprehensive income attributable to insurance operations	-	-	-	(1,729)	-	(1,729)
<u>Total comprehensive income attributable to shareholders</u>	-	(10,446)	(10,446)	-	10,814	10,814

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of Cash flows

	For the six month period ended 30 June 2019 (Unaudited)			For the six month period ended 30 June 2018 Restated (Unaudited)		
	Insurance Operations	Shareholders' operations	Total	Insurance Operations	Shareholders' operations	Total
	SR '000					
Net (loss) / income before attribution and zakat	-	(4,162)	(4,162)	1,729	15,314	17,043
Adjustments for non-cash items:						
Depreciation	934	-	934	1,103	-	1,103
Impairment loss/ (reversal) on available for sale investments	115	(808)	(693)	948	1,896	2,844
Loss on sale of available for sale investments	-	-	-	-	102	102
End-of-service indemnities provision	1,655	-	1,655	2,134	-	2,134
Provision for doubtful receivables	23,574	-	23,574	13,000	-	13,000
	26,278	(4,970)	21,308	18,914	17,312	36,226
Premiums and reinsurers' receivable	(180,616)	-	(180,616)	(235,503)	-	(235,503)
Reinsurers' share of unearned premiums	(17,589)	-	(17,589)	(20,821)	-	(20,821)
Reinsurers' share of outstanding claims and IBNR, net	3,917	-	3,917	10,655	-	10,655
Deferred policy acquisition costs	(14,098)	-	(14,098)	(11,704)	-	(11,704)
Deferred excess of loss premiums	839	-	839	258	-	258
Prepaid expenses and other assets	(802)	11	(791)	(692)	(3,778)	(4,470)
Policyholders' claims payable	30,625	-	30,625	(3,965)	-	(3,965)
Accrued expenses and other liabilities	11,153	2	11,155	14,722	1,763	16,485
Reinsurers' balances payable	30,625	-	30,625	21,580	-	21,580
Unearned premiums	114,430	-	114,430	163,330	-	163,330
Unearned reinsurance commission	4,479	-	4,479	3,979	-	3,979
Outstanding claims	17,436	-	17,436	(55,547)	-	(55,547)
Claims incurred but not reported	(44,391)	-	(44,391)	(20,587)	-	(20,587)
Other technical reserves	(1,719)	-	(1,719)	(2,652)	-	(2,652)
Due to related parties	(164)	-	(164)	34,576	-	34,576

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of Cash flows- (Continued)

	For the six month period ended 30 June 2019 (Unaudited)			For the six month period ended 30 June 2018 Restated (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000					
Due from insurance operations	-	5,409	5,409	35,380	-	35,380
Due to shareholders' operations	(5,409)	-	(5,409)	-	(35,380)	(35,380)
End-of-service indemnities paid	(1,065)	-	(1,065)	(2,623)	-	(2,623)
Zakat paid	-	(10,829)	(10,829)	-	(5,977)	(5,977)
Net cash used in operating activities	(10,064)	(10,377)	(20,441)	(50,700)	(26,060)	(76,760)
Cash flows from investing activities						
Short-term Murabaha deposits, net	349	-	349	(360,349)	(150,000)	(510,349)
Additions in property and equipment	(906)	-	(906)	(626)	-	(626)
Proceeds from sale of available for sale investments	-	-	-	-	664	664
Net cash used in investing activities	(557)	-	(557)	(360,975)	(149,336)	(510,311)
Net change in cash and cash equivalents	(10,621)	(10,377)	(20,998)	(411,675)	(175,396)	(587,071)
Cash and cash equivalents, beginning of the year	66,352	47,791	114,143	477,898	220,852	698,750
Cash and cash equivalents, end of the year	55,731	37,414	93,145	66,223	45,456	111,679
NON CASH INFORMATION:						
Change in fair value of available for sale investments	-	316	316	-	-	-
Investment return on statutory deposit	-	1,374	1,374	-	656	656

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

17. CHANGE IN ACCOUNTING POLICY

Effective 1 January 2019, based on the Circular issued by SAMA in relation to the 'Accounting of Zakat and Income tax', the Company amended its accounting policy to charge Zakat directly to Statement of Shareholders' Comprehensive Income .instead of a charge to retained earnings/accumulated losses

The change in the accounting policy has the following impacts:

For the three-month period ended 30 June 2018

	Amount as originally reported	Effect of restatement relating to zakat SR ('000')	Amount as restated
Statement of income			
Zakat charge for the period	-	(2,250)	(2,250)

For the six-month period ended 30 June 2018

	Amount as originally reported	Effect of restatement relating to zakat SR ('000')	Amount as restated
Statement of income			
Zakat charge for the period	-	(4,500)	(4,500)
Statement of changes in shareholders' equity			
Net profit for the period	15,314	(4,500)	10,814
Zakat charge for the period	(4,500)	4,500	-

The above change in accounting policy did not have an impact on statements of financial position and cash flows for any of the periods presented.

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

	Amount as originally reported	Effect of restatement relating to zakat SR	Amount as restated
Three-months period ended 30 June 2019	0.11	(0.05)	0.06
Six-months period ended 30 June 2019	0.31	(0.09)	0.22

18. APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION

This condensed interim financial information has been approved by the board of directors on 28 Dhul-Qidah 1440 H (corresponding to 31 July 2019 G).