

**WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED
SEPTEMBER 30, 2019**

**WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REVIEW REPORT (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019**

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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
INTERIM CONDENSED FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Walaa Cooperative Insurance Company (A Saudi Joint Stock Company) ("the Company") as at September 30, 2019, and the related interim condensed statements of income and comprehensive income for the three and nine month periods then ended and the interim condensed statements of changes in equity and cash flows for the nine months period then ended, and the related notes which form integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of Walaa Cooperative Insurance Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

Other matter

The financial statements of the Company for the year ended December 31, 2018, were audited by other auditors who expressed an unmodified opinion on those statements on 24 Rajab 1440H, corresponding to March 31, 2019G.

Deloitte and Touche & Co

Chartered Accountants
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Dammam 31411
Kingdom of Saudi Arabia

Waleed Mot' d Sobahi
Certified Public Accountant
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Certified Public Accountants
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Kingdom of Saudi Arabia

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Certified Public Accountant
Registration No. 335

7 Rabi I, 1441H
November 4, 2019 G



WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

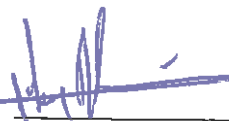
	Notes	September 30, 2019 - (Unaudited)	December 31, 2018 - (Audited)
SAR'000			
ASSETS			
Cash and cash equivalents	4	467,048	1,122,329
Short term deposits		584,897	-
Premiums and reinsurers' receivable - net	5	150,467	202,416
Reinsurers' share of unearned premiums	7.2	226,010	195,562
Reinsurers' share of outstanding claims	7.1	91,102	124,638
Reinsurers' share of claims incurred but not reported	7.1	55,574	41,538
Deferred policy acquisition costs		18,828	23,570
Investments	6	221,739	162,876
Due from shareholders'/insurance operations		3,114	26,507
Prepaid expenses and other assets		40,884	34,083
Property and equipment, net	8	16,598	9,415
Intangible assets		1,256	1,334
Statutory deposit		52,800	44,000
Accrued income on statutory deposit		5,249	4,263
Accrued commission income		4,947	4,437
TOTAL ASSETS		1,940,513	1,996,968



Chief Financial Officer (Acting)



Chief Executive Officer



Board Member

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.


WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT SEPTEMBER 30, 2019

	Notes	September 30, 2019 - (Unaudited)	December 31, 2018 - (Audited)
SAR'000			
<u>LIABILITIES</u>			
Policyholders claims payable		18,929	16,712
Accrued and other liabilities	9	112,115	120,114
Reinsurers' balances payable		150,857	140,897
Unearned premiums	7.2	572,856	536,608
Unearned reinsurance commission		15,514	12,443
Outstanding claims	7.1	138,341	181,504
Claims incurred but not reported	7.1	218,485	197,760
Additional premium reserves	7.1	7,808	8,525
Other technical reserves	7.1	21,038	26,379
Due to insurance / shareholders 'operations		3,114	26,507
End-of-service indemnities		16,536	14,622
Zakat and income tax	14	22,375	28,532
Accrued commission income payable to SAMA		5,249	4,263
TOTAL LIABILITIES		1,303,217	1,314,866
<u>INSURANCE OPERATIONS' SURPLUS</u>			
Accumulated surplus from insurance operations		2,567	13,495
Reserve for actuarial losses on end-of-service indemnities		(2,216)	(2,216)
TOTAL INSURANCE OPERATIONS' SURPLUS		351	11,279
TOTAL LIABILITIES INCLUDING INSURANCE OPERATIONS' SURPLUS		1,303,568	1,326,145
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	15	528,000	440,000
Share premium	15	30,108	30,108
Statutory reserve		48,827	48,827
Fair value reserve for investments		5,991	(3,418)
Retained earnings		24,019	155,306
TOTAL SHAREHOLDERS' EQUITY		636,945	670,823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,940,513	1,996,968
Commitments and contingencies	10	6,450	5,300



Chief Financial Officer (Acting)


Chief Executive Officer


Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

	Notes	For the three months period ended September 30,		For the nine months period ended September 30,	
		2019	2018	2019	2018
		SAR'000		SAR'000	
		(Restated)		(Restated)	
REVENUES					
Gross premiums written					
- Direct		282,719	256,944	856,090	815,217
- Reinsurance		-	-	388	327
	7.2	282,719	256,944	856,478	815,544
Reinsurance premiums ceded					
- Local ceded		(1,739)	(1,265)	(7,940)	(6,128)
- Foreign ceded		(129,713)	(87,461)	(299,576)	(252,275)
	7.2	(131,452)	(88,726)	(307,516)	(258,403)
Excess of loss expenses	7.2	(8,244)	(1,984)	(12,577)	(7,145)
Net premiums written		143,023	166,234	536,385	549,996
Changes in unearned premiums		(1,391)	17,798	(36,248)	16,522
Changes in reinsurance share of unearned premiums		36,392	12,660	30,448	38,570
Net premiums earned		178,024	196,692	530,585	605,088
Reinsurance commissions		5,977	5,703	17,972	16,100
Other underwriting income		470	543	1,618	3,393
TOTAL REVENUES		184,471	202,938	550,175	624,581
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		161,189	126,633	438,684	362,139
Expenses incurred related to claims		7,620	8,290	23,309	26,625
Reinsurers' share of claims paid		(21,027)	(8,429)	(40,960)	(16,075)
Net claims and other benefits paid		147,782	126,494	421,033	372,689
Changes in outstanding claims		(28,998)	(25,965)	(43,163)	(4,439)
Changes in reinsurance share of outstanding claims		16,051	7,515	33,536	(1,541)
Changes in IBNR		(1,479)	16,094	20,725	6,599
Changes in reinsurance share of IBNR		219	-	(14,036)	(1,616)
Net claims and other benefits incurred		133,575	124,138	418,095	371,692
Additional premium reserves		(2,940)	-	(717)	1,844
Other technical reserves		5,710	-	(5,341)	155
Policy acquisition costs		11,138	17,931	36,814	54,831
Other underwriting expenses		6,551	2,009	18,552	7,261
TOTAL UNDERWRITING COSTS AND EXPENSES		154,034	144,078	467,403	435,783
NET UNDERWRITING INCOME		30,437	58,860	82,772	188,798


Chief Financial Officer (Acting)


Chief Executive Officer


Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED) (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

Notes	For the three months period ended September 30,		For the nine months period ended September 30	
	2019	2018	2019	2018
	SAR'000		SAR'000	
		(Restated)		(Restated)
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
Allowance for doubtful debts	1,128	-	(3,352)	(6,196)
General and administrative expenses	(29,350)	(39,968)	(90,247)	(91,885)
Commission income on deposits	6,137	5,494	19,493	14,063
Dividend income on investments	350	490	1,048	1,096
TOTAL OTHER OPERATING EXPENSES	(21,735)	(33,984)	(73,058)	(82,922)
Total income for the period before zakat and income tax & Surplus attribution	8,702	24,876	9,714	105,876
Zakat	14 (459)	(2,895)	(8,431)	(10,837)
Income tax	14 (80)	(1,076)	(150)	(1,076)
Total income for the period	8,163	20,905	1,133	93,963
Total income attributed to the insurance Operations	(759)	(2,306)	(420)	(10,244)
Net income for the period attributable to the shareholders	7,404	18,599	713	83,719
Earnings per share (EPS)				
Basic and diluted EPS (SAR per share)	18 0.14	0.35	0.01	1.59
Weighted average number of ordinary outstanding shares (in thousands)	52,800	52,800	52,800	52,800



Chief Financial Officer (Acting)



Chief Executive Officer



Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

Notes	For the three months period ended September 30,		For the nine months period ended September 30		
	2019	2018	2019	2018	
	SAR'000		SAR'000		
		(Restated)		(Restated)	
Total income for the period	8,163	20,905	1,133	93,963	
Other comprehensive income					
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>					
- Available for sale investments:					
- Net change in fair value	6	(7,994)	(2,384)	9,409	11,562
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		169	18,521	10,542	105,525
Total comprehensive income attributed to the insurance operations		(759)	(2,306)	(420)	(10,244)
Net comprehensive (loss) / income for the period attributable to the shareholders		(590)	16,215	10,122	95,281



Chief Financial Officer (Acting)



Chief Executive Officer



Board Member


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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	Note	Share capital	Share premium	Statutory reserve	Fair value reserve for investments	Retained earnings	Total
		SAR '000					
2019							
Balance at January 1, 2019 (Audited)		440,000	30,108	48,827	(3,418)	155,306	670,823
Comprehensive income for the period:							
Net income for the period attributable to the shareholders		-	-	-	-	713	713
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	9,409	-	9,409
Total comprehensive income for the period attributable to shareholders		-	-	-	9,409	713	10,122
Bonus shares	15	88,000	-	-	-	(88,000)	-
Dividend	16	-	-	-	-	(44,000)	(44,000)
Balance at September 30, 2019 (Unaudited)		528,000	30,108	48,827	5,991	24,019	636,945
2018							
Balance at January 1, 2018 (Audited)		400,000	30,108	31,722	(17,354)	126,888	571,364
Comprehensive income for the period:							
Net income for the period attributable to the shareholders (restated)		-	-	-	-	83,719	83,719
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	11,562	-	11,562
Total comprehensive income for the period attributable to shareholders (restated)		-	-	-	11,562	83,719	95,281
Bonus shares		40,000	-	-	-	(40,000)	-
Balance at September 30, 2018 (Unaudited) (restated)		440,000	30,108	31,722	(5,792)	170,607	666,645


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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	2019	2018
	SAR'000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before zakat and income tax	9,714	105,876
Adjustments for non-cash items:		
Depreciation of property and equipment	5,074	2,525
Amortization of intangible assets	379	610
Allowance for doubtful debts	3,352	6,196
Dividend income on investments	(1,048)	(1,096)
Commission income on deposits	(19,493)	(14,063)
Provision for end-of-service indemnities	2,745	2,168
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	46,038	(117,004)
Reinsurers' share of unearned premiums	(30,448)	(38,570)
Reinsurers' share of outstanding claims	33,536	(1,541)
Reinsurers' share of claims incurred but not reported	(14,036)	(1,616)
Deferred policy acquisition costs	4,742	8,036
Prepaid expenses and other assets	(6,801)	1,826
Policyholders claim payables	2,217	4,856
Accrued and other liabilities	(13,889)	17,103
Reinsurers' balances payable	9,960	73,942
Unearned premiums	36,248	(16,522)
Unearned reinsurance commission	3,071	3,690
Outstanding claims	(43,163)	(4,439)
Claims incurred but not reported	20,725	6,599
Additional premium reserves	(717)	1,844
Other technical reserves	(5,341)	155
	42,865	40,575
End-of-service indemnities paid	(831)	(503)
Zakat and income tax paid	(14,738)	(12,025)
Net cash generated from operating activities	27,296	28,047
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in intangible assets	(301)	(830)
Additions in investments	(49,454)	(60,000)
Commission income received	18,983	16,974
Dividend received	1,048	1,289
Short term deposits	(584,897)	824,833
Additions in property and equipment	(12,257)	(2,972)
Net cash (used in) / generated from investing activities	(626,878)	779,294
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in statutory deposit	(8,800)	(4,000)
Dividend paid	(44,000)	-
Lease rentals	(2,899)	-
Net cash used in financing activities	(55,699)	(4,000)
Net change in cash and cash equivalents	(655,281)	803,341
Cash and cash equivalents, beginning of the period	1,122,329	309,919
Cash and cash equivalents, end of the period	467,048	1,113,260
	4	
NON-CASH INFORMATION		
Unrealised changes in fair value of available for sale investments	9,409	11,562


Chief Financial Officer (Acting)


Chief Executive Officer


Board Member

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

1. GENERAL

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

Walaa Cooperative Insurance Company
Head Office
Custodian of Two Holy Mosques Road
P.O. Box 31616
Al-Khobar 31952, 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 motor, medical, marine, fire, engineering, energy, aviation and casualty insurance.

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

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

The Extraordinary General Assembly approved to increase share capital of the Company by issuing 8.8 million bonus shares, as a result the share capital of the Company has increased from SAR 440 million to SAR 528 million (refer note 15). Legal formalities regarding updating of the Commercial Registration and Articles of Association of the Company were completed during the period.

Proposed merger

Further to the Company's announcement that it signed a non-binding Memorandum of Understanding (the "MOU") with MetLife AIG ANB Cooperative Insurance Company ("MetLife") on 15/10/1440 H (corresponding to 18/06/2019) to evaluate a potential merger between the two companies, on 29/09/2019G corresponding to 30/01/1440 H, the Company announced its entry into a binding merger agreement with MetLife (the "Merger Agreement") in an effort to acquire all shares held by the shareholders in MetLife through the submission of an offer to exchange shares without any cash consideration, such exchange to be effected by way of increasing the capital of the Company through the issuance of new ordinary shares to all shareholders in MetLife (the "Merger"). The proposed merger is subject to the approval of SAMA, other regulatory authorities and the shareholders. The Company's announcement on Tadawul does not mean that the proposed merger will be ultimately agreed and an offer will be made by Walaa to the Metlife shareholders.

**WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019**

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended September 30, 2019 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

The financial statements of the Company as at and for the period and year ended March 31 , 2019 and December 31 , 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) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On July 23, 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.

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

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments. The Company’s interim condensed statement of financial position is not presented using a current/non-current classification. However, the Company’s interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, statutory deposit, accrued income on statutory deposit, held to maturity Sukuk, end-of-service indemnities and accrued commission income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

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 in note 20 of the financial statements have been provided to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders’ operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

**WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019**

2. BASIS OF PREPARATION (CONTINUED)

(a) Basis of presentation (continued)

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

Amounts in this interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

(b) Critical accounting judgments, estimates and assumptions

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

In preparing these condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended December 31, 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, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018 except as explained below:

Change in the accounting policy for Zakat and income tax:

As mentioned above, the basis of preparation has been changed for the period ended 30 September 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 14 to the interim condensed financial statements. The change has resulted in reduction of reported income of the Company for the period ended September 30, 2018 by SR 11,913 million. The change has had no impact on the statement of cash flows for the period ended September 30, 2018.

Income tax:

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for applicable jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdiction where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses.

**WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Company's has assessed that the interpretation has not had a significant impact on the interim condensed financial statements.

Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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 statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Change in the accounting policy in relation to accounting for leases under IFRS 16:

Effective from January 1, 2019 The Company adopted IFRS 16 'Leases' which replaced the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 changes fundamentally the accounting for leases by lessees. It eliminates the previous IAS 17 dual accounting model, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting as follows:

Right of Use Asset / Lease Liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in the accounting policy in relation to accounting for leases under IFRS 16: (continued)

Right of Use Assets

The Company applies the model, and measures the right of use assets at cost;

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications

Lease Liabilities

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Impact on transition

The Company has opted for the modified retrospective application permitted by IFRS 16 upon the adoption of the new standard. During the first-time application of IFRS 16 to operating leases, the right to use the leased assets was measured at the amount of the lease liability, using the interest rate at the time of the first-time application. The adjustments as of January 1, 2019 are as follows:

	2019
Right-of-use assets	7,204
Lease liabilities	7,204

- Below is a reconciliation of the opening and closing balances of lease liabilities.

	2019
Opening balance of lease liabilities recognized upon the initial transition to IFRS 16	7,204
Additions	2,780
Interest charged for the period	153
Prepayment	(1,382)
Payments of lease liabilities	(2,899)
Closing balance (note 9)	5,856

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted the lease payments using its incremental borrowing rate.

Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS16 to leases previously classified as operating leases under IAS17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease terms or leases with a low value of less than SAR 18,750.
- Excluded initial direct costs from measuring the right of use asset at the date of initial application.
- Used hindsight when determining the lease terms if the contract contains options to extend or terminate the lease.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- IFRIC 23 Uncertainty over Income Tax Treatments.
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) effective for accounting periods beginning on or after January 1, 2019.
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19) effective for accounting periods beginning on or after January 1, 2019.
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23) effective for accounting periods beginning on or after January 1, 2019.

Forthcoming requirements

The 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:

- Amendment to references to conceptual framework in IFRS standards effective for annual periods beginning on or after January 1, 2020.
- Definition of a Business (Amendment to IFRS 3) effective for annual periods beginning on or after January 1, 2020.
- Definition of material (Amendment to IAS 1 and IAS 8) effective for annual periods beginning on or after January 1, 2020.
- IFRS 17 'Insurance contracts' was published on May 18, 2017 with the effective date of January 1, 2022. IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For non-life and short-term life insurance contracts IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk, for which confidence level equivalent disclosure will be required. Further, IFRS 17 will change the presentation of insurance contract revenue, as gross premium written will no longer be presented in profit or loss. At the date of publication of these financial statements, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 17 will be adopted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) available for optional adoption - effective date deferred indefinitely.
- IFRS 9 "Financial Instruments". The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. The Company will avail of the exemptions available to insurers and has deferred the implementation of IFRS 9 until a later date, but no later than January 1, 2022. The impact of the adoption of IFRS 9 on the Company's financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. At the date of publication of these financial statements, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 9 will be adopted.

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Insurance operations	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Cash and bank balances	255,358	222,652
Deposits maturing within 3 months from the acquisition date	211,690	431,354
Total	467,048	654,006
	Shareholders' operations	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Bank balances	-	20,624
Deposits maturing within 3 months from the acquisition date	-	447,699
Total	-	468,323
Total cash and cash equivalents	467,048	1,122,329

5. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprises of amounts due from the following:

	Insurance operations	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Policyholders	65,395	58,069
Brokers and agents	131,853	187,434
Related parties	69	575
Receivables from reinsurers	1,952	1,788
	199,269	247,866
Less: Provision for doubtful receivables	(48,802)	(45,450)
Premiums and reinsurers' receivable – net	150,467	202,416

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6. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Available for sale investments	172,285	162,876
Held to maturity	49,454	-
	221,739	162,876

Movement in available for sale investments is as follows:

	Shareholders' operations	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Opening balance	162,876	96,767
Purchase	-	60,000
Adjustment/ disposals	-	(194)
Changes in fair value of investments, net	9,409	6,303
Closing balance	172,285	162,876

Available-for-sale investments include the following:

	Shareholders' operations	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Quoted securities	149,162	139,753
Unquoted securities	23,123	23,123
	172,285	162,876

Movement in held to maturity investments is as follows:

	Shareholders' operations	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Opening balance	-	-
Additional during the year	49,625	-
Amortization	(171)	-
Closing balance	49,454	-

Investments in sukuk are classified as investments held to maturity and measured at amortized cost. Investments held to maturity are those investments which have fixed or determined payments and that the Company has a positive intention and ability to hold to maturity.

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7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Outstanding claims	151,846	190,757
Less: Realizable value of salvage and subrogation(note 7.1.1)	(13,505)	(9,253)
	138,341	181,504
Claims incurred but not reported	310,968	298,561
Less: IBNR related to salvages and subrogation(note 7.1.1)	(92,483)	(100,801)
IBNR related to Outstanding claims	218,485	197,760
Additional premium reserves:		
- Premium deficiency reserve	7,516	7,975
-Additional unexpired risk reserve	292	550
	7,808	8,525
Other technical reserves:		
- Claims handling expense provision	7,782	11,687
- Unallocated loss adjustment expense provision	13,256	14,024
- Non-proportional reinsurance accrual reserve	-	668
	21,038	26,379
Net outstanding claims and reserves	385,672	414,168
Less:		
-Reinsurer's share of outstanding claims	91,102	124,638
-Reinsurer's share of claims incurred but not reported	55,574	41,538
	146,676	166,176
Net outstanding claims and reserves	238,996	247,992

7.1.1 Salvage and subrogation

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Salvage and subrogation	105,988	110,054
IBNR related to salvages and subrogation	(92,483)	(100,801)
Realizable value of salvage and subrogation	13,505	9,253

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7. TECHNICAL RESERVES (CONTINUED)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	September 30, 2019 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	536,608	(195,562)	341,046
Premiums written during the period	856,478	(320,093)	536,385
Premiums earned during the period	(820,230)	289,645	(530,585)
Balance as at the end of the period	572,856	(226,010)	346,846

	December 31, 2018 (Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	538,493	(130,247)	408,246
Premiums written during the year	1,104,957	(373,828)	731,129
Premiums earned during the year	(1,106,842)	308,513	(798,329)
Balance as at the end of the year	536,608	(195,562)	341,046

8. PROPERTY AND EQUIPMENT, NET

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Property and equipment	9,117	9,415
Right of use assets (note 8.1)	7,481	-
	16,598	9,415

8.1 Depreciation charges on right of use assets amounted to SAR 2.5 million.

9. ACCRUED AND OTHER LIABILITIES

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Accrued and other liabilities	106,259	120,114
Lease rentals	5,856	-
	112,115	120,114

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9. ACCRUED AND OTHER LIABILITIES (CONTINUED)

Maturity analysis of lease rentals is as follows:

	September 30, 2019 (Unaudited) SAR'000
Payable within one year	3,739
Payable more than one year but less than five years	2,117
	<u>5,856</u>

10. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	September 30, 2019 (Unaudited) SAR'000	December 31, 2018 (Audited)
Letters of guarantee	<u>6,450</u>	<u>5,300</u>

The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at December 31, 2018.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value statements for financial assets and financial liabilities not measured at fair value since the carrying amount is a reasonable approximation to fair value.

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11. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Shareholders' Operations	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
SAR'000					
September 30, 2019 (Unaudited)					
Financial assets measured at fair value					
- Available for sale investments					
-Quoted securities	149,162	149,162	-	-	149,162
Shareholders' Operations					
SAR'000					
December 31, 2018 (Audited)					
Financial assets measured at fair value					
- Available for sale investments					
-Quoted securities	139,753	139,753	-	-	139,753

b. Measurement of fair values

The Company has investments amounting to SAR 23 million in unquoted securities. These investments have not been measured at fair values in the absence of active market or other means of measuring their fair values reliably. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

Transfer between the Levels

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

12. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

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

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12. OPERATING SEGMENTS (CONTINUED)

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

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

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

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

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

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12. OPERATING SEGMENTS (CONTINUED)

Financial Position

The segment statements provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at September 30, 2019 and December 31, 2018, its total revenues, expenses, and net income for the three and nine month periods then ended, are as follows:

	As at September 30, 2019 (Unaudited)						Total
	Insurance operations						
	Medical	Motor	Property	Engineering	Others	Insurance operations	
SAR'000							
Assets							
Reinsurers' share of unearned premiums	-	91	126,754	41,552	57,613	226,010	226,010
Reinsurers' share of outstanding claims	-	463	66,183	13,552	10,904	91,102	91,102
Reinsurers' share of claims incurred but not reported	-	-	14,355	16,702	24,517	55,574	55,574
Deferred policy acquisition costs	2,083	7,894	2,248	2,221	4,382	18,828	18,828
Unallocated assets	-	-	-	-	-	879,808	1,548,999
Total assets	2,083	8,448	209,540	74,027	97,416	1,271,322	1,940,513
Liabilities and shareholders' equity							
Unearned premiums	34,501	291,999	128,614	44,244	73,498	572,856	572,856
Unearned insurance commission	-	5	5,943	4,524	5,042	15,514	15,514
Outstanding claims	14,912	15,562	68,352	15,802	23,713	138,341	138,341
Claims incurred but not reported	15,034	129,861	16,576	18,317	38,697	218,485	218,485
Additional Premium Reserve	5,750	-	-	292	1,766	7,808	7,808
Other Technical Reserve	299	18,899	414	458	968	21,038	21,038
Unallocated Liabilities	-	-	-	-	-	297,280	966,471
Total liabilities and shareholders' equity	70,496	456,326	219,899	83,637	143,684	1,271,322	1,940,513

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12. OPERATING SEGMENTS (CONTINUED)

Financial Position (continued)

	As at December 31, 2018 (Audited)							Total
	Insurance operations						Shareholders' operations	
	Medical	Motor	Property	Engineering	Others	Insurance operations		
SAR'000							Total -	
Assets								
Reinsurers' share of unearned premiums	-	-	112,811	41,391	41,360	195,562	-	195,562
Reinsurers' share of outstanding claims	-	463	75,479	37,570	11,126	124,638	-	124,638
Reinsurers' share of claims incurred but not reported	-	-	4,215	13,865	23,458	41,538	-	41,538
Deferred policy acquisition costs	2,455	13,219	2,608	1,499	3,789	23,570	-	23,570
Unallocated assets	-	-	-	-	-	903,006	708,654	1,611,660
Total assets	2,455	13,682	195,113	94,325	79,733	1,288,314	708,654	1,996,968
Liabilities and shareholders' equity								
Unearned premiums	37,608	286,699	114,224	43,580	54,497	536,608	-	536,608
Unearned reinsurance commission	-	-	5,068	3,199	4,176	12,443	-	12,443
Outstanding claims	26,847	13,296	79,149	38,890	23,322	181,504	-	181,504
Claims incurred but not reported	11,374	132,793	5,734	14,580	33,279	197,760	-	197,760
Additional premium reserves	7,673	-	-	550	302	8,525	-	8,525
Other technical reserves	382	21,103	2,122	1,340	1,432	26,379	-	26,379
Unallocated liabilities and shareholders' equity	-	-	-	-	-	325,095	708,654	1,033,749
Total liabilities and shareholders' equity	83,884	453,891	206,297	102,139	117,008	1,288,314	708,654	1,996,968

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12. OPERATING SEGMENTS (CONTINUED)

	For the three months ended September 30, 2019 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	23,807	118,655	87,521	14,772	37,964	282,719
- Reinsurance	-	-	-	-	-	-
	23,807	118,655	87,521	14,772	37,964	282,719
Reinsurance premiums ceded						
- Local ceded	-	-	(941)	(798)	-	(1,739)
- Foreign ceded	-	-	(85,684)	(12,717)	(31,312)	(129,713)
			(86,625)	(13,515)	(31,312)	(131,452)
Excess of loss expenses	(6,815)	(790)	(203)	(203)	(233)	(8,244)
Net premiums written	16,992	117,865	693	1,054	6,419	143,023
Changes in unearned premiums, net	(7,446)	42,432	145	168	(298)	35,001
Net premiums earned	9,546	160,297	838	1,222	6,121	178,024
Reinsurance commissions	-	3	2,941	1,276	1,757	5,977
Other underwriting income	-	449	3	2	16	470
TOTAL REVENUES	9,546	160,749	3,782	2,500	7,894	184,471
Gross claims paid	23,839	114,670	6,921	8,141	7,618	161,189
Expenses incurred related to claims	526	7,094	-	-	-	7,620
Reinsurers' share of claims paid	(2,838)	(418)	(6,708)	(7,749)	(3,314)	(21,027)
Net claims and other benefits paid	21,527	121,346	213	392	4,304	147,782
Changes in outstanding claims, net	(8,195)	(1,198)	(1,204)	(223)	(2,127)	(12,947)
Changes in IBNR, net	5,942	(6,837)	11	122	(498)	(1,260)
Net claims and other benefits incurred	19,274	113,311	(980)	291	1,679	133,575
Changes in unexpired risks	(341)	-	-	(703)	(1,896)	(2,940)
Other technical reserves	(506)	4,836	360	420	600	5,710
Policy acquisition costs	1,240	6,442	1,204	755	1,497	11,138
Other underwriting expenses	2,147	4,424	-	-	(20)	6,551
TOTAL UNDERWRITING COSTS AND EXPENSES	21,814	129,013	584	763	1,860	154,034
NET UNDERWRITING INCOME (LOSS)	(12,268)	31,736	3,198	1,737	6,034	30,437
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts						1,128
General and administrative expenses						(29,350)
Commission income on deposits						6,137
Dividend income on investments						350
TOTAL OTHER OPERATING EXPENSES						(21,735)
Total income for the period before zakat and income tax						8,702
Zakat						(459)
Income tax						(80)
NET INCOME FOR THE PERIOD						8,163
Total income for the period attributable to insurance operations						(759)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						7,404

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12. OPERATING SEGMENTS (CONTINUED)

	For the three months ended September 30, 2018 (Unaudited) Restated					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	31,902	123,382	66,251	9,046	26,363	256,944
- Reinsurance	-	-	-	-	-	-
	31,902	123,382	66,251	9,046	26,363	256,944
Reinsurance premiums ceded						
- Local ceded	-	-	(696)	(569)	-	(1,265)
- Foreign ceded	-	-	(64,519)	(7,860)	(15,082)	(87,461)
	-	-	(65,215)	(8,429)	(15,082)	(88,726)
Excess of loss expenses	(600)	(879)	(148)	(148)	(209)	(1,984)
Net premiums written	31,302	122,503	888	469	11,072	166,234
Changes in unearned premiums, net	(2,260)	40,155	(120)	(226)	(7,091)	30,458
Net premiums earned	29,042	162,658	768	243	3,981	196,692
Reinsurance commissions	-	-	2,397	1,446	1,860	5,703
Other underwriting income	-	541	2	-	-	543
TOTAL REVENUES	29,042	163,199	3,167	1,689	5,841	202,938
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	24,270	93,573	2,275	2,354	4,161	126,633
Expenses incurred related to claims	2,249	6,041	-	-	-	8,290
Reinsurers' share of claims paid	(2,557)	(710)	(1,545)	(2,123)	(1,494)	(8,429)
Net claims and other benefits paid	23,962	98,904	730	231	2,667	126,494
Changes in outstanding claims, Net	(1,659)	(14,771)	(565)	(76)	(1,379)	(18,450)
Changes in IBNR, net	3,000	14,177	-	-	(1,083)	16,094
Net claims and other benefits incurred	25,303	98,310	165	155	205	124,138
Premium deficiency reserves	-	-	-	-	-	-
Other technical reserves	-	-	-	-	-	-
Policy acquisition costs	3,102	11,077	1,387	574	1,791	17,931
Other underwriting expenses	-	1,994	-	-	15	2,009
TOTAL UNDERWRITING COSTS AND EXPENSES	28,405	111,381	1,552	729	2,011	144,078
NET UNDERWRITING INCOME	637	51,818	1,615	960	3,830	58,860
OTHER OPERATING (EXPENSES)/INCOME						
General and administrative expense						(39,968)
Commission income on deposits						5,494
Dividend received						490
TOTAL OTHER OPERATING EXPENSES						(33,984)
Total income for the period before zakat and income tax						24,876
Zakat						(2,895)
Income tax						(1,076)
NET INCOME FOR THE PERIOD						20,905
Total income for the period attributable to insurance operations						(2,306)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						18,599

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12. OPERATING SEGMENTS (CONTINUED)

	For the nine months ended September 30, 2019 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	54,134	463,447	179,920	54,987	103,602	856,090
- Reinsurance	-	-	388	-	-	388
	54,134	463,447	180,308	54,987	103,602	856,478
Reinsurance premiums ceded						
- Local ceded	-	-	(4,233)	(3,707)	-	(7,940)
- Foreign ceded	-	(182)	(172,700)	(46,715)	(79,979)	(299,576)
		(182)	(176,933)	(50,422)	(79,979)	(307,516)
Excess of loss expenses	(8,069)	(2,846)	(500)	(500)	(662)	(12,577)
Net premiums written	46,065	460,419	2,875	4,065	22,961	536,385
Changes in unearned premiums, net	3,108	(5,209)	(447)	(504)	(2,748)	(5,800)
Net premiums earned	49,173	455,210	2,428	3,561	20,213	530,585
Reinsurance commissions	-	5	8,915	4,109	4,943	17,972
Other underwriting income	-	1,554	8	6	50	1,618
TOTAL REVENUES	49,173	456,769	11,351	7,676	25,206	550,175
UNDERWRITING COSTS AND EXPENSES						
Gross claim paid	65,396	330,895	9,758	16,477	16,158	438,684
Expenses incurred related to claims	2,009	21,300	-	-	-	23,309
Reinsurers' share of claims paid	(7,374)	(418)	(9,188)	(15,753)	(8,227)	(40,960)
Net claims and other benefits paid	60,031	351,777	570	724	7,931	421,033
Changes in outstanding claims, net	(11,935)	2,267	(1,501)	930	612	(9,627)
Changes in IBNR, net	3,660	(2,933)	702	899	4,361	6,689
Net claims and other benefits						
Incurred	51,756	351,111	(229)	2,553	12,904	418,095
Unexpired risk reserves	(1,923)	-	-	(258)	1,464	(717)
Other technical reserves	(83)	(2,203)	(1,707)	(882)	(466)	(5,341)
Policy acquisition costs	4,139	22,203	4,374	2,397	3,701	36,814
Other underwriting expenses	5,814	12,724	-	-	14	18,552
TOTAL UNDERWRITING COSTS AND EXPENSES	59,703	383,835	2,438	3,810	17,617	467,403
NET UNDERWRITING INCOME	(10,530)	72,934	8,913	3,866	7,589	82,772
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for doubtful debts						(3,352)
General and administrative expense						(90,247)
Commission income on deposits						19,493
Dividend income on investment						1,048
TOTAL OTHER OPERATING EXPENSES						(73,058)
Total income for the period before zakat and income tax						9,714
Zakat						(8,431)
Income tax						(150)
NET INCOME FOR THE PERIOD						1,133
Total income for the period attributable to insurance operations						(420)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						713

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12. OPERATING SEGMENTS (CONTINUED)

	For the nine months ended September 30, 2018 (Unaudited) (Restated)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	80,948	446,069	136,330	46,832	105,038	815,217
- Reinsurance	-	-	352	(25)	-	327
	80,948	446,069	136,682	46,807	105,038	815,544
Reinsurance premiums ceded						
- Local ceded	-	-	(2,737)	(3,391)	-	(6,128)
- Foreign ceded	-	(173)	(131,111)	(41,952)	(79,039)	(252,275)
	-	(173)	(133,848)	(45,343)	(79,039)	(258,403)
Excess of loss expenses	(1,800)	(3,798)	(439)	(439)	(669)	(7,145)
Net premiums written	79,148	442,098	2,395	1,025	25,330	549,996
Changes in unearned premiums, net	3,980	57,957	(280)	1,039	(7,604)	55,092
Net premiums earned	83,128	500,055	2,115	2,064	17,726	605,088
Reinsurance commissions	-	5	5,594	4,553	5,948	16,100
Other underwriting income	-	3,335	7	4	47	3,393
TOTAL REVENUES	83,128	503,395	7,716	6,621	23,721	624,581
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	52,903	283,075	4,283	9,043	12,835	362,139
Expenses incurred related to claims	4,098	22,527	-	-	-	26,625
Reinsurers' share of claims paid	(2,557)	(845)	(2,896)	(7,337)	(2,440)	(16,075)
Net claims and other benefits paid	54,444	304,757	1,387	1,706	10,395	372,689
Changes in outstanding claims, net	16,160	(21,405)	(1,062)	125	202	(5,980)
Changes in IBNR, net	2,556	2,653	(139)	(29)	(58)	4,983
Net claims and other benefits incurred	73,160	286,005	186	1,802	10,539	371,692
Unexpired risk reserves	1,384	-	(355)	1,508	(693)	1,844
Other technical reserves	210	(96)	-	3	38	155
Policy acquisition costs	8,317	36,518	3,105	1,836	5,055	54,831
Other underwriting expenses	-	7,221	-	-	40	7,261
TOTAL UNDERWRITING COSTS AND EXPENSES	83,071	329,648	2,936	5,149	14,979	435,783
NET UNDERWRITING INCOME	57	173,747	4,780	1,472	8,742	188,798
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts						(6,196)
General and administrative expense						(91,885)
Commission income on deposits						14,063
Dividend income on investment						1,096
TOTAL OTHER OPERATING EXPENSES						(82,922)
Total income for the period before zakat and income tax						105,876
Zakat						(10,837)
Income tax						(1,076)
NET INCOME FOR THE PERIOD						93,963
Total income for the period attributable to insurance operations						(10,244)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						83,719

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13. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Transactions for the nine months period ended		Net balance receivable / (payable) as at	
	September 30, 2019 (Unaudited) SAR'000	September 30, 2018 (Unaudited)	September 30, 2019 (Unaudited) SAR'000	December 31, 2018 (Audited)
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written / receivable from				
BOD and related parties	1,789	2,903	69	413
Key management personnel	-	21	-	-
Claims paid and payable to				
BOD and their related parties	1,527	1,635	329	(295)
Others	447	634	30	(210)

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

	September 30, 2019 (Unaudited) SAR'000	September 30, 2018 (Unaudited)
Salaries and other allowances	3,746	3,573
End of service indemnities	605	511
	4,351	4,084
Remuneration to those charged with governance	4,726	4,421

14. ZAKAT AND INCOME TAX

Status of assessments

The Company had filed Zakat and income tax returns with the General Authority of Zakat and Tax ("GAZT") up to the year ended 31 December 2018 and obtained certificate from GAZT that is valid up to April 30, 2020.

During 2019, the Company has received an assessment order for the year 2016 for an additional zakat and tax liability amounting to SR 20 million. During the period, the Company successfully appealed against most of the items in this assessment and paid an amount of SR 1.9 million as a full and final settlement.

Provision for zakat and income tax

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

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

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14. ZAKAT AND INCOME TAX (CONTINUED)

Shareholding subject to zakat and income tax

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

	September 30, 2019 %	December 31, 2018 %
	SAR'000	
Shareholding subject to zakat	94.75	94.75
Shareholding subject to income tax	5.25	5.25

The change in the accounting treatment for zakat and income tax (as explained in note 3) has the following impact on the line items of the statements of income, statement of financial position and changes in shareholders' equity:

As at and for the nine months period ended 30 September 2018:

Financial statement impacted	Account	SAR'000		
		Before the restatement for the nine months period ended September 30, 2018	Effect of restatement	As restated as at and for the nine months period ended September 30, 2018
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	11,913	(11,913)	-
	Zakat and income tax for the period	-	11,913	11,913
Statement of income	Earnings per share (expressed in SAR per share) *	2.17	(0.58)	1.59

As at and for the three months period ended 30 September 2018:

Financial statement impacted	Account	SAR'000		
		Before the restatement for the nine months period ended September 30, 2018	Effect of restatement	As restated as at and for the nine months period ended September 30, 2018
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	3,971	(3,971)	-
	Zakat and income tax for the period	-	3,971	3,971
Statement of income	Earnings per share (expressed in SAR per share) *	0.51	(0.16)	0.35

*this includes effect of bonus shares issued in June 2019 and restatements of profits due to zakat and income tax.

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15. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 528 million at September 30, 2019 consisting of 52.8 million shares of SAR 10 each (December 31, 2018: SAR 440 million consisting of 44 million shares of SAR 10 each).

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

The Company's Board of Directors in their meeting held on April 8, 2019 corresponding to 3 Sha'aban 1440H recommended to the Extraordinary General Assembly Meeting to increase share capital of the Company. The Extraordinary General Assembly approved to increase share capital of the Company from SAR 440 million to SAR 528 million by issuing one bonus share for every five existing shares owned by the shareholder. The increase in share capital is through capitalization of retained earnings of SAR 88 million. The increase in share capital was approved by the shareholders in their meeting held on 16 Ramadan 1440H (Correspondence to May 21, 2019).

Shareholding structure of the Company is as below:

	September 30, 2019 (Unaudited)		
	Authorized and issued		Paid up
	No. of Shares "000"	SAR "000"	
International General Insurance Company	2,772	27,720	27,720
Others	50,028	500,280	500,280
Total	52,800	528,000	528,000
	December 31, 2018 (audited)		
	Authorized and issued		Paid up
	No. of Shares "000"	SAR "000"	
International General Insurance Company	2,310	23,100	23,100
Others	41,690	416,900	416,900
Total	44,000	440,000	440,000

16. DIVIDEND

The Board of Directors (BOD) in their meeting dated April 8, 2019, proposed a dividend of SAR 1 per share total amounting to SAR 44 million, which was approved by the shareholders in annual general assembly meeting dated May 21, 2019. The entire dividend amount was distributed during the period.

17. CAPITAL MANAGEMENT

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

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

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

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18. EARNINGS PER SHARE (“EPS”)

Basic and diluted earnings per share from shareholders' income is calculated by dividing net income for the period by weighted average number of ordinary shares outstanding during the period. The basic and diluted EPS of the Company for the three and nine month periods ended September 30, 2018 has been restated due to the issuance of 8.8 million bonus shares in the 2nd quarter of 2019.

19. GROSS PREMIUMS WRITTEN

(Unaudited)

For the nine months period ended September 30, 2019

Class	Corporate					Total Gross premiums written
	Micro	Small	Medium	Large	Individual	
	SR'000					
Medical	5,652	16,219	8,599	21,004	2,660	54,134
Motor	463	3,384	12,477	44,954	402,169	463,447
Property	271	2,055	6,448	171,534	-	180,308
Engineering	209	1,364	6,486	46,928	-	54,987
Others	1,349	5,451	12,916	83,525	361	103,602
Total	7,944	28,473	46,926	367,945	405,190	856,478

(Unaudited)

For the nine months period ended September 30, 2018

Class	Corporate					Total Gross premiums written
	Micro	Small	Medium	Large	Individual	
	SR'000					
Medical	8,649	30,786	11,276	24,062	6,175	80,948
Motor	1,268	2,917	12,506	49,061	380,317	446,069
Property	298	1,733	5,472	129,179	-	136,682
Engineering	140	1,735	4,916	40,016	-	46,807
Others	1,216	5,197	10,288	87,574	763	105,038
Total	11,571	42,368	44,458	329,892	387,255	815,544

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20. SUPPLEMENTARY STATEMENTS

Interim condensed financial position

	September 30, 2019 - (Unaudited)			December 31, 2018 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
ASSETS						
Cash and cash equivalents	467,048	-	467,048	654,006	468,323	1,122,329
Short term deposits	201,823	383,074	584,897	-	-	-
Premiums and reinsurers' receivable - net	150,467	-	150,467	202,416	-	202,416
Reinsurers' share of unearned premiums	226,010	-	226,010	195,562	-	195,562
Reinsurers' share of outstanding claims	91,102	-	91,102	124,638	-	124,638
Reinsurers' share of claims incurred but not reported	55,574	-	55,574	41,538	-	41,538
Deferred policy acquisition costs	18,828	-	18,828	23,570	-	23,570
Investments	-	221,739	221,739	-	162,876	162,876
Due from shareholders'/ insurance operations	-	3,114	3,114	-	26,507	26,507
Prepaid expenses and other assets	40,884	-	40,884	34,083	-	34,083
Property and equipment	16,598	-	16,598	9,415	-	9,415
Intangible assets	1,256	-	1,256	1,334	-	1,334
Statutory deposit	-	52,800	52,800	-	44,000	44,000
Accrued income on statutory deposit	-	5,249	5,249	-	4,263	4,263
Accrued commission income	1,732	3,215	4,947	1,752	2,685	4,437
TOTAL ASSETS	1,271,322	669,191	1,940,513	1,288,314	708,654	1,996,968

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20. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed financial position (Continued)

	September 30, 2019 - (Unaudited)			December 31, 2018- (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
LIABILITIES						
Policyholders claims payable	18,929	-	18,929	16,712	-	16,712
Accrued and other liabilities	107,493	4,622	112,115	115,078	5,036	120,114
Reinsurers' balances payable	150,857	-	150,857	140,897	-	140,897
Unearned premiums	572,856	-	572,856	536,608	-	536,608
Unearned reinsurance commission	15,514	-	15,514	12,443	-	12,443
Outstanding claims	138,341	-	138,341	181,504	-	181,504
Claims incurred but not reported	218,485	-	218,485	197,760	-	197,760
Additional premium reserves	7,808	-	7,808	8,525	-	8,525
Other technical reserves	21,038	-	21,038	26,379	-	26,379
Due to insurance / shareholders' operations	3,114	-	3,114	26,507	-	26,507
End-of-service indemnities	16,536	-	16,536	14,622	-	14,622
Zakat and income tax	-	22,375	22,375	-	28,532	28,532
Accrued commission income payable to SAMA	-	5,249	5,249	-	4,263	4,263
TOTAL LIABILITIES	1,270,971	32,246	1,303,217	1,277,035	37,831	1,314,866
INSURANCE OPERATIONS' SURPLUS						
Insurance operations' surplus	2,567	-	2,567	13,495	-	13,495
Accumulated actuarial loss on end-of-service indemnities	(2,216)	-	(2,216)	(2,216)	-	(2,216)
TOTAL INSURANCE OPERATIONS' SURPLUS	351	-	351	11,279	-	11,279
TOTAL LIABILITIES INCLUDING INSURANCE OPERATIONS' SURPLUS	1,271,322	32,246	1,303,568	1,288,314	37,831	1,326,145
SHAREHOLDERS' EQUITY						
Share capital	-	528,000	528,000	-	440,000	440,000
Share premium	-	30,108	30,108	-	30,108	30,108
Statutory reserve	-	48,827	48,827	-	48,827	48,827
Fair value reserve for investments	-	5,991	5,991	-	(3,418)	(3,418)
Retained earnings	-	24,019	24,019	-	155,306	155,306
TOTAL SHAREHOLDERS' EQUITY	-	636,945	636,945	-	670,823	670,823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,271,322	669,191	1,940,513	1,288,314	708,654	1,996,968

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20. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the three months period ended

(Unaudited)	September 30, 2019			September 30, 2018 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	282,719	-	282,719	256,944	-	256,944
- Reinsurance	-	-	-	-	-	-
	282,719	-	282,719	256,944	-	256,944
Reinsurance premiums ceded						
- Local ceded	(1,739)	-	(1,739)	(1,265)	-	(1,265)
- Foreign ceded	(129,713)	-	(129,713)	(87,461)	-	(87,461)
	(131,452)	-	(131,452)	(88,726)	-	(88,726)
Excess of loss expenses	(8,244)	-	(8,244)	(1,984)	-	(1,984)
Net premiums written	143,023	-	143,023	166,234	-	166,234
Changes in unearned premiums, net	35,001	-	35,001	30,458	-	30,458
Net premiums earned	178,024	-	178,024	196,692	-	196,692
Reinsurance commissions	5,977	-	5,977	5,703	-	5,703
Other underwriting income	470	-	470	543	-	543
TOTAL REVENUES	184,471	-	184,471	202,938	-	202,938
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	161,189	-	161,189	126,633	-	126,633
Expenses incurred related to claims	7,620	-	7,620	8,290	-	8,290
Reinsurers' share of claims paid	(21,027)	-	(21,027)	(8,429)	-	(8,429)
Net claims and other benefits paid	147,782	-	147,782	126,494	-	126,494
Changes in outstanding claims, net	(12,947)	-	(12,947)	(18,450)	-	(18,450)
Changes in IBNR, net	(1,260)	-	(1,260)	16,094	-	16,094
Net claims and other benefits incurred	133,575	-	133,575	124,138	-	124,138
Additional premium reserves	(2,940)	-	(2,940)	-	-	-
Other technical reserves	5,710	-	5,710	-	-	-
Policy acquisition costs	11,138	-	11,138	17,931	-	17,931
Other underwriting expenses	6,551	-	6,551	2,009	-	2,009
TOTAL UNDERWRITING COSTS AND EXPENSES	154,034	-	154,034	144,078	-	144,078
NET UNDERWRITING INCOME	30,437	-	30,437	58,860	-	58,860

WALAA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

20. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	September 30, 2019			September 30, 2018 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	1,128	-	1,128	-	-	-
General and administrative expenses	(26,504)	(2,846)	(29,350)	(38,175)	(1,793)	(39,968)
Commission income	2,526	3,611	6,137	2,377	3,117	5,494
Dividend income on Investments		350	350	-	490	490
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(22,850)	1,115	(21,735)	(35,798)	1,814	(33,984)
Total income for the period before zakat and income tax	7,587	1,115	8,702	23,062	1,814	24,876
Zakat	-	(459)	(459)	-	(2,895)	(2,895)
Income tax	-	(80)	(80)	-	(1,076)	(1,076)
NET INCOME FOR THE PERIOD	7,587	576	8,163	23,062	(2,157)	20,905
Surplus transferred to Shareholders	(6,828)	6,828	-	(20,756)	20,756	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	759	7,404	8,163	2,306	18,599	20,905
Earnings per share (Expressed in SAR per share)						
Basic and diluted EPS		0.14			0.35	

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

(Unaudited)	September 30, 2019			September 30, 2018 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total income for the period	759	7,404	8,163	2,306	18,599	20,905
Other comprehensive (loss) income						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
- Net change in fair value	-	(7,994)	(7,994)	-	(2,384)	(2,384)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	759	(590)	169	2,306	16,215	18,521

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

20. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the nine months period ended

(Unaudited)	September 30, 2019			September 30, 2018 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	856,090	-	856,090	815,217	-	815,217
- Reinsurance	388	-	388	327	-	327
	856,478	-	856,478	815,544	-	815,544
Reinsurance premiums ceded						
- Local ceded	(7,940)	-	(7,940)	(6,128)	-	(6,128)
- Foreign ceded	(299,576)	-	(299,576)	(252,275)	-	(252,275)
	(307,516)	-	(307,516)	(258,403)	-	(258,403)
Excess of loss expenses	(12,577)	-	(12,577)	(7,145)	-	(7,145)
Net premiums written	536,385	-	536,385	549,996	-	549,996
Changes in unearned premiums, net	(5,800)	-	(5,800)	55,092	-	55,092
Net premiums earned	530,585	-	530,585	605,088	-	605,088
Reinsurance commissions	17,972	-	17,972	16,100	-	16,100
Other underwriting income	1,618	-	1,618	3,393	-	3,393
TOTAL REVENUES	550,175	-	550,175	624,581	-	624,581
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	438,684	-	438,684	362,139	-	362,139
Expenses incurred related to claims	23,309	-	23,309	26,625	-	26,625
Reinsurers' share of claims paid	(40,960)	-	(40,960)	(16,075)	-	(16,075)
Net claims and other benefits paid	421,033	-	421,033	372,689	-	372,689
Changes in outstanding claims, net	(9,627)	-	(9,627)	(5,980)	-	(5,980)
Changes in IBNR, net	6,689	-	6,689	4,983	-	4,983
Net claims and other benefits incurred	418,095	-	418,095	371,692	-	371,692
Additional premium reserves	(717)	-	(717)	1,844	-	1,844
Other technical reserves	(5,341)	-	(5,341)	155	-	155
Policy acquisition costs	36,814	-	36,814	54,831	-	54,831
Other underwriting expenses	18,552	-	18,552	7,261	-	7,261
TOTAL UNDERWRITING COSTS AND EXPENSES	467,403	-	467,403	435,783	-	435,783
NET UNDERWRITING INCOME	82,772	-	82,772	188,798	-	188,798

WALAA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

20. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	September 30, 2019			September 30, 2018 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR;000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	(3,352)	-	(3,352)	(6,196)	=	(6,196)
General and administrative expenses	(83,648)	(6,599)	(90,247)	(86,545)	(5,340)	(91,885)
Commission income	8,425	11,068	19,493	6,384	7,679	14,063
Dividend income on investments		1,048	1,048	-	1,096	1,096
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(78,575)	5,517	(73,058)	(86,357)	3,435	(82,922)
Total income for the period before zakat and income tax	4,197	5,517	9,714	102,441	3,435	105,876
Zakat	-	(8,431)	(8,431)	-	(10,837)	(10,837)
Income tax	-	(150)	(150)	-	(1,076)	(1,076)
NET INCOME / (LOSS) FOR THE PERIOD	4,197	(3,064)	1,133	102,441	(8,478)	93,963
Surplus transferred to Shareholders	(3,777)	3,777	-	(92,197)	92,197	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	420	713	1,133	10,244	83,719	93,963
Earnings per share (Expressed in SAR per share)						
Basic and diluted EPS		<u>0.01</u>			<u>1.59</u>	

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

(Unaudited)	2019			2018		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR;000		
Total income for the period	420	713	1,133	10,244	83,719	93,963
Other comprehensive income						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
- Available for sale investments:						
- Net change in fair value	-	9,409	9,409	=	11,562	11,562
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	420	10,122	10,542	10,244	95,281	105,525

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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20. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for nine months

(Unaudited)	Share- holders'			Share- holders'		
	Insurance operations	operations	Total	Insurance operations	operations	Total
	2019 SAR'000			2018 SAR'000 (Restated)		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period before zakat	420	9,294	9,714	10,244	95,632	105,876
Adjustments for non-cash items:						
Depreciation of property and equipment	5,074	-	5,074	2,525	-	2,525
Amortization of intangible assets	379	-	379	610	-	610
Allowance for doubtful debts	3,352	-	3,352	6,196	-	6,196
Dividend income on investments	-	(1,048)	(1,048)	-	(1,096)	(1,096)
Commission income	(8,425)	(11,068)	(19,493)	(6,384)	(7,679)	(14,063)
Provision for end-of-service indemnities	2,745	-	2,745	2,168	-	2,168
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	46,038	-	46,038	(117,004)	-	(117,004)
Reinsurers' share of unearned premiums	(30,448)	-	(30,448)	(38,570)	-	(38,570)
Reinsurers' share of outstanding claims	33,536	-	33,536	(1,541)	-	(1,541)
Reinsurers' share of claims incurred but not reported	(14,036)	-	(14,036)	(1,616)	-	(1,616)
Deferred policy acquisition costs	4,742	-	4,742	8,036	-	8,036
Prepaid expenses and other assets	(6,801)	-	(6,801)	1,826	-	1,826
Policyholders and accounts payables	2,217	-	2,217	4,856	-	4,856
Accrued and other liabilities	(13,475)	(414)	(13,889)	14,818	2,285	17,103
Reinsurers' balances payable	9,960	-	9,960	73,942	-	73,942
Unearned premiums	36,248	-	36,248	(16,522)	-	(16,522)
Unearned reinsurance commission	3,071	-	3,071	3,690	-	3,690
Outstanding claims	(43,163)	-	(43,163)	(4,439)	-	(4,439)
Claims incurred but not reported	20,725	-	20,725	6,599	-	6,599
Additional premium reserves	(717)	-	(717)	1,844	-	1,844
Other technical reserves	(5,341)	-	(5,341)	155	-	155
	46,101	(3,236)	42,865	(48,567)	89,142	40,575
End-of-service indemnities paid	(831)	-	(831)	(503)	-	(503)
Zakat and income tax paid	-	(14,738)	(14,738)	-	(12,025)	(12,025)
Net cash (used in)/ generated from operating activities	45,270	(17,974)	27,296	(49,070)	77,117	28,047

WALAA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

20. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for nine months (Continued)

	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operation s	Total
	2019 SAR'000			2018 SAR'000 Restated		
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in intangible assets	(301)	-	(301)	(830)	-	(830)
Additions in investments	-	(49,454)	(49,454)	-	(60,000)	(60,000)
Commission income received	8,445	10,538	18,983	8,279	8,695	16,974
Dividend received	-	1,048	1,048	-	1,289	1,289
Disposals of short term deposits	(201,823)	(383,074)	(584,897)	400,000	424,833	824,833
Additions in property and equipment	(12,257)	-	(12,257)	(2,972)	-	(2,972)
Net cash (used in) / generated from investing activities	(205,936)	(420,942)	(626,878)	404,477	374,817	779,294
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase in statutory deposit	-	(8,800)	(8,800)	-	(4,000)	(4,000)
Due from shareholders/insurance operations	(23,393)	23,393	-	1,724	(1,724)	-
Dividends paid	-	(44,000)	(44,000)	-	-	-
Lease rentals	(2,899)	-	(2,899)	-	-	-
Net cash (used in) / generated from investing activity	(26,292)	(29,407)	(55,699)	1,724	(5,724)	(4,000)
Net change in cash and cash equivalents	(186,958)	(468,323)	(655,281)	357,131	446,210	803,341
Cash and cash equivalents, beginning of the period	654,006	468,323	1,122,329	289,505	20,414	309,919
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	467,048	-	467,048	646,636	466,624	1,113,260
NON-CASH STATEMENTS						
Unrealised changes in fair value of available for sale investments	-	9,409	9,409	-	11,562	11,562

**WALAA COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019**

21. COMPARATIVE FIGURES

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

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements has been approved by the Board of Directors, on October 30, 2019 corresponding to 2 Rabi I 1441H.