

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED**  
**JUNE 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 SIX MONTH PERIODS ENDED JUNE 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 June 30, 2019, and the related interim condensed statements of income and comprehensive income for the three and six month periods then ended and the interim condensed statements of changes in equity and cash flows for the six 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  
P.O. Box 182  
Dammam, 31411  
Kingdom of Saudi Arabia



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Certified Public Accountant  
Licence No. 335

4 Dhu-al-Hijjah, 1440H  
August 5, 2019 G



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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

	Notes	June 30, 2019 - (Unaudited)	December 31, 2018 - (Audited)
SAR'000			
<b>ASSETS</b>			
Cash and cash equivalents	4	540,201	1,122,329
Short term deposits		506,256	=
Premiums and reinsurers' receivable - net	5	208,616	202,416
Reinsurers' share of unearned premiums	7.2	189,618	195,562
Reinsurers' share of outstanding claims	7.1	107,153	124,638
Reinsurers' share of claims incurred but not reported	7.1	55,793	41,538
Deferred policy acquisition costs		21,154	23,570
Investments	6	229,743	162,876
Due from shareholders'/insurance operations		1,288	26,507
Prepaid expenses and other assets		34,042	34,083
Property and equipment, net	8	17,464	9,415
Intangible assets		1,387	1,334
Statutory deposit		52,800	44,000
Accrued income on statutory deposit		4,891	4,263
Accrued commission income		4,648	4,437
<b>TOTAL ASSETS</b>		<b>1,975,054</b>	<b>1,996,968</b>



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 JUNE 30, 2019**

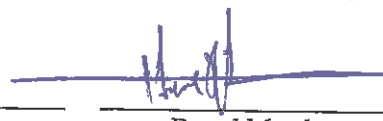
	Notes	June 30, 2019 - (Unaudited)	December 31, 2018 - (Audited)
SAR'000			
<b><u>LIABILITIES</u></b>			
Policyholders claims payable		23,060	16,712
Accrued and other liabilities	9	113,851	120,114
Reinsurers' balances payable		155,710	140,897
Unearned premiums	7.2	571,465	536,608
Unearned reinsurance commission		14,411	12,443
Outstanding claims	7.1	167,339	181,504
Claims incurred but not reported	7.1	219,964	197,760
Additional premium reserves	7.1	10,748	8,525
Other technical reserves	7.1	15,328	26,379
Due to insurance / shareholders' operations		1,288	26,507
End-of-service indemnities		16,162	14,622
Zakat and income tax	14	23,710	28,532
Accrued commission income payable to SAMA		4,891	4,263
<b>TOTAL LIABILITIES</b>		<b>1,337,927</b>	<b>1,314,866</b>
<b><u>INSURANCE OPERATIONS' SURPLUS</u></b>			
Accumulated surplus from insurance operations		2,147	13,495
Reserve for actuarial losses on end-of-service indemnities		(2,216)	(2,216)
<b>TOTAL INSURANCE OPERATIONS' SURPLUS</b>		<b>(69)</b>	<b>11,279</b>
<b>TOTAL LIABILITIES INCLUDING INSURANCE OPERATIONS' SURPLUS</b>		<b>1,337,858</b>	<b>1,326,145</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Share capital	15	528,000	440,000
Share premium	15	30,108	30,108
Statutory reserve		48,827	48,827
Retained earnings		16,276	155,306
Fair value reserve for investments		13,985	(3,418)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>637,196</b>	<b>670,823</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,975,054</b>	<b>1,996,968</b>
Commitments and contingencies	10	5,800	5,300



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 INCOME (UNAUDITED)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019**

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2019	2018	2019	2018
		SAR'000		SAR'000	
		(Restated)		(Restated)	
<b><u>REVENUES</u></b>					
Gross premiums written					
- Direct		297,728	248,046	573,371	558,273
- Reinsurance		388	26	388	327
	7.2	298,116	248,072	573,759	558,600
Reinsurance premiums ceded					
- Local ceded		(4,046)	(2,474)	(6,201)	(4,863)
- Foreign ceded		(108,618)	(106,109)	(169,863)	(164,814)
	7.2	(112,664)	(108,583)	(176,064)	(169,677)
Excess of loss expenses	7.2	(2,316)	(2,580)	(4,333)	(5,161)
Net premiums written		183,136	136,909	393,362	383,762
Changes in unearned premiums		(18,500)	66,815	(34,857)	25,910
Changes in reinsurance share of unearned premiums		12,946	1,632	(5,944)	(1,276)
Net premiums earned		177,582	205,356	352,561	408,396
Reinsurance commissions		6,657	5,879	11,995	10,397
Other underwriting income		685	1,494	1,148	2,850
<b>TOTAL REVENUES</b>		<b>184,924</b>	<b>212,729</b>	<b>365,704</b>	<b>421,643</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>					
Gross claims paid		136,408	115,628	277,495	235,506
Expenses incurred related to claims		9,781	8,579	15,689	18,335
Reinsurers' share of claims paid		(5,854)	(2,623)	(19,933)	(7,646)
Net claims and other benefits paid		140,335	121,584	273,251	246,195
Changes in outstanding claims		9,414	(25,167)	(14,165)	(9,056)
Changes in reinsurance share of outstanding claims		40	29,104	17,485	21,526
Changes in IBNR		32,259	-	22,204	(9,495)
Changes in reinsurance share of IBNR		(17,970)	-	(14,255)	(1,616)
Net claims and other benefits incurred		164,078	125,521	284,520	247,554
Additional premium reserves		3,114	-	2,223	1,844
Other technical reserves		(8,534)	-	(11,051)	155
Policy acquisition costs		12,505	18,218	25,676	36,900
Other underwriting expenses		8,055	2,775	12,001	5,252
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>179,218</b>	<b>146,514</b>	<b>313,369</b>	<b>291,705</b>
<b>NET UNDERWRITING INCOME</b>		<b>5,706</b>	<b>66,215</b>	<b>52,335</b>	<b>129,938</b>



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 INCOME (UNAUDITED) (CONTINUED)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019**

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2019	2018	2019	2018
		SAR'000		SAR'000	
		(Restated)		(Restated)	
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>					
Allowance for doubtful debts		1,747	(6,196)	(4,480)	(6,196)
General and administrative expenses		(30,762)	(26,538)	(60,897)	(51,917)
Commission income		6,891	4,582	13,356	8,569
Dividend income on investments		587	-	698	606
<b>TOTAL OTHER OPERATING EXPENSES</b>		<b>(21,537)</b>	<b>(28,152)</b>	<b>(51,323)</b>	<b>(48,938)</b>
<b>Total (loss) / income for the period before zakat and income tax</b>		<b>(15,831)</b>	<b>38,063</b>	<b>1,012</b>	<b>81,000</b>
Zakat and income tax for the period	14	(3,971)	(3,971)	(8,042)	(7,942)
<b>Total (loss) / income for the period</b>		<b>(19,802)</b>	<b>34,092</b>	<b>(7,030)</b>	<b>73,058</b>
<b>Total income attributed to the insurance Operations</b>	20	-	(3,736)	-	(7,938)
<b>Net (loss) / income for the period attributable to the shareholders</b>		<b>(19,802)</b>	<b>30,356</b>	<b>(7,030)</b>	<b>65,120</b>
<b>(Loss) / earnings per share (EPS)</b>					
Basic and diluted EPS (SAR per share)	18	(0.38)	0.57	(0.13)	1.23
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>52,800</b>	<b>52,800</b>	<b>52,800</b>	<b>52,800</b>

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 COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019**


	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2019	2018	2019	2018
		SAR'000		SAR'000	
			(Restated)		(Restated)
<b>Total (loss) / income for the period</b>		<b>(19,802)</b>	<b>34,092</b>	<b>(7,030)</b>	<b>73,058</b>
<b>Other comprehensive income</b>					
<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	(1)	6,684	17,403	13,946
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		<b>(19,803)</b>	<b>40,776</b>	<b>10,373</b>	<b>87,004</b>
<b>Total comprehensive income attributed to the insurance operations</b>		<b>-</b>	<b>(3,736)</b>	<b>-</b>	<b>(7,938)</b>
<b>Net comprehensive (loss) / income for the period attributable to the shareholders</b>		<b>(19,803)</b>	<b>37,040</b>	<b>10,373</b>	<b>79,066</b>



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 SIX MONTHS PERIOD ENDED JUNE 30, 2019**

	Note	Share capital	Share premium	Statutory reserve	Fair value reserve for investments	Retained earnings	Total
<b>2019</b>							
Balance at January 1, 2019 (Audited)		440,000	30,108	48,827	(3,418)	155,306	670,823
<b>Comprehensive loss for the period:</b>							
Net loss for the period attributable to the shareholders		-	-	-	-	(7,030)	(7,030)
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	17,403	-	17,403
Total comprehensive income for the period attributable to shareholders		-	-	-	17,403	(7,030)	10,373
Bonus shares	15	88,000	-	-	-	(88,000)	-
Dividend	16	-	-	-	-	(44,000)	(44,000)
<b>Balance at June 30, 2019 (Unaudited)</b>		<b>528,000</b>	<b>30,108</b>	<b>48,827</b>	<b>13,985</b>	<b>16,276</b>	<b>637,196</b>
<b>2018</b>							
Balance at January 1, 2018 (Audited)		400,000	30,108	31,722	(17,354)	126,888	571,364
<b>Comprehensive income for the period:</b>							
Net income for the period attributable to the shareholders (restated)		-	-	-	-	65,120	65,120
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	13,946	-	13,946
Total comprehensive income for the period attributable to shareholders (restated)		-	-	-	13,946	65,120	79,066
Bonus shares		40,000	-	-	-	(40,000)	-
<b>Balance at June 30, 2018 (Unaudited) (restated)</b>		<b>440,000</b>	<b>30,108</b>	<b>31,722</b>	<b>(3,408)</b>	<b>152,008</b>	<b>650,430</b>

*Mohamed*

Chief Financial Officer (Acting)

*[Signature]*

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 CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019**

Notes	2019	2018
	SAR'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before zakat and income tax	1,012	81,000
<b>Adjustments for non-cash items:</b>		
Depreciation of property and equipment	3,333	1,651
Amortization of intangible assets	248	529
Allowance for doubtful debts	4,480	6,196
Dividend income on investments	(698)	(606)
Commission income	(13,356)	(8,569)
Provision for end-of-service indemnities	1,830	1,445
<b>Changes in operating assets and liabilities:</b>		
Premiums and reinsurers' receivable	(13,239)	(127,745)
Reinsurers' share of unearned premiums	5,944	(25,910)
Reinsurers' share of outstanding claims	17,485	(9,056)
Reinsurers' share of claims incurred but not reported	(14,255)	(1,616)
Deferred policy acquisition costs	2,416	4,659
Prepaid expenses and other assets	41	(7,960)
Policyholders claim payables	6,348	(2,176)
Accrued and other liabilities	(12,153)	21,265
Reinsurers' balances payable	14,813	90,213
Unearned premiums	34,857	1,276
Unearned reinsurance commission	1,968	1,601
Outstanding claims	(14,165)	21,526
Claims incurred but not reported	22,204	(9,495)
Additional premium reserves	2,223	1,844
Other technical reserves	(11,051)	155
	40,285	40,227
End-of-service indemnities paid	(290)	(390)
Zakat and income tax paid	(12,864)	(12,025)
<b>Net cash generated from operating activities</b>	<b>27,131</b>	<b>27,812</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions in intangible assets	(301)	(797)
Additions in investments	(49,464)	(30,000)
Commission income received	13,145	8,791
Dividend received	698	800
Short term deposits	(506,256)	184,833
Additions in property and equipment	(11,382)	(2,407)
<b>Net cash (used in) / from investing activities</b>	<b>(553,560)</b>	<b>161,220</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in statutory deposit	(8,800)	(4,000)
Dividend paid	(44,000)	-
Lease rentals	(2,899)	-
<b>Net cash used in financing activities</b>	<b>(55,699)</b>	<b>(4,000)</b>
Net change in cash and cash equivalents	(582,128)	185,032
Cash and cash equivalents, beginning of the period	1,122,329	309,919
<b>Cash and cash equivalents, end of the period</b>	<b>540,201</b>	<b>494,951</b>

**NON-CASH INFORMATION**

Unrealised changes in fair value of available for sale investments

  
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 SIX MONTH PERIODS ENDED JUNE 30, 2019**

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**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**

The Company announced the signing of a non-binding Memorandum of Understanding (the "MOU") with MetLife AIG ANB Cooperative Insurance Company ("MetLife") on 15/10/1440H (corresponding to 18/06/2019) to evaluate a potential merger between the two companies. Both companies will conduct technical, financial, legal and actuarial due diligence and engage in non-binding discussions on the terms and conditions of the potential merger. The Company and MetLife have agreed that, in the event the proposed merger proceeds, it will be implemented by way of an exchange of shares where, after the proposed merger is completed, The Company will issue new shares to MetLife's shareholders in exchange for all the issued shares of MetLife. 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 SIX MONTH PERIODS ENDED JUNE 30, 2019**

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**2. BASIS OF PREPARATION**

**(a) Basis of presentation**

The interim condensed financial statements of the Company as at and for the period ended June 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 SIX MONTH PERIODS ENDED JUNE 30, 2019**

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**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 June 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat 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 June 30, 2018 by SR 7,942 million. The change has had no impact on the statement of cash flows for the period ended June 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.

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**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 condense 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	101
Prepayment	(1,382)
Payments of lease liabilities	(2,899)
Closing balance	5,804

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:

	<b>Insurance operations</b>	
	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
	SAR'000	
Cash and bank balances	<b>255,201</b>	222,652
Deposits maturing within 3 months from the acquisition date	<b>285,000</b>	431,354
<b>Total</b>	<b>540,201</b>	654,006
	<b>Shareholders' operations</b>	
	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
	SAR'000	
Bank balances	-	20,624
Deposits maturing within 3 months from the acquisition date	-	447,699
<b>Total</b>	-	468,323
<b>Total cash and cash equivalents</b>	<b>540,201</b>	1,122,329

**5. PREMIUMS AND REINSURERS' RECEIVABLE - NET**

Receivables comprises of amounts due from the following:

	<b>Insurance operations</b>	
	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
	SAR'000	
Policyholders	<b>73,134</b>	58,069
Brokers and agents	<b>182,480</b>	187,434
Related parties (note 13)	<b>980</b>	575
Receivables from reinsurers	<b>1,952</b>	1,788
	<b>258,546</b>	247,866
Less: Provision for doubtful receivables	<b>(49,930)</b>	(45,450)
<b>Premiums and reinsurers' receivable – net</b>	<b>208,616</b>	202,416

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**6. INVESTMENTS**

Investments are classified as follows:

	<b>Shareholders' operations</b>	
	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
	SAR'000	
Available for sale investments	180,279	162,876
Held to maturity	49,464	-
	<b>229,743</b>	<b>162,876</b>

Movement in available for sale investments is as follows:

	<b>Shareholders' operations</b>	
	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
	SAR'000	
Opening balance	162,876	96,767
Purchase	-	60,000
Adjustment/ disposals	-	(194)
Changes in fair value of investments, net	17,403	6,303
<b>Closing balance</b>	<b>180,279</b>	<b>162,876</b>

Available-for-sale investments include the following:

	<b>Shareholders' operations</b>	
	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
	SAR'000	
Quoted securities	157,156	139,753
Unquoted securities	23,123	23,123
	<b>180,279</b>	<b>162,876</b>

Movement in held to maturity investments is as follows:

	<b>Shareholders' operations</b>	
	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
	SAR'000	
Opening balance	-	-
Purchase	49,625	-
Amortization	(161)	-
<b>Closing balance</b>	<b>49,464</b>	<b>-</b>

Investments in sukuks 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:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Outstanding claims	175,628	190,757
Less: Realizable value of salvage and subrogation(note 7.1.1)	(8,289)	(9,253)
	<u>167,339</u>	<u>181,504</u>
Claims incurred but not reported	317,663	298,561
Less: IBNR related to salvages and subrogation(note 7.1.1)	(97,699)	(100,801)
IBNR related to Outstanding claims	219,964	197,760
Additional premium reserves:		
- Premium deficiency reserve	9,754	7,975
-Additional unexpired risk reserve	994	550
	<u>10,748</u>	<u>8,525</u>
Other technical reserves:		
- Claims handling expense provision	8,203	11,687
- Unallocated loss adjustment expense provision	7,125	14,024
- Non-proportional reinsurance accrual reserve	-	668
	<u>15,328</u>	<u>26,379</u>
<b>Net outstanding claims and reserves</b>	<u>413,379</u>	<u>414,168</u>
<b>Less:</b>		
-Reinsurer's share of outstanding claims	107,153	124,638
-Reinsurer's share of claims incurred but not reported	55,793	41,538
	<u>162,946</u>	<u>166,176</u>
<b>Net outstanding claims and reserves</b>	<u>250,433</u>	<u>247,992</u>

**7.1.1 Salvage and subrogation**

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Salvage and subrogation		
IBNR related to salvages and subrogation	105,988	110,054
Realizable value of salvage and subrogation	(97,699)	(100,801)
	<u>8,289</u>	<u>9,253</u>

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**7. TECHNICAL RESERVES (CONTINUED)**

**7.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

	June 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	573,759	(180,397)	393,362
Premiums earned during the period	(538,902)	186,341	(352,561)
Balance as at the end of the period	571,465	(189,618)	381,847
	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**

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Property and equipment	9,103	9,415
Right of use assets(note 8.1)	8,361	-
	17,464	9,415

8.1 Depreciation charges on right of use assets amounted to SAR 1,623 million

**9. ACCRUED AND OTHER LIABILITIES**

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Accrued and other liabilities	108,047	120,114
Lease rentals	5,804	-
	113,851	120,114

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**9. ACCRUED AND OTHER LIABILITIES (CONTINUED)**

Maturity analysis of lease rentals is as follows:

	<b>June 30, 2019 (Unaudited) SAR'000</b>
Payable within one year	3,398
Payable more than one year but less than five years	2,406
	<u>5,804</u>

**10. COMMITMENTS AND CONTINGENCIES**

The Company's commitments and contingencies are as follows:

	<b>June 30, 2019 (Unaudited) SAR'000</b>	<b>December 31, 2018 (Audited) SAR'000</b>
Letters of guarantee	<u>5,800</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 advantages 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		
<b>June 30, 2019 (Unaudited)</b>					
Financial assets measured at fair value					
- Available for sale investments					
-Quoted securities	157,156	157,156	-	-	157,156

Shareholders' Operations	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
			SAR'000		
<b>December 31, 2018 (Audited)</b>					
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 June 30, 2019 and December 31, 2018, its total revenues, expenses, and net income for the three and six month periods then ended, are as follows:

	As at June 30, 2019 (Unaudited)							Total
	Insurance operations						Shareholders' operations	
	Medical	Motor	Property	Engineering	Others	Insurance operations		
SAR'000								
<b>Assets</b>								
Reinsurers' share of unearned premiums	-	137	99,225	40,741	49,515	189,618	-	189,618
Reinsurers' share of outstanding claims	-	463	72,000	22,439	12,251	107,153	-	107,153
Reinsurers' share of claims incurred but not reported	-	-	14,507	16,869	24,417	55,793	-	55,793
Deferred policy acquisition costs	1,727	11,057	2,348	2,229	3,793	21,154	-	21,154
Unallocated assets	-	-	-	-	-	930,728	670,608	1,601,336
<b>Total assets</b>	<b>1,727</b>	<b>11,657</b>	<b>188,080</b>	<b>82,278</b>	<b>89,976</b>	<b>1,304,446</b>	<b>670,608</b>	<b>1,975,054</b>
<b>Liabilities and shareholders' equity</b>								
Unearned premiums	27,054	334,477	101,231	43,601	65,102	571,465	-	571,465
Unearned Insurance commission	-	8	5,544	4,349	4,510	14,411	-	14,411
Outstanding claims	23,108	16,760	75,374	24,911	27,186	167,339	-	167,339
Claims incurred but not reported	9,091	136,698	16,718	18,362	39,095	219,964	-	219,964
Additional premium reserves	6,091	-	-	994	3,663	10,748	-	10,748
Other technical reserves	805	14,064	55	37	367	15,328	-	15,328
Unallocated liabilities and shareholders' equity	-	-	-	-	-	305,191	670,608	975,799
<b>Total liabilities and shareholders' equity</b>	<b>66,149</b>	<b>502,007</b>	<b>198,922</b>	<b>92,254</b>	<b>139,923</b>	<b>1,304,446</b>	<b>670,608</b>	<b>1,975,054</b>





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**12. OPERATING SEGMENTS (CONTINUED)**

	For the three months ended June 30, 2019 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
<b>REVENUES</b>						
Gross premiums written						
- Direct	12,730	159,635	72,170	21,191	32,002	297,728
- Reinsurance	-	-	388	-	-	388
	12,730	159,635	72,558	21,191	32,002	298,116
Reinsurance premiums ceded						
- Local ceded	-	-	(2,686)	(1,360)	-	(4,046)
- Foreign ceded	-	(182)	(68,459)	(18,453)	(21,524)	(108,618)
	-	(182)	(71,145)	(19,813)	(21,524)	(112,664)
Excess of loss expenses	(622)	(1,177)	(148)	(148)	(221)	(2,316)
<b>Net premiums written</b>	<b>12,108</b>	<b>158,276</b>	<b>1,265</b>	<b>1,230</b>	<b>10,257</b>	<b>183,136</b>
Changes in unearned premiums, net	6,838	(9,230)	(450)	18	(2,730)	(5,554)
<b>Net premiums earned</b>	<b>18,946</b>	<b>149,046</b>	<b>815</b>	<b>1,248</b>	<b>7,527</b>	<b>177,582</b>
Reinsurance commissions	-	2	3,032	1,525	2,098	6,657
Other underwriting income	-	664	2	2	17	685
<b>TOTAL REVENUES</b>	<b>18,946</b>	<b>149,712</b>	<b>3,849</b>	<b>2,775</b>	<b>9,642</b>	<b>184,924</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	17,414	112,209	664	484	5,637	136,408
Expenses incurred related to claims	780	9,001	-	-	-	9,781
Reinsurers' share of claims paid	(709)	-	(632)	(414)	(4,099)	(5,854)
<b>Net claims and other benefits paid</b>	<b>17,485</b>	<b>121,210</b>	<b>32</b>	<b>70</b>	<b>1,538</b>	<b>140,335</b>
Changes in outstanding claims, net	4,104	2,136	63	1,066	2,085	9,454
Changes in IBNR, net	(11,585)	19,894	339	411	5,230	14,289
<b>Net claims and other benefits incurred</b>	<b>10,004</b>	<b>143,240</b>	<b>434</b>	<b>1,547</b>	<b>8,853</b>	<b>164,078</b>
Changes in unexpired risks	(1,510)	-	-	961	3,663	3,114
Other technical reserves	408	(5,018)	(2,051)	(921)	(952)	(8,534)
Policy acquisition costs	1,227	7,813	1,635	957	873	12,505
Other underwriting expenses	2,732	5,308	-	-	15	8,055
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>12,861</b>	<b>151,343</b>	<b>18</b>	<b>2,544</b>	<b>12,452</b>	<b>179,218</b>
<b>NET UNDERWRITING INCOME (LOSS)</b>	<b>6,085</b>	<b>(1,631)</b>	<b>3,831</b>	<b>231</b>	<b>(2,810)</b>	<b>5,706</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
General and administrative expenses						(30,762)
Allowance for doubtful debts						1,747
Commission income						6,891
Dividend income on investments						587
<b>TOTAL OTHER OPERATING EXPENSES</b>						<b>(21,537)</b>
<b>Total loss for the period before zakat and income tax</b>						<b>(15,831)</b>
Zakat and income tax for the period						(3,971)
<b>NET LOSS FOR THE PERIOD</b>						<b>(19,802)</b>
Total income for the period attributable to insurance operations						-
<b>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>						<b>(19,802)</b>

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

**12. OPERATING SEGMENTS (CONTINUED)**

	For the three months ended June 30, 2018 (Unaudited) Restated					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
<b>REVENUES</b>						
Gross premiums written						
- Direct	24,892	109,268	64,877	22,717	26,292	248,046
- Reinsurance	-	-	26	-	-	26
	24,892	109,268	64,903	22,717	26,292	248,072
Reinsurance premiums ceded						
- Local ceded	-	-	(1,270)	(1,204)	-	(2,474)
- Foreign ceded	-	(173)	(62,770)	(20,346)	(22,820)	(106,109)
	-	(173)	(64,040)	(21,550)	(22,820)	(108,583)
Excess of loss expenses	(600)	(1,460)	(146)	(146)	(228)	(2,580)
<b>Net premiums written</b>	<b>24,292</b>	<b>107,635</b>	<b>717</b>	<b>1,021</b>	<b>3,244</b>	<b>136,909</b>
Changes in unearned premiums, net	3,854	59,573	(88)	(137)	5,245	68,447
<b>Net premiums earned</b>	<b>28,146</b>	<b>167,208</b>	<b>629</b>	<b>884</b>	<b>8,489</b>	<b>205,356</b>
Reinsurance commissions	-	5	1,660	1,505	2,709	5,879
Other underwriting income	-	1,458	2	2	32	1,494
<b>TOTAL REVENUES</b>	<b>28,146</b>	<b>168,671</b>	<b>2,291</b>	<b>2,391</b>	<b>11,230</b>	<b>212,729</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	14,505	94,001	1,329	1,772	4,021	115,628
Expenses incurred related to claims	499	8,080	-	-	-	8,579
Reinsurers' share of claims paid	-	-	(801)	(1,279)	(543)	(2,623)
<b>Net claims and other benefits paid</b>	<b>15,004</b>	<b>102,081</b>	<b>528</b>	<b>493</b>	<b>3,478</b>	<b>121,584</b>
Changes in outstanding claims, Net	9,831	(8,143)	(60)	(137)	2,446	3,937
Changes in IBNR, net	-	-	-	-	-	-
<b>Net claims and other benefits incurred</b>	<b>24,835</b>	<b>93,938</b>	<b>468</b>	<b>356</b>	<b>5,924</b>	<b>125,521</b>
Premium deficiency reserves	-	-	-	-	-	-
Other technical reserves	-	-	-	-	-	-
Policy acquisition costs	3,137	12,241	868	713	1,259	18,218
Other underwriting expenses	-	2,756	-	-	19	2,775
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>27,972</b>	<b>108,935</b>	<b>1,336</b>	<b>1,069</b>	<b>7,202</b>	<b>146,514</b>
<b>NET UNDERWRITING INCOME</b>	<b>174</b>	<b>59,736</b>	<b>955</b>	<b>1,322</b>	<b>4,028</b>	<b>66,215</b>
<b>OTHER OPERATING (EXPENSES)/INCOME</b>						
General and administrative expense						(26,538)
Allowance for doubtful debts						(6,196)
Commission income						4,582
<b>TOTAL OTHER OPERATING EXPENSES</b>						<b>(28,152)</b>
<b>Total income for the period before zakat and income tax</b>						<b>38,063</b>
Zakat and income tax for the period						(3,971)
<b>NET INCOME FOR THE PERIOD</b>						<b>34,092</b>
Total income for the period attributable to insurance operations						(3,736)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>						<b>30,356</b>

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

**12. OPERATING SEGMENTS (CONTINUED)**

	For the six months ended June 30, 2019 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
<b>REVENUES</b>						
Gross premiums written						
- Direct	30,327	344,792	92,399	40,215	65,638	573,371
- Reinsurance	-	-	388	-	-	388
	30,327	344,792	92,787	40,215	65,638	573,759
Reinsurance premiums ceded						
- Local ceded	-	-	(3,291)	(2,910)	-	(6,201)
- Foreign ceded	-	(182)	(87,017)	(33,998)	(48,666)	(169,863)
	-	(182)	(90,308)	(36,908)	(48,666)	(176,064)
Excess of loss expenses	(1,254)	(2,056)	(297)	(297)	(429)	(4,333)
<b>Net premiums written</b>	<b>29,073</b>	<b>342,554</b>	<b>2,182</b>	<b>3,010</b>	<b>16,543</b>	<b>393,362</b>
Changes in unearned premiums, net	10,554	(47,641)	(592)	(672)	(2,450)	(40,801)
<b>Net premiums earned</b>	<b>39,627</b>	<b>294,913</b>	<b>1,590</b>	<b>2,338</b>	<b>14,093</b>	<b>352,561</b>
Reinsurance commissions	-	2	5,974	2,833	3,186	11,995
Other underwriting income	-	1,105	5	4	34	1,148
<b>TOTAL REVENUES</b>	<b>39,627</b>	<b>296,020</b>	<b>7,569</b>	<b>5,175</b>	<b>17,313</b>	<b>365,704</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claim paid	41,557	216,225	2,837	8,336	8,540	277,495
Expenses incurred related to claims	1,483	14,206	-	-	-	15,689
Reinsurers' share of claims paid	(4,536)	-	(2,480)	(8,004)	(4,913)	(19,933)
<b>Net claims and other benefits paid</b>	<b>38,504</b>	<b>230,431</b>	<b>357</b>	<b>332</b>	<b>3,627</b>	<b>273,251</b>
Changes in outstanding claims, net	(3,740)	3,465	(297)	1,153	2,739	3,320
Changes in IBNR, net	(2,282)	3,904	691	777	4,859	7,949
<b>Net claims and other benefits incurred</b>	<b>32,482</b>	<b>237,800</b>	<b>751</b>	<b>2,262</b>	<b>11,225</b>	<b>284,520</b>
Unexpired risk reserves	(1,582)	-	-	445	3,360	2,223
Other technical reserves	423	(7,039)	(2,067)	(1,302)	(1,066)	(11,051)
Policy acquisition costs	2,899	15,761	3,170	1,642	2,204	25,676
Other underwriting expenses	3,667	8,300	-	-	34	12,001
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>37,889</b>	<b>254,822</b>	<b>1,854</b>	<b>3,047</b>	<b>15,757</b>	<b>313,369</b>
<b>NET UNDERWRITING INCOME</b>	<b>1,738</b>	<b>41,198</b>	<b>5,715</b>	<b>2,128</b>	<b>1,556</b>	<b>52,335</b>
<b>OTHER OPERATING (EXPENSES) / INCOME</b>						
General and administrative expense						(60,897)
Allowance for doubtful debts						(4,480)
Commission income						13,356
Dividend income on investment						698
<b>TOTAL OTHER OPERATING EXPENSES</b>						<b>(51,323)</b>
<b>Total income for the period before zakat and income tax</b>						<b>1,012</b>
Zakat and income tax for the period						(8,042)
<b>NET LOSS FOR THE PERIOD</b>						<b>(7,030)</b>
Total income for the period attributable to insurance operations						-
<b>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>						<b>(7,030)</b>

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

**12. OPERATING SEGMENTS (CONTINUED)**

	For the Six months ended June 30, 2018 (Unaudited) (Restated)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
<b>REVENUES</b>						
Gross premiums written						
- Direct	49,046	322,687	70,079	37,786	78,675	558,273
- Reinsurance	-	-	352	(25)	-	327
	49,046	322,687	70,431	37,761	78,675	558,600
Reinsurance premiums ceded						
- Local ceded	-	-	(2,040)	(2,823)	-	(4,863)
- Foreign ceded	-	(173)	(66,593)	(34,091)	(63,957)	(164,814)
	-	(173)	(68,633)	(36,914)	(63,957)	(169,677)
Excess of loss expenses	(1,200)	(2,919)	(291)	(291)	(460)	(5,161)
<b>Net premiums written</b>	<b>47,846</b>	<b>319,595</b>	<b>1,507</b>	<b>556</b>	<b>14,258</b>	<b>383,762</b>
Changes in unearned premiums, net	6,240	17,802	(160)	1,265	(513)	24,634
<b>Net premiums earned</b>	<b>54,086</b>	<b>337,397</b>	<b>1,347</b>	<b>1,821</b>	<b>13,745</b>	<b>408,396</b>
Reinsurance commissions	-	5	3,197	3,107	4,088	10,397
Other underwriting income	-	2,794	5	4	47	2,850
<b>TOTAL REVENUES</b>	<b>54,086</b>	<b>340,196</b>	<b>4,549</b>	<b>4,932</b>	<b>17,880</b>	<b>421,643</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	28,633	189,502	2,008	6,689	8,674	235,506
Expenses incurred related to claims	1,849	16,486	-	-	-	18,335
Reinsurers' share of claims paid	-	(135)	(1,351)	(5,214)	(946)	(7,646)
<b>Net claims and other benefits paid</b>	<b>30,482</b>	<b>205,853</b>	<b>657</b>	<b>1,475</b>	<b>7,728</b>	<b>246,195</b>
Changes in outstanding claims, net	17,819	(6,634)	(497)	201	1,581	12,470
Changes in IBNR, net	(444)	(11,524)	(139)	(29)	1,025	(11,111)
<b>Net claims and other benefits incurred</b>	<b>47,857</b>	<b>187,695</b>	<b>21</b>	<b>1,647</b>	<b>10,334</b>	<b>247,554</b>
Unexpired risk reserves	1,384	-	(355)	1,508	(693)	1,844
Other technical reserves	210	(96)	-	3	38	155
Policy acquisition costs	5,215	25,441	1,718	1,262	3,264	36,900
Other underwriting expenses	-	5,227	-	-	25	5,252
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>54,666</b>	<b>218,267</b>	<b>1,384</b>	<b>4,420</b>	<b>12,968</b>	<b>291,705</b>
<b>NET UNDERWRITING INCOME</b>	<b>(580)</b>	<b>121,929</b>	<b>3,165</b>	<b>512</b>	<b>4,912</b>	<b>129,938</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
General and administrative expense						(51,917)
Allowance for doubtful debts						(6,196)
Commission income						8,569
Dividend income on investment						606
<b>TOTAL OTHER OPERATING EXPENSES</b>						<b>(48,938)</b>
<b>Total income for the period before zakat and income tax</b>						<b>81,000</b>
Zakat and income tax for the period						(7,942)
<b>NET INCOME FOR THE PERIOD</b>						<b>73,058</b>
Total income for the period attributable to insurance operations						(7,938)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>						<b>65,120</b>

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**13. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	Transactions for the period ended		Net balance receivable / (payable) as at	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000		SAR'000	
<b>Entities controlled, jointly controlled or significantly influenced by related parties</b>				
Insurance premium written / receivable from				
BOD and related parties	1,717	2,686	659	413
Key management personnel	-	11	-	-
Claims paid and payable to				
BOD and their related parties	940	898	(154)	(295)
Others	462	298	(30)	(210)

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

	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
	SAR'000	
Salaries and other allowances	2,507	2,338
End of service indemnities	506	418
	3,013	2,756
Remuneration to those charged with governance	4,666	2,947

**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 the restricted certificate from GAZT that is valid up to April 30, 2020.

During the period, the Company has received an assessment order for the year 2016 for an additional zakat and tax liability amounting to SR 20 million. The management of the Company has replied to the assessment letter within the specified time and is confident that the additional liability would be adjusted significantly in favour of the Company. Accordingly, no provision has been made by the Company in these condensed financial statements.

**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:

	June 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 six months period ended 30 June 2018:

Financial statement impacted	Account	SAR'000		
		Before the restatement for the six months period ended June 30, 2018	Effect of restatement	As restated as at and for the six months period ended June 30, 2018
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	7,942	(7,942)	-
Statement of income	Zakat and income tax for the period	-	7,942	7,942
	Earnings per share (expressed in SAR per share)	1.66	(0.43)*	1.23

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

Financial statement impacted	Account	SAR'000		
		Before the restatement for the six months period ended June 30, 2018	Effect of restatement	As restated as at and for the six months period ended June 30, 2018
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	3,971	(3,971)	-
Statement of income	Zakat and income tax for the period	-	3,971	3,971
	Earnings per share (expressed in SAR per share)	0.78	(0.21)*	0.57

\*this include effect of bonus shares and restatements of profits due to zakat and income tax.

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

**15. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SAR 528 million at June 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 SR 440 million to SR 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 SR 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:

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

**16. DIVIDEND**

The Board of Directors (BOD) in their meeting dated April 8, 2019, proposed a dividend of SR 1 per share total amounting to SR 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 six month periods ended June 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 six months period ended June 30, 2019

Class	Corporate					Total Gross premiums written
	Micro	Small	Medium	Large	Individual	
	SR'000					
Medical	4,076	9,612	4,435	10,412	1,792	30,327
Motor	627	3,323	10,990	38,832	291,020	344,792
Property	199	1,381	4,148	87,059	-	92,787
Engineering	104	1,341	4,901	33,869	-	40,215
Others	506	5,285	9,681	49,982	184	65,638
<b>Total</b>	<b>5,512</b>	<b>20,942</b>	<b>34,155</b>	<b>220,154</b>	<b>292,996</b>	<b>573,759</b>

(Unaudited)

For the six months period ended June 30, 2018

Class	Corporate					Total Gross premiums written
	Micro	Small	Medium	Large	Individual	
	SR'000					
Medical	8,180	22,958	6,730	7,838	3,340	49,046
Motor	1,610	3,138	10,963	39,589	267,387	322,687
Property	184	1,389	3,758	65,100	-	70,431
Engineering	80	1,362	4,161	32,158	-	37,761
Others	432	4,770	7,617	65,213	643	78,675
<b>Total</b>	<b>10,486</b>	<b>33,617</b>	<b>33,229</b>	<b>209,898</b>	<b>271,370</b>	<b>558,600</b>

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

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

**20. SUPPLEMENTARY STATEMENTS**

**Interim condensed financial position**

	June 30, 2019 - (Unaudited)			December 31, 2018 - (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
<b>ASSETS</b>						
Cash and cash equivalents	540,201	-	540,201	654,006	468,323	1,122,329
Short term deposits	126,823	379,433	506,256	-	-	-
Premiums and reinsurers' receivable - net	208,616	-	208,616	202,416	-	202,416
Reinsurers' share of unearned premiums	189,618	-	189,618	195,562	-	195,562
Reinsurers' share of outstanding claims	107,153	-	107,153	124,638	-	124,638
Reinsurers' share of claims incurred but not reported	55,793	-	55,793	41,538	-	41,538
Deferred policy acquisition costs	21,154	-	21,154	23,570	-	23,570
Investments	-	229,743	229,743	-	162,876	162,876
Due from shareholders'/ insurance operations	1,288	-	1,288	-	26,507	26,507
Prepaid expenses and other assets	34,042	-	34,042	34,083	-	34,083
Property and equipment	17,464	-	17,464	9,415	-	9,415
Intangible assets	1,387	-	1,387	1,334	-	1,334
Statutory deposit	-	52,800	52,800	-	44,000	44,000
Accrued income on statutory deposit	-	4,891	4,891	-	4,263	4,263
Accrued commission income	907	3,741	4,648	1,752	2,685	4,437
<b>TOTAL ASSETS</b>	<b>1,304,446</b>	<b>670,608</b>	<b>1,975,054</b>	<b>1,288,314</b>	<b>708,654</b>	<b>1,996,968</b>

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

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

**20. SUPPLEMENTARY STATEMENTS (CONTINUED)**

**Interim condensed financial position (Continued)**

	June 30, 2019 - (Unaudited)			December 31, 2018- (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
<b>LIABILITIES</b>						
Policyholders claims payable	23,060	-	23,060	16,712	-	16,712
Accrued and other liabilities	110,328	3,523	113,851	115,078	5,036	120,114
Reinsurers' balances payable	155,710	-	155,710	140,897	-	140,897
Unearned premiums	571,465	-	571,465	536,608	-	536,608
Unearned reinsurance commission	14,411	-	14,411	12,443	-	12,443
Outstanding claims	167,339	-	167,339	181,504	-	181,504
Claims incurred but not reported	219,964	-	219,964	197,760	-	197,760
Additional premium reserves	10,748	-	10,748	8,525	-	8,525
Other technical reserves	15,328	-	15,328	26,379	-	26,379
Due to insurance / shareholders' operations	-	1,288	1,288	26,507	-	26,507
End-of-service indemnities	16,162	-	16,162	14,622	-	14,622
Zakat and income tax	-	23,710	23,710	-	28,532	28,532
Accrued commission income payable to SAMA	-	4,891	4,891	-	4,263	4,263
<b>TOTAL LIABILITIES</b>	<b>1,304,515</b>	<b>33,412</b>	<b>1,337,927</b>	<b>1,277,035</b>	<b>37,831</b>	<b>1,314,866</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>						
Insurance operations' surplus	2,147	-	2,147	13,495	-	13,495
Accumulated actuarial loss on end-of-service indemnities	(2,216)	-	(2,216)	(2,216)	-	(2,216)
<b>TOTAL INSURANCE OPERATIONS' SURPLUS</b>	<b>(69)</b>	<b>-</b>	<b>(69)</b>	<b>11,279</b>	<b>-</b>	<b>11,279</b>
<b>TOTAL LIABILITIES INCLUDING INSURANCE OPERATIONS' SURPLUS</b>	<b>1,304,446</b>	<b>33,412</b>	<b>1,337,858</b>	<b>1,288,314</b>	<b>37,831</b>	<b>1,326,145</b>
<b>SHAREHOLDERS' EQUITY</b>						
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
Retained earnings	-	16,276	16,276	-	155,306	155,306
Fair value reserve loss on investments	-	13,985	13,985	-	(3,418)	(3,418)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>637,196</b>	<b>637,196</b>	<b>-</b>	<b>670,823</b>	<b>670,823</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,304,446</b>	<b>670,608</b>	<b>1,975,054</b>	<b>1,288,314</b>	<b>708,654</b>	<b>1,996,968</b>

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

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

**20. SUPPLEMENTARY STATEMENTS (CONTINUED)**

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

<b>(Unaudited)</b>	<b>June 30, 2019</b>			<b>June 30, 2018 Restated</b>		
	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>Total</b>
	<b>SAR'000</b>			<b>SAR'000</b>		
<b>REVENUES</b>						
Gross premiums written						
- Direct	297,728	-	297,728	248,046	-	248,046
- Reinsurance	388	-	388	26	-	26
	<b>298,116</b>		<b>298,116</b>	<b>248,072</b>		<b>248,072</b>
Reinsurance premiums ceded						
- Local ceded	(4,046)	-	(4,046)	(2,474)	-	(2,474)
- Foreign ceded	(108,618)	-	(108,618)	(106,109)	-	(106,109)
	<b>(112,664)</b>		<b>(112,664)</b>	<b>(108,583)</b>		<b>(108,583)</b>
Excess of loss expenses	(2,316)	-	(2,316)	(2,580)	-	(2,580)
<b>Net premiums written</b>	<b>183,136</b>	<b>-</b>	<b>183,136</b>	<b>136,909</b>	<b>-</b>	<b>136,909</b>
Changes in unearned premiums, net	(5,554)	-	(5,554)	68,447	-	68,447
<b>Net premiums earned</b>	<b>177,582</b>	<b>-</b>	<b>177,582</b>	<b>205,356</b>	<b>-</b>	<b>205,356</b>
Reinsurance commissions	6,657	-	6,657	5,879	-	5,879
Other underwriting income	685	-	685	1,494	-	1,494
<b>TOTAL REVENUES</b>	<b>184,924</b>	<b>-</b>	<b>184,924</b>	<b>212,729</b>	<b>-</b>	<b>212,729</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	136,408	-	136,408	115,628	-	115,628
Expenses incurred related to claims	9,781	-	9,781	8,579	-	8,579
Reinsurers' share of claims paid	(5,854)	-	(5,854)	(2,623)	-	(2,623)
<b>Net claims and other benefits paid</b>	<b>140,335</b>	<b>-</b>	<b>140,335</b>	<b>121,584</b>	<b>-</b>	<b>121,584</b>
Changes in outstanding claims, net	9,454	-	9,454	3,937	-	3,937
Changes in IBNR, net	14,289	-	14,289	-	-	-
<b>Net claims and other benefits Incurred</b>	<b>164,078</b>	<b>-</b>	<b>164,078</b>	<b>125,521</b>	<b>-</b>	<b>125,521</b>
Additional premium reserves	3,114	-	3,114	-	-	-
Other technical reserves	(8,534)	-	(8,534)	-	-	-
Policy acquisition costs	12,505	-	12,505	18,218	-	18,218
Other underwriting expenses	8,055	-	8,055	2,775	-	2,775
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>179,218</b>	<b>-</b>	<b>179,218</b>	<b>146,514</b>	<b>-</b>	<b>146,514</b>
<b>NET UNDERWRITING INCOME</b>	<b>5,706</b>	<b>-</b>	<b>5,706</b>	<b>66,215</b>	<b>-</b>	<b>66,215</b>

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

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

**20. SUPPLEMENTARY STATEMENTS (CONTINUED)**

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

(Unaudited)	June 30, 2019			June 30, 2018 Restated		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Allowance for doubtful debts	1,747	-	1,747	(6,196)	-	(6,196)
General and administrative expenses	(28,886)	(1,876)	(30,762)	(24,765)	(1,773)	(26,538)
Commission income	2,852	4,039	6,891	2,103	2,479	4,582
Dividend income on Investments	-	587	587	-	-	-
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(24,287)</b>	<b>2,750</b>	<b>(21,537)</b>	<b>(28,858)</b>	<b>706</b>	<b>(28,152)</b>
<b>Total (loss ) / income for the period before zakat and income tax</b>	<b>(18,581)</b>	<b>2,750</b>	<b>(15,831)</b>	<b>37,357</b>	<b>706</b>	<b>38,063</b>
Zakat and income tax for the period	-	(3,971)	(3,971)	-	(3,971)	(3,971)
<b>NET (LOSS) / INCOME FOR THE PERIOD</b>	<b>(18,581)</b>	<b>(1,221)</b>	<b>(19,802)</b>	<b>37,357</b>	<b>(3,265)</b>	<b>34,092</b>
Surplus transferred to Shareholders	18,581	(18,581)	-	(33,621)	33,621	-
<b>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</b>	<b>-</b>	<b>(19,802)</b>	<b>(19,802)</b>	<b>3,736</b>	<b>30,356</b>	<b>34,092</b>
<b>(Loss) earnings per share (Expressed in SAR per share)</b>						
Basic and diluted EPS		(0.38)			0.57	

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

(Unaudited)	June 30, 2019			June 30, 2018 Restated		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total (loss) income for the period	-	(19,802)	(19,802)	3,736	30,356	34,092
<b>Other comprehensive (loss) income</b>						
<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	-	(1)	(1)	-	6,684	6,684
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>-</b>	<b>(19,803)</b>	<b>(19,803)</b>	<b>3,736</b>	<b>37,040</b>	<b>40,776</b>

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

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

**20. SUPPLEMENTARY STATEMENTS (CONTINUED)**

**Interim condensed statement of income for the six months period ended**

(Unaudited)	June 30, 2019			June 30, 2018 Restated		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
<b>REVENUES</b>						
Gross premiums written						
- Direct	573,371	-	573,371	558,273	-	558,273
- Reinsurance	388	-	388	327	-	327
	573,759	-	573,759	558,600	-	558,600
Reinsurance premiums ceded						
- Local ceded	(6,201)	-	(6,201)	(4,863)	-	(4,863)
- Foreign ceded	(169,863)	-	(169,863)	(164,814)	-	(164,814)
	(176,064)	-	(176,064)	(169,677)	-	(169,677)
Excess of loss expenses	(4,333)	-	(4,333)	(5,161)	-	(5,161)
<b>Net premiums written</b>	<b>393,362</b>	<b>-</b>	<b>393,362</b>	<b>383,762</b>	<b>-</b>	<b>383,762</b>
Changes in unearned premiums, net	(40,801)	-	(40,801)	24,634	-	24,634
<b>Net premiums earned</b>	<b>352,561</b>	<b>-</b>	<b>352,561</b>	<b>408,396</b>	<b>-</b>	<b>408,396</b>
Reinsurance commissions	11,995	-	11,995	10,397	-	10,397
Other underwriting income	1,148	-	1,148	2,850	-	2,850
<b>TOTAL REVENUES</b>	<b>365,704</b>	<b>-</b>	<b>365,704</b>	<b>421,643</b>	<b>-</b>	<b>421,643</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	277,495	=	277,495	235,506	=	235,506
Expenses incurred related to claims	15,689	=	15,689	18,335	=	18,335
Reinsurers' share of claims paid	(19,933)	=	(19,933)	(7,646)	=	(7,646)
<b>Net claims and other benefits paid</b>	<b>273,251</b>	<b>=</b>	<b>273,251</b>	<b>246,195</b>	<b>-</b>	<b>246,195</b>
Changes in outstanding claims, net	3,320	-	3,320	12,470	=	12,470
Changes in IBNR, net	7,949	-	7,949	(11,111)	-	(11,111)
<b>Net claims and other benefits incurred</b>	<b>284,520</b>	<b>-</b>	<b>284,520</b>	<b>247,554</b>	<b>-</b>	<b>247,554</b>
Additional premium reserves	2,223	-	2,223	1,844	-	1,844
Other technical reserves	(11,051)	-	(11,051)	155	-	155
Policy acquisition costs	25,676	-	25,676	36,900	-	36,900
Other underwriting expenses	12,001	-	12,001	5,252	-	5,252
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>313,369</b>	<b>-</b>	<b>313,369</b>	<b>291,705</b>	<b>-</b>	<b>291,705</b>
<b>NET UNDERWRITING INCOME</b>	<b>52,335</b>	<b>-</b>	<b>52,335</b>	<b>129,938</b>	<b>-</b>	<b>129,938</b>



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

**20. SUPPLEMENTARY STATEMENTS (CONTINUED)**

**Interim condensed statement of cash flows for six months**

(Unaudited)	Share-holders'			Share-holders'		
	Insurance operations	operations	Total	Insurance operations	operations	Total
	2019 SAR'000			2018 SAR'000 Restated		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net profit for the period before zakat	-	1,012	1,012	7,938	73,062	81,000
<b>Adjustments for non-cash items:</b>						
Depreciation of property and equipment	3,333	-	3,333	1,651	-	1,651
Amortization of intangible assets	248	-	248	529	-	529
Allowance for doubtful debts	4,480	-	4,480	6,196	-	6,196
Commission income	(5,899)	(7,457)	(13,356)	(4,007)	(4,562)	(8,569)
Dividend income on investments	-	(698)	(698)	-	(606)	(606)
Provision for end-of-service indemnities	1,830	-	1,830	1,445	-	1,445
<b>Changes in operating assets and liabilities:</b>						
Premiums and reinsurers' receivable	(13,239)	-	(13,239)	(127,745)	-	(127,745)
Reinsurers' share of unearned premiums	5,944	-	5,944	(25,910)	-	(25,910)
Reinsurers' share of outstanding claims	17,485	-	17,485	(9,056)	-	(9,056)
Reinsurers' share of claims incurred but not reported	(14,255)	-	(14,255)	(1,616)	-	(1,616)
Deferred policy acquisition costs	2,416	-	2,416	4,659	-	4,659
Prepaid expenses and other assets	41	-	41	(7,960)	-	(7,960)
Policyholders and accounts payables	6,348	-	6,348	(2,176)	-	(2,176)
Accrued and other liabilities	(10,640)	(1,513)	(12,153)	20,335	930	21,265
Reinsurers' balances payable	14,813	-	14,813	90,213	-	90,213
Unearned premiums	34,857	-	34,857	1,276	-	1,276
Unearned reinsurance commission	1,968	-	1,968	1,601	-	1,601
Outstanding claims	(14,165)	-	(14,165)	21,526	-	21,526
Claims incurred but not reported	22,204	-	22,204	(9,495)	-	(9,495)
Additional premium reserves	2,223	-	2,223	1,844	-	1,844
Other technical reserves	(11,051)	-	(11,051)	155	-	155
	48,941	(8,656)	40,285	(28,597)	68,824	40,227
End-of-service indemnities paid	(290)	-	(290)	(390)	-	(390)
Zakat and income tax paid	-	(12,864)	(12,864)	-	(12,025)	(12,025)
<b>Net cash (used in)/ generated from operating activities</b>	<b>48,651</b>	<b>(21,520)</b>	<b>27,131</b>	<b>(28,987)</b>	<b>56,799</b>	<b>27,812</b>



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

20. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

	2019 SAR'000			2018 SAR'000 Restated		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Additions in intangible assets	(301)	-	(301)	(797)	-	(797)
Additions in investments	-	(49,464)	(49,464)	-	(30,000)	(30,000)
Commission income received	6,744	6,401	13,145	4,107	4,684	8,791
Dividend received	-	698	698	-	800	800
Disposals of short term deposits	(126,823)	(379,433)	(506,256)	-	184,833	184,833
Additions in property and equipment	(11,382)	-	(11,382)	(2,407)	-	(2,407)
<b>Net cash (used in) from investing activities</b>	<b>(131,762)</b>	<b>(421,798)</b>	<b>(553,560)</b>	<b>903</b>	<b>160,317</b>	<b>161,220</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Increase in statutory deposit	-	(8,800)	(8,800)	-	(4,000)	(4,000)
Due from shareholders'/ insurance operations	(27,795)	27,795	-	8,558	(8,558)	-
Dividends paid	-	(44,000)	(44,000)	-	-	-
Lease rentals	(2,899)	-	(2,899)	-	-	-
<b>Net cash used in investing activity</b>	<b>(30,694)</b>	<b>(25,005)</b>	<b>(55,699)</b>	<b>8,558</b>	<b>(12,558)</b>	<b>(4,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>(113,805)</b>	<b>(468,323)</b>	<b>(582,128)</b>	<b>(19,526)</b>	<b>204,558</b>	<b>185,032</b>
Cash and cash equivalents, beginning of the period	654,006	468,323	1,122,329	289,505	20,414	309,919
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b>540,201</b>	<b>-</b>	<b>540,201</b>	<b>269,979</b>	<b>224,972</b>	<b>494,951</b>
<b>NON-CASH STATEMENTS</b>						
<b>Unrealised changes in fair value of available for sale investments</b>	<b>-</b>	<b>17,403</b>	<b>17,403</b>	<b>-</b>	<b>13,946</b>	<b>13,946</b>

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

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

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**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 July 25, 2019 corresponding to 22 Dhu al-Qa'dah 1440H.