

Walaa Cooperative Insurance Company
(A Saudi Joint Stock Company)

Interim Condensed Financial Information
(Unaudited)

September 30, 2018

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

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**Independent Auditors' Report On Review Of
Interim Condensed Financial Information**

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) as at September 30, 2018, and the related interim condensed statements of income and comprehensive income for the three and nine month period then ended and the interim condensed statements of changes in equity and cash flows for the nine month 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 modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 as at and for the period ended September 30, 2018 of **Walaa Cooperative Insurance Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as modified by SAMA for the accounting of zakat and income tax.

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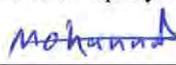
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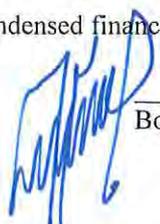
WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	September 30, 2018 - (Unaudited)	December 31, 2017 - (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	1,113,260	309,919
Short term deposits		-	824,833
Premiums and reinsurers' receivable - net	5	230,619	127,341
Reinsurers' share of unearned premiums	7.2	168,817	130,247
Reinsurers' share of outstanding claims	7.1	112,147	110,606
Reinsurers' share of claims incurred but not reported	7.1	43,722	42,106
Deferred policy acquisition costs		28,982	37,018
Investments	6	168,136	96,767
Due from insurance operations		16,788	15,064
Prepaid expenses and other assets		26,565	28,391
Property and equipment		9,138	8,691
Intangible assets		724	504
Statutory deposit		44,000	40,000
Accrued income on statutory deposit		3,948	3,178
Accrued commission income		2,575	5,486
<u>TOTAL ASSETS</u>		<u>1,969,421</u>	<u>1,780,151</u>
<u>LIABILITIES</u>			
Policyholders claims payable		18,616	13,760
Accrued and other liabilities		112,728	74,248
Reinsurers' balances payable		135,733	61,791
Unearned premiums	7.2	521,971	538,493
Unearned reinsurance commission		13,532	9,842
Outstanding claims	7.1	156,180	160,619
Claims incurred but not reported	7.1	262,503	255,904
Additional premium reserves	7.1	5,041	3,197
Other technical reserves	7.1	5,471	5,316
Due to shareholders' operations		16,788	15,064
End-of-service indemnities		14,444	12,779
Zakat and income tax	12	25,603	25,715
Accrued commission income payable to SAMA		3,948	3,178
<u>TOTAL LIABILITIES</u>		<u>1,292,558</u>	<u>1,179,906</u>
<u>INSURANCE OPERATIONS' SURPLUS</u>			
Accumulated surplus from insurance operations		12,392	31,055
Reserve for actuarial losses on end-of-service indemnities		(2,174)	(2,174)
<u>TOTAL INSURANCE OPERATIONS' SURPLUS</u>		<u>10,218</u>	<u>28,881</u>
<u>TOTAL LIABILITIES INCLUDING INSURANCE OPERATIONS' SURPLUS</u>			
		<u>1,302,776</u>	<u>1,208,787</u>
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	13	440,000	400,000
Share premium	13	30,108	30,108
Statutory reserve		31,722	31,722
Retained earnings		170,607	126,888
Fair value reserve loss on investments		(5,792)	(17,354)
<u>TOTAL SHAREHOLDERS' EQUITY</u>		<u>666,645</u>	<u>571,364</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
		<u>1,969,421</u>	<u>1,780,151</u>
Commitments and contingencies	8		

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

For

Chief Financial Officer


Chief Executive Officer


Board Member

WALAA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For the three month period ended September 30,		For the nine month period ended September 30,	
		2018	2017	2018	2017
REVENUES					
Gross premiums written					
- Direct		256,944	284,370	815,217	801,390
- Reinsurance		-	-	327	378
	7.2	<u>256,944</u>	<u>284,370</u>	<u>815,544</u>	<u>801,768</u>
Reinsurance premiums ceded					
- Local ceded		(1,265)	(190)	(6,128)	(5,318)
- Foreign ceded		(87,461)	(108,261)	(252,275)	(195,607)
	7.2	<u>(88,726)</u>	<u>(108,451)</u>	<u>(258,403)</u>	<u>(200,925)</u>
Excess of loss expenses	7.2	<u>(1,984)</u>	<u>(1,768)</u>	<u>(7,145)</u>	<u>(6,315)</u>
Net premiums written		166,234	174,151	549,996	594,528
Changes in unearned premiums, net		30,458	21,449	55,092	(8,073)
Net premiums earned		196,692	195,600	605,088	586,455
Reinsurance commissions		5,703	4,922	16,100	12,211
Other underwriting income		543	1,419	3,393	4,395
TOTAL REVENUES		202,938	201,941	624,581	603,061
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		126,633	100,535	362,139	351,084
Expenses incurred related to claims		8,290	6,806	26,625	24,073
Reinsurers' share of claims paid		(8,429)	(6,245)	(16,075)	(25,976)
Net claims and other benefits paid		126,494	101,096	372,689	349,181
Changes in outstanding claims, net		(18,450)	5,775	(5,980)	(1,163)
Changes in IBNR, net		16,094	-	4,983	470
Net claims and other benefits incurred		124,138	106,871	371,692	348,488
Additional premium reserves		-	-	1,844	570
Other technical reserves		-	-	155	(193)
Policy acquisition costs		17,931	18,924	54,831	55,077
Other underwriting expenses		2,009	604	7,261	1,834
TOTAL UNDERWRITING COSTS AND EXPENSES		144,078	126,399	435,783	405,776
NET UNDERWRITING INCOME		58,860	75,542	188,798	197,285
OTHER OPERATING (EXPENSES) / INCOME					
Allowance for doubtful debts		-	(1,476)	(6,196)	(3,476)
General and administrative expenses		(39,968)	(23,258)	(91,885)	(72,771)
Commission income on deposits		5,494	3,877	14,063	9,168
Dividend and realized gain / (loss) on investments, net		490	(4,764)	1,096	(4,764)
TOTAL OTHER OPERATING EXPENSES		(33,984)	(25,621)	(82,922)	(71,843)
Total income for the period		24,876	49,921	105,876	125,442
Total income attributed to the insurance operations	16	(2,306)	(5,538)	(10,244)	(13,241)
Net income for the period attributable to the shareholders		22,570	44,383	95,632	112,201
Earnings per share (EPS) (SAR per share)					
Basic and diluted EPS (2017 : restated)	15	0.51	1.01	2.17	2.55

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

Mehrez
Chief Financial Officer

[Signature]
Chief Executive Officer

[Signature]
Board Member

WALAA COOPERATIVE INSURANCE COMPANY

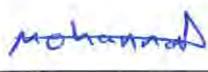
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For the three month period ended September 30,		For the nine month period ended September 30,	
		2018	2017	2018	2017
Total income for the period		24,876	49,921	105,876	125,442
Other comprehensive income					
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>					
- Available for sale investments:					
- Net change in fair value	6	(2,384)	1,059	11,562	3,015
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>		22,492	50,980	117,438	128,457
Total comprehensive income attributed to the insurance operations		(2,306)	(5,538)	(10,244)	(13,241)
Net comprehensive income for the period attributable to the shareholders		20,186	45,442	107,194	115,216

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

for 
Chief Financial Officer
Chief Executive Officer
Board Member

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, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	Retained earnings	Fair value reserve loss on investments	Total
2018							
Balance at the beginning of the period (audited)		400,000	30,108	31,722	126,888	(17,354)	571,364
Total comprehensive income for the period							
Unrealized fair value changes on available-for-sale investments, net	6	-	-	-	-	11,562	11,562
Net income for the period attributable to shareholders		-	-	-	95,632	-	95,632
Total comprehensive income for the period attributable to shareholders		-	-	-	95,632	11,562	107,194
Bonus shares	13	40,000	-	-	(40,000)	-	-
Zakat charge		-	-	-	(10,837)	-	(10,837)
Income tax charge		-	-	-	(1,076)	-	(1,076)
Balance at the end of the period		440,000	30,108	31,722	170,607	(5,792)	666,645
2017							
Balance at the beginning of the period (audited)		400,000	30,108	5,976	23,903	(24,499)	435,488
Total comprehensive income for the period							
Realized loss on investment		-	-	-	-	5,405	5,405
Net income for the period attributable to shareholders		-	-	-	112,201	-	112,201
Unrealized fair value changes on available-for-sale investments, net		-	-	-	-	3,015	3,015
Total comprehensive income for the period attributable to shareholders		-	-	-	112,201	8,420	120,621
Zakat charge		-	-	-	(7,394)	-	(7,394)
Income tax charge		-	-	-	(2,356)	-	(2,356)
Balance at the end of the period		400,000	30,108	5,976	126,354	(16,079)	546,359

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

for Mohammed
Chief Financial Officer

[Signature]
Chief Executive Officer

[Signature]
Board Member

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		105,876	125,442
<u>Adjustments for non-cash items:</u>			
Depreciation of property and equipment		2,525	2,261
Amortization of intangible assets		610	246
Allowance for doubtful debts		6,196	3,476
Dividend and realized (gain) / loss on investments, net		(1,096)	4,764
Commission income		(14,063)	(9,168)
Provision for end-of-service indemnities		2,168	6,180
<u>Changes in operating assets and liabilities:</u>			
Premiums and reinsurers' receivable		(117,004)	(31,112)
Reinsurers' share of unearned premiums		(38,570)	(11,076)
Reinsurers' share of outstanding claims		(1,541)	16,940
Reinsurers' share of claims incurred but not reported		(1,616)	(16,360)
Deferred policy acquisition costs		8,036	(1,374)
Prepaid expenses and other assets		1,826	20,769
Policyholders claims payable		4,856	1,784
Accrued and other liabilities		17,103	7,965
Reinsurers' balances payable		73,942	23,466
Unearned premiums		(16,522)	19,148
Unearned reinsurance commission		3,690	2,982
Outstanding claims		(4,439)	(38,668)
Claims incurred but not reported		6,599	16,829
Additional premium reserves		1,844	570
Other technical reserves		155	(193)
		<u>40,575</u>	<u>144,871</u>
End-of-service indemnities paid		(503)	(1,074)
Zakat and income tax paid		(12,025)	(10,466)
Net cash generated from operating activities		28,047	133,331
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in intangible assets		(830)	(248)
(Additions) / disposal in investments		(60,000)	14,595
Commission income received		16,974	5,788
Dividend received		1,289	640
Disposals of short term deposits		824,833	(822,829)
Increase in statutory deposit		(4,000)	-
Additions in property and equipment		(2,972)	(2,240)
Net cash generated from/(used in) investing activities		775,294	(804,294)
Net change in cash and cash equivalents		803,341	(670,963)
Cash and cash equivalents, beginning of the period		309,919	884,355
Cash and cash equivalents, end of the period	4	1,113,260	213,392
<u>NON-CASH INFORMATION</u>			
Unrealised changes in fair value of available for sale investments		11,562	3,015

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

for

Mohammed
Chief Financial Officer

[Signature]
Chief Executive Officer

[Signature]
Board Member

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

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 Jumada II 19, 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, Saudi Arabia

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

On Jumada II 2, 1424H, corresponding to July 31, 2003, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On Jumada II, 28 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 General Assembly approved 10% bonus share during the period, as a result the share capital of the Company has increased from SR 400 million to SR 440 million (refer note 13). The Company has completed the regulatory requirements and updated its Commercial Registration and Articles of Association.

During the period, the company obtained Saudi Arabian Monetary Authority letter No.6813/41 dated 03/07/2018 approving the opening of 47 points of sales located around the Kingdom. In relation with the opening of these new sales points, the Company has signed a memorandum of understanding with a local entity to source trained staff and assist in identifying favorable locations to expand the Company’s retail branch network.

Proposed merger

The Board of Directors in their meeting held on April 18, 2018 approved the start of the initial understanding with Al-Sagr Cooperative Insurance Company (“Al-Sagr) to study the economic feasibility of the merger of the two companies. On April 26, 2018, Company signed a non-binding memorandum of understanding (“MOU”) with Al-Sagr to conduct the technical, financial and legal due diligence and continue non-binding discussions on terms and conditions of the proposed merger. The MOU will end when the two companies sign the merger agreement or after six months from the date of the MOU. Further, both companies are eligible to end MOU only by written notice to other party. However, the Board of Directors decided in their meeting held on September 05, 2018 not to continue these discussions due to the non-feasibility of merging with Al-Sagr Cooperative Insurance Company.

2. Basis of preparation

(a) Basis of presentation

The interim condensed financial information of the Company has been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as modified by SAMA for the accounting of Zakat and income tax’, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board (“IASB”) except for the application of International Accounting Standard (IAS) 12 - “Income Taxes” and IFRIC 21 - “Levies” so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA Circular”), the zakat and income tax are to be accrued on a quarterly basis through shareholders’ equity under retained earnings.

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
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FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)

(a) Basis of presentation (continued)

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments. 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, end-of-service benefits 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 (refer supplementary information).

The interim condensed statement of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented on pages 23 to 32 of the financial information have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. 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 information 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 unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed statement of financial position, the statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial information represents additional supplementary information as required by the implementing regulations.

The interim condensed financial information does not include all of the information required for full annual financial information and should be read in conjunction with the annual financial information as of and for the year ended December 31, 2017.

This interim condensed financial information is expressed in Saudi Arabian Riyals (SAR) and is rounded off to the nearest thousands.

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)

(b) Critical accounting judgments, estimates and assumptions

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

In preparing these condensed financial information, the significant judgments made by the 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 information as at and for the year ended December 31, 2017.

(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 information are consistent with those used in the preparation of the annual financial information for the year ended December 31, 2017 except as explained below:

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

- IFRS 15 – "Revenue from Contracts with Customers" applicable from 1 January 2018 presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard could have a significant impact on how and when revenue is recognized (except for contracts that are within the scope of the Standards on lease insurance contracts and financial instruments), with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred. The application of this new standard has no material impact on the Company's interim condensed financial information.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) effective for annual period on or after January 1, 2018.
- Transfers of Investment Property (Amendments to IAS 40) effective for annual period on or after January 1, 2018.
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28) effective for annual period on or after January 1, 2018.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective for annual period on or after January 1, 2018.

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing on or after January 1, 2019 and have not been early adopted by the Company

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim condensed financial information are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2019;

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

3. Significant accounting policies (continued)

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing on or after January 1, 2019 and have not been early adopted by the Company (continued)

- 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 as 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 is considering deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. At the date of publication of these financial information, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 9 will be adopted.
- IFRS 16 – "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The management believes that the adoption of IFRS 16 will not have a material impact on the Company's financial information.
- IFRS 17 'Insurance contracts' was published on May 18, 2017 with the effective date of 1 January 2021. 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 information, it was not practicable to quantify what the potential impact would be on the financial information once IFRS 17 will be adopted.
- IFRIC 23 Uncertainty over Income Tax Treatments effective for annual period on or after January 1, 2019.
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) effective for annual period on or after January 1, 2019.
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19) effective for annual period 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 annual period on or after January 1, 2019.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) available for early adoption /effective date deferred indefinitely.

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4. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise of the following:

	Insurance operations	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash and bank balances	246,636	289,505
Deposits maturing within 3 months from the acquisition date	400,000	-
Total	646,636	289,505

	Shareholders' operations	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Bank balances	226,624	20,414
Deposits maturing within 3 months from the acquisition date	240,000	-
Total	466,624	20,414

5. Premiums and reinsurers' receivable - net

Receivables comprise of amounts due from the following:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Policyholders	78,008	52,626
Brokers and agents	189,210	105,878
Related parties (note 11)	880	235
Receivables from reinsurers	1,562	1,447
	269,660	160,186
Provision for doubtful receivables	(39,041)	(32,845)
Premiums and reinsurers' receivable – net	230,619	127,341

6. Investments

Investments are classified as follows:

	Shareholders' operations	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Available for sale investments	168,136	96,767

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6. Investments (continued)

Movement in the investment balance is as follows:

	Shareholders' operations	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Opening balance	96,767	109,622
Purchase	60,000	-
Adjustment / disposals	(193)	(14,595)
Changes in fair value of investments, net	11,562	1,740
Closing balance	168,136	96,767

Available-for-sale investments include the following:

	Shareholders' operations	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Quoted securities	145,013	73,644
Unquoted securities	23,123	23,123
	168,136	96,767

7. Technical reserves

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Outstanding claims	180,680	160,619
Less: Realizable value of salvage and subrogation	(24,500)	-
	156,180	160,619
Claims incurred but not reported	262,503	255,904
Additional premium reserves	5,041	3,197
Other technical reserves	5,471	5,316
	429,195	425,036
Less:		
- Reinsurers' share of outstanding claims	112,147	110,606
- Reinsurers' share of claims incurred but not reported	43,722	42,106
	155,869	152,712
Net outstanding claims and reserves	273,326	272,324

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7. Technical reserves (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprises of the following:

	September 30, 2018 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	538,493	(130,247)	408,246
Premiums written during the period	815,544	(265,548)	549,996
Premiums earned during the period	<u>(832,066)</u>	<u>226,978</u>	<u>(605,088)</u>
Balance as at the end of the period	<u>521,971</u>	<u>(168,817)</u>	<u>353,154</u>
	December 31, 2017 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	495,320	(136,568)	358,752
Premiums written during the year	1,102,332	(260,744)	841,588
Premiums earned during the year	<u>(1,059,159)</u>	<u>267,065</u>	<u>(792,094)</u>
Balance as at the end of the year	<u>538,493</u>	<u>(130,247)</u>	<u>408,246</u>

8. Commitments and Contingencies

The Company's commitments and contingencies are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Letters of guarantee	<u>5,061</u>	<u>6,089</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, 2017.

9. 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 information.

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9. Fair values of financial instruments (Continued)

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 information for financial assets and financial liabilities not measured at fair value since the carrying amount is a reasonable approximation to fair value.

Shareholders' Operations	Fair value				
Carrying value	Level 1	Level 2	Level 3	Total	
September 30, 2018 (Unaudited)					
Financial assets measured at fair value					
- Available for sale investments	168,136	145,013	-	23,123	168,136
	168,136	145,013	-	23,123	168,136

Shareholders' Operations	Fair value				
Carrying value	Level 1	Level 2	Level 3	Total	
December 31, 2017 (Audited)					
Financial assets measured at fair value					
- Available for sale investments	96,767	73,644	-	23,123	96,767
	96,767	73,644	-	23,123	96,767

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9. Fair values of financial instruments (Continued)

b. Measurement of fair values

The Company has investments amounting to SR 23 million in unquoted securities. These investments have not been measured at fair value because of unavailability of quoted prices of comparable companies and other financial information to compute EBITDA of these investee companies. 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.

10. 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 interim condensed income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2017.

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 accrual 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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10. Operating Segments (Continued)

Financial Position

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities as at September 30, 2018 and December 31, 2017, its total revenues, expenses, and net income for the the three and nine months period then ended, are as follows:

	As at September 30, 2018 (Unaudited)							
	Insurance operations					Total - Insurance operations	Shareholders' operations	Total
	Medical	Motor	Property	Engineering	Others			
Assets								
Reinsurers' share of unearned premiums	-	-	89,654	30,508	48,655	168,817	-	168,817
Reinsurers' share of outstanding claims	-	-	77,355	28,275	6,517	112,147	-	112,147
Reinsurers' share claims incurred but not reported	542	374	4,696	11,689	26,421	43,722	-	43,722
Deferred policy acquisition costs	3,523	15,774	2,932	1,415	5,338	28,982	-	28,982
Unallocated assets	-	-	-	-	-	915,131	700,622	1,615,753
Total assets	4,065	16,148	174,637	71,887	86,931	1,268,799	700,622	1,969,421
Liabilities and shareholders' equity								
Unearned premiums	48,657	283,144	91,086	32,180	66,904	521,971	-	521,971
Unearned reinsurance commission	-	-	5,107	3,110	5,315	13,532	-	13,532
Outstanding claims	31,587	16,726	81,312	30,030	21,025	180,680	-	180,680
Realizable value of salvage and subrogation	-	(24,500)	-	-	-	(24,500)	-	(24,500)
Claims incurred but not reported	12,278	198,500	5,927	12,189	33,609	262,503	-	262,503
Additional premium reserves	1,384	-	1,771	1,508	378	5,041	-	5,041
Other technical reserves	210	3,999	470	259	533	5,471	-	5,471
Unallocated liabilities and shareholders' equity	-	-	-	-	-	304,101	700,622	1,004,723
Total liabilities and shareholders' equity	94,116	477,869	185,673	79,276	127,764	1,268,799	700,622	1,969,421

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10. Operating Segments (Continued)

Financial Position (Continued)

	As at December 31, 2017 (Audited)						Shareholders' operations	Total
	Insurance operations					Total - Insurance operations		
	Medical	Motor	Property	Engineering	Others			
Assets								
Reinsurers' share of unearned premiums	-	-	59,008	39,984	31,255	130,247	-	130,247
Reinsurers' share of outstanding claims	-	15	76,521	29,197	4,873	110,606	-	110,606
Reinsurers' share of claims incurred but not reported	-	422	4,925	9,627	27,132	42,106	-	42,106
Deferred policy acquisition costs	4,031	26,807	1,293	1,449	3,438	37,018	-	37,018
Unallocated assets						857,776	602,398	1,460,174
Total assets	4,031	27,244	141,747	80,257	66,698	1,177,753	602,398	1,780,151
Liabilities and shareholders' equity								
Unearned premiums	52,637	341,100	60,161	42,695	41,900	538,493	-	538,493
Unearned reinsurance commission	-	-	2,540	3,685	3,617	9,842	-	9,842
Outstanding claims	15,427	13,645	81,540	30,826	19,181	160,619	-	160,619
Realizable value of salvage and subrogation	-	-	-	-	-	-	-	-
Claims incurred but not reported	9,180	195,895	6,296	10,157	34,376	255,904	-	255,904
Additional premium reserves	-	-	2,125	-	1,072	3,197	-	3,197
Other technical reserves	-	4,096	471	256	493	5,316	-	5,316
Unallocated liabilities and shareholders' equity						204,382	602,398	806,780
Total liabilities and shareholders' equity	77,244	554,736	153,133	87,619	100,639	1,177,753	602,398	1,780,151

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10. Operating Segments (Continued)**Statement of Income****For the three month period ended September 30, 2018 (Unaudited)**

	Medical	Motor	Property	Engineering	Others	Total
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
Additional premium 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						
Allowance for doubtful debts						-
General and administrative expenses						(39,968)
Commission income on deposits						5,494
Dividend received						490
TOTAL OTHER OPERATING EXPENSES						(33,984)
NET INCOME FOR THE PERIOD						24,876
Total income for the period attributable to insurance operations						(2,306)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						22,570

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10. Operating Segments (Continued)
Statement of Income (Continued)

	For the three month period ended September 30, 2017 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
REVENUES						
Gross premiums written						
- Direct	29,867	130,788	58,791	42,066	22,858	284,370
- Reinsurance	-	-	-	-	-	-
	29,867	130,788	58,791	42,066	22,858	284,370
Reinsurance premiums ceded						
- Local ceded	-	-	392	(582)	-	(190)
- Foreign ceded	-	-	(56,667)	(40,639)	(10,955)	(108,261)
	-	-	(56,275)	(41,221)	(10,955)	(108,451)
Excess of loss expenses	(362)	(885)	(146)	(146)	(229)	(1,768)
Net premiums written	29,505	129,903	2,370	699	11,674	174,151
Changes in unearned premiums, net	(4,898)	32,907	(996)	274	(5,838)	21,449
Net premiums earned	24,607	162,810	1,374	973	5,836	195,600
Reinsurance commissions	-	-	756	2,225	1,941	4,922
Other underwriting income	-	1,353	1	1	64	1,419
TOTAL REVENUES	24,607	164,163	2,131	3,199	7,841	201,941
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	13,700	77,588	4,934	1,419	2,894	100,535
Expenses incurred related to claims	1,316	5,490	-	-	-	6,806
Reinsurers' share of claims paid	(4)	(242)	(4,823)	(763)	(413)	(6,245)
Net claims and other benefits paid	15,012	82,836	111	656	2,481	101,096
Changes in outstanding claims, net	148	1,563	207	(738)	4,595	5,775
Changes in IBNR, net	-	-	-	-	-	-
Net claims and other benefits incurred	15,160	84,399	318	(82)	7,076	106,871
Additional premium reserves	-	-	-	-	-	-
Other technical reserves	-	-	-	-	-	-
Policy acquisition costs	2,898	12,506	939	986	1,595	18,924
Other underwriting expenses	-	596	-	-	8	604
TOTAL UNDERWRITING COSTS AND EXPENSES	18,058	97,501	1,257	904	8,679	126,399
NET UNDERWRITING INCOME/ (LOSS)	6,549	66,662	874	2,295	(838)	75,542
OTHER OPERATING (EXPENSES)/INCOME						
Allowance for doubtful debts						(1,476)
General and administrative expense						(23,258)
Commission income on deposits						3,877
Dividend and realized loss on investment, net						(4,764)
TOTAL OTHER OPERATING EXPENSES						(25,621)
NET INCOME FOR THE PERIOD						49,921
Total income for the period attributable to insurance operations						(5,538)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						44,383

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10. Operating Segments (Continued)
Statement of Income (Continued)
For the nine month period ended September 30, 2018 (Unaudited)

	Medical	Motor	Property	Engineering	Others	Total
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
Gross claim 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						
General and administrative expense						(91,885)
Allowance for doubtful debts						(6,196)
Commission income on deposits						14,063
Dividend and realized loss on investment, net						1,096
TOTAL OTHER OPERATING EXPENSES						(82,922)
NET INCOME FOR THE PERIOD						105,876
Total income for the period attributable to insurance operations						(10,244)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						95,632

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10. Operating Segments (Continued)**Statement of Income (Continued)**

	For the nine month period ended September 30, 2017 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
REVENUES						
Gross premiums written						
- Direct	69,850	495,566	85,957	64,422	85,595	801,390
- Reinsurance	-	-	378	-	-	378
	69,850	495,566	86,335	64,422	85,595	801,768
Reinsurance premiums ceded						
- Local ceded	-	-	(2,941)	(2,377)	-	(5,318)
- Foreign ceded	-	-	(79,077)	(59,296)	(57,234)	(195,607)
	-	-	(82,018)	(61,673)	(57,234)	(200,925)
Excess of loss expenses	(1,087)	(3,563)	(470)	(470)	(725)	(6,315)
Net premiums written	68,763	492,003	3,847	2,279	27,636	594,528
Changes in unearned premiums, net	17,804	(16,876)	(1,014)	175	(8,162)	(8,073)
Net premiums earned	86,567	475,127	2,833	2,454	19,474	586,455
Reinsurance commissions	-	-	4,136	4,435	3,640	12,211
Other underwriting income	-	4,216	7	5	167	4,395
TOTAL REVENUES	86,567	479,343	6,976	6,894	23,281	603,061
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	54,920	254,777	20,023	6,912	14,452	351,084
Expenses incurred related to claims	4,661	19,412	-	-	-	24,073
Reinsurers' share of claims paid	(4)	(739)	(16,752)	(5,764)	(2,717)	(25,976)
Net claims and other benefits paid	59,577	273,450	3,271	1,148	11,735	349,181
Changes in outstanding claims, net	(8,150)	7,643	(2,620)	(540)	2,504	(1,163)
Changes in IBNR, net	(7,119)	5,337	(28)	53	2,227	470
Net claims and other benefits incurred	44,308	286,430	623	661	16,466	348,488
Unexpired risk reserves	-	-	-	570	-	570
Other technical reserves	(950)	723	(20)	54	-	(193)
Policy acquisition costs	7,726	38,918	2,750	2,274	3,409	55,077
Other underwriting expenses	-	1,605	-	-	229	1,834
TOTAL UNDERWRITING COSTS AND EXPENSES	51,084	327,676	3,353	3,559	20,104	405,776
NET UNDERWRITING INCOME	35,483	151,667	3,623	3,335	3,177	197,285
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts						(3,476)
General and administrative expense						(72,771)
Commission income on deposits						9,168
Dividend and realized loss on investment, net						(4,764)
TOTAL OTHER OPERATING EXPENSES						(71,843)
NET INCOME FOR THE PERIOD						125,442
Total income for the period attributable to insurance operations						(13,241)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						112,201

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11. Related party transactions and balances

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

	Transactions for the period ended		Balance receivable / (payable) as at	
	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Insurance premium written	2,924	3,642	-	-
Claims paid	1,635	1,341	-	-
Receivable / (payable), net	-	-	880	222
Outstanding claims	-	-	217	233

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

	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
Salaries and other allowances	3,573	3,159
End of service indemnities	511	421
	4,084	3,580
Remuneration to those charged with governance	4,421	4,500

12. 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 2017 and obtained the required certificate from GAZT that is valid up to April 30, 2019.

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.

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, 2018 %	December 31, 2017 %
Shareholding subject to zakat	94.75	94.75
Shareholding subject to income tax	5.25	5.25

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13. Share capital

The authorized, issued and paid up capital of the Company was SAR 440 million at September 30, 2018 (December 31, 2017: SAR 400 million) consisting of 44 million shares (December 31, 2017: 40 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 October 29, 2017 corresponding to 9 Safar 1439H recommended to Extraordinary General Assembly Meeting to increase share capital of the Company by issuing 4 million bonus shares which was approved by Extraordinary General Assembly on May 29, 2018 corresponding to 14 Ramadan 1439H. The Capital Market Authority in its resolution dated April 18, 2018 approved this increase in capital by issuing bonus shares.

Shareholding structure of the Company is as below.

	September 30, 2018		
	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

	December 31, 2017		
	Authorized and issued	Paid up	
	No. of Shares "000"	SAR "000"	
International General Insurance Company	2,100	21,000	21,000
Others	37,900	379,000	379,000
Total	40,000	400,000	400,000

14. 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.

15. 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 Company has issued 4 million bonus shares during the current period as a result, the basic and diluted EPS of the Company for the three and nine months period ended September 30, 2017 have been restated.

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16. Supplementary information

Interim condensed financial position

	September 30, 2018 - (Unaudited)			December 31, 2017 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
ASSETS						
Cash and cash equivalents	646,636	466,624	1,113,260	289,505	20,414	309,919
Short term deposits	-	-	-	400,000	424,833	824,833
Premiums and reinsurers' receivable - net	230,619	-	230,619	127,341	-	127,341
Reinsurers' share of unearned premiums	168,817	-	168,817	130,247	-	130,247
Reinsurers' share of outstanding claims	112,147	-	112,147	110,606	-	110,606
Reinsurers' share of claims incurred but not reported	43,722	-	43,722	42,106	-	42,106
Deferred policy acquisition costs	28,982	-	28,982	37,018	-	37,018
Investments	-	168,136	168,136	-	96,767	96,767
Due from insurance operations	-	16,788	16,788	-	15,064	15,064
Prepaid expenses and other assets	26,565	-	26,565	28,391	-	28,391
Property and equipment	9,138	-	9,138	8,691	-	8,691
Intangible assets	724	-	724	504	-	504
Statutory deposit	-	44,000	44,000	-	40,000	40,000
Accrued income on statutory deposit	-	3,948	3,948	-	3,178	3,178
Accrued commission income	1,449	1,126	2,575	3,344	2,142	5,486
TOTAL ASSETS	1,268,799	700,622	1,969,421	1,177,753	602,398	1,780,151

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16. Supplementary information (Continued)

Interim condensed financial position (Continued)

	September 30, 2018 - (Unaudited)			December 31, 2017- (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>LIABILITIES</u>						
Policyholders claims payable	18,616	-	18,616	13,760	-	13,760
Accrued and other liabilities	108,302	4,426	112,728	72,107	2,141	74,248
Reinsurers' balances payable	135,733	-	135,733	61,791	-	61,791
Unearned premiums	521,971	-	521,971	538,493	-	538,493
Unearned reinsurance commission	13,532	-	13,532	9,842	-	9,842
Outstanding claims	156,180	-	156,180	160,619	-	160,619
Claims incurred but not reported	262,503	-	262,503	255,904	-	255,904
Additional premium reserves	5,041	-	5,041	3,197	-	3,197
Other technical reserves	5,471	-	5,471	5,316	-	5,316
End-of-service indemnities	14,444	-	14,444	12,779	-	12,779
Zakat and income tax	-	25,603	25,603	-	25,715	25,715
Accrued commission income payable to SAMA	-	3,948	3,948	-	3,178	3,178
Due to shareholders' operations	16,788	-	16,788	15,064	-	15,064
<u>TOTAL LIABILITIES</u>	1,258,581	33,977	1,292,558	1,148,872	31,034	1,179,906
<u>INSURANCE OPERATIONS' SURPLUS</u>						
Insurance operations' surplus	12,392	-	12,392	31,055	-	31,055
Accumulated actuarial loss on end-of-service indemnities	(2,174)	-	(2,174)	(2,174)	-	(2,174)
<u>TOTAL INSURANCE OPERATIONS' SURPLUS</u>	10,218	-	10,218	28,881	-	28,881
<u>TOTAL LIABILITIES INCLUDING INSURANCE OPERATIONS' SURPLUS</u>						
	1,268,799	33,977	1,302,776	1,177,753	31,034	1,208,787
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	440,000	440,000	-	400,000	400,000
Share premium	-	30,108	30,108	-	30,108	30,108
Statutory reserve	-	31,722	31,722	-	31,722	31,722
Retained earnings	-	170,607	170,607	-	126,888	126,888
Fair value reserve loss on investments	-	(5,792)	(5,792)	-	(17,354)	(17,354)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	666,645	666,645	-	571,364	571,364
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>						
	1,268,799	700,622	1,969,421	1,177,753	602,398	1,780,151

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16. Supplementary information (Continued)
Interim condensed statement of income for the three month period ended

(Unaudited)	September 30, 2018			September 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>REVENUES</u>						
Gross premiums written						
- Direct	256,944	-	256,944	284,370	-	284,370
- Reinsurance	-	-	-	-	-	-
	256,944	-	256,944	284,370	-	284,370
Reinsurance premiums ceded						
- Local ceded	(1,265)	-	(1,265)	(190)	-	(190)
- Foreign ceded	(87,461)	-	(87,461)	(108,261)	-	(108,261)
	(88,726)	-	(88,726)	(108,451)	-	(108,451)
Excess of loss expenses	(1,984)	-	(1,984)	(1,768)	-	(1,768)
Net premiums written	166,234	-	166,234	174,151	-	174,151
Changes in unearned premiums, net	30,458	-	30,458	21,449	-	21,449
Net premiums earned	196,692	-	196,692	195,600	-	195,600
Reinsurance commissions	5,703	-	5,703	4,922	-	4,922
Other underwriting income	543	-	543	1,419	-	1,419
<u>TOTAL REVENUES</u>	202,938	-	202,938	201,941	-	201,941
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	126,633	-	126,633	100,535	-	100,535
Expenses incurred related to claims	8,290	-	8,290	6,806	-	6,806
Reinsurers' share of claims paid	(8,429)	-	(8,429)	(6,245)	-	(6,245)
Net claims and other benefits paid	126,494	-	126,494	101,096	-	101,096
Changes in outstanding claims, net	(18,450)	-	(18,450)	5,775	-	5,775
Changes in IBNR, net	16,094	-	16,094	-	-	-
Net claims and other benefits incurred	124,138	-	124,138	106,871	-	106,871
Additional premium reserves	-	-	-	-	-	-
Other technical reserves	-	-	-	-	-	-
Policy acquisition costs	17,931	-	17,931	18,924	-	18,924
Other underwriting expenses	2,009	-	2,009	604	-	604
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	144,078	-	144,078	126,399	-	126,399
NET UNDERWRITING INCOME	58,860	-	58,860	75,542	-	75,542

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16. Supplementary information (Continued)

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

(Unaudited)	September 30, 2018			September 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	-	-	-	(1,476)		(1,476)
General and administrative expenses	(38,175)	(1,793)	(39,968)	(21,458)	(1,800)	(23,258)
Commission income on deposits	2,377	3,117	5,494	2,769	1,108	3,877
Dividend and realized loss on investments, net	-	490	490	-	(4,764)	(4,764)
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(35,798)	1,814	(33,984)	(20,165)	(5,456)	(25,621)
<u>NET INCOME / (LOSS) FOR THE PERIOD</u>	23,062	1,814	24,876	55,377	(5,456)	49,921
Surplus transferred to Shareholders	(20,756)	20,756	-	(49,839)	49,839	-
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	2,306	22,570	24,876	5,538	44,383	49,921

Earnings per share (Expressed in SAR per share):

Basic and diluted EPS (2017 restated)

0.51

1.01

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16. Supplementary information (Continued)

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

(Unaudited)	September 30, 2018			September 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Total income for the period	2,306	22,570	24,876	5,538	44,383	49,921
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	-	(2,384)	(2,384)	-	1,059	1,059
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	2,306	20,186	22,492	5,538	45,442	50,980

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16. Supplementary information (Continued)
Interim condensed statement of income for the nine month period ended

(Unaudited)	September 30, 2018			September 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>REVENUES</u>						
Gross premiums written						
- Direct	815,217	-	815,217	801,390	-	801,390
- Reinsurance	327	-	327	378	-	378
	815,544	-	815,544	801,768	-	801,768
Reinsurance premiums ceded						
- Local ceded	(6,128)	-	(6,128)	(5,318)	-	(5,318)
- Foreign ceded	(252,275)	-	(252,275)	(195,607)	-	(195,607)
	(258,403)	-	(258,403)	(200,925)	-	(200,925)
Excess of loss expenses	(7,145)	-	(7,145)	(6,315)	-	(6,315)
Net premiums written	549,996	-	549,996	594,528	-	594,528
Changes in unearned premiums, net	55,092	-	55,092	(8,073)	-	(8,073)
Net premiums earned	605,088	-	605,088	586,455	-	586,455
Reinsurance commissions	16,100	-	16,100	12,211	-	12,211
Other underwriting income	3,393	-	3,393	4,395	-	4,395
<u>TOTAL REVENUES</u>	624,581	-	624,581	603,061	-	603,061
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	362,139	-	362,139	351,084	-	351,084
Expenses incurred related to claims	26,625	-	26,625	24,073	-	24,073
Reinsurers' share of claims paid	(16,075)	-	(16,075)	(25,976)	-	(25,976)
Net claims and other benefits paid	372,689	-	372,689	349,181	-	349,181
Changes in outstanding claims, net	(5,980)	-	(5,980)	(1,163)	-	(1,163)
Changes in IBNR, net	4,983	-	4,983	470	-	470
Net claims and other benefits incurred	371,692	-	371,692	348,488	-	348,488
Additional premium reserves	1,844	-	1,844	570	-	570
Other technical reserves	155	-	155	(193)	-	(193)
Policy acquisition costs	54,831	-	54,831	55,077	-	55,077
Other underwriting expenses	7,261	-	7,261	1,834	-	1,834
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	435,783	-	435,783	405,776	-	405,776
NET UNDERWRITING INCOME	188,798	-	188,798	197,285	-	197,285

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16. Supplementary information (Continued)

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

(Unaudited)	September 30, 2018			September 30, 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(6,196)	-	(6,196)	(3,476)	-	(3,476)
General and administrative expenses	(86,545)	(5,340)	(91,885)	(67,371)	(5,400)	(72,771)
Commission income on deposits	6,384	7,679	14,063	5,974	3,194	9,168
Dividend and realized gain/(loss) on investments, net	-	1,096	1,096	-	(4,764)	(4,764)
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(86,357)	3,435	(82,922)	(64,873)	(6,970)	(71,843)
<u>NET INCOME / (LOSS) FOR THE PERIOD</u>	102,441	3,435	105,876	132,412	(6,970)	125,442
Surplus transferred to Shareholders	(92,197)	92,197	-	(119,171)	119,171	-
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	10,244	95,632	105,876	13,241	112,201	125,442

Earnings per share (Expressed in SAR per share):

Basic and diluted EPS (2017 restated)

2.17

2.55

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16. Supplementary information (Continued)

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

(Unaudited)	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Total income for the period	10,244	95,632	105,876	13,241	112,201	125,442
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	-	11,562	11,562	-	3,015	3,015
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	10,244	107,194	117,438	13,241	115,216	128,457

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16. Supplementary information (Continued)
Interim condensed statement of cash flows

(Unaudited)	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	2018			2017		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit for the period	10,244	95,632	105,876	13,241	112,201	125,442
Adjustments for non-cash items:						
Depreciation of property and equipment	2,525	-	2,525	2,261	-	2,261
Amortization of intangible assets	610	-	610	246	-	246
Allowance for doubtful debts	6,196	-	6,196	3,476	-	3,476
Dividend and realized (gain)/ loss on investments, net	-	(1,096)	(1,096)	-	4,764	4,764
Commission income	(6,384)	(7,679)	(14,063)	(5,974)	(3,194)	(9,168)
Provision for end-of-service indemnities	2,168	-	2,168	6,180	-	6,180
<u>Changes in operating assets and liabilities:</u>						
Premiums and reinsurers' receivable	(117,004)	-	(117,004)	(31,112)	-	(31,112)
Reinsurers' share of unearned premiums	(38,570)	-	(38,570)	(11,076)	-	(11,076)
Reinsurers' share of outstanding claims	(1,541)	-	(1,541)	16,940	-	16,940
Reinsurers' share of claims incurred but not reported	(1,616)	-	(1,616)	(16,360)	-	(16,360)
Deferred policy acquisition costs	8,036	-	8,036	(1,374)	-	(1,374)
Due from/ to shareholders'/insurance operations	1,724	(1,724)	-	46,601	(46,601)	-
Prepaid expenses and other assets	1,826	-	1,826	20,769	-	20,769
Policyholders claims payables	4,856	-	4,856	1,784	-	1,784
Accrued and other liabilities	14,818	2,285	17,103	3,790	4,175	7,965
Reinsurers' balances payable	73,942	-	73,942	23,466	-	23,466
Unearned premiums	(16,522)	-	(16,522)	19,148	-	19,148
Unearned reinsurance commission	3,690	-	3,690	2,982	-	2,982
Outstanding claims	(4,439)	-	(4,439)	(38,668)	-	(38,668)
Claims incurred but not reported	6,599	-	6,599	16,829	-	16,829
Additional premium reserves	1,844	-	1,844	570	-	570
Other technical reserves	155	-	155	(193)	-	(193)
	(46,843)	87,418	40,575	73,526	71,345	144,871

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

16. Supplementary information (Continued)

Interim condensed statement of cash flows (Continued)

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
End-of-service indemnities paid	(503)	-	(503)	(1,074)	-	(1,074)
Zakat and income tax paid	-	(12,025)	(12,025)	-	(10,466)	(10,466)
Net cash (used in)/ generated from operating activities	(47,346)	75,393	28,047	72,452	60,879	133,331
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in intangible assets (Additions) / disposal in investments	(830)	-	(830)	(248)	-	(248)
Commission income received	8,279	8,695	16,974	3,596	2,192	5,788
Dividend received	-	1,289	1,289	-	640	640
Disposals / (addition) of short term deposits	400,000	424,833	824,833	(475,000)	(347,829)	(822,829)
Increase in statutory deposit	-	(4,000)	(4,000)	-	-	-
Additions in property and equipment	(2,972)	-	(2,972)	(2,240)	-	(2,240)
Net cash generated from / (used in) investing activities	404,477	370,817	775,294	(473,892)	(330,402)	(804,294)
Net change in cash and cash equivalents	357,131	446,210	803,341	(401,440)	(269,523)	(670,963)
Cash and cash equivalents, beginning of the period	289,505	20,414	309,919	594,418	289,937	884,355
Cash and cash equivalents, end of the period	646,636	466,624	1,113,260	192,978	20,414	213,392
NON-CASH INFORMATION						
Unrealised changes in fair value of available for sale investments	-	11,562	11,562	-	3,015	3,015

17. Comparative figures

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

18. Approval of the interim condensed financial information

The interim condensed financial information has been approved by the Board of Directors on 01 November 2018G corresponding to 23 Safar 1440H.