

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2020**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REVIEW REPORT (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

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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 March 31, 2020, and the related interim condensed statements of income and comprehensive income, interim condensed statements of changes in shareholders equity and cash flows for the three 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 endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

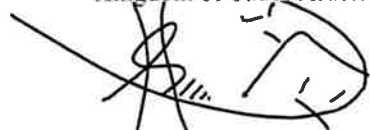
Scope of review

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.

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Certified Public Accountant
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Shawwal 15, 1441H
June 7, 2020 G



WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

	Notes	March 31, 2020 - (Unaudited)	December 31, 2019 - (Audited)
SAR'000			
ASSETS			
Cash and cash equivalents	5	714,054	560,925
Short term deposits		217,322	341,074
Long term deposits		69,000	-
Premiums and reinsurers' receivable - net	6	211,114	150,094
Reinsurers' share of unearned premiums	8.2	264,060	274,137
Reinsurers' share of outstanding claims	8.1	110,018	97,837
Reinsurers' share of claims incurred but not reported	8.1	61,655	44,218
Reinsurer's share of mathematical reserves		145,978	-
Deferred policy acquisition costs		26,107	16,733
Investments	7	371,759	404,248
Due from shareholders'/insurance operations		15,279	12,312
Prepaid expenses and other assets		62,639	49,205
Property and equipment, net	9	18,147	17,350
Intangible assets		1,621	1,128
Goodwill		35,289	-
Statutory deposit		99,640	52,800
Accrued income on statutory deposit		9,383	5,607
Accrued commission income		3,799	5,059
TOTAL ASSETS		2,436,864	2,032,727



Chief Financial Officer



Chief Executive Officer



Board Member

The accompanying notes 1 to 23 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 MARCH 31, 2020

	Notes	March 31, 2020 - (Unaudited)	December 31, 2019 - (Audited)
SAR'000			
LIABILITIES			
Policyholders claims payable		31,662	20,876
Accrued and other liabilities	10	109,557	97,270
Reinsurers' balances payable		174,430	173,378
Unearned premiums	8.2	688,905	637,828
Unearned reinsurance commission		20,053	14,086
Outstanding claims	8.1	160,133	140,433
Claims incurred but not reported	8.1	231,266	192,740
Gross mathematical reserves		145,978	-
Additional premium reserves	8.1	4,541	4,970
Other technical reserves	8.1	16,381	29,700
Due to insurance / shareholders 'operations		15,279	12,312
End-of-service indemnities		19,160	17,906
Zakat and income tax	15	21,676	15,578
Accrued commission income payable to SAMA		9,383	5,607
Surplus distribution payable		3,491	3,491
TOTAL LIABILITIES		1,651,895	1,366,175
EQUITY			
Share capital	16	646,397	528,000
Share premium	16	81,019	30,108
Statutory reserve		53,102	53,102
Fair value reserve for investments		(19,269)	17,650
Retained earnings		26,434	40,406
TOTAL SHAREHOLDERS' EQUITY		787,683	669,266
Re-measurement reserve of defined benefit obligation – related to insurance operations		(2,714)	(2,714)
TOTAL EQUITY		784,969	666,552
TOTAL LIABILITIES AND EQUITY		2,436,864	2,032,727
Commitments and contingencies	11		



Chief Financial Officer



Chief Executive Officer



Board Member

The accompanying notes 1 to 23 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 MONTH PERIOD ENDED MARCH 31, 2020

	Notes	For the three month period ended March 31,	
		2020	2019
		SAR'000	
			(Restated)
<u>REVENUES</u>			
Gross premiums written			
- Direct		333,571	275,643
- Reinsurance		410	-
	8.2	333,981	275,643
Reinsurance premiums ceded			
- Local ceded		(2,482)	(2,155)
- Foreign ceded		(88,828)	(61,245)
	8.2	(91,310)	(63,400)
Excess of loss expenses		(1,787)	(2,017)
Net premiums written		240,884	210,226
Changes in unearned premiums		(8,795)	(16,357)
Changes in reinsurance share of unearned premiums		(42,900)	(18,890)
Net premiums earned		189,189	174,979
Reinsurance commissions		7,427	5,338
Other underwriting income		632	463
TOTAL REVENUES		197,248	180,780
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid		155,060	141,087
Surrenders and maturities		4,397	-
Expenses incurred related to claims		10,894	5,908
Reinsurers' share of claims paid		(13,323)	(14,079)
Net claims and other benefits paid		157,028	132,916
Changes in outstanding claims		(2,121)	(23,579)
Changes in reinsurance share of outstanding claims		5,067	17,445
Changes in claims incurred but not reported		12,482	(10,055)
Changes in reinsurance share of claims incurred but not reported		57	3,715
Net claims and other benefits incurred		172,513	120,442
Additional premium reserves		(429)	(891)
Other technical reserves		(13,319)	(2,517)
Policy acquisition costs		9,288	13,333
Other underwriting expenses		6,558	3,784
TOTAL UNDERWRITING COSTS AND EXPENSES		174,611	134,151
NET UNDERWRITING INCOME		22,637	46,629


Chief Financial Officer


Chief Executive Officer


Board Member

The accompanying notes 1 to 23 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 MONTH PERIOD ENDED MARCH 31, 2020

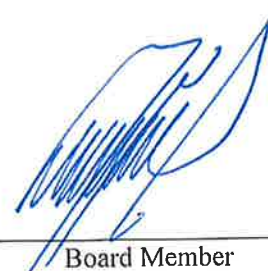
	Notes	For the three Month period ended March 31	
		2020	2019
		SAR'000	
			(Restated)
<u>OTHER OPERATING (EXPENSES) / INCOME</u>			
Allowance for doubtful debts		(2,470)	(6,227)
General and administrative expenses		(35,660)	(30,135)
Commission income on deposits		3,750	6,465
Dividend income on investments		21	111
TOTAL OTHER OPERATING EXPENSES		(34,359)	(29,786)
Total (loss) / income for the period before zakat and income tax & Surplus attribution		(11,722)	16,843
Zakat	15	(2,250)	(3,839)
Income tax	15	-	(232)
TOTAL (LOSS) / INCOME FOR THE PERIOD		(13,972)	12,772
Total income attributed to the insurance operations	21	-	(1,519)
Net (loss) / income for the period attributable to the shareholders		(13,972)	11,253
Earnings per share (EPS)			
Basic and diluted EPS (SAR per share)	19	(0.25)	0.21
Weighted average number of ordinary outstanding shares (in thousands)		56,964	52,800



Chief Financial Officer



Chief Executive Officer




Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020


	Notes	For the three Month period ended March 31	
		2020	2019
		SAR'000	
			(Restated)
Total (loss) / income for the period		(13,972)	12,772
Other comprehensive income			
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>			
Available for sale investments:			
- Net change in fair value	7	(36,919)	17,404
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(50,891)	30,176
Total comprehensive income attributed to the insurance operations		-	(1,519)
Net comprehensive (loss) / income for the period attributable to the shareholders		(50,891)	28,657



Chief Financial Officer



Chief Executive Officer



Board Member

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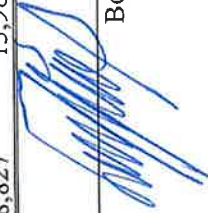
WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

	Notes	Share capital	Share premium	Statutory reserve	Fair value reserve for investments SAR '000	Retained earnings	Total
2020							
Balance at January 1, 2020 (Audited)		528,000	30,108	53,102	17,650	40,406	669,266
Comprehensive income for the period:							
Net loss for the period attributable to the shareholders		-	-	-	-	(13,972)	(13,972)
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	(36,919)	-	(36,919)
Total comprehensive loss for the period attributable to shareholders		-	-	-	(36,919)	(13,972)	(50,891)
Issuance of share capital	16	118,397	-	-	-	-	118,397
Share premium	16	-	50,911	-	-	-	50,911
Balance at March 31, 2020 (Unaudited)		646,397	81,019	53,102	(19,269)	26,434	787,683
2019							
Balance at January 1, 2019 (Audited)		440,000	30,108	48,827	(3,418)	155,306	670,823
Comprehensive income for the period:							
Net income for the period attributable to the shareholders (restated)		-	-	-	-	11,253	11,253
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	17,404	-	17,404
Total comprehensive income for the period attributable to shareholders (restated)		-	-	-	17,404	11,253	28,657
Balance at March 31, 2019 (Unaudited) (restated)		440,000	30,108	48,827	13,986	166,559	699,480



Chief Financial Officer



Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

	2020	2019
	SAR'000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/ income for the period before zakat and income tax	(11,722)	16,843
Adjustments for non-cash items:		
Depreciation of property and equipment	2,074	1,554
Amortization of intangible assets	137	119
Allowance for doubtful debts	2,470	6,227
Dividend income on investments	(21)	(111)
Commission income on deposits	(3,750)	(6,465)
Provision for end-of-service indemnities	926	914
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	(36,073)	(4,143)
Reinsurers' share of unearned premiums	42,900	18,890
Reinsurers' share of outstanding claims	5,067	17,445
Reinsurers' share of claims incurred but not reported	57	3,715
Reinsurers' share of mathematical reserves	9,211	-
Deferred policy acquisition costs	(6,657)	1,141
Prepaid expenses and other assets	(1,947)	(37)
Policyholders claim payables	4,448	(121)
Accrued and other liabilities	4,874	(21,961)
Reinsurers' balances payable	(34,028)	18,167
Unearned premiums	8,795	16,357
Unearned reinsurance commission	602	341
Outstanding claims	(2,121)	(23,579)
Claims incurred but not reported	12,482	(10,055)
Gross mathematical reserves	(9,211)	-
Additional premium reserves	(429)	(891)
Other technical reserves	(13,319)	(2,517)
	(25,235)	31,833
End-of-service indemnities paid	(952)	(87)
Net cash (used in) / generated from operating activities	(26,187)	31,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in investments	(1,255)	(49,625)
Commission income received	5,010	6,215
Dividend received	21	111
Cash and cash equivalents acquired through business combination	43,589	-
Short term deposits	126,803	(175,000)
Long term deposits	20,000	-
Additions in property and equipment	(2,140)	(7,510)
Additions in intangible assets	(405)	(301)
Net cash generated from / (used in) investing activities	191,623	(226,110)


Chief Financial Officer


Chief Executive Officer


Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
	<u>SAR'000</u>	
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in statutory deposit	(11,840)	-
Lease rentals	(467)	(70)
Net cash used in financing activities	<u>(12,307)</u>	<u>(70)</u>
Net change in cash and cash equivalents	153,129	(194,434)
Cash and cash equivalents, beginning of the period	<u>560,925</u>	<u>1,122,329</u>
Cash and cash equivalents, end of the period	<u>714,054</u>	<u>927,895</u>
<u>NON-CASH INFORMATION</u>		
Unrealised changes in fair value of available for sale investments	<u>(36,919)</u>	<u>17,404</u>



Chief Financial Officer



Chief Executive Officer



Board Member

The accompanying notes 1 to 23 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 MONTH PERIOD ENDED MARCH 31, 2020

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, casualty insurance and protection & savings.

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.

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended March 31, 2020 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, 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 15 to the interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

2. BASIS OF PREPARATION (CONTINUED)

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, long-term deposits, goodwill and gross & reinsurance share of mathematical reserves, 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 21 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.

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, 2019.

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

(b) Seasonality of operations

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

(c) 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, 2019.

2. BASIS OF PREPARATION (CONTINUED)

(c) Critical accounting judgments, estimates and assumptions (continued)

Further, the Company has considered the following:

On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“Covid-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

- the health and safety of its employees and the wider community where it is operating
- the continuity of its business throughout the Kingdom is protected and kept intact.

Also refer subsequent event note 22 in relation to SAMA Circular 189 issued on 8 May 2020 in response to the Covid-19 pandemic.

Impact of Covid-19 on the medical technical reserves and financial assets

Medical technical reserves

Notwithstanding these challenges, the Company’s management believes that the technical reserves for the medical line of business remain largely unaffected as the insurance industry is facilitated by the Saudi Arabian Government initiative of bearing all costs associated with Covid-19 pandemic, which include testing and treatment costs. Moreover, there is a general decrease in trend in medical claims which are of a routine nature. Furthermore, the industry has not experienced a significantly high number of reported claims.. Based on these factors, the Company’s management believes that the Covid-19 pandemic has had no material effects on Company’s reported results for the three-month period ended 31 March 2020. The Company’s management continues to monitor the situation closely.

Financial assets

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets are impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In the case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company’s management believes that the Covid-19 pandemic has had no material effects on Company’s reported results for the three month period ended March 31, 2020. The Company’s management continues to monitor the situation closely.

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at the granular economic sector, region and counterparty level and the Company has taken appropriate action where required. Based on the review, the Company has identified the certain sectors such as government contracting, airlines, retail sector and hospitality industry as being impacted significantly by the Covid-19 pandemic and lower oil prices.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

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, 2019, with the exception to the change in accounting policy for zakat for income tax.

Change in the accounting policy for Zakat and income tax:

As mentioned above, the basis of preparation has been changed for the period ended March 31, 2020 as a result of the issuance of latest instructions from SAMA dated July 17, 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated April 11, 2017. With the latest instructions issued by SAMA dated July 17, 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 15 to the interim condensed financial statements. The change has resulted in reduction of reported income of the Company for the period ended March 31, 2019 by SAR 4.071 million. The change has had no impact on the statement of cash flows for the period ended March 31, 2019.

4. BUSINESS COMBINATION

The Company signed a non-binding Memorandum of Understanding (the "MOU") with MetLife AIG ANB Cooperative Insurance Company ("MetLife") on 15/10/1440 H (corresponding to 18/06/2019) to evaluate a potential merger between the two companies. Later on 29/09/2019G corresponding to 30/01/1440 H, the Company announced its entry into a binding merger agreement with MetLife (the "Merger Agreement") in an effort to acquire all shares held by the shareholders in MetLife through the submission of an offer to exchange shares without any cash consideration, such exchange to be effected by way of increasing the capital of the Company through the issuance of new ordinary shares to all shareholders in MetLife (the "Merger"). Walaa received a no-objection letter from Saudi Arabian Monetary Authority (SAMA) on the merger transaction on 24/12/2019G (27/04/1441H).

During the period, the shareholders in the EGM held on January 27, 2020 corresponding to 2 Jumada II 1441H approved the proposed merger of the Company and MetLife to be effected by way of a merger pursuant to Articles 191, 192, and 193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G), through the issuance of 0.6577614444444444 new shares in the Company for each share in MetLife subject to the terms and conditions of the Merger Agreement. The formalities to update legal documents are under process.

Further to the receipt of regulatory approvals, on February 29, 2020, the Company completed a statutory merger with Metlife. On this date, the net assets and business activities of Metlife were transferred to the Company in exchange for newly issued shares of the Company. Metlife was de-listed from Tadawul, following the transfer, however, the commercial registration of Metlife was not cancelled as of March 31, 2020.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations with the Company being the acquirer and Metlife being the acquiree. The Company has accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by the Standard.

Purchase consideration

The purchase consideration was determined to be SAR 169,308 thousands which consisted of the issue of 11,839,706 new shares to the shareholders of Metlife.

The fair value of the new issued shares of the Company was determined on the basis of the closing market price of the ordinary shares of SAR 14.30 per share on the Tadawul on the last trading date prior to the acquisition date of February 29, 2020. Issue costs which were directly attributable to the issue of the shares were not material. As a result, there was an increase in share capital and share premium of SAR 118,397 thousand and SAR 50,911 thousand, respectively.

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FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

4. BUSINESS COMBINATION (CONTINUED)

Identifiable assets acquired and liabilities assumed

The following table summarises the fair value of assets acquired and liabilities assumed at the date of acquisition.

	<u>SAR'000</u>
ASSETS	
Cash and cash equivalents	43,589
Short term deposits	3,051
Long term deposits	89,000
Premiums and reinsurers' receivable - net	27,417
Reinsurers' share of unearned premiums	32,823
Reinsurers' share of outstanding claims	17,248
Reinsurers' share of claims incurred but not reported	17,494
Reinsurer's share of mathematical reserves	155,189
Deferred policy acquisition costs	2,717
Investments	3,175
Due from related parties	406
Prepaid expenses and other assets	11,082
Property and equipment, net	731
Intangible assets	225
Statutory deposit	35,000
Accrued income on statutory deposit	2,653
TOTAL ASSETS	<u>441,800</u>
LIABILITIES	
Policyholders claims payable	6,338
Accrued and other liabilities	7,836
Reinsurers' balances payable	35,080
Unearned premiums	42,282
Unearned reinsurance commission	5,365
Outstanding claims	21,821
Claims incurred but not reported	26,044
Gross mathematical reserves	155,189
Due to related parties	45
End-of-service indemnities	1,280
Zakat and income tax	3,848
Accrued commission income payable to SAMA	2,653
TOTAL LIABILITIES	<u>307,781</u>
Metlife's net assets as at acquisition date	<u>134,019</u>
Goodwill arising from the acquisition	35,289
Purchase consideration	<u>169,308</u>

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4. BUSINESS COMBINATION (CONTINUED)

METLIFE ALICO Portfolio transfer

The Company being the acquirer and pursuant to the merger agreement has acquired the existing Saudi run-off portfolio comprising of long-term life Protection and Savings insurance products and Personal Accident policies from MetLife (the acquiree) effective the date of merger. This Saudi run-off portfolio was transferred by MetLife ALICO to MetLife (the acquiree) on April 1, 2015. This portfolio is reinsured to MetLife ALICO by 100%. Accordingly, the liabilities related to this portfolio were recorded in the Company's books at carrying value with offsetting assets representing the reinsurance share of these liabilities. The Company is be entitled to reinsurance commission at the agreed rates and to reimbursement on actual basis of all the expenses incurred on the administration of this portfolio.

	March 31, 2020 - (Unaudited)	February 29, 2020 - (Unaudited)
	<u>SAR'000</u>	
<u>ASSETS</u>		
Cash and cash equivalents	4,223	5,384
Premiums and reinsurers' receivable - net	69	114
Reinsurers' share of unearned premiums	(2)	(11)
Reinsurers' share of outstanding claims	10,304	10,504
Reinsurers' share of claims incurred but not reported	130	133
Reinsurer's share of mathematical reserves	145,978	155,189
Due from related parties	329	375
Prepaid expenses and other assets	-	133
TOTAL ASSETS	161,031	171,821
	March 31, 2020 - (Unaudited)	February 29, 2020 - (Unaudited)
	<u>SAR'000</u>	
<u>Liabilities</u>		
Payables, accruals and others	248	280
Reinsurers' balances payable	2,338	3,506
Unearned premiums	(2)	(11)
Outstanding claims	10,304	10,504
Claims incurred but not reported	130	133
Gross mathematical reserves	145,978	155,189
Due to related parties	2,035	2,220
TOTAL ASSETS	161,031	171,821

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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Insurance operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Cash and bank balances	666,047	220,925
Deposits maturing within 3 months from the acquisition date	17,000	340,000
Total	683,047	560,925
	Shareholders' operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Bank balances	8,007	-
Deposits maturing within 3 months from the acquisition date	23,000	-
Total	31,007	-
Total cash and cash equivalents	714,054	560,925

6. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprises of amounts due from the following:

	Insurance operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Policyholders	79,606	51,898
Brokers and agents	175,996	138,823
Related parties	2,765	311
Receivables from reinsurers	1,892	1,678
	260,259	192,710
Less: Provision for doubtful receivables	(49,145)	(42,616)
Premiums and reinsurers' receivable – net	211,114	150,094

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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7. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Available for sale investments	222,326	254,906
Held to maturity	149,433	149,342
	371,759	404,248

Movement in available for sale investments is as follows:

	Shareholders' operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Opening balance	254,906	162,876
Acquired through business combination	3,175	-
Purchase	1,164	70,962
Changes in fair value of investments, net	(36,919)	21,068
Closing balance	222,326	254,906

Available-for-sale investments include the following:

	Shareholders' operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Quoted securities	196,028	231,783
Unquoted securities	26,298	23,123
	222,326	254,906

Movement in held to maturity investments is as follows:

	Shareholders' operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Opening balance	149,342	-
Additional during the year	-	149,482
Amortization / adjustment, net	91	(140)
Closing balance	149,433	149,342

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FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

7. INVESTMENTS (CONTINUED)

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.

8. TECHNICAL RESERVES

8.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Outstanding claims	173,777	153,084
Less: Realizable value of salvage and subrogation	(13,644)	(12,651)
	160,133	140,433
Claims incurred but not reported	231,266	192,740
Additional premium reserves:		
- Premium deficiency reserve	4,230	4,952
-Additional unexpired risk reserve	311	18
	4,541	4,970
Other technical reserves:		
- Claims handling expense provision	5,630	15,828
- Unallocated loss adjustment expense provision	10,751	12,887
- Non-proportional reinsurance accrual reserve	-	985
	16,381	29,700
Net outstanding claims and reserves	412,321	367,843
Less:		
-Reinsurer's share of outstanding claims	(110,018)	(97,837)
-Reinsurer's share of claims incurred but not reported	(61,655)	(44,218)
	(171,673)	(142,055)
Net outstanding claims and reserves	240,648	225,788

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8. TECHNICAL RESERVES (CONTINUED)

8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	March 31, 2020 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	637,828	(274,137)	363,691
Premiums written during the period	333,981	(93,097)	240,884
Premiums earned during the period	(282,904)	103,174	(179,730)
Balance as at the end of the period	688,905	(264,060)	424,845
	December 31, 2019 (Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	536,608	(195,562)	341,046
Premiums written during the year	1,215,394	(479,878)	735,516
Premiums earned during the year	(1,114,174)	401,303	(712,871)
Balance as at the end of the year	637,828	(274,137)	363,691

9. PROPERTY AND EQUIPMENT, NET

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Property and equipment	10,773	9,907
Right of use assets (note 9.1)	7,374	7,443
	18,147	17,350

9.1 Depreciation charges on right of use assets amounted to SAR 1.04 million.

10. ACCRUED AND OTHER LIABILITIES

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Accrued and other liabilities	103,145	91,401
Lease rentals	6,412	5,869
	109,557	97,270

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10. ACCRUED AND OTHER LIABILITIES (CONTINUED)

Maturity analysis of lease rentals is as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Payable within one year	4,099	3,807
Payable more than one year but less than five years	2,313	2,062
	6,412	5,869

11. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Letters of guarantee	7,958	6,450

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, 2019.

12. 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

a. Carrying amounts and fair value (continued)

Shareholders' Operations	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
SAR'000					
March 31, 2020 (Unaudited)					
Financial assets measured at fair value					
Available for sale investments					
-Quoted securities	196,028	196,028	-	-	196,028
Held to Maturity investments	149,433	149,433	-	-	149,433
	345,461	345,461	-	-	345,461
SAR'000					
Shareholders' Operations					
Financial assets measured at fair value					
Available for sale investments					
-Quoted securities	231,783	231,783	-	-	231,783
Held to Maturity investments	149,342	149,342	-	-	149,342
	381,125	381,125	-	-	381,125

b. Measurement of fair values

The Company has investments amounting to SAR 26.3 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.

13. 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 chief executive officer 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 chief executive officer is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

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

Segment liabilities do not include policyholders' claims 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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13. OPERATING SEGMENTS (CONTINUED)

	For the three Month period ended March 31, 2020 (Unaudited)						Total
	Medical	Motor	Property	Engineering	Protection &Savings	Others	
	SAR'000						
REVENUES							
Gross premiums written							
- Direct	26,798	206,816	17,306	34,942	664	47,045	333,571
- Reinsurance	-	-	410	-	-	-	410
	26,798	206,816	17,716	34,942	664	47,045	333,981
Reinsurance premiums ceded							
- Local ceded	-	-	(1,144)	(1,338)	-	-	(2,482)
- Foreign ceded	(2,923)	(445)	(15,507)	(30,618)	(629)	(38,706)	(88,828)
	(2,923)	(445)	(16,651)	(31,956)	(629)	(38,706)	(91,310)
Excess of loss expenses	(216)	(786)	(204)	(204)	-	(377)	(1,787)
Net premiums written	23,659	205,585	861	2,782	35	7,962	240,884
Changes in unearned premiums, net	1,464	(50,165)	(225)	(1,839)	(88)	(842)	(51,695)
Net premiums earned	25,123	155,420	636	943	(53)	7,120	189,189
Reinsurance commissions	129	13	2,909	1,741	58	2,577	7,427
Other underwriting income	-	505	3	2	109	13	632
TOTAL REVENUES	25,252	155,938	3,548	2,686	114	9,710	197,248
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	19,448	125,628	653	485	333	8,513	155,060
Surrenders and maturities	-	-	-	-	4,397	-	4,397
Expenses incurred related to claims	883	10,011	-	-	-	-	10,894
Reinsurers' share of claims paid	(2,899)	-	(428)	(312)	(4,597)	(5,087)	(13,323)
Net claims and other benefits paid	17,432	135,639	225	173	133	3,426	157,028
Changes in outstanding claims, net	(514)	5,307	(1,095)	385	(102)	(1,035)	2,946
Changes in IBNR, net	5,947	6,217	5	168	37	165	12,539
Net claims and other benefits incurred	22,865	147,163	(865)	726	68	2,556	172,513
Additional premium reserves	(510)	-	-	294	-	(213)	(429)
Other technical reserves	(935)	(14,346)	(55)	121	-	1,896	(13,319)
Policy acquisition costs	1,442	4,320	1,103	825	1	1,597	9,288
Other underwriting expenses	1,722	4,816	3	(28)	4	41	6,558
TOTAL UNDERWRITING COSTS AND EXPENSES	24,584	141,953	186	1,938	73	5,877	174,611
NET UNDERWRITING INCOME (LOSS)	668	13,985	3,362	748	41	3,833	22,637
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(2,470)
General and administrative expenses							(35,660)
Commission income on deposits							3,750
Dividend income on investments							21
TOTAL OTHER OPERATING EXPENSES							(34,359)
Total loss for the period before zakat and income tax & surplus attribution							(11,722)
Zakat							(2,250)
Income tax							-
NET LOSS FOR THE PERIOD							(13,972)
Total income for the period attributable to insurance operations							-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS							(13,972)

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13. OPERATING SEGMENTS (CONTINUED)

	For the three Month ended March 31, 2019 (Unaudited) Restated					Total
	Medical	Motor	Property	Engineering	Others	
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	17,596	185,157	20,229	19,023	33,638	275,643
- Reinsurance	-	-	-	-	-	-
	17,596	185,157	20,229	19,023	33,638	275,643
Reinsurance premiums ceded						
- Local ceded	-	-	(605)	(1,550)	-	(2,155)
- Foreign ceded	-	-	(18,558)	(15,545)	(27,142)	(61,245)
	-	-	(19,163)	(17,095)	(27,142)	(63,400)
Excess of loss expenses	(632)	(879)	(148)	(148)	(210)	(2,017)
Net premiums written	16,964	184,278	918	1,780	6,286	210,226
Changes in unearned premiums, net	3,716	(38,411)	(142)	(690)	280	(35,247)
Net premiums earned	20,680	145,867	776	1,090	6,566	174,979
Reinsurance commissions	-	-	2,942	1,307	1,089	5,338
Other underwriting income	-	441	2	2	18	463
TOTAL REVENUES	20,680	146,308	3,720	2,399	7,673	180,780
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	24,143	104,016	2,173	7,852	2,903	141,087
Expenses incurred related to claims	703	5,205	-	-	-	5,908
Reinsurers' share of claims paid	(3,827)	-	(1,848)	(7,590)	(814)	(14,079)
Net claims and other benefits paid	21,019	109,221	325	262	2,089	132,916
Changes in outstanding claims, net	(7,844)	1,327	(361)	86	658	(6,134)
Changes in IBNR, net	9,302	(15,990)	353	366	(371)	(6,340)
Net claims and other benefits incurred	22,477	94,558	317	714	2,376	120,442
Premium deficiency reserves	(72)	-	-	(516)	(303)	(891)
Other technical reserves	15	(2,021)	(15)	(381)	(115)	(2,517)
Policy acquisition costs	1,672	8,110	1,564	686	1,301	13,333
Other underwriting expenses	935	2,829	-	-	20	3,784
TOTAL UNDERWRITING COSTS AND EXPENSES	25,027	103,476	1,866	503	3,279	134,151
NET UNDERWRITING INCOME	(4,347)	42,832	1,854	1,896	4,394	46,629
OTHER OPERATING (EXPENSES)/INCOME						
Allowance for doubtful debts						(6,227)
General and administrative expense						(30,135)
Commission income on deposits						6,465
Dividend received						111
TOTAL OTHER OPERATING EXPENSES						(29,786)
Total income for the period before zakat and income tax & surplus attribution						16,843
Zakat						(3,839)
Income tax						(232)
NET INCOME FOR THE PERIOD						12,772
Total income for the period attributable to insurance operations						(1,519)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						11,253

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14. 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 three Month period ended		Net balance receivable / (payable) as at	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	March 31, 2019 (Unaudited)	December 31, 2019 (Audited)
	SAR'000		SAR'000	
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written / receivable from	1,580	1,309	2,765	130
Other business	(667)	268	(83)	(39)
Gross Claims paid to directors and their related parties	510	619	335	(165)
Premium ceded , XOL and balances payables for premium ceded and XOL	4,865	-	(20,890)	-
Reinsurance share of claims paid	(5,340)	-	-	-

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

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	1,270	1,243
End of service indemnities	112	405
	1,382	1,648
Remuneration to those charged with governance	918	2,172

15. 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 December 31, 2018 and obtained a certificate from GAZT that was valid up to April 30, 2020. Due to Covid 19, the zakat certificate is extended by GAZT to April 30, 2021.

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

Subsequent to the period ended March 31, 2020, the Company received an assessment order for the year 2014 for an additional zakat and tax liability amounting to SR 5.9 million. The management of the Company is reviewing the assessment letter in order to respond in the specified time period and is confident that the additional liability would be adjusted significantly in favour of the Company. The management also believes that the provision as reflected in financial statements is sufficient to meet any additional zakat and tax obligation accordingly, no additional provision has been provided by the Company in these interim condensed financial statements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

15. ZAKAT AND INCOME TAX (CONTINUED)

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:

	March 31, 2020	December 31, 2019
	%	%
	SAR'000	
Shareholding subject to zakat	90.22	94.75
Shareholding subject to income tax	9.78	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 three Month period ended 31 March 2019:

Financial statement impacted	Account	SAR'000		
		Before the restatement for the three Month period ended March 31, 2019	Effect of restatement	As restated as at and for the three month period ended March 31, 2019
Statement of changes in Equity	Provision for zakat and income tax (retained earnings)	4,071	(4,071)	-
Statement of income	Zakat and income tax for the period	-	4,071	4,071
	Earnings per share (expressed in SAR per share) *	0.35	(0.14)	0.21

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

16. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 646 million at March 31, 2020 consisting of 64.6 million shares of SAR 10 each (December 31, 2019: SAR 528 million consisting of 52.8 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.

During the period, the Company issued 11,839,706 ordinary shares as a purchase consideration to merge MetLife into the Company on the basis of closing market price of SAR 14.30 per share on Tadawul on the last trading date prior to acquisition. This has resulted an increase in share premium amounting to SAR 50.911 million (note 4).

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FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

16. SHARE CAPITAL (CONTINUED)

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

The Board of Directors in their meeting held on 30 Muharram 1441 H (corresponding to September 29, 2019) resolved to increase the share capital from SAR 528,000,000 to SAR 646,397,060 by issuing 11,839,706 ordinary shares to merge MetLife into the Company and transferring all of MetLife's assets and liabilities to the Company through a securities exchange offer (note 4).

The shareholding structure of the Company is as below:

	March 31, 2020 (Unaudited)	
	Authorized and issued	Paid up
	No. of Shares	SAR "000"
American Life Insurance	3,552,000	35,520
Arab National Bank	3,545,146	35,451
International General Insurance Company	2,772,000	27,720
Others	54,770,560	547,706
Total	64,639,706	646,397

	December 31, 2019 (audited)	
	Authorized and issued	Paid up
	No. of Shares	SAR "000"
International General Insurance Company	2,772,000	27,720
Others	50,028,000	500,280
Total	52,800,000	528,000

17. DIVIDEND

No dividend was proposed or paid during the period.

18. 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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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19. 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 month period ended March 31, 2019 has been restated due to the issuance of 8.8 million bonus shares in the second quarter of 2019 and due to restatement of zakat and income tax from the statement of changes in equity to statement of income (note 15).

20. GROSS PREMIUMS WRITTEN

(Unaudited)

For the three month period ended March 31, 2020

Class	Corporate					Total Gross premiums written
	Micro	Small	Medium	Large	Individual	
	SR'000					
Medical	3,809	2,646	1,580	11,361	7,402	26,798
Motor	123	1,132	6,040	68,399	131,122	206,816
Property	72	463	1,499	15,682	-	17,716
Engineering	15	198	1,136	33,592	-	34,941
Protection & Savings	-	-	-	12	653	665
Others	156	976	3,223	42,365	325	47,045
Total	4,175	5,415	13,478	171,411	139,502	333,981

(Unaudited)

For the three month period ended March 31, 2019

Class	Corporate					Total Gross premiums written
	Micro	Small	Medium	Large	Individual	
	SR'000					
Medical	2,199	4,528	2,487	7,450	932	17,596
Motor	297	2,007	6,873	25,496	150,484	185,157
Property	111	793	1,384	17,941	-	20,229
Engineering	-	607	3,233	15,183	-	19,023
Others	3	3,062	5,046	25,469	58	33,638
Total	2,610	10,997	19,023	91,539	151,474	275,643

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

21. SUPPLEMENTARY STATEMENTS

Interim condensed financial position

	March 31, 2020 - (Unaudited)			December 31, 2019 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
ASSETS						
Cash and cash equivalents	683,047	31,007	714,054	560,925	-	560,925
Short term deposits	3,064	214,258	217,322	130,000	211,074	341,074
Long term deposits	-	69,000	69,000	-	-	-
Premiums and reinsurers' receivable - net	211,114	-	211,114	150,094	-	150,094
Reinsurers' share of unearned premiums	264,060	-	264,060	274,137	-	274,137
Reinsurers' share of outstanding claims	110,018	-	110,018	97,837	-	97,837
Reinsurers' share of claims incurred but not reported	61,655	-	61,655	44,218	-	44,218
Reinsurers' share of mathematical reserves	145,978	-	145,978	-	-	-
Deferred policy acquisition costs	26,107	-	26,107	16,733	-	16,733
Investments	-	371,759	371,759	-	404,248	404,248
Due from shareholders'/ insurance operations	15,279	-	15,279	-	12,312	12,312
Prepaid expenses and other assets	61,172	1,467	62,639	49,205	-	49,205
Property and equipment	18,147	-	18,147	17,350	-	17,350
Intangible assets	1,621	-	1,621	1,128	-	1,128
Goodwill	-	35,289	35,289	-	-	-
Statutory deposit	-	99,640	99,640	-	52,800	52,800
Accrued income on statutory deposit	-	9,383	9,383	-	5,607	5,607
Accrued commission income	1	3,798	3,799	214	4,845	5,059
TOTAL ASSETS	1,601,263	835,601	2,436,864	1,341,841	690,886	2,032,727

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed financial position (Continued)

	March 31, 2020 - (Unaudited)			December 31, 2019- (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
LIABILITIES						
Policyholders claims payable	31,662	-	31,662	20,876	-	20,876
Accrued and other liabilities	107,977	1,580	109,557	96,835	435	97,270
Reinsurers' balances payable	174,430	-	174,430	173,378	-	173,378
Unearned premiums	688,905	-	688,905	637,828	-	637,828
Unearned reinsurance commission	20,053	-	20,053	14,086	-	14,086
Outstanding claims	160,133	-	160,133	140,433	-	140,433
Claims incurred but not reported	231,266	-	231,266	192,740	-	192,740
Gross mathematical reserves	145,978	-	145,978			
Additional premium reserves	4,541	-	4,541	4,970	-	4,970
Other technical reserves	16,381	-	16,381	29,700	-	29,700
Due to insurance / shareholders' operations	-	15,279	15,279	12,312	-	12,312
End-of-service indemnities	19,160	-	19,160	17,906	-	17,906
Zakat and income tax	-	21,676	21,676	-	15,578	15,578
Accrued commission income payable to SAMA	-	9,383	9,383	-	5,607	5,607
Insurance operation surplus	3,491	-	3,491	3,491	-	3,491
TOTAL LIABILITIES	1,603,977	47,918	1,651,895	1,344,555	21,620	1,366,175
EQUITY						
Share capital	-	646,397	646,397	-	528,000	528,000
Share premium	-	81,019	81,019	-	30,108	30,108
Statutory reserve	-	53,102	53,102	-	53,102	53,102
Fair value reserve for investments	-	(19,269)	(19,269)	-	17,650	17,650
Retained earnings	-	26,434	26,434	-	40,406	40,406
TOTAL SHAREHOLDERS' EQUITY	-	787,683	787,683	-	669,266	669,266
Re-measurement of defined benefit obligation	(2,714)	-	(2,714)	(2,714)	-	(2,714)
TOTAL EQUITY	(2,714)	787,683	784,969	(2,714)	669,266	666,552
TOTAL LIABILITIES AND EQUITY	1,601,263	835,601	2,436,864	1,341,841	690,886	2,032,727

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

Interim condensed statement of income for the three month period ended

(Unaudited)	March 31, 2020			March 31, 2019 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	333,571	-	333,571	275,643	-	275,643
- Reinsurance	410	-	410	-	-	-
	333,981	-	333,981	275,643	-	275,643
Reinsurance premiums ceded						
- Local ceded	(2,482)	-	(2,482)	(2,155)	-	(2,155)
- Foreign ceded	(88,828)	-	(88,828)	(61,245)	-	(61,245)
	(91,310)	-	(91,310)	(63,400)	-	(63,400)
Excess of loss expenses	(1,787)	-	(1,787)	(2,017)	-	(2,017)
Net premiums written	240,884	-	240,884	210,226	-	210,226
Changes in unearned premiums, net	(51,695)	-	(51,695)	(35,247)	-	(35,247)
Net premiums earned	189,189	-	189,189	174,979	-	174,979
Reinsurance commissions	7,427	-	7,427	5,338	-	5,338
Other underwriting income	632	-	632	463	-	463
TOTAL REVENUES	197,248	-	197,248	180,780	-	180,780
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	155,060	-	155,060	141,087	-	141,087
Surrenders and maturities	4,397	-	4,397	-	-	-
Expenses incurred related to claims	10,894	-	10,894	5,908	-	5,908
Reinsurers' share of claims paid	(13,323)	-	(13,323)	(14,079)	-	(14,079)
Net claims and other benefits paid	157,028	-	157,028	132,916	-	132,916
Changes in outstanding claims, net	2,946	-	2,946	(6,134)	-	(6,134)
Changes in IBNR, net	12,539	-	12,539	(6,340)	-	(6,340)
Net claims and other benefits Incurred	172,513	-	172,513	120,442	-	120,442
Additional premium reserves	(429)	-	(429)	(891)	-	(891)
Other technical reserves	(13,319)	-	(13,319)	(2,517)	-	(2,517)
Policy acquisition costs	9,288	-	9,288	13,333	-	13,333
Other underwriting expenses	6,558	-	6,558	3,784	-	3,784
TOTAL UNDERWRITING COSTS AND EXPENSES	174,611	-	174,611	134,151	-	134,151
NET UNDERWRITING INCOME	22,637	-	22,637	46,629	-	46,629

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	March 31, 2020			March 31, 2019 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	(2,470)	-	(2,470)	(6,227)	-	(6,227)
General and administrative expenses	(30,033)	(5,627)	(35,660)	(28,258)	(1,877)	(30,135)
Commission income	835	2,915	3,750	3,047	3,418	6,465
Dividend income on Investments	-	21	21	-	111	111
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(31,668)	(2,691)	(34,359)	(31,438)	1,652	(29,786)
Total income for the period before zakat and income tax	(9,031)	(2,691)	(11,722)	15,191	1,652	16,843
Zakat	-	(2,250)	(2,250)	-	(3,839)	(3,839)
Income tax	-	-	-	-	(232)	(232)
NET INCOME / (LOSS) FOR THE PERIOD	(9,031)	(4,941)	(13,972)	15,191	(2,419)	12,772
Surplus transferred to Shareholders	9,031	(9,031)	-	(13,672)	13,672	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	-	(13,972)	(13,972)	1,519	11,253	12,772
Earnings per share (Expressed in SAR per share)						
Basic and diluted EPS		(0.25)			0.21	

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

(Unaudited)	March 31, 2020			March 31, 2019 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total income / (loss) for the period	-	(13,972)	(13,972)	1,519	11,253	12,772
Other comprehensive (loss) income						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
- Net change in fair value	-	(36,919)	(36,919)	-	17,404	17,404
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	-	(50,891)	(50,891)	1,519	28,657	30,176

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

Interim condensed statement of cash flows for three month

(Unaudited)	Insurance	Share-	Total	Insurance	Share-	Total
	operations	holders'		operations	holders'	
	2020 SAR'000			2019 SAR'000		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period before zakat	-	(11,722)	(11,722)	1,519	15,324	16,843
Adjustments for non-cash items:						
Depreciation of property and equipment	2,074	-	2,074	1,554	-	1,554
Amortization of intangible assets	137	-	137	119	-	119
Allowance for doubtful debts	2,470	-	2,470	6,227	-	6,227
Dividend income on investments	-	(21)	(21)	-	(111)	(111)
Commission income	(835)	(2,915)	(3,750)	(3,047)	(3,418)	(6,465)
Provision for end-of-service indemnities	926	-	926	914	-	914
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(36,073)	-	(36,073)	(4,143)	-	(4,143)
Reinsurers' share of unearned premiums	42,900	-	42,900	18,890	-	18,890
Reinsurers' share of outstanding claims	5,067	-	5,067	17,445	-	17,445
Reinsurers' share of claims incurred but not reported	57	-	57	3,715	-	3,715
Reinsurers' share of mathematical reserves	9,211	-	9,211	-	-	-
Deferred policy acquisition costs	(6,657)	-	(6,657)	1,141	-	1,141
Prepaid expenses and other assets	(1,813)	(134)	(1,947)	(37)	-	(37)
Policyholders and accounts payables	4,448	-	4,448	(121)	-	(121)
Accrued and other liabilities	3,962	912	4,874	(20,826)	(1,135)	(21,961)
Reinsurers' balances payable	(34,028)	-	(34,028)	18,167	-	18,167
Unearned premiums	8,795	-	8,795	16,357	-	16,357
Unearned reinsurance commission	602	-	602	341	-	341
Outstanding claims	(2,121)	-	(2,121)	(23,579)	-	(23,579)
Claims incurred but not reported	12,482	-	12,482	(10,055)	-	(10,055)
Gross mathematical reserves	(9,211)	-	(9,211)	-	-	-
Additional premium reserves	(429)	-	(429)	(891)	-	(891)
Other technical reserves	(13,319)	-	(13,319)	(2,517)	-	(2,517)
	(11,355)	(13,880)	(25,235)	21,173	10,660	31,833
End-of-service indemnities paid	(952)	-	(952)	(87)	-	(87)
Net cash (used in)/ generated from operating activities	(12,307)	(13,880)	(26,187)	21,086	10,660	31,746

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

Interim condensed statement of cash flows for three month (Continued)

	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	<u>2020 SAR'000</u>			<u>2019 SAR'000</u>		
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in intangible assets	(405)	-	(405)	(301)	-	(301)
Additions in investments	-	(1,255)	(1,255)	-	(49,625)	(49,625)
Commission income received	1,048	3,962	5,010	3,390	2,825	6,215
Dividend received	-	21	21	-	111	111
Cash and cash equivalents acquired through business combination	34,413	9,176	43,589	-	-	-
Additions/disposals in short term deposits	129,987	(3,184)	126,803	(175,000)	-	(175,000)
Additions/disposals in long term deposits	-	20,000	20,000	-	-	-
Additions in property and equipment	(2,140)	-	(2,140)	(7,510)	-	(7,510)
Net cash generated from / (used in) investing activities	162,903	28,720	191,623	(179,421)	(46,689)	(226,110)
CASH FLOWS FROM FINANCING ACTIVITIES						
Statutory deposit	-	(11,840)	(11,840)	-	-	-
Due from shareholders/insurance operations	(28,007)	28,007	-	(18,438)	18,438	-
Lease rentals	(467)	-	(467)	(70)	-	(70)
Net cash (used in) / generated from investing activity	(28,474)	16,167	(12,307)	(18,508)	18,438	(70)
Net change in cash and cash equivalents	122,122	31,007	153,129	(176,843)	(17,591)	(194,434)
Cash and cash equivalents, beginning of the period	560,925	-	560,925	654,006	468,323	1,122,329
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	683,047	31,007	714,054	477,163	450,732	927,895
NON-CASH TRANSACTION						
Unrealised changes in fair value of available for sale investments	-	(36,919)	(36,919)	-	17,404	17,404

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

22. SUBSEQUENT EVENT

In response to the Covid-19 pandemic, SAMA issued a decree 189 (the “Decree”) dated May 8, 2020 to all insurance companies in the Kingdom of Saudi Arabia. Among various other matters relating to the insurance sector, the Decree instructs all the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this Decree and allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. The management believes that such requirements of the Decree are a non-adjusting event and therefore the interim condensed financial information have not been adjusted.

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on June 2, 2020.