

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**

**FOR THE THREE AND TWELVE MONTH PERIODS ENDED
31 DECEMBER 2017**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND
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FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2017**

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Al-Bassam & Co.
Allied Accountants
 Member Firm of PKF International

MOORE STEPHENS
EL SAYED EL AYOUTY & CO.
 Certified Public Accountants

INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

**TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY
 (FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
 (A SAUDI JOINT STOCK COMPANY)**

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Walaa Cooperative Insurance Company (Formerly Saudi United Cooperative Insurance Company), (A Saudi Joint Stock Company) (the "Company") as at 31 December 2017 and the related interim statements of insurance operations and accumulated surplus, insurance operations comprehensive income, shareholders' operations, shareholders' comprehensive income for the three month and twelve month periods then ended and interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the twelve month period then ended, and the related notes which form an 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 34, "Interim Financial Reporting" (IAS 34) as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting for 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 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 these 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 are not prepared, in all material respects, as at 31 December 2017, in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting for zakat and income tax.

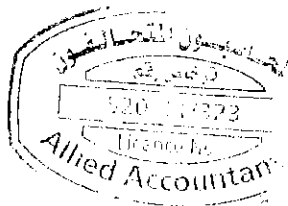
For PKF Al Bassam & Co.
 Allied Accountants

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 Al Khobar 31952, Saudi Arabia

February 11, 2018
 25 Jumada I, 1439 H




WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	31 December 2017 (Un-audited)	31 December 2016 (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	289,504,876	594,417,666
Short term deposits		400,000,000	-
Premiums and insurance balances receivable - net	4	127,341,203	105,042,458
Reinsurers' share of unearned premiums	6	130,246,617	136,567,861
Reinsurers' share of outstanding claims	6	152,712,385	150,768,131
Deferred policy acquisition costs	6	37,018,015	32,539,705
Accrued commission income		3,343,605	-
Prepaid expenses and other assets		28,391,391	47,299,898
Property and equipment		9,194,977	9,699,592
TOTAL INSURANCE OPERATIONS' ASSETS		1,177,753,069	1,076,335,311
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	20,414,429	289,937,528
Short term deposits		424,833,257	-
Statutory deposit	9	40,000,000	40,000,000
Accrued commission on statutory deposit		3,178,303	2,141,976
Accrued commission income		2,141,633	-
Available-for-sale investments	7	96,767,134	109,622,059
Due from insurance operations		17,587,847	19,858,373
TOTAL SHAREHOLDERS' ASSETS		604,922,603	461,559,936
TOTAL ASSETS		1,782,675,672	1,537,895,247


 Chief Financial Officer


 Chief Executive Officer


 Director

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

WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)


AS AT 31 DECEMBER 2017


(All amounts expressed in Saudi Riyals unless otherwise stated)

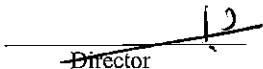
	Note	31 December 2017 (Un-audited)	31 December 2016 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS			
Gross unearned premiums	6	538,492,715	495,320,464
Gross outstanding claims	6	416,522,723	430,279,310
Additional premium reserves	6	-	753,096
Other technical reserves	6	5,707,567	10,470,386
Accrued and other liabilities		85,868,488	74,961,335
Reinsurance balances payable		61,791,470	15,668,443
Due to shareholders' operations		17,587,847	19,858,373
Unearned reinsurance commission	6	9,841,973	7,209,372
End of service indemnities	8	12,778,754	7,267,787
Total insurance operations' liabilities		1,148,591,537	1,061,788,566
Insurance operations' accumulated surplus		31,335,617	14,546,745
Accumulated actuarial loss on end of service indemnities	8	(2,174,085)	-
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		1,177,753,069	1,076,335,311
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities		27,855,914	23,930,265
Commission on statutory deposit payable		3,178,303	2,141,976
Total shareholders' liabilities		31,034,217	26,072,241
Shareholders' equity			
Share capital	11	400,000,000	400,000,000
Share premium		30,107,690	30,107,690
Statutory reserve	10	32,226,890	5,975,767
Retained earnings		128,907,559	23,903,066
Fair value reserve		(17,353,753)	(24,498,828)
Total shareholders' equity		573,888,386	435,487,695
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		604,922,603	461,559,936
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,782,675,672	1,537,895,247

CONTINGENCIES

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Chief Financial Officer


Chief Executive Officer


Director

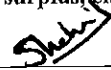
The accompanying notes from 1 to 18 form an integral part of these interim condensed financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Three month period ended 31 December 2017 (Un-audited)	Three month period ended 31 December 2016 (Un-audited)	Twelve month period ended 31 December 2017 (Un-audited)	Twelve month period ended 31 December 2016 (Audited)
REVENUES					
Gross premiums written	5, 6	300,563,852	263,774,868	1,102,331,788	1,016,608,255
Less:					
Reinsurance premiums ceded		(50,290,887)	(91,896,048)	(251,215,840)	(250,928,979)
Excess of loss premiums		(3,212,655)	(3,723,285)	(9,528,028)	(10,880,595)
Net premiums written	6	247,060,310	168,155,535	841,587,920	754,798,681
Changes in unearned premiums, net		(41,420,780)	19,082,458	(49,493,495)	(127,708,975)
Net premiums earned	6	205,639,530	187,237,993	792,094,425	627,089,706
Reinsurance commission	6	4,734,896	7,000,488	16,946,310	20,347,401
Other underwriting income	6	1,761,115	2,850,355	6,155,934	4,995,002
Total revenue		212,135,541	197,088,836	815,196,669	652,432,109
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		149,920,898	123,761,819	501,004,441	363,641,185
Reinsurers' share of claims paid		(6,079,415)	(30,866,112)	(32,055,764)	(55,139,142)
Net claims paid		143,841,483	92,895,707	468,948,677	308,502,043
Changes in outstanding claims, net		(15,007,607)	67,597,972	(15,700,841)	97,453,892
Net incurred claims	6	128,833,876	160,493,679	453,247,836	405,955,935
Changes in additional premium reserves		(1,322,735)	(36,104,637)	(753,096)	(36,104,637)
Changes in other technical reserves		(4,569,680)	4,915,884	(4,762,819)	4,915,884
Policy acquisition costs		18,322,875	18,551,614	73,400,334	62,381,137
Other underwriting expenses		8,626,599	9,338,765	34,534,701	28,772,730
Total underwriting costs and expenses		149,890,935	157,195,305	555,666,956	465,921,049
Net underwriting income		62,244,606	39,893,531	259,529,713	186,511,060
OTHER OPERATING (EXPENSES)/ INCOME, NET					
Operating and administrative salaries		(11,490,907)	(11,304,603)	(56,935,080)	(44,085,581)
General and administrative expenses		(18,246,430)	(5,385,202)	(43,649,519)	(24,757,144)
Commission income on bank deposits	6	2,969,424	2,196,051	8,943,605	6,324,652
Total other operating expenses, net		(26,767,913)	(14,493,754)	(91,640,994)	(62,518,073)
Net surplus from insurance operations		35,476,693	25,399,777	167,888,719	123,992,987
Shareholders' appropriation of surplus		(31,929,024)	(22,859,799)	(151,099,847)	(111,593,688)
Net result from insurance operations after shareholders' appropriation of surplus		3,547,669	2,539,978	16,788,872	12,399,299
Insurance operations' accumulated surplus, beginning of the period/year		27,787,948	12,006,767	14,546,745	2,147,446
Insurance operations' accumulated surplus, end of the period/year		31,335,617	14,546,745	31,335,617	14,546,745


Chief Financial Officer


Chief Executive Officer



Director

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


WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE INCOME
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)


	Three month period ended 31 December 2017 (Un-audited)	Three month period ended 31 December 2016 (Un-audited)	Twelve month period ended 31 December 2017 (Un-audited)	Twelve month period ended 31 December 2016 (Audited)
Net surplus for the period / year	3,547,669	2,539,978	16,788,872	12,399,299
Other comprehensive income:				
Items to be reclassified subsequently to the statement of insurance operations and accumulated surplus				
Actuarial loss on end of service indemnities	(2,174,085)	-	(2,174,085)	-
Total comprehensive income for the period / year	1,373,584	2,539,978	14,614,787	12,399,299



 Chief Financial Officer



 Chief Executive Officer



 Director

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WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)

	Three month period ended 31 December 2017 (Un-audited)	Three month period ended 31 December 2016 (Un-audited)	Twelve month period ended 31 December 2017 (Un-audited)	Twelve month period ended 31 December 2016 (Audited)
Shareholders' appropriation of surplus from insurance operations	31,929,024	22,859,799	151,099,847	111,593,688
Commission income on bank deposits	1,138,904	1,929,278	4,333,199	6,225,046
Dividends and net realized gain/(loss) on available-for-sale investments	-	2,335,199	(4,763,958)	2,719,815
General and administrative expenses	(1,013,807)	(800,001)	(6,413,809)	(3,221,002)
Net income for the period / year	32,054,121	26,324,275	144,255,279	117,317,547
Basic and diluted earnings per share	0.80	0.66	3.61	2.93
Weighted average number of outstanding shares	40,000,000	40,000,000	40,000,000	40,000,000

Shahin

Chief Financial Officer

Chief Executive Officer

Director

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WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Three month period ended 31 December 2017 (Un-audited)	Three month period ended 31 December 2016 (Un-audited)	Twelve month period ended 31 December 2017 (Un-audited)	Twelve month period ended 31 December 2016 (Audited)
Shareholders' net income for the period/year	32,054,121	26,324,275	144,255,279	117,317,547
Items that may subsequently be reclassified to the statement of shareholders' operations:				
Unrealized fair value changes in available- for-sale investments	(1,274,963)	18,198,970	1,739,667	4,496,373
Realized loss from sale of available-for-sale investments	-	-	5,405,408	-
Total comprehensive income for the period/year	30,779,158	44,523,245	151,400,354	121,813,920

Shahin

Chief Financial Officer

Chief Executive Officer


Director

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WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserve	(Accumulated losses) / Retained earnings	Fair value reserve	Total
Balance at 1 January 2016						
(Audited)	400,000,000	30,107,690	-	(78,438,710)	(28,995,201)	322,673,779
Shareholders' net income for the year	-	-	-	117,317,547	-	117,317,547
Unrealized fair value changes in available-for-sale investments, net	-	-	-	-	4,496,373	4,496,373
Transfer to statutory reserve	-	-	5,975,767	(5,975,767)	-	-
Provision for zakat for the year (Note 14)	-	-	-	(6,536,336)	-	(6,536,336)
Provision for income tax for the year (Note 14)	-	-	-	(2,463,668)	-	(2,463,668)
Balance at 31 December 2016						
(Audited)	400,000,000	30,107,690	5,975,767	23,903,066	(24,498,828)	435,487,695
Balance at 1 January 2017						
(Audited)	400,000,000	30,107,690	5,975,767	23,903,066	(24,498,828)	435,487,695
Shareholders' net income for the year	-	-	-	144,255,279	-	144,255,279
Unrealized fair value changes in available-for-sale investments	-	-	-	-	1,739,667	1,739,667
Realized loss from sale of available-for-sale investments	-	-	-	-	5,405,408	5,405,408
Transfer to statutory reserve	-	-	26,251,123	(26,251,123)	-	-
Provision for zakat for the year (Note 14)	-	-	-	(10,450,094)	-	(10,450,094)
Provision for income tax for the year (Note 14)	-	-	-	(2,549,569)	-	(2,549,569)
Balance at 31 December 2017						
(Un-audited)	400,000,000	30,107,690	32,226,890	128,907,559	(17,353,753)	573,888,386


 Chief Financial Officer


 Chief Executive Officer

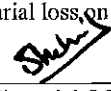

 Director

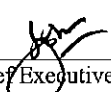
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WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)

	Twelve month period ended 31 December 2017 (Un-audited)	Twelve month period ended 31 December 2016 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus from insurance operations	16,788,872	12,399,299
Adjustments for:		
Depreciation	3,327,811	2,360,269
Allowance for doubtful debts	10,718,162	2,565,459
Additional premium reserves	(753,096)	(36,104,637)
Other technical reserves	(4,762,819)	4,915,884
End of service indemnities, net	3,336,882	1,444,057
	<u>28,655,812</u>	<u>(12,419,669)</u>
<u>Changes in operating assets and liabilities:</u>		
Due from / to shareholders' operations, net	(2,270,526)	21,108,603
Premiums and insurance balances receivable	(33,016,907)	5,192,534
Reinsurers' share of unearned premiums	6,321,244	(18,128,778)
Reinsurers' share of outstanding claims	(1,944,254)	26,185,686
Deferred policy acquisition costs	(4,478,310)	(9,726,786)
Prepaid expenses and other assets	18,908,507	(13,669,909)
Accrued commission income	(3,343,605)	-
Gross unearned premiums	43,172,251	145,837,753
Gross outstanding claims	(13,756,587)	71,268,206
Unearned reinsurance commission	2,632,601	(3,069,981)
Reinsurance balances payable	46,123,027	5,652,881
Accrued and other liabilities	10,907,153	10,192,942
Net cash generated from operating activities	<u>97,910,406</u>	<u>228,423,482</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,823,196)	(7,233,185)
Increase in short term deposits	(400,000,000)	-
Net cash used in investing activities	<u>(402,823,196)</u>	<u>(7,233,185)</u>
Net change in cash and cash equivalents	<u>(304,912,790)</u>	<u>221,190,297</u>
Cash and cash equivalents at the beginning of the year	594,417,666	373,227,369
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>3</u> <u>289,504,876</u>	<u>594,417,666</u>
Non-cash transactions:		
Actuarial loss on end of service indemnities	8 <u>2,174,085</u>	-


 Chief Financial Officer


 Chief Executive Officer


 Director

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

WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Twelve month period ended 31 December 2017 (Un-audited)	Twelve month period ended 31 December 2016 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		144,255,279	117,317,547
Adjustments for:			
Commission income on bank deposits		(4,333,199)	(6,225,046)
Dividends and net realized loss / (gain) on available-for-sale investments		4,763,958	(2,719,815)
		<u>144,686,038</u>	<u>108,372,686</u>
<u>Changes in operating assets and liabilities:</u>			
Due from/to insurance operations, net		2,270,526	(21,108,603)
Accrued and other liabilities		1,918,832	222,171
Cash generated from operations		<u>148,875,396</u>	<u>87,486,254</u>
Zakat and income tax paid		(10,992,846)	(607,805)
Net cash generated from operating activities		<u>137,882,550</u>	<u>86,878,449</u>
Cash generated from investing activities			
Proceeds from the sale of investment		14,594,592	(20,400,000)
Increase in short term deposits		(424,833,257)	-
Cash collected from commissions and dividends, net		2,833,016	9,479,796
Net cash used in investing activities		<u>(407,405,649)</u>	<u>(10,920,204)</u>
Net change in cash and cash equivalents		<u>(269,523,099)</u>	<u>75,958,245</u>
Cash and cash equivalents at the beginning of the year		<u>289,937,528</u>	<u>213,979,283</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	<u>20,414,429</u>	<u>289,937,528</u>
Non-cash transactions:			
Unrealized fair value changes in available-for-sale investments	7	<u>1,739,667</u>	<u>4,496,373</u>



Chief Financial Officer



Chief Executive Officer



Director

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

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)**

1. GENERAL INFORMATION

Walaa Cooperative Insurance Company (Formerly Saudi United Cooperative Insurance Company) ("the Company") is a Saudi Joint Stock Company established in Al Khobar, Kingdom of Saudi Arabia and incorporated on 19 Jumada II 1428H corresponding to July 4, 2007 under Commercial Registration No. 2051034982.

The principal activities of the Company are to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the "Law") and its implementing regulations in the Kingdom of Saudi Arabia. The Company was granted the license (number TMN/16/2008) to practice general and medical insurance and re-insurance business from the Saudi Arabian Monetary Authority (SAMA) on 28 Jumada II 1429H corresponding to July 2, 2008.

During the year, the Board of Directors in their meeting held on 22 January 2017 approved the change of name of the Company and granted approval for proceeding with the legal formalities. On March 2, 2017 corresponding to 3 Jumada II, 1438H, the Company obtained SAMA's approval on changing the Company name from Saudi United Cooperative Insurance Company (Wala'a) to Walaa Cooperative Insurance Company. An Extraordinary General Assembly meeting was held on 21 May 2017 and approved the change of name of the Company. All legal formalities were completed and the new Commercial Registration and by-laws were issued on 4 June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed financial statements for the three month and twelve month periods ended 31 December 2017 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting for zakat and income tax.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company.

Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

As per the by-laws of the Company and implementation regulations issued by SAMA, surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations'	10%
	<u>100%</u>

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations. These interim condensed financial statements have been prepared under historical cost convention on the accrual basis of accounting, except for available-for-sale investments which are measured at fair value in the interim statement of financial position.

These interim condensed financial statements are presented in Saudi Riyals, which is also the functional currency of the Company.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies

The accompanying interim condensed financial statements of the Company for the three and twelve month periods ended 31 December 2017 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 11 April 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 statement of changes in shareholders' equity under retained earnings. Until 31 December 2016, the financial statements of the Company were prepared in accordance with IFRSs. This change in framework, however, does not result in any change in the Company's accounting policy for zakat and tax.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 December 2016.

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

- Disclosure initiative (Amendment to IAS 7), effective for annual period on or after 1 January 2017.
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) effective for annual period on or after 1 January 2017
- Annual improvements to IFRSs 2014 – 2016 Cycle – various standards, effective for annual period on or after 1 January 2017.

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after 1 January 2018 and have not been early adopted by the Company

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 1 January 2018:

- 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. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. The Company continues to monitor the IASB progress on amendments to IFRS 4 which also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company expects that it will be eligible for this temporary exemption and will consider deferring the implementation of IFRS 9 until a later date, but no later than 1 January 2021.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following new or amended standards, except for IFRS 17, are not expected to have significant impact on the interim condensed financial statements.

- IFRS 15 Revenue from contracts with customers, effective for annual period on or after 1 January 2018.
- Transfers of Investment Property (Amendments to IAS 40) effective for annual period on or after 1 January 2018.
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (removing short term exemptions and clarifying certain fair value measurements) effective for annual period on or after 1 January 2018.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) effective for annual period on or after to be determined.
- IFRS 17 Insurance Contracts, effective for annual period on or after 1 January 2021.
- IFRS 16 Leases, effective for annual period on or after 1 January 2019.

2.3 Use of estimates in preparation of financial statements

The preparation of interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant financial impact on the interim condensed financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's financial statements present fairly the financial position and results of operations.

2.4 Seasonality and segment reporting

a) Seasonality

Due to the seasonality of the operations, results of the Company are not significantly impacted during the year.

b) Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

- Segment assets do not include cash and cash equivalents, short term deposits, premiums and insurance balances receivable, accrued commission income, prepaid expenses and other assets and property and equipment;
- Segment liabilities and accumulated surplus do not include reinsurers' balances payable, accrued and other liabilities, due to shareholders' operations, end-of-service indemnities, accumulated actuarial loss on end of service indemnities and insurance operations' accumulated surplus; and
- Operating segments do not include shareholders' operations.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Seasonality and segment reporting (Continued)

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical;
- Motor;
- Property;
- Engineering;
- Others

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the interim condensed financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of interim condensed financial statements of the Company.

3. CASH AND CASH EQUIVALENTS

Insurance operations

	31 December 2017	31 December 2016
	(Un-audited)	(Audited)
Cash in hand	49,065	67,000
Cash at banks	289,455,811	594,350,666
	<u>289,504,876</u>	<u>594,417,666</u>

Shareholders' operations

	31 December 2017	31 December 2016
	(Un-audited)	(Audited)
Cash at banks	20,414,429	289,937,528
	<u>20,414,429</u>	<u>289,937,528</u>

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE, NET

	31 December 2017	31 December 2016
	(Un-audited)	(Audited)
Premiums receivable	158,738,998	125,525,815
Reinsurance receivable	1,447,119	1,643,395
Less: Allowance for doubtful debts	(32,844,914)	(22,126,752)
	<u>127,341,203</u>	<u>105,042,458</u>

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5. RELATED PARTIES TRANSACTIONS AND BALANCES

The significant transactions with related parties and the related approximate amounts during the year are as follows:

	Twelve month period ended 31 December 2017 (Un-audited)	Twelve month period ended 31 December 2016 (Audited)
Gross premium received from Board of directors and their related parties	3,804,161	3,656,074
Gross premium received from key management personnel	19,639	9,762
Gross claims paid to Board of directors and their related parties	1,557,078	9,917,145
Compensation of key management personnel and other benefits	7,403,113	6,269,372
Remuneration of board of directors and audit committee	5,213,807	2,021,002

Balances due from (to) related parties are comprised of the following:

	31 December 2017 (Un-audited)	31 December 2016 (Audited)
Receivable from / (payable to) Board of directors and their related parties	222,250	(166,100)
Claims payable to related parties	420,395	482,797

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6. SEGMENTAL INFORMATION

Insurance operations for the three month period ended 31 December, 2017 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	33,449,296	211,033,489	7,605,857	22,791,417	25,683,793	300,563,852
Net premiums written	31,642,134	210,148,969	(999,834)	2,214,544	4,054,497	247,060,310
Net premiums earned	22,079,728	167,495,400	764,608	2,305,347	12,994,447	205,639,530
Reinsurance commission	-	-	1,797,169	1,781,154	1,156,573	4,734,896
Other underwriting income	-	1,748,070	1,330	1,105	10,610	1,761,115
Net incurred claims	(5,964,128)	(118,368,993)	(911,341)	182,121	(3,771,535)	(128,833,876)
Change in additional premium reserves	-	-	-	1,322,735	-	1,322,735
Changes in other technical reserves	1,134,524	3,433,834	(192,601)	193,923	-	4,569,680
Other underwriting expenses	(3,455,499)	(20,254,639)	(976,080)	664,545	(2,927,801)	(26,949,474)
Unallocated expenses						(29,737,337)
Surplus from insurance operations						32,507,269
Commission income on bank deposits						2,969,424
Net surplus from insurance operations						35,476,693

Insurance operations for the twelve month period ended 31 December, 2017 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	103,298,932	706,599,577	93,940,865	87,213,427	111,278,987	1,102,331,788
Net premiums written	100,404,273	702,152,547	2,847,530	4,493,683	31,689,887	841,587,920
Net premiums earned	108,646,513	642,621,917	3,597,533	4,759,089	32,469,373	792,094,425
Reinsurance commission	-	-	5,933,587	6,215,927	4,796,796	16,946,310
Other underwriting income	-	5,964,248	8,535	6,305	176,846	6,155,934
Net incurred claims	(45,615,197)	(385,387,229)	(1,534,320)	(479,598)	(20,231,492)	(453,247,836)
Changes in additional premium reserves	-	-	-	753,096	-	753,096
Changes in other technical reserves	2,084,887	2,711,153	(173,063)	139,842	-	4,762,819
Other underwriting expenses	(15,173,244)	(79,819,596)	(3,726,075)	(1,888,400)	(7,327,720)	(107,935,035)
Unallocated expenses						(100,584,599)
Surplus from insurance operations						158,945,114
Commission income on bank deposits						8,943,605
Net surplus from insurance operations						167,888,719

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6. SEGMENTAL INFORMATION (Continued)

Insurance operations' financial position as at 31 December, 2017 (Un-audited):						
	Medical	Motor	Property	Engineering	Others	Total
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	59,008,271	39,984,258	31,254,088	130,246,617
Reinsurers' share of outstanding claims	-	436,896	81,445,905	38,824,768	32,004,816	152,712,385
Deferred policy acquisition costs	4,031,499	26,806,940	1,292,589	1,449,288	3,437,699	37,018,015
Unallocated assets						857,776,052
Total Insurance operations' assets						1,177,753,069
Insurance operations' liabilities and accumulated surplus						
Gross unearned premiums	52,637,206	341,100,264	60,160,595	42,695,326	41,899,324	538,492,715
Gross outstanding claims	24,606,642	209,540,276	87,836,171	40,982,773	53,556,861	416,522,723
Other technical reserves	33,685	4,916,657	402,850	354,375	-	5,707,567
Unearned reinsurance commission	-	-	2,539,510	3,685,448	3,617,015	9,841,973
Unallocated liabilities and accumulated surplus						207,188,091
Total insurance operations liabilities and accumulated surplus						1,177,753,069
Insurance operations for the three month period ended 31 December, 2016 (Un-audited):						
	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	21,605,848	142,540,299	83,457,273	4,071,464	12,099,984	263,774,868
Net premiums written	19,944,868	141,223,763	1,358,597	475,207	5,153,100	168,155,535
Net premiums earned	37,573,250	134,077,231	1,097,915	1,148,622	13,340,975	187,237,993
Reinsurance commission	-	84,336	1,746,030	1,394,103	3,776,019	7,000,488
Other underwriting income	-	2,838,022	1,450	810	10,073	2,850,355
Net incurred claims	(22,709,688)	(131,833,195)	(1,219,324)	(242,635)	(4,488,837)	(160,493,679)
Changes in additional premium reserve	-	34,418,699	-	1,685,938	-	36,104,637
Change in other technical reserve	(1,031,472)	(6,521,306)	2,410,083	226,811	-	(4,915,884)
Other underwriting expenses	(5,436,196)	(16,039,205)	(1,043,672)	(976,656)	(4,394,650)	(27,890,379)
Unallocated expenses						(16,689,805)
Surplus from insurance operations						23,203,726
Commission income on bank deposits						2,196,051
Net surplus from insurance operations						25,399,777

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6. SEGMENTAL INFORMATION (Continued)

Insurance operations for the twelve month period ended 31 December, 2016 (Audited)

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	148,903,280	572,264,561	161,358,515	48,399,044	85,682,855	1,016,608,255
Net premiums written	146,342,300	565,225,740	4,130,157	4,995,891	34,104,593	754,798,681
Net premiums earned	123,528,072	459,538,454	3,989,182	5,254,784	34,779,214	627,089,706
Reinsurance commission	-	234,363	7,612,520	5,761,006	6,739,512	20,347,401
Other underwriting income	-	4,934,889	7,945	4,920	47,248	4,995,002
Net incurred claims	(65,248,156)	(316,533,960)	(7,660,411)	(3,565,589)	(12,947,819)	(405,955,935)
Changes in additional premium reserves	-	34,418,701	-	1,685,936	-	36,104,637
Changes in other technical reserves	(1,031,472)	(6,521,306)	2,410,083	226,811	-	(4,915,884)
Other underwriting expenses	(17,947,489)	(57,461,233)	(4,093,632)	(3,880,993)	(7,770,520)	(91,153,867)
Unallocated expenses						(68,842,725)
Surplus from insurance operations						117,668,335
Commission income on bank deposits						6,324,652
Net surplus from insurance operations						123,992,987

Insurance operations' financial position as at 31 December 2016, (Audited):

	Medical	Motor	Property	Engineering	Others	Total
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	99,774,091	22,152,262	14,641,508	136,567,861
Reinsurers' share of outstanding claims	8,584	1,022,508	86,308,035	61,453,912	1,975,092	150,768,131
Deferred policy acquisition costs	4,969,469	23,319,228	1,277,179	417,314	2,556,515	32,539,705
Unallocated assets						756,459,614
Total insurance operations' assets						1,076,335,311
Insurance operations' liabilities and accumulated surplus						
Gross unearned premiums	60,879,445	281,569,637	101,676,418	25,128,737	26,066,227	495,320,464
Gross outstanding claims	47,302,811	205,619,290	95,093,924	64,617,611	17,645,674	430,279,310
Additional premium reserves	-	-	-	753,096	-	753,096
Other technical reserves	2,118,572	7,627,810	229,787	494,217	-	10,470,386
Unearned reinsurance commission	-	-	2,925,120	2,639,231	1,645,021	7,209,372
Unallocated liabilities and accumulated surplus						132,302,683
Total insurance operations' liabilities and accumulated surplus						1,076,335,311

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7. AVAILABLE FOR SALE INVESTMENTS

Available-for-sale investments

Available-for-sale investments include the following:

	31 December 2017	31 December 2016
	(Un-audited)	(Audited)
Quoted securities	94,044,056	106,898,981
Unquoted securities	2,723,078	2,723,078
	<u>96,767,134</u>	<u>109,622,059</u>

Movement in available-for-sale investments is as follows:

	31 December 2017	31 December 2016
	(Un-audited)	(Audited)
Beginning of year	109,622,059	84,725,686
Purchases and dividends reinvested	-	50,400,000
Disposals	(14,594,592)	(30,000,000)
Fair value changes, net	1,739,667	4,496,373
Ending of year	<u>96,767,134</u>	<u>109,622,059</u>

8. END OF SERVICE INDEMNITIES

Movement in employees end of service benefits during the year is as follows:

	31 December 2017
	(Un-audited)
Beginning of year	7,267,787
Expense charge for the year	4,264,009
Remeasurement loss	2,174,085
Payment	(927,127)
Ending of year	<u>12,778,754</u>

Charge to interim statement of insurance operations and accumulated surplus for the year:

	31 December 2017
	(Un-audited)
Current service cost	1,862,409
Past service cost	2,031,319
Interest cost	370,281
Cost recognized	<u>4,264,009</u>

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8. END OF SERVICE INDEMNITIES (Continued)

Principal actuarial assumptions

	31 December 2017
Discount factor used	3.10%
Salary increase rate	4.5% - 5%
Rates of employees turnover	Moderate

Sensitivity analysis on present value of defined benefit obligations plan are as below:

	31 December 2017	
	Percentage	Amount SR
Discount rate		
Increase	+ 1 %	11,543,898
Decrease	- 1 %	14,249,356
Increase	+ .5 %	12,134,976
Decrease	- .5 %	13,481,267
Expected changes of salary		
Increase	+ 1 %	13,686,928
Decrease	- 1 %	11,985,878
Increase	+ .5 %	13,217,279
Decrease	- .5 %	12,369,006

9. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law. This statutory deposit cannot be withdrawn without the consent of SAMA. The company does not earn any special commission out of such deposit.

10. STATUTORY RESERVE

In accordance with the Law, the Company is required to transfer not less than 20% of its annual profits after adjusting accumulated losses, if any, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

11. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is Saudi Riyal 400 million at the year end, consisting of 40 million shares of Saudi Riyal 10 each.

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the three month and twelve month periods ended 31 December 2017 and 2016 are calculated by dividing shareholders' net income for the respective period by the weighted average number of shares outstanding during the periods.

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13. 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 (i.e. an exit price). The Company's financial assets consist of cash and cash equivalents, other financial assets and other assets and its financial liabilities consist of payable, accrued and other liabilities.

The fair values of recognized financial instruments are not significantly different from the carrying values 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 instrument (i.e., without modification)

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 technique for which any significant input is not based on observable market data.

The table below presents the financial assets which are carried at fair values as at 31 December 2017 and 31 December 2016 based on their value hierarchy:

As at 31 December 2017 (Un-audited)

Financial instruments	Level 1	Level 2	Level 3	Total
Available-for-sale Investments				
Equity securities	<u>94,044,056</u>	-	<u>2,723,078</u>	<u>96,767,134</u>
Total	<u>94,044,056</u>	-	<u>2,723,078</u>	<u>96,767,134</u>

As at 31 December 2016 (Audited)

Financial instruments	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Equity securities	<u>106,898,981</u>	-	<u>2,723,078</u>	<u>109,622,059</u>
Total	<u>106,898,981</u>	-	<u>2,723,078</u>	<u>109,622,059</u>

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting periods.

During the twelve month period ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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14. ZAKAT AND INCOME TAX

Shareholding subject to zakat and income tax

The following is the shareholding percentage in the interim condensed financial statements as at the end of the year:

	31 December 2017 %	31 December 2016 %
	(Un-audited)	(Audited)
Shareholding subject to zakat	89.50	89.50
Shareholding subject to income tax	10.50	10.50

Components of Zakat base

Significant components of Zakat base of the Company principally comprise of shareholders' equity at the beginning of the year, adjusted net income and certain other items.

Provision for Zakat and income tax

Provision for zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company.

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

15. CONTINGENCIES

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. The Company's management, based on independent legal advice, believes that the outcome of court cases will not have a material impact on the Company's income or financial position.

16. RESULTS OF THE INTERIM PERIOD

The results of the interim period are not an indication of the results of the full statutory financial year.

17. COMPARATIVE FIGURES

Certain amounts of the comparative period have been reclassified to conform to the presentation in the current period / year.

18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on January 25, 2018 corresponding to 8 Jumada I, 1439 H.