

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

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PKF

Audit – Consultants – Zakat & Tax

**Al-Bassam & Al-Nemer
Allied Accountants**
(Member firm of PKF International)**Alnaim****INDEPENDENT AUDITORS' LIMITED REVIEW REPORT****TO THE SHAREHOLDERS OF SAUDI UNITED COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)****INTRODUCTION**

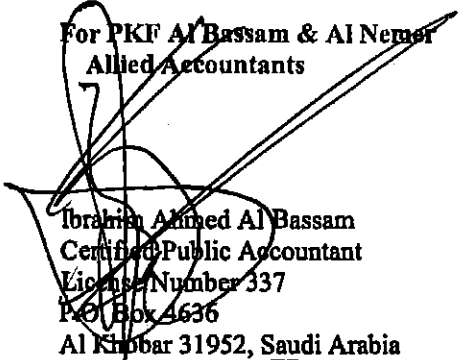
We have reviewed the accompanying interim statement of financial position of Saudi United Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2017 and the related interim statements of insurance operations and surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the three 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) and Saudi Arabian Monetary Authority ("SAMA") guidance. Our responsibility is to express a conclusion on this interim condensed financial statements based on our review.

SCOPE OF REVIEW


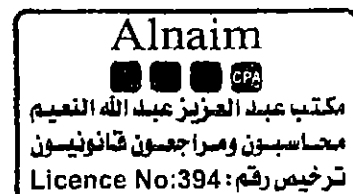
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that are endorsed by SOCPA in the Kingdom of Saudi Arabia. A review of interim financial information consists of making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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements does not present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and of its financial performance and its cash flows for the three-month period then ended in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance.

**For PKF Al-Bassam & Al-Nemer
Allied Accountants**
Ibrahim Ahmed Al Bassam
Certified Public Accountant
License Number 337
P.O. Box 4636

Al Khobar 31952, Saudi Arabia

7 May 2017
11 Shaban 1438H**For Abdulaziz A. Alnaim
Certified Public Accountants**
Abdulaziz A. Alnaim
Certified Public Accountant
License Number 394
P.O. Box 26991
Riyadh 11496, Saudi Arabia

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

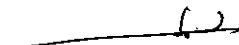
	Note	31 March 2017 (Un-audited)	31 December 2016 (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	690,771,114	594,417,666
Premiums and insurance balances receivable - net	4	127,103,074	108,618,465
Reinsurers' share of unearned premiums	6	140,026,859	136,567,861
Reinsurers' share of outstanding claims	6	159,541,834	150,768,131
Deferred policy acquisition costs	6	35,553,099	32,539,705
Accrued commission income		1,822,500	-
Prepaid expenses and other assets		27,749,615	43,723,891
Property and equipment		9,316,421	9,699,592
TOTAL INSURANCE OPERATIONS' ASSETS		1,191,884,516	1,076,335,311
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	289,937,528	289,937,528
Statutory deposit	8	40,000,000	40,000,000
Accrued commission on statutory deposit		2,431,976	2,141,976
Accrued commission income		1,210,630	-
Available-for-sale investments	7	110,159,745	109,622,059
Due from insurance operations		52,053,371	19,858,373
TOTAL SHAREHOLDERS' ASSETS		495,793,250	461,559,936
TOTAL ASSETS		1,687,677,766	1,537,895,247



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 to 17 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 MARCH 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	31 March 2017 (Un-audited)	31 December 2016 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Unearned premiums	6	555,355,835	495,320,464
Outstanding claims	6	416,287,170	430,279,310
Additional premium reserves	6	1,322,735	753,096
Other technical reserves	6	10,277,247	10,470,386
Accrued and other liabilities		78,686,869	74,961,335
Reinsurance balances payable		40,738,426	15,668,443
Due to shareholders' operations		52,053,371	19,858,373
Unearned reinsurance commission	6	8,439,354	7,209,372
End-of-service indemnities		10,530,101	7,267,787
Total insurance operations' liabilities		1,173,691,108	1,061,788,566
Insurance operations' surplus		18,193,408	14,546,745
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		1,191,884,516	1,076,335,311
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities		28,355,298	23,930,265
Commission on statutory deposit payable		2,431,976	2,141,976
		30,787,274	26,072,241
Shareholders' equity			
Share capital	10	400,000,000	400,000,000
Share premium		30,107,690	30,107,690
Statutory reserve	9	5,975,767	5,975,767
Retained earnings		52,883,661	23,903,066
Fair value reserve		(23,961,142)	(24,498,828)
Total shareholders' equity		465,005,976	435,487,695
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		495,793,250	461,559,936
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,687,677,766	1,537,895,247

CONTINGENCIES

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Chief Financial Officer


Chief Executive Officer


Director

The accompanying notes from 1 to 17 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF INSURANCE OPERATIONS AND SURPLUS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Three month period ended 31 March 2017 (Un-audited)	Three month period ended 31 March 2016 (Un-audited)
REVENUES			
Gross premiums written	5, 6	299,760,136	262,060,420
Reinsurance premiums ceded		(50,240,698)	(60,831,619)
Excess of loss expenses		(2,123,697)	(1,630,056)
Net premiums written	6	247,395,741	199,598,745
Changes in unearned premiums, net		(56,576,373)	(65,221,030)
Net premiums earned	6	190,819,368	134,377,715
Reinsurance commission	6	3,418,769	4,316,490
Other underwriting income	6	1,576,680	795,582
Total revenue		195,814,817	139,489,787
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		125,720,622	87,758,593
Reinsurers' share of claims paid		(14,057,648)	(8,966,528)
Net claims paid		111,662,974	78,792,065
Changes in outstanding claims, net		(2,200,427)	3,858,375
Net incurred claims	6	109,462,547	82,650,440
Changes in additional premium reserves		569,639	-
Changes in other technical reserves		(193,139)	-
Policy acquisition costs		17,971,519	12,866,285
Other underwriting expenses		8,796,829	5,936,526
Total underwriting costs and expenses		136,607,395	101,453,251
Net underwriting income		59,207,422	38,036,536
OTHER OPERATING EXPENSES, NET			
Operating and administrative salaries		(16,264,395)	(9,854,886)
General and administrative expenses		(8,298,900)	(6,772,483)
Commission income on bank deposits	6	1,822,500	270,834
Total other operating expenses, net		(22,740,795)	(16,356,535)
Net surplus from insurance operations		36,466,627	21,680,001
Shareholders' appropriation of surplus		(32,819,964)	(19,512,001)
Net result from insurance operations after shareholders' appropriation of surplus		3,646,663	2,168,000
Insurance operations' surplus, beginning of the period		14,546,745	2,147,446
Insurance operations' surplus, end of the period		18,193,408	4,315,446

Shaban

Chief Financial Officer

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Chief Executive Officer

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Director

The accompanying notes from 1 to 17 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

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

	Note	Three month period ended 31 March 2017 (Un-audited)	Three month period ended 31 March 2016 (Un-audited)
Net surplus transferred from insurance operations		32,819,964	19,512,001
Commission income on bank deposits		1,210,630	1,660,281
General and administrative expenses		(1,800,000)	(762,498)
Net income for the period		32,230,594	20,409,784
Basic and diluted earnings per share	11	0.81	0.51
Weighted average number of outstanding shares		40,000,000	40,000,000

Shehri

Chief Financial Officer

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Chief Executive Officer

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Director

The accompanying notes from 1 to 17 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
 (A SAUDI JOINT STOCK COMPANY)

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

	Three month period ended 31 Month 2017	Three month period ended 31 March 2016 (Restated)
Shareholders' net income for the period	32,230,594	20,409,784
Items that may subsequently be reclassified to the statement of shareholders' operations:		
Unrealized fair value changes on available- for-sale investment, net	7 537,686	(6,699,665)
Total comprehensive income for the period	32,768,280	13,710,119

Shaban

Chief Financial Officer

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Chief Executive Officer

[Signature]

Director

The accompanying notes from 1 to 17 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

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

	Share capital	Share premium	Statutory reserve	Retained earnings/ (Accumulated losses)	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 period	-	-	-	20,409,784	-	20,409,784
Unrealized fair value changes on available-for-sale investments, net	-	-	-	-	(6,699,665)	(6,699,665)
Provision for zakat for the period (Note 13)	-	-	-	(1,785,697)	-	(1,785,697)
Provision for income tax for the period (Note 13)	-	-	-	(214,303)	-	(214,303)
Balance at 31 March 2016 (Un-audited)	400,000,000	30,107,690	-	(60,028,926)	(35,694,866)	334,383,898
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 period	-	-	-	32,230,594	-	32,230,594
Unrealized fair value changes on available-for-sale investments, net	-	-	-	-	537,686	537,686
Provision for zakat for the period (Note 13)	-	-	-	(2,937,587)	-	(2,937,587)
Provision for income tax for the period (Note 13)	-	-	-	(312,412)	-	(312,412)
Balance at 31 March 2017 (Un-audited)	400,000,000	30,107,690	5,975,767	52,883,661	(23,961,142)	465,005,976

Shahin
Chief Financial Officer

[Signature]
Chief Executive Officer

[Signature]
Director


The accompanying notes from 1 to 17 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Three month period ended 31 March 2017 (Un-audited)	Three month period ended 31 March 2016 (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations		3,646,663	2,168,000
Adjustments for:			
Depreciation		835,080	576,173
Allowance for doubtful debts		1,000,000	500,000
End-of-service indemnities, net		3,262,314	256,478
		<u>8,744,057</u>	<u>3,500,651</u>
<u>Changes in operating assets and liabilities:</u>			
Due from/to shareholders' operations		32,194,998	19,191,004
Premiums and insurance balances receivable		(19,484,609)	(53,026,853)
Reinsurers' share of unearned premiums		(3,458,998)	(5,157,196)
Reinsurers' share of outstanding claims		(8,773,703)	(12,013,557)
Deferred policy acquisition costs		(3,013,394)	(5,759,884)
Prepaid expenses and other assets		15,974,276	(2,818,487)
Accrued commission income		(1,822,500)	(270,835)
Unearned premiums		60,035,371	70,378,226
Outstanding claims		(13,992,140)	15,871,932
Unearned reinsurance commission		1,229,982	307,193
Additional premium reserves		569,639	-
Other technical reserves		(193,139)	-
Reinsurance balances payable		25,069,983	28,172,989
Accrued and other liabilities		3,725,534	(2,778,802)
Net cash generated from operating activities		<u>96,805,357</u>	<u>55,596,381</u>
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property and equipment		(451,909)	(191,224)
Net cash used in investing activity		<u>(451,909)</u>	<u>(191,224)</u>
Net change in cash and cash equivalents		96,353,448	55,405,157
Cash and cash equivalents at the beginning of the period		<u>594,417,666</u>	<u>373,227,369</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u>690,771,114</u>	<u>428,632,526</u>


Chief Financial Officer


Chief Executive Officer


Director

The accompanying notes from 1 to 17 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

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

	Note	Three month period ended 31 March 2017 (Un-audited)	Three month period ended 31 March 2016 (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		32,230,594	20,409,784
Adjustments for:			
Commission income on bank deposits		(1,210,630)	-
		31,019,964	20,409,784
<u>Changes in operating assets and liabilities:</u>			
Due to insurance operations		(32,194,998)	(19,191,004)
Accrued commission on statutory deposit		(290,000)	(114,488)
Prepaid expenses and other assets		-	(1,125,346)
Commission on statutory deposit payable		290,000	114,488
Accrued and other liabilities		1,175,034	441,501
Net cash generated from operating activities		-	534,935
Net change in cash and cash equivalents		-	534,935
Cash and cash equivalents at the beginning of the period		289,937,528	213,979,283
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u>289,937,528</u>	<u>214,514,218</u>
<u>Non-cash transactions:</u>			
Unrealized fair value changes on available-for-sale investments	7	<u>537,686</u>	<u>(6,699,665)</u>


Chief Financial Officer


Chief Executive Officer


Director

The accompanying notes from 1 to 17 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

The Saudi United Cooperative Insurance Company (Wala'a) ("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.

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. All administrative and legal procedures with the concerned authorities shall be processed after general assembly approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed financial statements for the three-month period ended 31 March 2017 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance.

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.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2016, except for the change in the accounting policy in relation to recording of zakat and income tax. As per the SAMA circular no. 381000074519, zakat and income tax charge for the current and prior periods should be charged directly to the retained earnings. If the retained earnings are not sufficient to cover the zakat and income tax for the current year, such charge will result in accumulated losses, which are adjustable against future profits.

The above change in accounting policy does not have any impact on interim statement of insurance operations, comprehensive income of insurance' operations and cash flows of insurance operations and of shareholders' operations for any of the periods presented except that the zakat charge has been reclassified from interim statement of comprehensive income of shareholders' to statement of changes in shareholders' equity in these interim condensed financial statements.

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 January 1, 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 January 1, 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 January 1, 2021.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- IFRS 16 Leases, effective for annual period on or after 1 January 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there will be single model, on-balance sheet accounting model that is similar to current finance lease accounting. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

The following new or amended standards 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.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) 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 (Amendments to IFRS 1 and IAS 28) effective for annual period on or after 1 January 2018.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration 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.

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.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period.

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, long-term deposits, available-for-sale investments, held-to-maturity investments, receivable from related parties, premiums and insurance balances receivable, other assets, due from shareholders', furniture, fixtures and equipment and intangibles;
- Segment liabilities and surplus do not include reinsurers' balances payable, advance premiums, payable to a related party, accrued and other liabilities, employee end of service benefits and fair value reserve on available-for-sale investments; and
- Operating segments do not include shareholders' operations.

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 March 2017	31 December 2016
	(Un-audited)	(Audited)
Cash in hand	67,000	67,000
Cash at banks	340,704,114	594,350,666
Deposits with banks	350,000,000	-
	690,771,114	594,417,666

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3. CASH AND CASH EQUIVALENTS (Continued)

Shareholders' operations

	31 March 2017	31 December 2016
	(Un-audited)	(Audited)
Cash at banks	19,600,000	289,937,528
Deposits with banks	270,337,528	-
	289,937,528	289,937,528

Deposits with banks comprise of short term deposits having maturity periods of less than three months and have been placed with local banks on roll over basis.

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE, Net

	31 March 2017	31 December 2016
	(Un-audited)	(Audited)
Premiums receivable	148,612,070	129,101,822
Insurance and reinsurance receivables	1,617,756	1,643,395
Less: Allowance for doubtful debts	(23,126,752)	(22,126,752)
	127,103,074	108,618,465

5. RELATED PARTIES TRANSACTIONS

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

	Three month period ended 31 March 2017	Three month period ended 31 March 2016
	(Un-audited)	(Un-audited)
Gross premium received from directors and their related parties	2,624,938	2,250,955
Gross premium received from key management personnel	4,355	3,280
Gross claims paid to directors and their related parties	690,665	179,702
Compensation of key management personnel - other benefits	1,078,200	879,530

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

	31 March 2017	31 December 2016
	(Un-audited)	(Audited)
Premiums receivable from key management personnel, directors and their related parties	2,286,892	(166,100)
Claims payable to directors and related parties	(220,185)	(482,797)

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6. SEGMENTAL INFORMATION

Operating segments

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

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	13,433,984	225,758,550	6,368,422	15,487,098	38,712,082	299,760,136
Net premiums written	13,071,485	224,569,551	128,124	1,127,352	8,499,229	247,395,741
Net premiums earned	33,690,328	149,197,389	732,407	819,438	6,379,806	190,819,368
Reinsurance commission	-	62,747	1,678,311	1,106,855	570,856	3,418,769
Other underwriting income	38,200	1,520,125	2,490	2,330	13,535	1,576,680
Net incurred claims	(11,578,991)	(92,024,581)	(107,171)	(523,889)	(5,227,915)	(109,462,547)
Other underwriting expenses	(4,652,183)	(19,235,159)	(923,028)	(809,401)	(1,148,577)	(26,768,348)
Changes in additional premium reserves	-	-	-	(569,639)	-	(569,639)
Changes in other technical reserves	950,363	(722,681)	19,538	(54,081)	-	193,139
Unallocated expenses						(24,563,295)
Surplus from insurance operations						34,644,127
Commission income on bank deposits						1,822,500
Net surplus from insurance operations						36,466,627

Insurance operations' financial position as at 31 March 2017 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	76,591,234	26,481,665	36,953,960	140,026,859
Reinsurers' share of outstanding claims	276,494	717,764	81,329,699	53,854,291	23,363,586	159,541,834
Deferred policy acquisition costs	3,194,383	28,393,405	1,009,298	114,042	2,841,971	35,553,099
Unallocated assets						856,762,724
Total Insurance operations' assets						1,191,884,516
Insurance operations' liabilities						
Unearned premiums	40,260,603	356,941,799	78,173,055	29,482,277	50,498,101	555,355,835
Outstanding claims	40,451,690	192,626,879	88,111,673	57,190,693	37,906,235	416,287,170
Additional premium reserves	-	-	-	1,322,735	-	1,322,735
Other technical reserves	1,168,209	8,330,198	199,863	548,298	30,679	10,277,247
Unearned reinsurance commission	-	-	2,450,021	2,626,186	3,363,147	8,439,354
Unallocated liabilities and surplus						200,202,175
Total insurance operations liabilities and surplus						1,191,884,516

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6. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

Insurance operations for the three-month period ended 31 March 2016 (Un-audited):

	<u>Medical</u>	<u>Motor</u>	<u>Property</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Gross premiums written	43,175,157	147,420,855	5,775,171	26,595,351	39,093,886	262,060,420
Net premiums written	42,875,157	145,069,075	866,619	2,713,708	8,074,186	199,598,745
Net premium earned	21,188,743	102,496,251	961,823	1,592,263	8,138,635	134,377,715
Reinsurance commission	-	77,219	2,220,420	1,612,035	406,816	4,316,490
Other underwriting income	-	776,446	2,590	1,615	14,931	795,582
Net incurred claims	(7,760,593)	(66,169,348)	(3,678,294)	(2,453,916)	(2,588,289)	(82,650,440)
Other underwriting expenses	(3,036,775)	(12,445,690)	(1,090,275)	(1,090,971)	(1,139,100)	(18,802,811)
Unallocated expenses						(16,627,369)
Surplus from insurance operations						21,409,167
Commission income on bank deposits						270,834
Net surplus from insurance operations						<u>21,680,001</u>

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

	<u>Medical</u>	<u>Motor</u>	<u>Property</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
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						<u>1,076,335,311</u>
Insurance operations' liabilities and surplus						
Unearned premiums	60,879,445	281,569,637	101,676,418	25,128,737	26,066,227	495,320,464
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 surplus						132,302,683
Total insurance operations' liabilities and surplus						<u>1,076,335,311</u>

Geographical distributions

All of the significant assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for a minor portion of the reinsurance assets / liabilities which are held outside the Kingdom of Saudi Arabia.

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7. INVESTMENTS

Available-for-sale investments

Available-for-sale investments include the following:

	31 March 2017	31 December 2016
	(Un-audited)	(Audited)
Quoted securities	107,436,667	106,898,981
Unquoted securities	2,723,078	2,723,078
	110,159,745	109,622,059

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

	31 March 2017	31 December 2016
	(Un-audited)	(Audited)
Beginning of period / year	109,622,059	84,725,686
Purchases and dividends reinvested	-	50,400,000
Disposals	-	(30,000,000)
Unrealized fair value changes	537,686	4,496,373
Ending of period / year	110,159,745	109,622,059

8. 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.

9. 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.

10. SHARE CAPITAL

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

11. BASIC AND DILUTED EARNINGS PER SHARE

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

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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 (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 March 2017 and 31 December 2016 based on their value hierarchy:

As at 31 March 2017 (Un-audited)

Financial instruments	Level 1	Level 2	Level 3	Total
Investments Available-for-sale				
Equity securities	107,436,667	-	2,723,078	110,159,745
Total	107,436,667	-	2,723,078	110,159,745

As at 31 December 2016 (Audited)

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

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 three-month period ended 31 March 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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13. ZAKAT

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 period / year:

	31 March	31 December
	2017	2016
	%	%
	(Un-audited)	(Audited)
Shareholding subject to zakat	94.75	94.75
Shareholding subject to income tax	5.25	5.25

Components of Zakat base

Significant components of Zakat base of the Company principally comprise of shareholders' equity at the beginning of the period, 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.

14. 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 condition.

15. RESULTS OF THE INTERIM PERIOD

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

16. COMPARATIVE FIGURES

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

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 7 May 2017 corresponding to 11 Shaban 1438H.