

**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 MONTH AND SIX MONTH PERIODS ENDED
30 JUNE 2017**

**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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2017**

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Al-Bassam & Al-Nemer
Allied Accountants

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 30 June 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income for the three month and six month periods then ended and statement of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the six 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 on accounting for zakat and income tax. 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 do not present fairly, in all material respects, the financial position of the Company as at 30 June 2017, and of its financial performance and its cash flows for the six months' period then ended in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for zakat and income tax.

For PKF Al Bassam & Al Nemer
Allied Accountants

Ibrahim Ahmed Al Bassam
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For El Sayed El Ayouty & Co.
Moore Stephens

Mohamed El-Ayouty
Certified Public Accountant
License Number 211
P.O. Box 200
Khobar 31952, Saudi Arabia



27 July 2017
4 Dhil Qada 1438H

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

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	30 June 2017 (Un-audited)	31 December 2016 (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	620,083,113	594,417,666
Premiums and insurance balances receivable - net	4	132,767,743	108,618,465
Reinsurers' share of unearned premiums	6	111,554,180	136,567,861
Reinsurers' share of outstanding claims	6	158,637,919	150,768,131
Deferred policy acquisition costs	6	34,073,365	32,539,705
Accrued commission income		1,235,280	-
Prepaid expenses and other assets		25,056,093	43,723,891
Property and equipment		9,570,507	9,699,592
TOTAL INSURANCE OPERATIONS' ASSETS		1,092,978,200	1,076,335,311
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	366,176,317	289,937,528
Statutory deposit	8	40,000,000	40,000,000
Accrued commission on statutory deposit		2,718,303	2,141,976
Accrued commission income		846,912	-
Available-for-sale investments	7	113,695,793	109,622,059
Due from insurance operations		3,325,408	19,858,373
TOTAL SHAREHOLDERS' ASSETS		526,762,733	461,559,936
TOTAL ASSETS		1,619,740,933	1,537,895,247

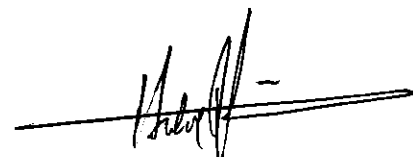


Chief Financial Officer

for



Chief Executive Officer



Director

The accompanying notes from 1 to 17 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 30 JUNE 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

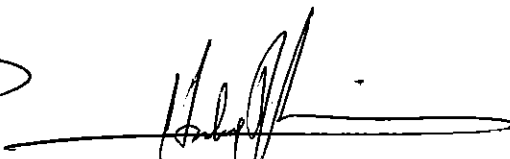
	Note	30 June 2017 (Un-audited)	31 December 2016 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross unearned premiums	6	499,829,102	495,320,464
Gross outstanding claims	6	411,115,379	430,279,310
Additional premium reserves	6	1,322,735	753,096
Other technical reserves	6	10,277,247	10,470,386
Accrued and other liabilities		72,446,328	74,961,335
Reinsurance balances payable		53,184,184	15,668,443
Due to shareholders' operations		3,325,408	19,858,373
Unearned reinsurance commission	6	7,933,778	7,209,372
End-of-service indemnities		11,293,737	7,267,787
Total insurance operations' liabilities		1,070,727,898	1,061,788,566
Insurance operations' accumulated surplus		22,250,302	14,546,745
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		1,092,978,200	1,076,335,311
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities		23,165,283	23,930,265
Commission on statutory deposit payable		2,718,303	2,141,976
Total shareholders' liabilities		25,883,586	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		85,220,784	23,903,066
Fair value reserve		(20,425,094)	(24,498,828)
Total shareholders' equity		500,879,147	435,487,695
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		526,762,733	461,559,936
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,619,740,933	1,537,895,247

CONTINGENCIES

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Chief Financial Officer

for 
Chief Executive Officer


Director

The accompanying notes from 1 to 17 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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Three month period ended 30 June 2017 (Un-audited)	Three month period ended 30 June 2016 (Un-audited)	Six month period ended 30 June 2017 (Un-audited)	Six month period ended 30 June 2016 (Un-audited)
REVENUES					
Gross premiums written	5, 6	217,638,322	222,329,976	517,398,458	484,390,396
Less:					
Reinsurance premiums ceded		(42,233,367)	(26,296,249)	(92,474,065)	(87,127,868)
Excess of loss premiums		(2,423,697)	(1,630,056)	(4,547,394)	(3,260,112)
Net premiums written	6	172,981,258	194,403,671	420,376,999	394,002,416
Changes in unearned premiums, net		27,054,054	(49,711,158)	(29,522,319)	(114,932,188)
Net premiums earned	6	200,035,312	144,692,513	390,854,680	279,070,228
Reinsurance commission	6	3,870,659	5,274,290	7,289,428	9,590,780
Other underwriting income	6	1,399,702	1,104,720	2,976,382	1,900,302
Total revenue		205,305,673	151,071,523	401,120,490	290,561,310
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		124,828,110	84,735,888	250,548,732	172,494,481
Reinsurers' share of claims paid		(5,672,891)	(13,402,427)	(19,730,539)	(22,368,955)
Net claims paid		119,155,219	71,333,461	230,818,193	150,125,526
Changes in outstanding claims, net		(4,267,876)	8,120,073	(6,468,303)	11,978,448
Net incurred claims	6	114,887,343	79,453,534	224,349,890	162,103,974
Changes in additional premium reserves		-	-	569,639	-
Changes in other technical reserves		-	-	(193,139)	-
Policy acquisition costs		18,181,512	14,094,795	36,153,031	26,961,080
Other underwriting expenses		9,700,338	6,659,811	18,497,167	12,596,337
Total underwriting costs and expenses		142,769,193	100,208,140	279,376,588	201,661,391
Net underwriting income		62,536,480	50,863,383	121,743,902	88,899,919
OTHER OPERATING (EXPENSES)/ INCOME, NET					
Operating and administrative salaries		(14,302,174)	(12,237,516)	(30,566,569)	(22,092,402)
General and administrative expenses		(9,047,306)	(6,321,674)	(17,346,206)	(13,094,157)
Commission income on bank deposits	6	1,381,947	1,499,721	3,204,447	1,770,555
Total other operating expenses, net		(21,967,533)	(17,059,469)	(44,708,328)	(33,416,004)
Net surplus from insurance operations		40,568,947	33,803,914	77,035,574	55,483,915
Shareholders' appropriation of surplus		(36,512,052)	(30,423,523)	(69,332,017)	(49,935,524)
Net result from insurance operations after shareholders' appropriation of surplus		4,056,895	3,380,391	7,703,557	5,548,391
Insurance operations' accumulated surplus, beginning of the period		18,193,407	4,315,446	14,546,745	2,147,446
Insurance operations' surplus, end of the period		22,250,302	7,695,837	22,250,302	7,695,837

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

Chief Financial Officer

for
Chief Executive Officer

Director

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

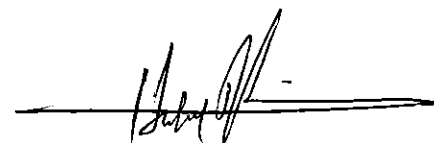
	Three month period ended 30 June 2017	Three month period ended 30 June 2016	Six month period ended 30 June 2017	Six month period ended 30 June 2016
Note	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net surplus transferred from insurance operations	36,512,052	30,423,523	69,332,017	49,935,524
Commission income on bank deposits	875,069	1,028,786	2,085,699	2,689,067
General and administrative expenses	(1,800,000)	(858,499)	(3,600,000)	(1,620,997)
Net income for the period	35,587,121	30,593,810	67,817,716	51,003,594
Basic and diluted earnings per share	0.89	0.76	1.70	1.28
Weighted average number of outstanding shares	40,000,000	40,000,000	40,000,000	40,000,000



Chief Financial Officer

for 

Chief Executive Officer



Director

The accompanying notes from 1 to 17 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' COMPREHENSIVE INCOME
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)

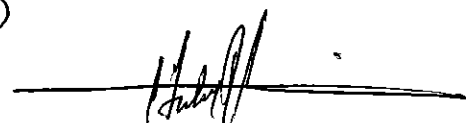
	Three month period ended 30 June 2017	Three month period ended 30 June 2016	Six month period ended 30 June 2017	Six month period ended 30 June 2016
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Shareholders' net income for the period	35,587,121	30,593,810	67,817,716	51,003,594
Items that may subsequently be reclassified to the statement of shareholders' operations:				
Unrealized fair value changes in available- for-sale investment, net	3,536,048	3,890,111	4,073,734	(2,809,554)
Total comprehensive income for the period	39,123,169	34,483,921	71,891,450	48,194,040



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 SIX MONTH PERIOD ENDED 30 JUNE 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)

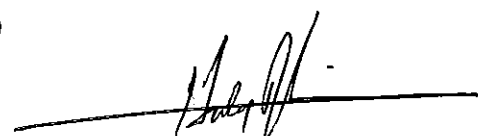
	Share capital	Share premium	Statutory reserve	Retained earnings/ (Accumulated losses)	Fair value reserve	Total
Balance at 1 January 2016 (Audited)	400,000,000	30,107,690	-	(78,438,710)	(28,995,201)	322,673,779
Shareholders' net income for the period	-	-	-	51,003,594	-	51,003,594
Unrealized fair value changes in available-for-sale investments, net	-	-	-	-	(2,809,554)	(2,809,554)
Provision for zakat for the period (Note 13)	-	-	-	(3,464,463)	-	(3,464,463)
Provision for income tax for the period (Note 13)	-	-	-	(535,538)	-	(535,538)
Balance at 30 June 2016 (Un-audited)	400,000,000	30,107,690	-	(31,435,117)	(31,804,755)	366,867,818
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	-	-	-	67,817,716	-	67,817,716
Unrealized fair value changes in available-for-sale investments, net	-	-	-	-	4,073,734	4,073,734
Provision for zakat for the period (Note 13)	-	-	-	(4,946,972)	-	(4,946,972)
Provision for income tax for the period (Note 13)	-	-	-	(1,553,026)	-	(1,553,026)
Balance at 30 June 2017 (Un-audited)	400,000,000	30,107,690	5,975,767	85,220,784	(20,425,094)	500,879,147



Chief Financial Officer

for 

Chief Executive Officer



Director

The accompanying notes from 1 to 17 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' CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)


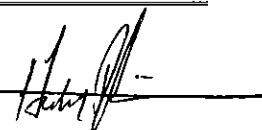
	Note	Six month period ended 30 June 2017 (Un-audited)	Six month period ended 30 June 2016 (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations		7,703,557	5,548,391
Adjustments for:			
Depreciation		1,692,077	1,163,644
Allowance for doubtful debts		2,000,000	1,500,000
End-of-service indemnities, net		4,025,950	657,398
		15,421,584	8,869,433
<u>Changes in operating assets and liabilities:</u>			
Due from/to shareholders' operations		(16,532,965)	48,706,722
Premiums and insurance balances receivable		(26,149,278)	(48,142,024)
Reinsurers' share of unearned premiums		25,013,681	38,672,953
Reinsurers' share of outstanding claims		(7,869,788)	3,783,941
Deferred policy acquisition costs		(1,533,660)	(10,320,877)
Prepaid expenses and other assets		18,667,798	(8,044,510)
Accrued commission income		(1,235,280)	(1,340,000)
Gross unearned premiums		4,508,638	76,259,235
Gross outstanding claims		(19,163,931)	8,194,507
Additional premium reserves		569,639	-
Other technical reserves		(193,139)	-
Unearned reinsurance commission		724,406	(1,956,244)
Reinsurance balances payable		37,515,741	10,955,184
Accrued and other liabilities		(2,515,007)	3,249,930
Net cash generated from operating activities		27,228,439	128,888,250
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property and equipment		(1,562,992)	(1,335,963)
Net cash used in investing activity		(1,562,992)	(1,335,963)
Net change in cash and cash equivalents		25,665,447	127,552,287
Cash and cash equivalents at the beginning of the period		594,417,666	373,227,369
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	620,083,113	500,779,656



Chief Financial Officer



Chief Executive Officer

Director

The accompanying notes from 1 to 17 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 SIX MONTH PERIOD ENDED 30 JUNE 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

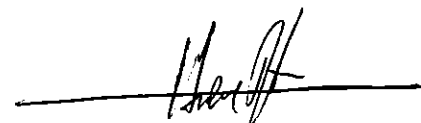
	Six month period ended 30 June 2017 (Un-audited)	Six month period ended 30 June 2016 (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	67,817,716	51,003,594
Adjustments for:		
Commission income on bank deposits	(2,085,699)	-
	65,732,017	51,003,594
<u>Changes in operating assets and liabilities:</u>		
Due from/to insurance operations	16,532,965	(48,706,722)
Accrued commission on statutory deposit	(576,327)	(198,858)
Accrued commission income	1,238,787	(813,418)
Commission on statutory deposit payable	576,327	198,858
Accrued and other liabilities	2,675,034	1,000,000
Cash generated from operations	86,178,803	2,483,454
Zakat and income tax paid	(9,940,014)	(607,805)
Net cash generated from operating activities	76,238,789	1,875,649
Net change in cash and cash equivalents	76,238,789	1,875,649
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	366,176,317	215,854,932
<u>Non-cash transactions:</u>		
Unrealized fair value changes in available-for-sale investments	4,073,734	(2,809,554)



Chief Financial Officer



Chief Executive Officer



Director

The accompanying notes from 1 to 17 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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2017**
(All amounts expressed in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

The 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 period, 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 has been held on 21 May 2017 approved the change of name of the Company. All legal formalities were completed and the new Commercial Registration was 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 six month periods ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on 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.

**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 MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The Ministry of Commerce and Investment commenced the implementation of the new Companies Regulations effective 25 Rajab1437H corresponding to 2 May 2016 ("the effective date"). The new regulations shall replace the Companies Regulations promulgated by Royal Decree No. M/6 dated 22 Rabi'I 1385H and it shall supersede all provisions that are inconsistent therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their By Laws to comply with the requirements of the provisions of the new companies regulations within a period of one year of the effective date of the companies' regulations.

All the legal formalities and necessary amendments to the Company's Article of Association as required by the new regulations have been completed.

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 interim 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:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.
- 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.
- IFRS 17 Insurance Contracts, effective for annual period on or after 1 January 2021.

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.

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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

	30 June 2017	31 December 2016
	(Un-audited)	(Audited)
Cash in hand	67,000	67,000
Cash at banks	145,016,113	594,350,666
Deposits with banks	475,000,000	-
	620,083,113	594,417,666

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3. CASH AND CASH EQUIVALENTS (Continued)

Shareholders' operations

	30 June 2017	31 December 2016
	(Un-audited)	(Audited)
Cash at banks	19,600,004	289,937,528
Deposits with banks	346,576,313	-
	366,176,317	289,937,528

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE, Net

	30 June 2017	31 December 2016
	(Un-audited)	(Audited)
Premiums receivable	155,369,915	129,101,822
Insurance and reinsurance receivables	1,524,580	1,643,395
Less: Allowance for doubtful debts	(24,126,752)	(22,126,752)
	132,767,743	108,618,465

5. RELATED PARTIES TRANSACTIONS AND BALANCES

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

	Six month period ended 30 June 2017	Six month period ended 30 June 2016
	(Un-audited)	(Un-audited)
Gross premium received from Board of directors and their related parties	3,510,024	2,978,252
Gross premium received from key management personnel	9,630	6,268
Gross claims paid to Board of directors and their related parties	941,268	7,762,065
Compensation of key management personnel - other benefits	1,822,500	1,738,142

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

	30 June 2017	31 December 2016
	(Un-audited)	(Audited)
Receivable from / (Payable to) Board of directors and their related parties	2,293,858	(166,100)
Claims payable to Board of directors and related parties	(217,446)	(482,797)

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6. SEGMENTAL INFORMATION

Operating segments

Insurance operations for the three month period ended 30 June 2017 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	26,548,793	139,019,705	21,553,997	6,490,438	24,025,389	217,638,322
Net premiums written	26,186,294	137,530,706	1,727,363	74,307	7,462,588	172,981,258
Net premiums earned	28,270,132	163,118,701	725,703	660,620	7,260,156	200,035,312
Reinsurance commission	-	97,235	1,702,528	1,103,009	967,887	3,870,659
Other underwriting income	39,200	1,343,213	3,250	1,715	12,324	1,399,702
Net incurred claims	(14,209,621)	(96,084,092)	(196,028)	(224,230)	(4,173,372)	(114,887,343)
Other underwriting expenses	(3,654,004)	(21,384,060)	(887,763)	(793,261)	(1,162,762)	(27,881,850)
Unallocated expenses						(23,349,480)
Surplus from insurance operations						39,187,000
Commission income on bank deposits						1,381,947
Net surplus from insurance operations						40,568,947

Insurance operations for the six month period ended 30 June 2017 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	39,982,777	364,778,255	27,922,418	21,977,536	62,737,472	517,398,458
Net premiums written	39,257,779	362,100,257	1,855,487	1,201,659	15,961,817	420,376,999
Net premiums earned	61,960,460	312,316,090	1,458,110	1,480,058	13,639,962	390,854,680
Reinsurance commission	-	159,982	3,380,839	2,209,865	1,538,742	7,289,428
Other underwriting income	77,400	2,863,337	5,740	4,045	25,860	2,976,382
Net incurred claims	(25,788,612)	(188,108,673)	(303,199)	(748,119)	(9,401,287)	(224,349,890)
Other underwriting expenses	(8,306,188)	(40,619,218)	(1,810,792)	(1,602,662)	(2,311,338)	(54,650,198)
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						(47,912,775)
Surplus from insurance operations						73,831,127
Commission income on bank deposits						3,204,447
Net surplus from insurance operations						77,035,574

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6. SEGMENTAL INFORMATION (Continued)

Insurance operations' financial position as at 30 June 2017 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	64,361,581	23,549,312	23,643,287	111,554,180
Reinsurers' share of outstanding claims	276,494	726,364	80,292,643	53,769,114	23,573,304	158,637,919
Deferred policy acquisition costs	3,017,987	26,054,951	1,779,189	177,508	3,043,730	34,073,365
Unallocated assets						788,712,736
Total Insurance operations' assets						1,092,978,200
Insurance operations' liabilities						
Gross unearned premiums	38,176,765	331,353,804	66,472,790	26,435,884	37,389,859	499,829,102
Gross outstanding claims	32,188,685	196,225,370	86,223,113	57,184,979	39,293,232	411,115,379
Additional premium reserves	-	-	-	1,322,735	-	1,322,735
Other technical reserves	1,168,209	8,350,491	210,249	548,298	-	10,277,247
Unearned reinsurance commission	-	-	3,085,309	2,785,389	2,063,080	7,933,778
Unallocated liabilities and surplus	-	-	-	-	-	162,499,959
Total insurance operations liabilities and surplus						1,092,978,200

Insurance operations for the three months period ended 30 June 2016 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	51,323,806	134,827,437	18,237,544	4,425,777	13,515,412	222,329,976
Net premiums written	51,023,806	134,113,606	1,335,792	1,237,826	6,692,641	194,403,671
Net premiums earned	28,408,278	106,596,118	964,817	1,962,004	6,761,296	144,692,513
Reinsurance commission	-	65,882	1,873,771	1,349,124	1,985,513	5,274,290
Other underwriting income	-	1,087,800	2,335	1,535	13,050	1,104,720
Net incurred claims	(16,859,132)	(56,673,077)	(1,289,121)	1,365,909	(5,998,113)	(79,453,534)
Other underwriting expenses	(4,589,826)	(12,579,368)	(1,138,088)	(996,835)	(1,450,489)	(20,754,606)
Unallocated expenses						(18,559,190)
Surplus from insurance operations						32,304,193
Commission income on bank deposits						1,499,721
Net surplus from insurance operations						33,803,914

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6. SEGMENTAL INFORMATION (Continued)

Insurance operations for the six months period ended 30 June 2016 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	94,498,963	282,248,292	24,012,715	31,021,127	52,609,299	484,390,396
Net premiums written	93,898,963	279,182,681	2,202,411	3,951,534	14,766,827	394,002,416
Net premiums earned	49,597,021	209,092,369	1,926,640	3,554,267	14,899,931	279,070,228
Reinsurance commission	-	143,101	4,094,191	2,961,159	2,392,329	9,590,780
Other underwriting income	-	1,864,247	4,925	3,150	27,980	1,900,302
Net incurred claims	(24,619,725)	(122,842,425)	(4,967,415)	(1,088,007)	(8,586,402)	(162,103,974)
Other underwriting expenses	(7,926,601)	(24,162,483)	(2,394,263)	(2,253,705)	(2,820,365)	(39,557,417)
Unallocated expenses						(35,186,559)
Surplus from insurance operations						53,713,360
Commission income on bank deposits						1,770,555
Net surplus from insurance operations						55,483,915

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 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						1,076,335,311

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6. SEGMENTAL INFORMATION (Continued)

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.

7. INVESTMENTS

Available-for-sale investments

Available-for-sale investments include the following:

	30 June 2017	31 December 2016
	(Un-audited)	(Audited)
Quoted securities	110,972,715	106,898,981
Unquoted securities	2,723,078	2,723,078
	113,695,793	109,622,059

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

	30 June 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	4,073,734	4,496,373
Ending of period / year	113,695,793	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 and six month periods ended 30 June 2017 and 2016 are calculated by dividing shareholders' 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 30 June 2017 and 31 December 2016 based on their value hierarchy:

As at 30 June 2017 (Un-audited)

Financial instruments	Level 1	Level 2	Level 3	Total
Investments Available-for-sale				
Equity securities	<u>110,972,715</u>	-	<u>2,723,078</u>	<u>113,695,793</u>
Total	<u>110,972,715</u>	-	<u>2,723,078</u>	<u>113,695,793</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 six month period ended 30 June 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:

	30 June 2017 %	31 December 2016 %
	(Un-audited)	(Audited)
Shareholding subject to zakat	88.55	94.75
Shareholding subject to income tax	11.45	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 27 July 2017 corresponding to 4 Dhil Qada 1438H.