

**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 NINE MONTH PERIODS ENDED 30
SEPTEMBER 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 AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017**

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Al-Bassam & Al-Nemer
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 30 September 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income for the three month and nine month periods then ended and interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the nine 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 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 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 are 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 30 September 2017, 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
 Certified Public Accountant
 License Number 337
 P.O. Box 4636
 Al Khobar 31952, Saudi Arabia

29 October 2017
 9 Safar 1439H

For Moore Stephens
 El Sayed El Ayouty & Co.

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



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

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 SEPTEMBER 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	192,978,317	594,417,666
Short term deposits		475,000,000	-
Premiums and insurance balances receivable - net	4	132,679,059	105,042,458
Reinsurers' share of unearned premiums	6	147,643,306	136,567,861
Reinsurers' share of outstanding claims	6	150,187,670	150,768,131
Deferred policy acquisition costs	6	33,913,396	32,539,705
Accrued commission income		2,378,348	-
Prepaid expenses and other assets		26,530,892	47,299,898
Property and equipment		9,680,402	9,699,592
TOTAL INSURANCE OPERATIONS' ASSETS		1,170,991,390	1,076,335,311
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	20,414,429	289,937,528
Short term deposits		347,829,090	-
Statutory deposit	8	40,000,000	40,000,000
Accrued commission on statutory deposit		2,948,303	2,141,976
Accrued commission income		1,002,729	-
Available-for-sale investments	7	98,042,097	109,622,059
Due from insurance operations		66,459,408	19,858,373
TOTAL SHAREHOLDERS' ASSETS		576,696,056	461,559,936
TOTAL ASSETS		1,747,687,446	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.

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

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 SEPTEMBER 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS			
Gross unearned premiums	6	514,468,624	495,320,464
Gross outstanding claims	6	408,440,198	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		80,534,878	74,961,335
Reinsurance balances payable		39,134,339	15,668,443
Due to shareholders' operations		66,459,408	19,858,373
Unearned reinsurance commission	6	10,191,475	7,209,372
End-of-service indemnities		12,374,538	7,267,787
Total insurance operations' liabilities		1,143,203,442	1,061,788,566
Insurance operations' accumulated surplus		27,787,948	14,546,745
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		1,170,991,390	1,076,335,311
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities		27,388,857	23,930,265
Commission on statutory deposit payable		2,948,303	2,141,976
Total shareholders' liabilities		30,337,160	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		126,354,229	23,903,066
Fair value reserve		(16,078,790)	(24,498,828)
Total shareholders' equity		546,358,896	435,487,695
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		576,696,056	461,559,936
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,747,687,446	1,537,895,247

CONTINGENCIES

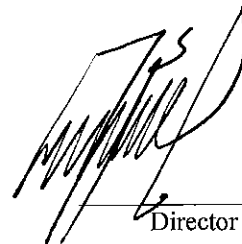
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Chief Financial Officer



Chief Executive Officer



Director

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

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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Three month period ended 30 September 2017 (Un-audited)	Three month period ended 30 September 2016 (Un-audited)	Nine month period ended 30 September 2017 (Un-audited)	Nine month period ended 30 September 2016 (Un-audited)
REVENUES					
Gross premiums written	5, 6	284,369,478	268,442,991	801,767,936	752,833,387
Less:					
Reinsurance premiums ceded		(108,450,888)	(71,905,063)	(200,924,953)	(159,032,931)
Excess of loss premiums		(1,767,979)	(3,897,198)	(6,315,373)	(7,157,310)
Net premiums written	6	174,150,611	192,640,730	594,527,610	586,643,146
Changes in unearned premiums, net		21,449,604	(31,859,245)	(8,072,715)	(146,791,433)
Net premiums earned	6	195,600,215	160,781,485	586,454,895	439,851,713
Reinsurance commission	6	4,921,986	3,756,133	12,211,414	13,346,913
Other underwriting income	6	1,418,437	244,345	4,394,819	2,144,647
Total revenue		201,940,638	164,781,963	603,061,128	455,343,273
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		100,534,811	67,384,885	351,083,543	239,879,366
Reinsurers' share of claims paid		(6,245,809)	(1,904,075)	(25,976,348)	(24,273,030)
Net claims paid		94,289,002	65,480,810	325,107,195	215,606,336
Changes in outstanding claims, net		5,775,068	17,877,472	(693,235)	29,855,920
Net incurred claims	6	100,064,070	83,358,282	324,413,960	245,462,256
Changes in additional premium reserves		-	-	569,639	-
Changes in other technical reserves		-	-	(193,139)	-
Policy acquisition costs		18,924,428	16,868,443	55,077,459	43,829,523
Other underwriting expenses		7,410,935	6,837,628	25,908,102	19,433,965
Total underwriting costs and expenses		126,399,433	107,064,353	405,776,021	308,725,744
Net underwriting income		75,541,205	57,717,610	197,285,107	146,617,529
OTHER OPERATING (EXPENSES)/ INCOME, NET					
Operating and administrative salaries		(14,877,604)	(10,688,576)	(45,444,173)	(32,780,978)
General and administrative expenses		(8,056,883)	(6,277,785)	(25,403,089)	(19,371,942)
Commission income on bank deposits	6	2,769,734	2,358,046	5,974,181	4,128,601
Total other operating expenses, net		(20,164,753)	(14,608,315)	(64,873,081)	(48,024,319)
Net surplus from insurance operations		55,376,452	43,109,295	132,412,026	98,593,210
Shareholders' appropriation of surplus		(49,838,807)	(38,798,365)	(119,170,823)	(88,733,889)
Net result from insurance operations after shareholders' appropriation of surplus		5,537,645	4,310,930	13,241,203	9,859,321
Insurance operations' accumulated surplus, beginning of the period		22,250,303	7,695,837	14,546,745	2,147,446
Insurance operations' accumulated surplus, end of the period		27,787,948	12,006,767	27,787,948	12,006,767

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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017

(All amounts expressed in Saudi Riyals unless otherwise stated)

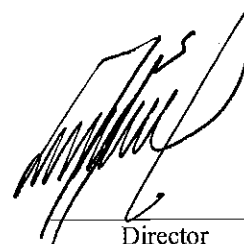
	Three month period ended 30 September 2017	Three month period ended 30 September 2016	Nine month period ended 30 September 2017	Nine month period ended 30 September 2016
Note	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Shareholders' appropriation of surplus from insurance operations	49,838,807	38,798,365	119,170,823	88,733,889
Commission income on bank deposits	1,108,596	1,606,701	3,194,295	4,295,768
Realized gains and fair value changes on available-for-sale investments	(4,763,958)	384,616	(4,763,958)	384,616
General and administrative expenses	(1,800,000)	(800,004)	(5,400,000)	(2,421,001)
Net income for the period	44,383,445	39,989,678	112,201,160	90,993,272
Basic and diluted earnings per share	1.11	0.99	2.81	2.27
Weighted average number of outstanding shares	40,000,000	40,000,000	40,000,000	40,000,000



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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017**
(All amounts expressed in Saudi Riyals unless otherwise stated)

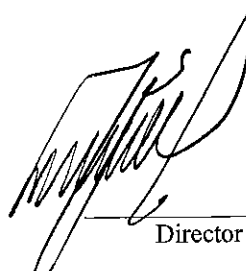
	Three month period ended 30 September 2017	Three month period ended 30 September 2016	Nine month period ended 30 September 2017	Nine month period ended 30 September 2016
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Shareholders' net income for the period	44,383,445	39,989,678	112,201,160	90,993,272
Items that may subsequently be reclassified to the statement of shareholders' operations:				
Unrealized fair value changes in available- for-sale investment, net	1,059,104	(10,893,043)	3,014,630	(13,702,597)
Total comprehensive income for the period	45,442,549	29,096,635	115,215,790	77,290,675



Chief Financial Officer



Chief Executive Officer



Director

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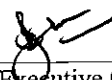
WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017
 (All amounts expressed in Saudi Riyals unless otherwise 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	-	-	-	90,993,272	-	90,993,272
Unrealized fair value changes in available-for-sale investments, net	-	-	-	-	(13,702,597)	(13,702,597)
Provision for zakat for the period (Note 13)	-	-	-	(5,044,574)	-	(5,044,574)
Provision for income tax for the period (Note 13)	-	-	-	(955,429)	-	(955,429)
Balance at 30 September 2016 (Un-audited)	400,000,000	30,107,690	-	6,554,559	(42,697,798)	393,964,451
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	-	-	-	112,201,160	-	112,201,160
Unrealized fair value changes in available-for-sale investments, net	-	-	-	-	3,014,630	3,014,630
Realized loss from sale of Available for sale investments	-	-	-	-	5,405,408	5,405,408
Provision for zakat for the period (Note 13)	-	-	-	(7,393,773)	-	(7,393,773)
Provision for income tax for the period (Note 13)	-	-	-	(2,356,224)	-	(2,356,224)
Balance at 30 September 2017 (Un-audited)	400,000,000	30,107,690	5,975,767	126,354,229	(16,078,790)	546,358,896



Chief Financial Officer



Chief Executive Officer




Director


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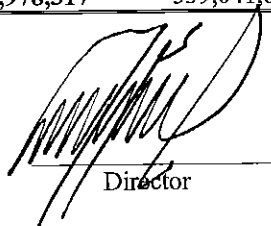
WALAA COOPERATIVE INSURANCE COMPANY
(FORMERLY SAUDI UNITED COOPERATIVE INSURANCE COMPANY)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Nine month period ended 30 September 2017 (Un-audited)	Nine month period ended 30 September 2016 (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations		13,241,203	9,859,321
Adjustments for:			
Depreciation		2,506,779	1,775,002
Allowance for doubtful debts		3,475,754	2,565,456
End-of-service indemnities, net		5,106,751	1,100,992
		<u>24,330,487</u>	<u>15,300,771</u>
<u>Changes in operating assets and liabilities:</u>			
Due from/to shareholders' operations, net		46,601,035	37,589,701
Premiums and insurance balances receivable		(31,112,355)	(73,171,976)
Reinsurers' share of unearned premiums		(11,075,445)	19,584,943
Reinsurers' share of outstanding claims		580,461	(313,173)
Deferred policy acquisition costs		(1,373,691)	(13,354,573)
Prepaid expenses and other assets		20,769,006	(7,310,149)
Accrued commission income		(2,378,348)	(1,530,546)
Gross unearned premiums		19,148,160	127,206,490
Gross outstanding claims		(21,839,112)	30,169,093
Additional premium reserves		569,639	-
Other technical reserves		(193,139)	-
Unearned reinsurance commission		2,982,103	(1,961,950)
Reinsurance balances payable		23,465,892	33,125,456
Accrued and other liabilities		5,573,547	1,910,838
Net cash generated from operating activities		<u>76,048,240</u>	<u>167,244,925</u>
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property and equipment		(2,487,589)	(1,430,478)
Increase in short term deposits		(475,000,000)	-
Net cash used in investing activity		<u>(477,487,589)</u>	<u>(1,430,478)</u>
Net change in cash and cash equivalents		<u>(401,439,349)</u>	<u>165,814,447</u>
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>192,978,317</u>	<u>539,041,816</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.

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017
 (All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Nine month period ended 30 September 2017 (Un-audited)	Nine month period ended 30 September 2016 (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		112,201,160	90,993,272
Adjustments for:			
Commission income on bank deposits		(3,194,295)	(4,295,768)
Realized gain and fair value changes on available-for-sale investments		4,763,958	(384,616)
		113,770,823	86,312,888
<u>Changes in operating assets and liabilities:</u>			
Due from/to insurance operations, net		(46,601,035)	(37,589,701)
Accrued and other liabilities		4,175,025	1,500,001
Cash generated from operations		71,344,813	50,223,188
Zakat and income tax paid		(10,466,430)	(607,805)
Net cash generated from operating activities		60,878,383	49,615,383
Cash generated from investing activities			
Proceeds from the sale of investment		14,594,592	-
Increase in short term deposits		(347,829,090)	-
Cash collected from commissions and dividends, net		2,833,016	3,591,370
Net cash (used in) generated from investing activities		(330,401,482)	3,591,370
Net change in cash and cash equivalents		(269,523,099)	53,206,753
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	20,414,429	267,186,036
<u>Non-cash transactions:</u>			
Unrealized fair value changes in available-for-sale investments	7	3,014,630	(13,702,597)



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)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017
(All amounts expressed in Saudi Riyals unless otherwise stated)**

1. GENERAL INFORMATION

Wala 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 Wala Cooperative Insurance Company. An Extraordinary General Assembly meeting has been held on 21 May 2017 and has 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 nine month periods ended 30 September 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 AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 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 by-laws 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’s circular no. 381000074519, zakat and income tax charge for the current and prior periods should be charged directly to 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 and income tax have 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.

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.

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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, 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 and insurance operations accumulated surplus; 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 September 2017 (Un-audited)	31 December 2016 (Audited)
Cash in hand	67,000	67,000
Cash at banks	192,911,317	594,350,666
	<u>192,978,317</u>	<u>594,417,666</u>

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3. CASH AND CASH EQUIVALENTS (Continued)

Shareholders' operations

	30 September 2017	31 December 2016
	(Un-audited)	(Audited)
Cash at banks	20,414,429	289,937,528
	20,414,429	289,937,528

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE, NET

	30 September 2017	31 December 2016
	(Un-audited)	(Audited)
Premiums receivable	156,756,985	125,525,815
Reinsurance receivable	1,524,580	1,643,395
Less: Allowance for doubtful debts	(25,602,506)	(22,126,752)
	132,679,059	105,042,458

5. RELATED PARTIES TRANSACTIONS AND BALANCES

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

	Nine month period ended 30 September 2017	Nine month period ended 30 September 2016
	(Un-audited)	(Un-audited)
Gross premium received from Board of directors and their related parties	3,626,776	3,556,961
Gross premium received from key management personnel	14,655	11,293
Gross claims paid to Board of directors and their related parties	1,340,610	9,336,223
Compensation of key management personnel and other benefits	3,158,613	2,568,927
Remuneration of board of directors and audit committee	4,500,000	1,521,001

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

	30 September 2017	31 December 2016
	(Un-audited)	(Audited)
Receivable from / (payable to) Board of directors and their related parties	522,325	(166,100)
Payable to Board of directors and related parties	(230,117)	(482,797)

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6. SEGMENTAL INFORMATION

Operating segments

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

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	29,866,859	130,787,833	58,790,614	42,066,449	22,857,723	284,369,478
Net premiums written	29,504,360	129,903,321	2,369,902	699,455	11,673,573	174,150,611
Net premiums earned	24,606,325	162,810,419	1,374,815	973,684	5,834,972	195,600,215
Reinsurance commission	-	-	755,580	2,224,908	1,941,498	4,921,986
Other underwriting income	-	1,352,841	1,465	1,155	62,976	1,418,437
Net incurred claims	(13,862,457)	(78,909,563)	(319,780)	86,400	(7,058,670)	(100,064,070)
Other underwriting expenses	(3,411,557)	(18,945,739)	(939,203)	(950,283)	(2,088,581)	(26,335,363)
Unallocated expenses						(22,934,487)
Surplus from insurance operations						52,606,718
Commission income on bank deposits						2,769,734
Net surplus from insurance operations						55,376,452

Insurance operations for the nine month period ended 30 September 2017 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	69,849,636	495,566,087	86,335,008	64,422,010	85,595,195	801,767,936
Net premiums written	68,762,139	492,003,577	3,847,364	2,279,139	27,635,391	594,527,610
Net premiums earned	86,566,785	475,126,509	2,832,925	2,453,742	19,474,934	586,454,895
Reinsurance commission	-	-	4,136,417	4,434,773	3,640,224	12,211,414
Other underwriting income	-	4,216,178	7,205	5,200	166,236	4,394,819
Net incurred claims	(39,651,069)	(267,018,236)	(622,979)	(661,719)	(16,459,957)	(324,413,960)
Other underwriting expenses	(11,717,745)	(59,564,957)	(2,749,995)	(2,552,946)	(4,399,918)	(80,985,561)
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						(70,847,262)
Surplus from insurance operations						126,437,845
Commission income on bank deposits						5,974,181
Net surplus from insurance operations						132,412,026

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6. SEGMENTAL INFORMATION (Continued)

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

	Medical	Motor	Property	Engineering	Others	Total
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	85,124,238	39,408,657	23,110,411	147,643,306
Reinsurers' share of outstanding claims	276,494	726,364	71,393,203	52,350,224	25,441,385	150,187,670
Deferred policy acquisition costs	3,453,934	23,891,184	1,892,928	215,534	4,459,816	33,913,396
Unallocated assets						<u>839,247,018</u>
Total Insurance operations' assets						<u>1,170,991,390</u>
Insurance operations' liabilities						
Gross unearned premiums	43,074,800	298,446,701	88,041,004	42,210,529	42,695,590	514,468,624
Gross outstanding claims	32,350,415	197,787,975	77,530,603	55,027,120	45,744,085	408,440,198
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	-	-	3,704,280	3,845,093	2,642,102	10,191,475
Unallocated liabilities and accumulated surplus						<u>226,291,111</u>
Total insurance operations liabilities and accumulated surplus						<u>1,170,991,390</u>

Insurance operations for the three month period ended 30 September 2016 (Un-audited):

	Medical	Motor	Property	Engineering	Others	Total
Gross premiums written	32,798,469	147,475,970	53,888,527	13,306,453	20,973,572	268,442,991
Net premiums written	32,498,469	144,819,296	569,149	569,150	14,184,666	192,640,730
Net premiums earned	36,357,801	116,368,842	964,627	551,895	6,538,320	160,781,485
Reinsurance commission	-	6,926	1,772,299	1,405,744	571,164	3,756,133
Other underwriting income	-	232,620	1,570	960	9,195	244,345
Net incurred claims	(17,918,743)	(61,858,320)	(1,473,672)	(2,234,947)	127,400	(83,358,282)
Other underwriting expenses	(5,184,692)	(15,534,395)	(987,497)	(982,432)	(1,017,055)	(23,706,071)
Unallocated expenses						<u>(16,966,361)</u>
Surplus from insurance operations						40,751,249
Commission income on bank deposits						<u>2,358,046</u>
Net surplus from insurance operations						<u>43,109,295</u>

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6. SEGMENTAL INFORMATION (Continued)

Insurance operations for the nine month period ended 30 September 2016 (Un-audited):

	<u>Medical</u>	<u>Motor</u>	<u>Property</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Gross premiums written	127,297,432	429,724,262	77,901,242	44,327,580	73,582,871	752,833,387
Net premiums written	126,397,432	424,001,977	2,771,560	4,520,684	28,951,493	586,643,146
Net premiums earned	85,954,822	325,461,217	2,891,267	4,106,162	21,438,245	439,851,713
Reinsurance commission	-	150,027	5,866,490	4,366,903	2,963,493	13,346,913
Other underwriting income	-	2,096,867	6,495	4,110	37,175	2,144,647
Net incurred claims	(42,538,468)	(184,700,745)	(6,441,087)	(3,322,954)	(8,459,002)	(245,462,256)
Other underwriting expenses	(12,511,293)	(41,422,028)	(3,049,960)	(2,904,338)	(3,375,869)	(63,263,488)
Unallocated expenses						(52,152,920)
Surplus from insurance operations						94,464,609
Commission income on bank deposits						4,128,601
Net surplus from insurance operations						98,593,210

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						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	20,066,227	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. INVESTMENTS

Available-for-sale investments

Available-for-sale investments include the following:

	30 September 2017	31 December 2016
	(Un-audited)	(Audited)
Quoted securities	95,319,019	106,898,981
Unquoted securities	2,723,078	2,723,078
	98,042,097	109,622,059

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

	30 September 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	(14,594,592)	(30,000,000)
Fair value changes, net	3,014,630	4,496,373
Ending of period / year	98,042,097	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 nine month periods ended 30 September 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 September 2017 and 31 December 2016 based on their value hierarchy:

As at 30 September 2017 (Un-audited)

Financial instruments	Level 1	Level 2	Level 3	Total
Investments Available-for-sale				
Equity securities	95,319,019	-	2,723,078	98,042,097
Total	95,319,019	-	2,723,078	98,042,097

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 nine month period ended 30 September 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 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 period / year:

	30 September 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 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 position.

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 16 October 2017 corresponding to 26 Muharam 1439