
**AL ALAMIYA FOR COOPERATIVE INSURANCE
COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2017**

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Unaudited Interim Condensed Financial Statements and Independent Auditors' Review Report
For the Three Month Period Ended 31 March 2017

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KPMG Al Fozan & Partners
Certified Public Accountants



Audit – Consultants – Zakat & Tax

Al-Bassam & Al-Nemer
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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED
 FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
 (A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim statement of financial position of **Al Alamiya for Cooperative Insurance Company** (A Saudi Joint Stock Company) (the "Company") as at 31 March 2017 and the related interim statements of comprehensive income - insurance and shareholders' operations, the interim statements of changes in shareholders' equity and cash flows – insurance and shareholders' operations for the three-month period ended and the related notes 1 through 17 which form an integral part of these interim condensed financial statements. The Company's management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" and Saudi Arabian Monetary Authority's ("SAMA") guidance for the accounting of zakat and tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of 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 as at 31 March 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and SAMA guidance for the accounting of zakat and tax.

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15 Sha'aban 1438H
 11 May 2017



AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March

		<i>31 March</i> <i>2017</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2016</i> <i>SR</i> <i>(Audited)</i>
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	13,302,751	25,392,144
Term deposits	6	187,774,637	173,980,565
Investments	7(a)	1,923,079	1,923,079
Premiums and reinsurance balances receivable	9	84,713,070	64,217,031
Due from related parties		1,203,606	3,738,030
Due from shareholders' operations		--	10,331,206
Reinsurers' share of unearned premiums		59,289,012	65,177,646
Reinsurers' share of outstanding claims		66,693,392	59,932,896
Deferred policy acquisition costs		10,431,906	4,145,586
Prepayments and other assets		2,174,708	2,341,448
Property and equipment		146,098	159,872
TOTAL INSURANCE OPERATIONS' ASSETS		427,652,259	411,339,503
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	1,671,009	208,948
Term deposits	6	252,313,057	253,669,070
Investments	7(b)	75,984,025	75,877,200
Due from insurance operations		4,487,402	--
Other assets		2,381,707	1,624,061
Return on investment of statutory deposit	10	1,241,902	1,241,902
Statutory deposit	10	40,000,000	40,000,000
TOTAL SHAREHOLDERS' ASSETS		378,079,102	372,621,181
TOTAL ASSETS		805,731,361	783,960,684



Khalid Allagany
Chief Executive Officer



Fadi Aboul Hosn
Chief Financial Officer

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March

	<i>31 March 2017 SR (Unaudited)</i>	<i>31 December 2016 SR (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES		
Gross outstanding claims	172,476,413	170,703,351
Gross unearned premiums	139,829,899	120,085,145
Due to shareholders' operations	4,487,402	--
Accounts payable	12,376,419	9,549,217
Reinsurance balances payable	46,514,434	54,019,105
Due to related parties	513,528	854,256
Accrued expenses and other liabilities	26,109,217	31,471,807
Unearned reinsurance commission	6,162,458	6,906,953
Employees' end of service benefits	9,835,138	9,803,018
TOTAL INSURANCE OPERATIONS' LIABILITIES	418,304,908	403,392,852
INSURANCE OPERATIONS' SURPLUS		
Accumulated Surplus	9,347,351	7,946,651
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	427,652,259	411,339,503
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Due to insurance operations	--	10,331,206
Due to a related party	1,061,027	1,061,027
Deferred return on investment of statutory deposit	1,241,902	1,241,902
Accrued expenses and other liabilities	30,513,662	29,031,265
TOTAL SHAREHOLDERS' LIABILITIES	32,816,591	41,665,400
SHAREHOLDERS' EQUITY		
Share capital	400,000,000	400,000,000
Fair value reserve for available for sale investments	(441,913)	(688,369)
Accumulated losses	(54,295,576)	(68,355,850)
TOTAL SHAREHOLDERS' EQUITY	345,262,511	330,955,781
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	378,079,102	372,621,181
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	805,731,361	783,960,684



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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – INSURANCE OPERATIONS
(UNAUDITED)

For the three month period ended 31 March

	<i>For the three month period ended</i>		
	<i>Note</i>	<i>31 March 2017</i>	<i>31 March 2016</i>
		<i>SR</i>	<i>SR</i>
Gross written premiums		86,320,844	109,044,685
Less: Reinsurance premium ceded		(18,574,200)	(36,025,203)
Excess of loss premiums		(9,153,188)	(11,370,439)
NET WRITTEN PREMIUMS		58,593,456	61,649,043
Changes in unearned premiums		(19,744,754)	(6,785,899)
Changes in reinsurance share of unearned premiums		(5,888,634)	6,338,550
NET PREMIUMS EARNED		32,960,068	61,201,694
Gross claims paid		(14,796,535)	(73,078,382)
Reinsurers' share of gross claims paid		2,626,690	41,616,513
Changes in outstanding claims		(1,773,062)	29,146,040
Changes in reinsurance share of outstanding claims		6,760,496	(27,620,690)
NET CLAIMS INCURRED		(7,182,411)	(29,936,519)
Policy acquisition costs		(4,493,590)	(7,386,283)
Reinsurance commission income		4,843,336	5,279,022
Other underwriting expenses		(406,348)	(536,640)
NET UNDERWRITING SURPLUS		25,721,055	28,621,274
General and administrative expenses		(9,642,188)	(12,550,654)
Investment income		933,645	623,140
Other income		16,037	36,322
INSURANCE OPERATIONS' SURPLUS		17,028,549	16,730,082
Shareholders' appropriation from insurance operations' surplus	2	(15,325,694)	(15,057,074)
NET SURPLUS AT END OF THE PERIOD		1,702,855	1,673,008
OTHER COMPREHENSIVE INCOME		--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD FROM INSURANCE OPERATIONS		1,702,855	1,673,008



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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS’
OPERATIONS (UNAUDITED)

For the three month periods ended 31 March

	Notes	<i>For the three month periods ended</i>	
		<i>31 March 2017 SR</i>	<i>31 March 2016 SR</i>
INCOME			
Shareholders’ appropriation from insurance operations’ surplus	2	15,325,694	15,057,074
Investment income		1,637,602	1,026,273
		<u>16,963,296</u>	<u>16,083,347</u>
General and administration expenses		(420,025)	(342,947)
NET INCOME FOR THE PERIOD		<u>16,543,271</u>	<u>15,740,400</u>
OTHER COMPREHENSIVE INCOME			
Change in fair value of available for sale investments	8	246,456	527,100
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>16,789,727</u></u>	<u><u>16,267,500</u></u>
BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD	11	<u>0.41</u>	<u>0.39</u>
WEIGHTED AVERAGE NUMBER OF ISSUED SHARES	11	<u>40,000,000</u>	<u>40,000,000</u>



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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the three month period ended 31 March

	<i>Share Capital SR</i>	<i>Fair value reserve for available for sale investments SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 1 January 2016 (audited)	400,000,000	(1,285,861)	(106,249,045)	292,465,094
Net income for the period	--	--	15,740,400	15,740,400
<i>Other comprehensive income:</i> Change in fair value of available for sale investments	--	527,100	--	527,100
Total comprehensive income	--	527,100	15,740,400	16,267,500
Charge for zakat	--	--	(1,453,044)	(1,453,044)
Charge for Income tax	--	--	(884,360)	(884,360)
Balance as at 31 March 2016 (unaudited)	400,000,000	(758,761)	(92,846,049)	306,395,190
Balance at 1 January 2017 (audited)	400,000,000	(688,369)	(68,355,850)	330,955,781
Net income for the period	--	--	16,543,271	16,543,271
<i>Other comprehensive income:</i> Change in fair value of available for sale investments	--	246,456	--	246,456
Total comprehensive income	--	246,456	16,543,271	16,789,727
Charge for zakat	--	--	(1,921,900)	(1,921,900)
Charge for Income tax	--	--	(561,097)	(561,097)
Balance as at 31 March 2017(unaudited)	400,000,000	(441,913)	(54,295,576)	345,262,511



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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF CASHFLOWS – INSURANCE OPERATIONS
(UNAUDITED)

	Notes	For the three month periods ended	
		31 March 2017	31 March 2016
		SR	SR
OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		1,702,855	1,673,008
<i>Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:</i>			
Depreciation		13,774	53,639
Employees' end of service indemnities		550,000	376,833
Release of provision for doubtful receivables	9	(1,633,729)	(1,209,329)
Operating cash inflows before changes in operating assets and liabilities		632,900	894,151
<i>Changes in operating assets and liabilities:</i>			
Premiums and insurance balances receivable		(18,862,310)	(12,445,147)
Due from related parties		2,534,424	31,915
Due to/ from shareholders' operations		14,818,608	15,057,074
Reinsurers' share of outstanding claims		(6,760,496)	27,620,690
Prepayments and other assets		166,740	134,164
Reinsurers' share of unearned premiums		5,888,634	(6,338,550)
Deferred policy acquisition costs		(6,286,320)	(3,905,331)
Gross outstanding claims		1,773,062	(29,146,040)
Gross unearned premiums		19,744,754	6,785,899
Accounts payable		2,827,202	670,426
Reinsurance balances payable		(7,504,671)	(13,868,290)
Due to related parties		(340,728)	(1,417,599)
Accrued expenses and other liabilities		(5,362,590)	(1,186,651)
Unearned reinsurance commission income		(744,495)	1,303,971
Disbursement of Surplus to policyholders		(302,155)	--
<i>Cash from / (used in) operations</i>		2,222,559	(15,809,318)
Employees' end of service benefits paid		(517,880)	(537,108)
Net cash from/ (used in) operating activities		1,704,679	(16,346,426)
INVESTING ACTIVITY			
Term deposits		(13,794,072)	--
Net cash used in investing activity		(13,794,072)	--
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,089,393)	(16,346,426)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		25,392,144	27,070,207
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	13,302,751	10,723,781



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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF CASH FLOWS – SHAREHOLDERS’ OPERATIONS
(UNAUDITED)

	<i>For the three month periods ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
<i>Note</i>	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Net income for the period	16,543,271	15,740,400
Operating cash flows before changes in operating assets and liabilities		
<i>Changes in operating assets and liabilities:</i>		
Other assets	(757,646)	(1,244,847)
Due to / from insurance operations	(14,818,608)	(15,057,074)
Accrued expenses and other liabilities	(1,000,600)	115,598
Statutory deposit	--	(5,339)
Net cash used in operating activities	(33,583)	(451,262)
INVESTING ACTIVITIES		
Term deposits	1,356,013	(8,418)
Investments	139,631	159,673
Net cash from investing activities	1,495,644	151,255
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,462,061	(300,007)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	208,948	2,709,224
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,671,009	2,409,217
	5	
<u>Non-cash transactions:</u>		
Net change in fair value of available for sale investments	246,456	527,100


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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) For the three month period ended 31 March 2017

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company (“the Company”) is a Saudi joint stock company registered on 29 Dhu-alQu’dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939).

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December, 2009), the Company received the license from Saudi Arabian Monetary Agency (“SAMA”) to transact insurance business in the Kingdom of Saudi Arabia.

The registered office address of the Company is at Prince Mohammed bin Abdul Aziz Road, Home Centre Building, P.O. Box: 6393, Riyadh 11442, Kingdom of Saudi Arabia.

The Company operates in an industry where significant seasonal or cyclical variations in operating income are experienced during the financial year.

2 BASIS OF PREPARATION

Basis of measurement

The interim condensed financial statements have been prepared under the historical cost basis except for the measurement at fair value of available for sale investments.

Statement of compliance

The accompanying interim condensed financial statements for the three month period ended 31 March 2017 (“the period”) are prepared in accordance with IAS 34 – Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and SAMA guidance for the accounting of zakat and tax, as such these do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2016. Until 31 December 2016, the financial statements of the Company were prepared in accordance with IFRS. This change in framework, however, does not result in any change in the company’s accounting policy for zakat and income tax.

During 2017, SAMA issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and tax. As a result of these amendments, zakat and tax for the company will continue to be accrued on a quarterly basis and recognized in statement of changes in shareholders’ equity with a corresponding liability recognized in the statement of financial position.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Authority (“SAMA”). Any deficit arising on insurance operations is transferred to the shareholders operations in full.

In management’s opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. Certain comparative amounts have been reclassified to conform to the current period presentation. The interim results may not be indicative of the Company’s annual results.

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the unaudited interim condensed financial statements of

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

For the three month period ended 31 March 2017

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)

the Company on the current period or prior period and is expected to have no significant effect in future periods. Certain figures for the prior year have been reclassified to conform to the presentation made in the current period:

Amendments to IASs- Disclosure Initiative” applicable from 1 January 2017.

Amendments to IAS 12 - “Recognition of Deferred Tax Assets for Unrealized Losses” applicable from 1 January 2017.

Amendments to IAS 7 - “Statement of Cash Flows”, which is applicable for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Standards issued but not yet effective

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 9 Financial Instruments

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. The Company continues to monitor the IASB progress on amendments to IFRS 4 which also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company expects that it will be eligible for this temporary exemption and will consider deferring the implementation of IFRS 9 until a later date, but no later than 1 January 2021.

The following new or amended standards are not expected to have significant impact on the financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 16 Leases

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation of uncertainty were the same as those that were applied to the issued financial statements as at and for the year ended 31 December 2016.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)

For the three month period ended 31 March 2017

5 CASH AND CASH EQUIVALENTS

	31 March 2017(Unaudited)		31 December 2016(Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash in hand	38,025	--	33,616	--
Cash at banks	13,264,726	1,671,009	25,358,528	208,948
	<u>13,302,751</u>	<u>1,671,009</u>	<u>25,392,144</u>	<u>208,948</u>

6 TERM DEPOSITS

Term deposits are placed with local banks with a maturity of more than three months from the date of original acquisition and earn investment income at an average rate of 2.1% per annum (31 December 2016: 2.3% per annum). The carrying amounts of the term deposits approximate the fair value at the statement of financial position date.

The Company holds an amount of SR 1,700,000 (31 December 2016: SR 1,300,000) in the statement of financial position of Insurance operations, in respect of deposits against letters of guarantee in favour of the Company's service providers.

7 INVESTMENTS

a) Insurance operations – Available for sale investments (AFS)

This represents investment in respect of the Company's shareholding in Najm for Insurance Services which is a Claim's Service Provider. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value.

b) Shareholders' operations – Available for sale investments (AFS)

	31 March 2017(Unaudited)		31 December 2016(Audited)	
	Amortised cost SR	Market value SR	Amortised cost SR	Market value SR
Bonds-Fixed Rate (Quoted)				
Abu Dhabi National Energy Company (TAQA)	3,964,143	3,998,850	4,003,797	4,031,250
SABIC Capital II BV	20,523,737	20,371,095	20,568,786	20,375,550
QNB (Qatar National Bank) Finance	13,716,214	13,533,750	13,733,256	13,459,500
Abu Dhabi Commercial Bank	15,660,281	15,518,568	15,665,254	15,428,400
Sukuks-Fixed Rate (Quoted)				
Saudi Electricity Company	18,752,027	18,750,000	18,765,876	18,768,750
EIB Sukuk Ltd(Emirates Islamic Bank)	3,809,536	3,811,762	3,828,600	3,813,750
	<u>76,425,938</u>	<u>75,984,025</u>	<u>76,565,569</u>	<u>75,877,200</u>

The investment income ranges between 2% to 3% per annum (31 December 2016: 2% to 3% per annum) in case of bonds and approximates 2.4% per annum (31 December 2016: 2.4% per annum) in case of sukuks.

The geographical split of investments held as available for sale comprise of bonds/ sukuks issued by GCC based companies through international stock exchanges.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)

For the three month period ended 31 March 2017

8 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 in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

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 identical instrument (i.e., without modification or repacking);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 31 March 2017 and 31 December 2016, all financial instruments under shareholders operation which are measured at fair value are level 1 instrument.

The unlisted securities of SR1.92 million (2016: SR 1.92 million) held as part of Company's insurance operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

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

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. The net change in fair value of AFS investments amounting to a gain of SR 246,456 (31 March 2016: gain of SR 527,100) has been recorded in the interim statement of comprehensive income – shareholders' operations.

The Company has not disclosed the fair value of other financial assets and liabilities as their carrying value are approximate to their fair values.

The credit quality of investment portfolio is as follows:

Credit Quality	Credit Rating Agency	Financial Instrument	31 March 2017	
			(Unaudited) SR	
A to A-	S&P	Bonds/ Sukuks	<u>58,638,513</u>	
AA- to A	Fitch	Bonds/ Sukuks	<u>17,345,512</u>	
			<u>75,984,025</u>	
			31 December 2016	
			(Audited) SR	
Credit Quality	Credit Rating Agency	Financial Instrument		
A to A-	S&P	Bonds/ Sukuks	58,603,950	
AA- to A	Fitch	Bonds/ Sukuks	<u>17,273,250</u>	
			<u>75,877,200</u>	

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9 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

	<i>31 March 2017</i> <i>(Unaudited)</i> SR	<i>31 December 2016</i> <i>(Audited)</i> SR
Premiums receivable	85,262,648	63,098,370
Receivables from insurance and reinsurance companies	4,887,961	6,692,881
Receivables from related parties	5,899,683	7,396,731
	96,050,292	77,187,982
Less: Allowance for impairment of receivables	(11,337,222)	(12,970,951)
	84,713,070	64,217,031

Allowance for impairment of receivables includes SR 1.7 million (31 December 2016: SR 1.4 million) against receivables from related parties. Movement in the allowance for doubtful debts was as follows:

	<i>31 March 2017</i> <i>(Unaudited)</i> SR	<i>31 December 2016</i> <i>(Audited)</i> SR
Opening balance	12,970,951	15,120,764
Debts written off against the provision	--	(1,145,799)
Release of provision for the period / year	(1,633,729)	(1,004,014)
Closing balance	11,337,222	12,970,951

10 STATUTORY DEPOSIT

In compliance with Insurance Implementing Regulations of SAMA, the Company deposited 10% of its paid up capital, amounting to SR 40 Million in a bank designated by SAMA. The received investment return on the deposit as at 31 March 2017 is SR 1,241,902 (31 December 2016: SR1,241,902) and has been disclosed in assets as "Return on investment of statutory deposit" and the corresponding received investment return is shown in the liabilities as "Deferred return on investment of statutory deposit". This deposit cannot be withdrawn without SAMA's consent.

11 BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD

The basic and diluted earnings per share are as follows:

	For the three month period ended 31 March 2017 (Unaudited) SR	For the three month period ended 31 March 2016 (Unaudited) SR
Net income for the period	16,543,271	15,740,400
Weighted average number of outstanding shares	40,000,000	40,000,000
Basic and diluted earnings per share	0.41	0.39

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12 SHARE CAPITAL

The authorized and paid up share capital of the Company is SR 400 million divided into 40 million shares of SR 10 each (31 December 2016: SR 400 million divided into 40 million shares of SR 10 each).

13 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the management. Related parties include RSA group in United Kingdom as well as affiliated companies in United Arab Emirates, Sultanate of Oman and Kingdom of Bahrain and Riyad Bank. The following are the details of major related party transactions for insurance and shareholders' operations during the period and the balances at the end of the period / year:

Related party	Nature of transaction	31 March 2017(Unaudited) SR	31 March 2016(Unaudited) SR
Shareholders' / Companies under common management	- Gross written premiums	2,735,250	19,062,759
	- Gross claims paid	4,784,513	12,475,736
	- Reinsurance premiums ceded	7,551,019	11,916,467
	- Reinsurers' share of gross claims paid	548,452	8,598,972
	- Reinsurance commission income	2,136,444	3,317,222
	- Outsourced service charges* - Brand fee*	1,234,500 7,525	1,512,500 7,525
RSA group entities	- Operational expenses paid on behalf of affiliates and reinsurance placements	150,415	126,801
	- Operation expenses paid by affiliates on behalf of Company	(51,242)	90,857
Key management personnel and Board members	- Gross written premiums	10,596	--
Board of directors	- Remuneration and meeting fee	157,500	116,250

*Outsourced service charges and brand fee are included with in the accrued expenses and other liabilities appearing on the face of the interim statement of financial position.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company.

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13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The significant amounts with the related parties are included in the following balances as at the financial position date:

	<i>31 March 2017</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2016</i> <i>(Audited)</i> <i>SR</i>
Entities controlled, jointly controlled or significantly influenced by related parties. - Premiums receivable, net	<u>5,899,683</u>	<u>7,396,731</u>
- Accrued expenses	<u>(10,790,739)</u>	<u>(9,625,626)</u>
- Reinsurance share of gross outstanding claims	<u>9,985,580</u>	<u>9,365,820</u>
- Gross outstanding claims	<u>(21,662,048)</u>	<u>(25,728,269)</u>
Operational expenses paid on behalf of affiliates and reinsurance placements -Due from related parties	<u>1,203,606</u>	<u>3,738,030</u>
Operation expenses paid by affiliates on behalf of Company -Due to related parties	<u>(1,574,555)</u>	<u>(1,915,283)</u>

Key management personnel's remuneration

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

	<i>31 March 2017</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 March 2016</i> <i>(Unaudited)</i> <i>SR</i>
Short term benefits	<u>1,811,911</u>	<u>1,666,640</u>
End of service benefits	<u>57,111</u>	<u>54,390</u>
	<u>1,869,022</u>	<u>1,721,030</u>

14. ZAKAT & INCOME TAX

The Company's Zakat and Income Tax (CIT) calculations and corresponding accruals and payments of Zakat and Income tax are based on the ownership percentages which are 74.96% for Zakat and 25.04% for Income tax. The Company has submitted its zakat and income tax returns up to the year ended 31 December 2015 obtained the required certificates and acknowledgements.

The Company has filed an appeal against the 'GAZT's initial assessments for the year ended 31 December 2010, 2011, 2012, 2014. Recently GAZT has raised final assessment for years 2010 through 2013 on ERAD system. Company has requested GAZT to provide details for these assessments and authority's response is awaited as at 31 March 2017. The zakat and income tax charge for the period / year as follows:

	<i>31 March</i> <i>2017</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2016</i> <i>(Audited)</i> <i>SR</i>	<i>31 March</i> <i>2016</i> <i>(unaudited)</i> <i>SR</i>
Charge for zakat for the period	<u>1,921,900</u>	<u>6,747,794</u>	<u>1,453,044</u>
Charge for income tax for the period	<u>561,097</u>	<u>1,705,476</u>	<u>884,360</u>
Provision for zakat and income tax	<u>26,867,818</u>	<u>25,516,159</u>	<u>19,400,293</u>

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15 SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below segment results do not include general and administration expenses and other income.

Segment assets do not include (in respect of insurance operations) property and equipment, due from shareholders' operations, bank balances and cash, prepaid expenses and other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralised basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, reinsurance balances payable, accrued expenses and other liabilities. Accordingly these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralised basis.

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia (except certain reinsurance balances and related party receivables).

Shareholders' operations a non-operating segment certain direct operating expenses, other overhead expenses and loss or surplus from the insurance operations are allocated to this segment on an appropriate basis.

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15 SEGMENTAL INFORMATION (continued)

For the three month period ended 31 March 2017 (Unaudited)

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	Total SR
Insurance operations								
Gross written premiums	10,897,891	54,977,450	8,056,919	(18,000)	7,401,926	1,699,983	3,304,675	86,320,844
Reinsurance premiums ceded	(7,479,526)	--	(6,259,837)	8,800	(3,056,369)	(1,060,589)	(726,679)	(18,574,200)
Excess of loss premiums	(2,569,974)	(1,769,982)	(1,410,738)	(222,998)	(2,430,154)	(399,996)	(349,346)	(9,153,188)
Net written premiums	848,391	53,207,468	386,344	(232,198)	1,915,403	239,398	2,228,650	58,593,456
Change in unearned premiums, net	7,870,208	(36,207,999)	554,409	403,415	1,014,664	171,125	560,790	(25,633,388)
Net premiums earned	8,718,599	16,999,469	940,753	171,217	2,930,067	410,523	2,789,440	32,960,068
Gross claims paid	(52,999)	(10,571,894)	(633,994)	(332,997)	(1,358,986)	(712,993)	(1,132,672)	(14,796,535)
Reinsurers' share of gross Claims paid	18,300	--	553,494	192,998	212,198	561,994	1,087,706	2,626,690
Change in outstanding claims, net	(582,501)	3,606,665	1,168,265	703,174	238,210	255,594	(401,973)	4,987,434
Net claims incurred	(617,200)	(6,965,229)	1,087,765	563,175	(908,578)	104,595	(446,939)	(7,182,411)
Policy acquisition costs	(1,124,165)	(1,732,123)	(1,049,119)	(15,380)	(339,996)	(51,754)	(181,053)	(4,493,590)
Reinsurance commission income	2,025,959	--	1,745,040	32,917	936,561	(81,997)	184,856	4,843,336
Other underwriting expenses	9,003,193	8,302,117	2,724,438	751,928	2,618,054	381,367	2,346,305	26,127,403 (406,348)
Net underwriting surplus								25,721,055
General and administrative expenses								(9,642,188)
Investment income								933,645
Other income								16,037
Insurance operations' surplus								<u>17,028,549</u>

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15 SEGMENTAL INFORMATION (continued)

	<i>For the three month period ended 31 March 2016 (Unaudited)</i>							Total SR
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	
Insurance operations								
Gross written premiums	27,155,728	49,977,500	6,832,932	153,998	9,823,902	10,802,892	4,297,733	109,044,685
Reinsurance premiums ceded	(18,465,615)	--	(5,340,947)	(11,000)	(4,235,358)	(7,294,448)	(677,835)	(36,025,203)
Excess of loss premiums	(4,053,352)	(1,549,050)	(1,130,222)	(390,866)	(2,625,472)	(1,362,465)	(259,012)	(11,370,439)
Net written premiums	4,636,761	48,428,450	361,763	(247,868)	2,963,072	2,145,979	3,360,886	61,649,043
Change in unearned premiums, net	6,384,031	(8,715,813)	240,118	610,434	996,720	(163,169)	200,330	(447,349)
Net premiums earned	11,020,792	39,712,637	601,881	362,566	3,959,792	1,982,810	3,561,216	61,201,694
Gross claims paid	(36,813,632)	(25,059,749)	(287,997)	(971,990)	(4,821,952)	(3,966,960)	(1,156,102)	(73,078,382)
Reinsurers' share of gross claims paid	36,113,739	--	196,498	400,996	1,753,882	3,005,970	145,428	41,616,513
Change in outstanding claims, net	(1,265,502)	(808,211)	842,757	542,005	2,367,400	(156,901)	3,802	1,525,350
Net claims incurred	(1,965,395)	(25,867,960)	751,258	(28,989)	(700,670)	(1,117,891)	(1,006,872)	(29,936,519)
Policy acquisition costs	(2,788,677)	(2,869,338)	(603,994)	(7,828)	(530,995)	(59,640)	(525,811)	(7,386,283)
Reinsurance commission income	2,509,344	--	956,744	(3,098)	1,206,140	663,809	(53,917)	5,279,022
Other underwriting expenses	8,776,064	10,975,339	1,705,890	322,651	3,934,267	1,469,088	1,974,616	29,157,914
Net underwriting surplus	--	--	--	--	--	--	--	(536,640)
General and administrative expenses								28,621,274
Investment income								(12,550,654)
Other income								623,140
Insurance operations' surplus								36,322
								<u>16,730,082</u>

	<i>As at 31 March 2017 (Unaudited)</i>							Total SR
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	
Insurance operations' assets								
Reinsurers' share of unearned Premiums	37,020,680	993,430	12,462,407	559,408	4,817,290	1,132,109	2,303,688	59,289,012
Reinsurers' share of outstanding claims	22,317,267	--	17,914,071	197,998	10,556,004	10,267,930	5,440,122	66,693,392
Deferred policy acquisition Costs	1,713,620	6,726,896	1,079,115	42,912	423,000	185,791	260,572	10,431,906
Unallocated assets								<u>291,237,949</u>
								<u>427,652,259</u>
Insurance operations' liabilities								
Gross outstanding claims	37,230,718	66,452,095	21,396,936	577,994	21,613,264	15,357,846	9,847,560	172,476,413
Gross unearned premiums	52,771,472	57,059,429	13,122,869	746,993	7,401,926	1,567,984	7,159,226	139,829,899
Unearned reinsurance commission Income	4,002,371	--	1,264,115	--	697,912	8,235	189,825	6,162,458
Unallocated liabilities								<u>109,183,489</u>
								<u>427,652,259</u>

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15 SEGMENTAL INFORMATION (continued)

	As at 31 December 2016(Audited)							Total
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	SR
Insurance operations' assets								
Reinsurers' share of unearned Premiums	48,019,520	--	8,500,861	679,993	4,580,654	629,994	2,766,624	65,177,646
Reinsurers' share of outstanding claims	20,307,937	--	11,593,904	203,518	10,063,909	11,508,338	6,255,290	59,932,896
Deferred policy acquisition Costs	1,258,801	1,197,842	1,019,245	51,292	340,000	27,547	250,859	4,145,586
Unallocated assets								<u>282,083,375</u>
								<u>411,339,503</u>
Insurance operations' liabilities								
Gross outstanding claims	34,638,744	70,058,059	16,244,988	1,286,677	21,359,266	16,849,762	10,265,855	170,703,351
Gross unearned premiums	71,640,284	19,857,801	9,715,720	1,270,987	8,180,918	1,236,988	8,182,447	120,085,145
Unearned reinsurance commission income	3,940,986	--	1,875,521	32,917	936,568	2,517	118,444	6,906,953
Unallocated liabilities								<u>113,644,054</u>
								<u>411,339,503</u>

16 CONTINGENCIES AND COMMITMENTS

Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management believes that such proceedings (including litigations) will not have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

Operating lease commitments

Rental expenses under operating leases pertaining to office spaces in various locations amounting to SR 0.38 million for the period ended 31 March 2017 (31 March 2016: SR 0.48 million) are recognised in the interim statement of comprehensive income - insurance operations.

Future minimum lease payments under the operating lease arrangements as at 31 March are as follows:

	31 March 2017 (Unaudited) SR	31 December 2016 (Audited) SR
Less than one year	<u>520,953</u>	<u>587,384</u>

17 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 02 May 2017, corresponding to 06 Shaban 1438H.