

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2017

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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**INDEPENDENT AUDITORS' REVIEW REPORT
ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS OF
UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of **United Cooperative Assurance Company** (A Saudi Joint Stock Company) (the "Company") as at 31 March 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the three-month period then ended and the notes from 1 to 16 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 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 Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 and consequently, it 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 presented fairly, in all material respects, in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) and SAMA guidance on accounting for Zakat and Tax.

for PKF Al Bassam & Al Nemer
Allied Accountants

Ibrahim A. Al-Bassam
Certified Public Accountant
Licence No. 337

for Abdulaziz A. Alnaim
Certified Public Accountants

Abdulaziz A. Alnaim
Certified Public Accountant
Licence No. 394

11 May 2017
15 Sha'baan 1438H
Jeddah, Kingdom of Saudi Arabia



UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

		31 March 2017 (Unaudited) SR' 000	31 December 2016 (Audited) SR' 000
	<i>Note</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	24,692	61,736
Time deposit		56,070	136,070
Available-for-sale investments	4	129,448	109,469
Held to maturity investments	5	118,510	119,855
Premiums receivable, net	6	218,560	193,240
Reinsurance receivables, net	7	23,571	20,604
Reinsurers' share of unearned premiums		180,754	184,906
Reinsurers' share of outstanding claims		308,858	321,697
Deferred policy acquisition costs		8,192	10,726
Prepaid expenses and other assets		35,675	30,814
Furniture, fittings and equipment		2,852	2,968
Total insurance operations' assets		1,107,182	1,192,085
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	4,531	1,268
Time deposit		34,600	74,600
Available-for-sale investments	4	103,297	35,355
Held to maturity investments		95,927	96,198
Due from insurance operations		54,052	50,322
Prepaid expenses and other assets		1,995	1,305
Goodwill	1(b)	78,400	78,400
Accrued commission on statutory deposit		1,288	1,242
Statutory deposit	11	73,500	73,500
Total shareholders' assets		447,590	412,190
TOTAL ASSETS		1,554,772	1,604,275



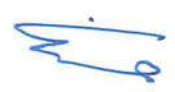

The accompanying notes 1 to 16 form part of these interim condensed financial statements.

**UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2017

		31 March 2017 (Unaudited) SR' 000	31 December 2016 (Audited) SR' 000
	<i>Note</i>		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Due to reinsurers		126,503	127,064
Unearned commission income		28,932	30,860
Unearned premiums		252,645	294,762
Unexpired risk reserve		2,993	2,993
Claims handling provision		5,367	5,367
Catastrophe reserve		1,089	1,089
Other technical reserves		2,802	2,802
Outstanding claims		496,450	561,152
Due to policyholders		8,962	11,727
Accrued expenses and other liabilities		72,052	53,205
Due to shareholders' operations		54,052	50,322
Employees' terminal benefits		19,533	18,639
Total insurance operations' liabilities		1,071,380	1,159,982
Insurance operations' surplus			
Accumulated surplus from insurance operations		36,176	32,456
Available-for-sale investments reserve	4	(374)	(353)
Total insurance operations' liabilities and surplus		1,107,182	1,192,085
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		579	387
Due to a related party	12	270	270
Accrued commission on statutory deposit payable to SAMA		1,288	1,242
Provision for zakat and income tax	8	22,181	20,681
Total shareholders' liabilities		24,318	22,580
Shareholders' equity			
Share capital	9	490,000	490,000
Statutory reserve	10	31,944	31,944
Accumulated losses		(95,400)	(128,120)
Available-for-sale investments reserve	4	(3,272)	(4,214)
Total shareholders' equity		423,272	389,610
Total shareholders' liabilities and equity		447,590	412,190
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,554,772	1,604,275

The accompanying notes 1 to 16 form part of these interim condensed financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the three-month period ended 31 March 2017

	<i>For the three-month period ended</i>	
	<i>31 March 2017</i>	<i>31 March 2016</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
REVENUE		
Gross written premiums	108,913	347,597
Less: Reinsurance premiums ceded	(87,804)	(193,116)
Excess of loss premiums	(707)	(948)
Net written premiums	20,402	153,533
Change in net unearned premiums	37,965	35,701
Net premiums earned	58,367	189,234
Reinsurance commissions earned	20,122	20,276
Net revenue	78,489	209,510
COSTS AND EXPENSES		
Gross claims paid	113,521	245,942
Less: Reinsurers' share of claims paid	(57,247)	(76,682)
Net claims paid	56,274	169,260
Change in net outstanding claims	(51,863)	(15,994)
Net claims incurred	4,411	153,266
Policy acquisition costs	5,261	10,471
Net cost and expenses	9,672	163,737
Net underwriting result	68,817	45,773
General and administration expenses	(26,521)	(26,957)
Provision for doubtful debts	(5,347)	(110)
Supervision and inspection fee	(767)	(1,459)
Council of Cooperative Health Insurance (CCHI) fee	(184)	(303)
Investment income	1,198	3,965
SURPLUS FROM INSURANCE OPERATIONS	37,196	20,909
Shareholders' share of surplus from insurance operations	(33,476)	(18,818)
Policyholders' share of surplus from insurance operations	3,720	2,091
Accumulated surplus at the beginning of the period	32,456	21,258
Accumulated surplus at the end of the period	36,176	23,349



The accompanying notes 1 to 16 form part of these interim condensed financial statements.

**UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month period ended 31 March 2017

		<i>For the three-month period ended</i>	
		<i>31 March 2017</i>	<i>31 March 2016</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE			
Shareholders' share of insurance operations surplus		33,476	18,818
Commission income		1,422	1,031
Investment loss		(216)	-
Amortization of held to maturity investments		47	-
		<u>34,729</u>	<u>19,849</u>
EXPENSES			
General and administration		(234)	(332)
Board remuneration		(275)	(274)
Total expenses		<u>(509)</u>	<u>(606)</u>
NET INCOME FOR THE PERIOD			
		<u>34,220</u>	<u>19,243</u>
Weighted average number of ordinary shares outstanding (in thousand)	13	<u>49,000</u>	<u>49,000</u>
Basic and diluted earnings per share (in Saudi Riyals)	13	0.70	0.39



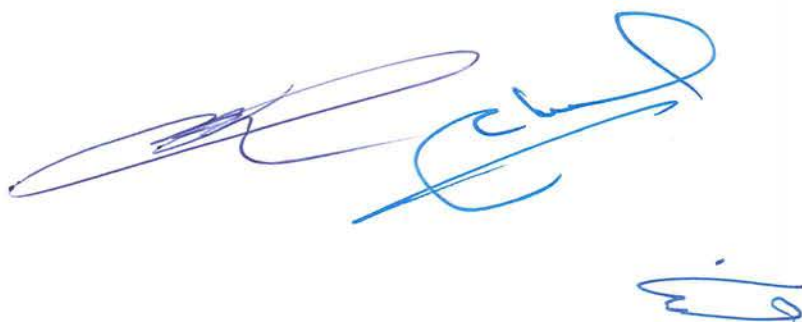
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UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2017

	<i>For the three- month period ended</i>	
	<i>31 March 2017</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 March 2016</i> <i>(Unaudited)</i> <i>SR'000</i>
Net income for the period	34,220	19,243
Other comprehensive income / (loss)		
<i>Other comprehensive income to be reclassified to interim statement of shareholders' operations in subsequent periods:</i>		
Change in fair value of available-for-sale investments	942	(2,217)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	35,162	17,026

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The accompanying notes 1 to 16 form part of these interim condensed financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

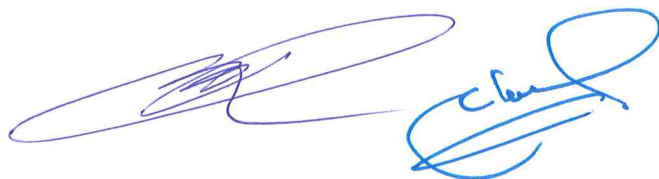
For the three-month period ended 31 March 2017

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

	<i>Share capital</i> <i>SR'000</i>	<i>Statutory reserve</i> <i>SR'000</i>	<i>Accumulated</i> <i>losses</i> <i>SR'000</i>	<i>Available-for-sale</i> <i>investments</i> <i>reserve</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Balance as at 31 December 2016 – (audited)	490,000	31,944	(128,120)	(4,214)	389,610
Net income for the period	-	-	34,220	-	34,220
Change in fair value of available-for-sale investments	-	-	-	942	942
Zakat for the current period (note 8)	-	-	(1,400)	-	(1,400)
Income tax for the current period (note 8)	-	-	(100)	-	(100)
Balance as at 31 March 2017 – (unaudited)	<u>490,000</u>	<u>31,944</u>	<u>(95,400)</u>	<u>(3,272)</u>	<u>423,272</u>

For the three-month period ended 31 March 2016 – (Unaudited)

	<i>Share capital</i> <i>SR'000</i>	<i>Statutory reserve</i> <i>SR'000</i>	<i>Accumulated</i> <i>losses</i> <i>SR'000</i>	<i>Available-for-sale</i> <i>investments</i> <i>reserve</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Balance as at 31 December 2015 – (audited)	490,000	31,944	(221,888)	(5,345)	294,711
Net income for the period	-	-	19,243	-	19,243
Change in fair value of available-for-sale investments	-	-	-	(2,217)	(2,217)
Zakat for the current period (note 8)	-	-	(920)	-	(920)
Income tax for the current period (note 8)	-	-	(80)	-	(80)
Balance as at 31 March 2016 – (unaudited)	<u>490,000</u>	<u>31,944</u>	<u>(203,645)</u>	<u>(7,562)</u>	<u>310,737</u>




The accompanying notes 1 to 16 form part of these interim condensed financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the three-month period ended 31 March 2017

	<i>For the three-month period ended</i>	
	<i>31 March 2017</i>	<i>31 March 2016</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Surplus for the period from insurance operations	3,720	2,091
Adjustments for:		
Depreciation	396	522
Employees' terminal benefits	894	303
Amortization of held to maturity investments	(47)	-
Movement in allowance for doubtful premiums receivables	5,293	77
Movement in allowance for doubtful reinsurance receivables	54	33
Reinsurers' share of unearned premiums	4,152	(152,898)
Unearned premiums	(42,117)	117,196
	(27,655)	(32,676)
Changes in operating assets and liabilities:		
Premiums receivable	(30,613)	(18,123)
Reinsurance receivables	(3,021)	(639)
Reinsurers' share of outstanding claims	12,839	57,168
Deferred policy acquisition cost	2,534	(154)
Prepaid expenses and other assets	(4,861)	5,084
Due from shareholders' operations	3,730	81,610
Due to reinsurers	(561)	58,664
Unearned commission income	(1,928)	21,233
Outstanding claims	(64,702)	(73,162)
Due to policyholders	(2,765)	(8,467)
Accrued expenses and other liabilities	18,847	9,873
Net cash (used in) / from operating activities	(98,156)	100,411
INVESTING ACTIVITIES		
Time deposit	80,000	(70,000)
Purchase of furniture, fittings and equipment	(280)	(470)
Purchase of available-for-sale investments	(60,000)	-
Proceeds from sale of available-for-sale investments	40,000	-
Proceeds from sale of held to maturity investments	1,392	-
Net cash from / (used in) investing activities	61,112	(70,470)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(37,044)	29,941
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	61,736	281,546
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24,692	311,487
Non-cash transactions:		
Change in fair value of available-for-sale investments	21	(184)

The accompanying notes 1 to 16 form part of these interim condensed financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three-month period ended 31 March 2017

	<i>For the three-month period ended 31 March 2017 (Unaudited) SR'000</i>	<i>For the three-month period ended 31 March 2016 (Unaudited) SR'000</i>
OPERATING ACTIVITIES		
Net income for the period	34,220	19,243
Adjustments for:		
Amortization of held to maturity investments	(47)	-
	<u>34,173</u>	<u>19,243</u>
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(690)	(1,243)
Accrued commission on statutory deposit	(46)	-
Due to insurance operations	(3,730)	(81,610)
Accrued expenses and other liabilities	192	300
Accrued commission on statutory deposit payable to SAMA	46	-
Net cash from / (used in) operating activities	<u>29,945</u>	<u>(63,310)</u>
INVESTING ACTIVITIES		
Time deposit	40,000	70,000
Purchase of available for sale investments	(70,000)	-
Proceeds from sale of available-for-sale investments	3,000	5,000
Proceeds from sale of held to maturity investments	318	-
Net cash (used in) / from investing activities	<u>(26,682)</u>	<u>75,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,263	11,690
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,268	19,409
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,531	31,099
Non-cash transactions:		
Change in fair value of available-for-sale investments	<u>942</u>	<u>(2,217)</u>



The accompanying notes 1 to 16 form part of these interim condensed financial statements.

**UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

a) *Organisation and principal activities*

United Cooperative Assurance Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 4030179955 dated 6 Jamad-al-Thani 1429H (corresponding to 6 June 2008). The Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floors), Al Rawdah Street, Khalediya District, P.O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009. At incorporation, the Company was 98% owned by general public and Saudi shareholders and 2% by foreign shareholders.

b) *Portfolio transfer*

The Company entered into an agreement with UCA Insurance Bahrain B.S.C ('the seller') pursuant to which it acquired the seller's insurance operations in the Kingdom of Saudi Arabia, effective from 31 December 2008, for a total consideration of SR 656.95 million with a goodwill amount of SR 78.4 million. The transaction was approved by SAMA. The goodwill amount payable to the seller was paid in full subsequent to 2008, after obtaining specific approval from SAMA.

Goodwill has been tested for impairment by management at least once at the end of each financial year. Last impairment test was carried out by the management at 31 December 2016. Keeping in view the growth rate of premiums, discount rates, market share during the forecast period and growth rates used to extrapolate cash flows beyond the forecast period; and on the basis of the projections from financial budgets, approved by the Board of Directors covering a five-year period, the management determined that there was no impairment of goodwill.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Statement of compliance*

These interim condensed financial statements 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 Tax. The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are consistent with those used for the preparation of annual financial statements.

These interim condensed financial statements for three-month period ended 31 March 2017 ("the period") should be read in conjunction with the Company's audited financial statements as at 31 December 2016. In the Company's Board of Directors 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. The Company's interim results may not be indicative of its expected annual results.

The Company follows a fiscal year ending 31 December.

The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

b) *Basis of presentation*

As required by the Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody and title 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 expenses from joint operations is determined by the management and the Board of Directors and is applied on consistent basis.

**UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of presentation (continued)

As per the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Insurance operations	10%
	100%

In case of deficit arising from insurance operations, the entire deficit is allocated and transferred to shareholders' operations.

In accordance with article 70 of the Saudi Arabian Monetary Agency ("SAMA") implementing regulations, the Company must obtain SAMA approval before distribution of policyholder's surplus directly to policyholders at a time, and according to criteria set by its Board of Directors.

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

The accounting policies used in preparation of these interim condensed financial statements are consistent with those of the previous financial year and the adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on the interim condensed financial statements of the Company.

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<i>Standard</i>	<i>Description</i>
IFRS 12	The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. This did not have any impact on the financial statements of the Company as there is no investment in subsidiary, a joint venture or an associate.
IAS 7	Amendments to IAS 7 – "Statement of Cash flows: Disclosure Initiative", The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Company is not required to provide additional disclosures in its interim condensed financial statements, but will disclose additional information in its annual financial statements for the year ending 31 December 2017.

The adoption of the above standards did not have any impact on the accounting policies, financial position or performance of the Company.

d) New IFRS and amendments thereof, issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective date</i>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.	1 January 2018
IAS 40	Amendments to IAS 40 Transfers of investment property.	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance consideration.	1 January 2018
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.	1 January 2018
IFRS 16	Leases	1 January 2019

The management is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

**UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2017

3 CASH AND CASH EQUIVALENTS

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR' 000</i>
<i>Insurance operations</i>		
Cash at banks	<u>24,692</u>	<u>61,736</u>
<i>Shareholders' operations</i>		
Cash at banks	<u>4,531</u>	<u>1,268</u>

Cash at banks are placed with counterparties who have good credit ratings.

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

4 AVAILABLE-FOR-SALE INVESTMENTS

Insurance operations

Available-for-sale-investments with local banks represent units in investment funds listed in the Saudi Stock Exchange (Tadawul) whereas the investments with foreign banks are listed in international stock exchanges. The available-for-sale investment reserve is SR 0.37 million as at 31 March 2017 (31 December 2016: SR 0.35 million) and was credited to the surplus from insurance operations.

Movement in available-for-sale investments has summarized below:

Insurance operations	<i>Balance at the beginning of the period SR' 000</i>	<i>Net movement during the period SR' 000</i>	<i>Change in fair value for the period SR' 000</i>	<i>Balance at the end of the period SR' 000</i>
As at 31 March 2017 – Unaudited				
Investment in bonds	3,792	-	32	3,824
Investment in sukuk	101,076	-	(3)	101,073
Investment in equity shares	4,601	-	(50)	4,551
Investment in mutual funds	-	20,000	-	20,000
	<u>109,469</u>	<u>20,000</u>	<u>(21)</u>	<u>129,448</u>
As at 31 December 2016 – Audited				
Investment in bonds	4,112	(500)	180	3,792
Investment in sukuk	101,083	-	(7)	101,076
Investment in equity shares	4,686	205	(290)	4,601
Investment in mutual funds	75,191	(75,000)	(191)	-
	<u>185,072</u>	<u>(75,295)</u>	<u>(308)</u>	<u>109,469</u>

UNITED COOPERATIVE ASSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2017

4 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Shareholders' operations	31 March 2017 (Unaudited) SR,000	31 December 2016 (Audited) SR,000
Quoted securities	101,374	33,432
Unquoted securities	1,923	1,923
	<u>103,297</u>	<u>35,355</u>

i) Available-for-sale – quoted securities

	<i>Balance at the beginning of the period SR' 000</i>	<i>Net movement during the period SR' 000</i>	<i>Change in fair value for the period SR' 000</i>	<i>Balance at the end of the period SR' 000</i>
As at 31 March 2017 – Unaudited				
Investment in equity shares	8,045	-	(509)	7,536
Investment in bonds	13,621	-	110	13,731
Investment in sukuk	4,071	(3,000)	1	1,072
Investment in mutual funds	7,695	70,000	1,340	79,035
	<u>33,432</u>	<u>67,000</u>	<u>942</u>	<u>101,374</u>

	<i>Balance at the beginning of the year SR' 000</i>	<i>Net movement during the year SR' 000</i>	<i>Change in fair value for the year SR' 000</i>	<i>Balance at the end of the year SR' 000</i>
As at 31 December 2016 – Audited				
Investment in equity shares	11,444	(5,090)	1,691	8,045
Investment in bonds	10,927	2,511	183	13,621
Investment in sukuk	43,165	(39,085)	(9)	4,071
Investment in mutual funds	18,429	(10,000)	(734)	7,695
	<u>83,965</u>	<u>(51,664)</u>	<u>1,131</u>	<u>33,432</u>

ii) Available-for-sale- unquoted securities

	<i>Balance at the beginning of the period SR' 000</i>	<i>Net movement during the period SR' 000</i>	<i>Change in fair value for the period SR' 000</i>	<i>Balance at the end of the period SR' 000</i>
As at 31 March 2017 – Unaudited				
Investment in local company	1,923	-	-	1,923

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2017

4 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Shareholders' operations (continued)

ii) Available-for-sale – unquoted securities (continued)

	<i>Balance at the beginning of the year SR' 000</i>	<i>Net movement during the year SR' 000</i>	<i>Change in fair value for the year SR' 000</i>	<i>Balance at the end of the year SR' 000</i>
As at 31 December 2016 – Audited				
Investment in local company	1,923	-	-	1,923
Investment in sukuk	60,000	(60,000)	-	-
Investment in Murabaha deposit	59,721	(60,599)	878	-
	<u>121,644</u>	<u>(120,599)</u>	<u>878</u>	<u>1,923</u>

The unrealized gain of SR 0.942 million for the three-month period ended 31 March 2017 (three-month period ended 31 March 2016: Unrealized gain of SR 2.217 million) was credited to the statement of changes in shareholders' equity as available-for-sale investments reserve. The available-for-sale investments reserve as of 31 March 2017 is SR 3.272 million (31 December 2016: SR 4.214 million).

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 March 2017 - Unaudited

	<i>Level 1 SR' 000</i>	<i>Level 2 SR' 000</i>	<i>Level 3 SR' 000</i>	<i>Total SR' 000</i>
Available-for-sale investments				
Equity securities				
Insurance operations	4,551	20,000	-	24,551
Shareholders' operations	7,536	79,035	1,923	88,494
Debt securities				
Insurance operations	4,897	100,000	-	104,897
Shareholders' operations	14,803	-	-	14,803
	<u>31,787</u>	<u>199,035</u>	<u>1,923</u>	<u>232,745</u>

As at 31 December 2016 – Audited

	<i>Level 1 SR' 000</i>	<i>Level 2 SR' 000</i>	<i>Level 3 SR' 000</i>	<i>Total SR' 000</i>
Available-for-sale investments				
Equity securities:				
Insurance operations	4,601	-	-	4,601
Shareholders' operations	8,045	7,694	1,923	17,662
Debt securities:				
Insurance operations	4,868	100,000	-	104,868
Shareholders' operations	17,693	-	-	17,693
	<u>35,207</u>	<u>107,694</u>	<u>1,923</u>	<u>144,824</u>

The Company has unquoted equity instruments of SR 1.923 million (31 December 2016: SR 1.923 million) carried at cost or indicative selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired.

There were no transfers between level 1, 2 and 3 during the three-month period ended 31 March 2017 and year ended 31 December 2016.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2017

5. HELD TO MATURITY INVESTMENTS

Insurance operations

Held-to-maturity investments represent Government Bonds with a maturity of five (5) to ten (10) years issued by Saudi Government. The average commission rate on these investments at 31 March 2017 is 2.375% to 3.25% per annum (31 December 2016: 3.25% – 4.5%).

Shareholders' operations

Held-to-maturity investments represent Government Bonds with a maturity of five (5) to ten (10) years issued by Saudi Government. The average commission rate on these investments at 31 March 2017 is 2.375% to 3.25% per annum (31 December 2016: 3.25% – 4.5%).

6 PREMIUMS RECEIVABLE, NET

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR' 000</i>
Due from policyholders	170,437	142,559
Due from policyholders – related parties (note 11)	101,170	98,435
Allowance for doubtful debts	(53,047)	(47,754)
	<u>218,560</u>	<u>193,240</u>

Movement in the allowance for doubtful debts during the period / year was as follows:

	<i>Three-month period ended 31 March 2017 (Unaudited) SR' 000</i>	<i>For the year ended 31 December 2016 (Audited) SR' 000</i>
Balance at the beginning of the period / year	47,754	36,339
Allowance for the period / year	5,293	14,712
Written off during the period / year	-	(3,297)
Balance at the end of the period / year	<u>53,047</u>	<u>47,754</u>

7 REINSURANCE RECEIVABLES, NET

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR' 000</i>
Reinsurance receivable	25,632	22,611
Allowance for doubtful debts	(2,061)	(2,007)
	<u>23,571</u>	<u>20,604</u>

Movement in the allowance for doubtful debts during the period / year was as follows:

	<i>Three-month period ended 31 March 2017 (Unaudited) SR' 000</i>	<i>For the year ended 31 December 2016 (Audited) SR' 000</i>
Balance at the beginning of the period / year	2,007	2,352
Allowance for the period / year	54	1,123
Written off during the period / year	-	(1,468)
Balance at the end of the period / year	<u>2,061</u>	<u>2,007</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2017

8 ACCRUED ZAKAT AND INCOME TAX

The Zakat and Income tax payable by the Company has been calculated based on the best estimates of the management.

The movement in Zakat payable is as follows:

	<i>Three-month period ended 31 March 2017 (Unaudited) SR' 000</i>	<i>For the year ended 31 December 2016 (Audited) SR' 000</i>
Balance at the beginning of the period / year	20,449	14,681
Charge for the current period / year	1,400	5,768
Balance at the end of the period / year	<u>21,849</u>	<u>20,449</u>

The movement in Income tax payable is as follows:

	<i>Three-month period ended 31 March 2017 (Unaudited) SR' 000</i>	<i>For the year ended 31 December 2016 (Audited) SR' 000</i>
Balance at the beginning of the period / year	232	-
Charge for the current period / year	100	232
Balance at the end of the period / year	<u>332</u>	<u>232</u>

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declarations filed by the Company.

Status of assessment:

The Company has filed its zakat declarations for the years ended 31 December 2009 to 2015 and obtained restricted zakat certificates.

During 2013, the Company received the final zakat assessments for the years 2009 to 2011 from the General Authority of Zakat and Income Tax (GAZT) claiming zakat liability amounting to SR 17.69 million. The management believes that the existing provision for zakat is sufficient. The Management has filed an objection against the above assessments and is confident of receiving a favourable ruling. However, during 2014, the Company has paid SR 14.288 million with respect to these assessments. GAZT has not yet raised assessments for the years from 2012 to 2015.

9 SHARE CAPITAL

The authorised and issued share capital of the Company is SR 490 million divided into 49 million ordinary shares of SR 10 each.

10 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. As the Company has accumulated losses at period end, no transfer to statutory reserve has been made during the period. The reserve is not available for distribution.

11 STATUTORY DEPOSIT

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR' 000</i>
<i>Shareholders' operations</i>		
Statutory deposit	<u>73,500</u>	<u>73,500</u>

During 2016, as required by Saudi Arabian Monetary Authority, the Company has increased its statutory deposit from 10% to 15% of the paid-up capital to SR 73.5 million (31 December 2016: SR 73.5 million) in a bank designated by the Saudi Arabian Monetary Authority (SAMA). The Company cannot withdraw this deposit without SAMA's approval and commission accruing on this deposit is payable to SAMA.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2017

12 RELATED PARTIES TRANSACTIONS AND BALANCES

The related parties comprise of directors, companies where directors have control and key management personnel.

The following are the details of major related party transactions during the year.

Related party	Nature of transactions	Amount of transactions For the three-month period ended		Balance as of	
		31 March 2017 (Unaudited) SR'000	31 March 2016 (Unaudited) SR'000	31 March 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
<i>Insurance Operations</i>					
Saudi Bin Laden – Group	Premiums underwritten	35,503	33,895		
	Payments and claims	(32,768)	(50,837)	101,170	98,435
Law Office of Hassan Mahassni	Premiums underwritten	-	89		
	Payments and claims	(6)	(192)	(52)	(46)
Key management personnel	Remuneration and related expenses	1,182	1,236	-	-
<i>Shareholders' Operations</i>					
Najm for insurance services	Payment received	-	-	(270)	(270)
Board members	Board of directors remunerations	275	274	337	62

13 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share for the period has been calculated by dividing the net income for the period by the weighted average number of issued and outstanding shares for the period.

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At 31 March 2017

14 SEGMENT 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 administrative expenses and investment income. Segment assets do not include insurance operations cash and cash equivalents, available-for-sale investments, premiums receivable (net), reinsurance receivables (net), prepaid expenses and other assets and furniture, fittings and equipment.

Segment liabilities do not include due to reinsurers, due to policyholders, accrued and other liabilities, due to shareholders' operations and employees' terminal benefits.

Consistent with the Company's internal reporting process, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities as stated below:

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Energy SR'000</i>	<i>Others SR'000</i>	<i>Total SR'000</i>
For the three-month period ended 31 March 2017 (Unaudited)					
Gross written premiums	18,947	5,654	25,874	58,438	108,913
Less: Reinsurance premiums ceded	(8,858)	(2,733)	(25,429)	(50,784)	(87,804)
Excess of loss premiums	-	(264)	-	(443)	(707)
Net written premiums	10,089	2,657	445	7,211	20,402
Change in net unearned premiums	299	42,859	(342)	(4,851)	37,965
Net premiums earned	10,388	45,516	103	2,360	58,367
Reinsurance commissions earned	-	12,589	97	7,436	20,122
	10,388	58,105	200	9,796	78,489
Gross claims paid	11,117	74,012	-	28,392	113,521
Less: Reinsurers' share of claims paid	(1,296)	(28,481)	-	(27,470)	(57,247)
Net claims paid	9,821	45,531	-	922	56,274
Change in net outstanding claims	(4,664)	(46,564)	-	(635)	(51,863)
Net claims incurred	5,157	(1,033)	-	287	4,411
Policy acquisition costs	648	3,054	-	1,559	5,261
	5,805	2,021	-	1,846	9,672
Net underwriting result	4,583	56,084	200	7,950	68,817
General and administration expenses (unallocated)					(26,521)
Provision for doubtful debts (unallocated)					(5,347)
Supervision and inspection fee	(74)	(388)	(129)	(176)	(767)
CCHI fee	(184)	-	-	-	(184)
Investment income (unallocated)					1,198
Surplus from insurance operations					37,196

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2017

14 SEGMENT INFORMATION (continued)

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Energy SR'000</i>	<i>Others SR'000</i>	<i>Total SR'000</i>
As at 31 March 2017 (Unaudited)					
<i>Insurance operations' assets</i>					
Reinsurers' share of unearned premiums	13,503	36,448	19,490	111,313	180,754
Reinsurers' share of outstanding claims	7,539	44,959	640	255,720	308,858
Deferred policy acquisition costs	1,431	2,560	-	4,201	8,192
Unallocated assets					<u>609,378</u>
Total insurance operations' assets					<u>1,107,182</u>
<i>Insurance operations' liabilities and surplus</i>					
Unearned premiums	32,697	74,235	19,832	125,881	252,645
Unexpired risk reserve	-	-	-	2,993	2,993
Claims handling provision	-	5,367	-	-	5,367
Catastrophe reserve	-	-	-	1,089	1,089
Other technical reserves	76	1,969	-	757	2,802
Outstanding claims	26,528	194,840	648	274,434	496,450
Unearned commission income	-	5,383	317	23,232	28,932
Unallocated liabilities and accumulated surplus					<u>316,904</u>
Total insurance operations' liabilities and accumulated surplus					<u>1,107,182</u>
	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Energy SR'000</i>	<i>Others SR'000</i>	<i>Total SR'000</i>
For the three-month period ended 31 March 2016 (Unaudited)					
Gross written premiums	23,229	263,083	(1,432)	62,717	347,597
Less: Reinsurance premiums ceded	(2,079)	(138,833)	1,407	(53,611)	(193,116)
Excess of loss premiums	(56)	(288)	-	(604)	(948)
Net written premiums	<u>21,094</u>	<u>123,962</u>	<u>(25)</u>	<u>8,502</u>	<u>153,533</u>
Change in net unearned premiums	4,708	37,514	(312)	(6,209)	35,701
Net premiums earned	<u>25,802</u>	<u>161,476</u>	<u>(337)</u>	<u>2,293</u>	<u>189,234</u>
Reinsurance commission earned	-	12,807	475	6,994	20,276
	<u>25,802</u>	<u>174,283</u>	<u>138</u>	<u>9,287</u>	<u>209,510</u>
Gross claims paid	19,336	167,475	-	59,131	245,942
Less: Reinsurers' share of claims paid	-	(20,239)	-	(56,443)	(76,682)
Net claims paid	<u>19,336</u>	<u>147,236</u>	<u>-</u>	<u>2,688</u>	<u>169,260</u>
Change in net outstanding claims	(2,546)	(9,851)	-	(3,597)	(15,994)
Net claims incurred	<u>16,790</u>	<u>137,385</u>	<u>-</u>	<u>(909)</u>	<u>153,266</u>
Policy acquisition costs	1,546	7,350	-	1,575	10,471
	<u>18,336</u>	<u>144,735</u>	<u>-</u>	<u>666</u>	<u>163,737</u>
Net underwriting result	<u>7,466</u>	<u>29,548</u>	<u>138</u>	<u>8,621</u>	<u>45,773</u>
General and administration expenses (unallocated)					(26,957)
Provision for doubtful debts					(110)
Supervision and inspection fee	(140)	(1,152)	7	(174)	(1,459)
CCHI fee	(303)	-	-	-	(303)
Investment income (unallocated)					<u>3,965</u>
Surplus from insurance operations					<u>20,909</u>

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14 SEGMENT INFORMATION (continued)

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Energy SR'000</i>	<i>Others SR'000</i>	<i>Total SR'000</i>
As at 31 December 2016 (Audited)					
<i>Insurance operations' assets</i>					
Reinsurers' share of unearned premiums	9,070	77,342	-	98,494	184,906
Reinsurers' share of outstanding claims	521	48,059	640	272,477	321,697
Deferred policy acquisition costs	1,511	5,400	-	3,815	10,726
Unallocated assets					<u>674,756</u>
Total insurance operations' assets					<u>1,192,085</u>
<i>Insurance operations' liabilities and surplus</i>					
Unearned premiums	28,563	157,989	-	108,210	294,762
Unexpired risk reserve	-	-	-	2,993	2,993
Claims handling provision	-	5,367	-	-	5,367
Catastrophe reserve	-	-	-	1,089	1,089
Other technical reserves	76	1,969	-	757	2,802
Outstanding claims	24,174	244,504	648	291,826	561,152
Unearned commission income	-	11,049	-	19,811	30,860
Unallocated liabilities and accumulated surplus					<u>293,060</u>
Total insurance operations' liabilities and accumulated surplus					<u>1,192,085</u>

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, premiums receivable (net), available-for-sale investments, due from reinsurers (net) and statutory deposit and its financial liabilities consist of outstanding claims, due to reinsurers, due to policyholders, due to shareholders' operations and certain other liabilities.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

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 identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial 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.

16 BOARD OF DIRECTORS' APPROVAL

These interim condensed financial statements have been approved by the Board of Directors on 13 April 2017, corresponding to 16 Rajab 1438H.