

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2016

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

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Al-Bassam & Al-Nemer
Allied Accountants



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

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

Scope of Limited Review

We have reviewed the accompanying interim statement of financial position of United Cooperative Assurance Company – a Saudi Joint Stock Company – (“the Company”) as at 30 June 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations, comprehensive income for three-month and six-month periods then ended and the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the six-month period then ended and the related notes 1 to 16 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

Emphasis of matter

We draw attention to the fact that the accompanying interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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



28 July 2016
23 Shawaal 1437H
Jeddah, Kingdom of Saudi Arabia

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016 (Unaudited) SR' 000	31 December 2015 (Audited) SR' 000
	<i>Note</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	329,225	281,546
Time deposit		264,300	114,300
Available-for-sale investments	4	159,113	185,072
Premiums receivable, net	5	252,293	266,929
Reinsurance receivables, net	6	8,643	23,510
Reinsurers' share of unearned premiums		334,157	174,250
Reinsurers' share of outstanding claims		375,673	305,769
Deferred policy acquisition costs		21,399	24,550
Prepaid expenses and other assets		42,162	40,643
Due from shareholders' operations		-	69,895
Furniture, fittings and equipment		2,984	3,200
Total insurance operations' assets		1,789,949	1,489,664
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	1,678	19,409
Time deposit		75,800	145,800
Available-for-sale investments	4	73,374	85,888
Due from insurance operations		66,264	-
Prepaid expenses and other assets		3,752	1,908
Goodwill	1(b)	78,400	78,400
Statutory deposit	10	73,500	49,000
Total shareholders' assets		372,768	380,405
TOTAL ASSETS		2,162,717	1,870,069

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 30 June 2016

		30 June 2016 (Unaudited) SR' 000	31 December 2015 (Audited) SR' 000
	Note		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Due to reinsurers		281,933	151,283
Unearned commission income		55,538	35,160
Unearned premiums		620,913	591,791
Unexpired risk reserve		4,522	6,486
Claims handling provision		5,285	4,779
Catastrophe reserve		1,772	1,772
Other technical reserves		1,401	1,401
Outstanding claims		643,817	592,263
Due to policyholders		10,144	29,851
Accrued expenses and other liabilities		53,268	37,596
Due to shareholders' operations		66,264	-
Employees' terminal benefits		17,320	16,069
Total insurance operations' liabilities		1,762,177	1,468,451
Insurance operations' surplus			
Accumulated surplus from insurance operations		28,153	21,258
Available-for-sale investments reserve	4	(381)	(45)
Total insurance operations' liabilities and surplus		1,789,949	1,489,664
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		1,005	848
Due to a related party	11	270	270
Due to insurance operations		-	69,895
Accrued zakat and income tax	7	16,681	14,681
Total shareholders' liabilities		17,956	85,694
Shareholders' equity			
Share capital	8	490,000	490,000
Statutory reserve	9	31,944	31,944
Accumulated losses		(161,485)	(221,888)
Available-for-sale investments reserve	4	(5,647)	(5,345)
Total shareholders' equity		354,812	294,711
Total shareholders' liabilities and equity		372,768	380,405
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		2,162,717	1,870,069

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 and six-month periods ended 30 June 2016

	<i>For the three-month period ended</i>		<i>For the six-month period ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE				
Gross written premiums	260,930	271,755	608,527	607,543
Less: Reinsurance premiums ceded	(169,523)	(79,053)	(362,639)	(158,551)
Excess of loss premiums	(1,312)	(809)	(2,260)	(2,170)
Net written premiums	90,095	191,893	243,628	446,822
Change in net unearned premiums	95,084	(19,539)	130,785	(100,118)
Net premiums earned	185,179	172,354	374,413	346,704
Reinsurance commissions earned	23,269	9,967	43,545	20,865
	208,448	182,321	417,958	367,569
COSTS AND EXPENSES				
Gross claims paid	166,877	208,798	412,819	368,457
Less: Reinsurers' share of claims paid	(40,920)	(7,923)	(117,602)	(18,347)
Net claims paid	125,957	200,875	295,217	350,110
Change in net outstanding claims	(2,355)	(71,938)	(18,349)	(79,750)
Net claims incurred	123,602	128,937	276,868	270,360
Policy acquisition costs	10,706	6,412	21,177	12,169
Claim handling provisions	506	-	506	-
Unexpired risk provisions	(1,964)	-	(1,964)	-
	132,850	135,349	296,587	282,529
Net underwriting result	75,598	46,972	121,371	85,040
General and administration expenses	(30,012)	(25,836)	(56,969)	(50,181)
Provision for doubtful debts	(345)	(6,257)	(455)	(11,833)
Supervision and inspection fee	(1,646)	(1,213)	(3,105)	(2,362)
Council of Cooperative Health Insurance (CCHI) fee	(291)	(340)	(594)	(704)
Investment income	4,729	354	8,694	785
SURPLUS FROM INSURANCE OPERATIONS	48,033	13,680	68,942	20,745
Shareholders' share of surplus from insurance operations	(43,230)	(12,312)	(62,048)	(18,670)
Policyholders' share of surplus from insurance operations	4,803	1,368	6,894	2,075
Accumulated surplus at the beginning of the period	23,349	21,965	21,258	21,258
Accumulated surplus at the end of the period	28,152	23,333	28,152	23,333

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 and six-month periods ended 30 June 2016

		<i>For the three-month period ended</i>		<i>For the six-month period ended</i>	
		<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE					
Shareholders' share of insurance operations surplus		43,230	12,312	62,048	18,670
Commission income		694	1,247	1,725	2,066
Investment income		288	205	288	211
Realised loss on available-for-sale investments		(494)	4,455	(494)	4,412
		<u>43,718</u>	<u>18,219</u>	<u>63,567</u>	<u>25,359</u>
EXPENSES					
General and administration		(265)	(470)	(596)	(745)
Board remuneration		(293)	(294)	(568)	(567)
		<u>(558)</u>	<u>(764)</u>	<u>(1,164)</u>	<u>(1,312)</u>
NET INCOME FOR THE PERIOD		<u>43,160</u>	<u>17,455</u>	<u>62,403</u>	<u>24,047</u>
Weighted average number of ordinary shares outstanding (in thousand)	12	<u>49,000</u>	<u>43,431</u>	<u>49,000</u>	<u>43,431</u>
Basic and diluted earnings per share (in Saudi Riyals)	12	<u>0.88</u>	<u>0.40</u>	<u>1.27</u>	<u>0.55</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 COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 June 2016

	<i>For the three-month period ended</i>		<i>For the six-month period ended</i>	
	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 June 2015 (Unaudited) SR'000</i>	<i>30 June 2016 (Unaudited) SR'000</i>	<i>30 June 2015 (Unaudited) SR'000</i>
Net income for the period	43,160	17,455	62,403	24,047
Other comprehensive (loss) / income				
<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	1,421	2,738	(796)	4,152
Net loss / (gain) on sale of available-for-sale investments	494	(4,455)	494	(4,412)
Other expense				
Zakat and income tax (note 7)	(1,000)	(1,000)	(2,000)	(2,000)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	44,075	14,738	60,101	21,787

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 six-month period ended 30 June 2016

	For the six-month period ended 30 June 2016 – (Unaudited)				
	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Available-for-sale investments reserve SR'000	Total SR'000
Balance as at 31 December 2015 – (audited)	490,000	31,944	(221,888)	(5,345)	294,711
Net income for the period	-	-	62,403	-	62,403
Change in fair value of available-for-sale investments	-	-	-	(796)	(796)
Net loss on sale of available-for-sale investments	-	-	-	494	494
Zakat and income tax for the period (note 7)	-	-	(2,000)	-	(2,000)
Balance as at 30 June 2016 – (unaudited)	490,000	31,944	(161,485)	(5,647)	354,812

Balance as at 31 December 2015 – (audited)
Net income for the period
Change in fair value of available-for-sale investments
Net loss on sale of available-for-sale investments
Zakat and income tax for the period (note 7)
Balance as at 30 June 2016 – (unaudited)

	For the six-month period ended 30 June 2015 – (Unaudited)				
	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Available-for-sale investments reserve SR'000	Total SR'000
Balance as at 31 December 2014 – (audited)	280,000	31,944	(160,460)	1,879	153,363
Issuance of right shares	210,000	-	-	-	210,000
Net income for the period	-	-	24,047	-	24,047
Change in fair value of available-for-sale-investments	-	-	-	4,152	4,152
Net gain on sale of available-for-sale investments	-	-	-	(4,412)	(4,412)
Issuance cost of right shares (note 8)	-	-	(4,948)	-	(4,948)
Zakat and income tax for the period (note 7)	-	-	(2,000)	-	(2,000)
Balance as at 30 June 2015 – (Unaudited)	490,000	31,944	(143,361)	1,619	380,202

Balance as at 31 December 2014 – (audited)
Issuance of right shares
Net income for the period
Change in fair value of available-for-sale-investments
Net gain on sale of available-for-sale investments
Issuance cost of right shares (note 8)
Zakat and income tax for the period (note 7)
Balance as at 30 June 2015 – (Unaudited)

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 six-month period ended 30 June 2016

	<i>For the six-month period ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Surplus for the period from insurance operations	6,894	2,075
Adjustments for:		
Depreciation	991	1,535
Employees' terminal benefits	1,251	1,548
Realised gain on available-for-sale investments	(314)	(2)
Movement in allowance for doubtful premiums receivables	314	11,913
Movement in allowance for doubtful reinsurance receivables	141	(80)
Reinsurers' share of unearned premiums	(159,907)	(19,313)
Unearned premiums	29,122	191,849
Unexpired risk reserve	(1,964)	-
Claims handling provision	506	-
	(122,966)	189,525
Changes in operating assets and liabilities:		
Premiums receivable	14,322	62,419
Reinsurance receivables	14,726	(2,211)
Reinsurers' share of outstanding claims	(69,904)	(91,731)
Deferred policy acquisition cost	3,151	(1,113)
Prepaid expenses and other assets	(1,518)	10,525
Due from shareholders' operations	136,159	170,823
Due to reinsurers	130,650	32,024
Unearned commission income	20,378	50
Outstanding claims	51,554	(60,437)
Due to policyholders	(19,707)	(755)
Accrued expenses and other liabilities	15,672	(4,889)
Net cash from operating activities	172,517	304,230
INVESTING ACTIVITIES		
Time deposit	(150,000)	-
Purchase of furniture, fittings and equipment	(775)	(237)
Purchase of available-for-sale investments	-	(124,027)
Proceeds from sale of available-for-sale investments	25,937	10,002
Net cash used in investing activities	(124,838)	(114,262)
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,679	189,968
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	281,546	73,642
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	329,225	263,610
Non-cash transactions:		
Change in fair value of available-for-sale investments	(336)	159

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 six-month period ended 30 June 2016

	<i>For the six-month period ended 30 June 2016 (Unaudited) SR'000</i>	<i>For the six-month period ended 30 June 2015 (Unaudited) SR'000</i>
OPERATING ACTIVITIES		
Net income for the period	62,403	24,047
Adjustments for:		
Realised loss/(gain) on available-for-sale investments	494	(4,412)
	<u>62,897</u>	<u>19,635</u>
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,844)	1,087
Due to insurance operations	(136,159)	(170,823)
Accrued expenses and other liabilities	157	(647)
Net cash used in operating activities	<u>(74,949)</u>	<u>(150,748)</u>
INVESTING ACTIVITIES		
Time deposit	70,000	-
Purchase of available for sale investments	(9,703)	(5,485)
Proceeds from sale of available-for-sale investments	21,421	126,051
Net cash from investing activities	<u>81,718</u>	<u>120,566</u>
FINANCING ACTIVITIES		
Issuance of right shares	-	210,000
Issuance cost of right shares	-	(4,948)
Statutory deposit	(24,500)	(21,000)
Due to financial institution	-	(18,750)
Net cash (used in) / from financing activities	<u>(24,500)</u>	<u>165,302</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(17,731)</u>	<u>135,120</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>19,409</u>	<u>58,056</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,678</u>	<u>193,176</u>
Non-cash transactions:		
Change in fair value of available-for-sale investments	<u>(302)</u>	<u>2,397</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 30 June 2016

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.

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 2015. 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"). 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 and six month periods ended 30 June 2016 ("the period") should be read in conjunction with the Company's audited financial statements as at 31 December 2015. 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 30 June 2016

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%
	<hr/>
	100%
	<hr/>

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 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27	Amendments to IAS 27 Equity Method in Separate Financial Statements
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 1	Amendments to IAS 1 Disclosure initiative
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants.
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception
IFRS 5, IFRS 7, IAS 19 and IAS 34	Annual Improvements to IFRS 2012-2014 cycle

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>
IAS 12	Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised losses	1 January 2017
IAS 7	Amendments to IAS 7 Disclosure Initiative	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	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 30 June 2016

3 CASH AND CASH EQUIVALENTS

	<i>30 June 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR' 000</i>
<i>Insurance operations</i>		
Cash at banks	<u>329,225</u>	<u>281,546</u>
<i>Shareholders' operations</i>		
Cash at banks	<u>1,678</u>	<u>19,409</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 0.381 million as at 30 June 2016 (31 December 2015: SR 0.045 million) and was credited to the surplus from insurance operations.

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

<i>Insurance operations</i>	<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 30 June 2016 – Unaudited				
Investment in bonds	4,112	(500)	152	3,764
Investment in sukuk	101,083	-	(2)	101,081
Investment in equity shares	4,686	(123)	(295)	4,268
Investment in mutual funds	75,191	(25,000)	(191)	50,000
	<u>185,072</u>	<u>(25,623)</u>	<u>(336)</u>	<u>159,113</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>
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As at 31 December 2015 – Audited

Investment in bonds	4,282	-	(170)	4,112
Investment in sukuk	41,102	60,000	(19)	101,083
Investment in equity shares	892	3,962	(168)	4,686
Investment in mutual funds	10,000	65,000	191	75,191
	<u>56,276</u>	<u>128,962</u>	<u>(166)</u>	<u>185,072</u>

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

At 30 June 2016

4 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Shareholders' operations	30 June 2016 (Unaudited) SR,000	31 December 2015 (Audited) SR,000
Quoted securities	71,451	83,965
Unquoted securities	1,923	1,923
	<u>73,374</u>	<u>85,888</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 30 June 2016 – Unaudited				
Investment in equity shares	11,444	(4,724)	145	6,865
Investment in bonds	10,927	2,512	178	13,617
Investment in sukuk	43,165	-	(59)	43,106
Investment in mutual funds	18,429	(10,000)	(566)	7,863
	<u>83,965</u>	<u>(12,212)</u>	<u>(302)</u>	<u>71,451</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 2015 – Audited				
Investment in equity shares	14,152	(1,009)	(1,699)	11,444
Investment in bonds	22,309	(11,263)	(119)	10,927
Investment in sukuk	14,097	29,086	(18)	43,165
Investment in mutual funds	10,002	10,000	(1,573)	18,429
	<u>60,560</u>	<u>26,814</u>	<u>(3,409)</u>	<u>83,965</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 30 June 2016 – Unaudited				
Investment in local company	1,923	-	-	1,923

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

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 2015 – 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 loss of SR 0.795 million for the six-month periods ended 30 June 2016 (six-month periods ended 30 June 2015: Unrealized gain of SR 4.152 million) was charged to the statement of changes in shareholders' equity as available-for-sale investments reserve. The available-for-sale investments reserve as of 30 June 2016 is SR 5.647 million (31 December 2015: SR 5.345 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 30 June 2016 - 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	4,268	-	-	4,268
Shareholders' operations	6,865	7,863	1,923	16,651
Debt securities				
Insurance operations	54,845	100,000	-	154,845
Shareholders' operations	49,163	7,560	-	56,723
	<u>115,141</u>	<u>115,423</u>	<u>1,923</u>	<u>232,487</u>

As at 31 December 2015 – 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	29,877	-	-	29,877
Shareholders' operations	11,444	18,429	1,923	31,796
Debt securities:				
Insurance operations	55,195	100,000	-	155,195
Shareholders' operations	56,015	-	-	56,015
	<u>152,531</u>	<u>118,429</u>	<u>1,923</u>	<u>272,883</u>

The Company has unquoted equity instruments of SR 1.923 million (31 December 2015: 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 six-month periods ended 30 June 2016 and year ended 31 December 2015.

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

At 30 June 2016

5 PREMIUMS RECEIVABLE, NET

	<i>30 June 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR' 000</i>
Due from policyholders	177,581	159,003
Due from policyholders – related parties (note 11)	111,365	144,265
Allowance for doubtful debts	(36,653)	(36,339)
	<u>252,293</u>	<u>266,929</u>

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

	<i>Six-month period ended 30 June 2016 (Unaudited) SR' 000</i>	<i>For the year ended 31 December 2015 (Audited) SR' 000</i>
Balance at the beginning of the period / year	36,339	22,094
Allowance for the period / year	314	14,245
Balance at the end of the period / year	<u>36,653</u>	<u>36,339</u>

6 REINSURANCE RECEIVABLES, NET

	<i>30 June 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR' 000</i>
Reinsurance receivable	11,136	25,862
Allowance for doubtful debts	(2,493)	(2,352)
	<u>8,643</u>	<u>23,510</u>

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

	<i>Six-month period ended 30 June 2016 (Unaudited) SR' 000</i>	<i>For the year ended 31 December 2015 (Audited) SR' 000</i>
Balance at the beginning of the period / year	2,352	2,462
Allowance for the period / year	141	-
Release of allowance during the period / year	-	(110)
Balance at the end of the period / year	<u>2,493</u>	<u>2,352</u>

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

At 30 June 2016

7 ACCRUED ZAKAT AND INCOME TAX

The Zakat payable by the Company has been calculated based on the best estimates of the management. The movement in Zakat payable is as follows:

	<i>Six-month period ended 30 June 2016 (Unaudited) SR' 000</i>	<i>For the year ended 31 December 2015 (Audited) SR' 000</i>
Balance at the beginning of the period / year	14,681	11,176
Charge for the period / year	2,000	3,505
Balance at the end of the period / year	<u>16,681</u>	<u>14,681</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 DZIT 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 2014 and obtained restricted zakat certificates. Zakat declaration for the year ended 31 December 2015 has been submitted, awaiting for DZIT.

During 2013, the Company received the final zakat assessments for the years 2009 to 2011 from the Department of Zakat and Income Tax (DZIT) 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. DZIT has not yet raised assessments for the years from 2012 to 2014.

8 SHARE CAPITAL

The authorised and issued share capital of the Company was SR 280 million divided into 28 million ordinary shares of SR 10 each.

In the extra-ordinary general meeting held on 18 February 2015 corresponding to 29 Rabi Al-Thani 1436H, the shareholders approved rights issue of SR 210 million. As approved by the regulators, 21 million ordinary shares were offered at an exercise price of SR 10 during the subscription period which started on 22 February 2015 and ended on 10 March 2015. The legal formalities were completed and the share capital was increased from SR 280 Million to SR 490 Million. The Company incurred a sum of SR 4.95 million during 2015 (six-month period ended 30 June 2015: SR 4.948 million) as issuance cost to raise additional capital of SR 210 million through rights issue which was accounted through interim statement of changes in shareholders' equity.

9 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.

10 STATUTORY DEPOSIT

	<i>30 June 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR' 000</i>
<i>Shareholders' operations</i>		
Statutory deposit	<u>73,500</u>	<u>49,000</u>

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 49 million (31 December 2015: SR 49 million) in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The Company cannot withdraw this deposit without SAMA's approval and commission accruing on this deposit is payable to SAMA.

During the three-month period ended 30 June 2016, the Company has increased its statutory deposit from 10% to 15% of the paid-up capital SR 73.5 million as required by SAMA.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

11 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. The terms and conditions of the related party transactions are approved by management.

The Company in the normal course of business carries out transactions with its related parties. The following are the details of related party transactions during the six-month period ended 30 June 2016 and 30 June 2015:

		<i>Transactions for the six-month period ended</i>	
		<i>30 June 2016 (Unaudited) SR'000</i>	<i>30 June 2015 (Unaudited) SR'000</i>
<i>Related party</i>	<i>Nature of transaction</i>		
<i>Insurance Operations</i>			
Saudi Bin Laden - Group	Premiums underwritten	88,902	82,960
	Claims paid	(122,069)	(91,369)
	Investment in Sukuk	-	39,027
Board members:			
Claim and Risk Services – (CARS)	Claim handling fee	-	(1,426)
	Payment made	-	2,786
Claim and Risk Services – (CARS)	Premiums underwritten	-	420
	Claims paid	-	(641)
Law Office of Hassan Mehassni	Premiums underwritten	595	508
	Claims paid	328	(280)
Key management personnel	Remuneration and related expenses	2,472	2,384
<i>Shareholders' operations</i>			
Board members	Board of Directors' remuneration	568	567

The following are the balances of related parties:

	<i>30 June 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR' 000</i>
<i>Insurance operations</i>		
<u>Due from related parties</u>		
Saudi Bin Laden – Group	111,116	144,283
Claim and risk services – (CARS)	(109)	(109)
Law Office of Hassan Mehassni	358	91
<u>Due to a related party</u>		
Claim and risk services (CARS)	(488)	(488)
<i>Shareholders' operations</i>		
<u>Due to related parties</u>		
Board Members	78	-
Najm for Insurance Services	270	270

The above balances are included in prepaid expenses and other assets, accrued expenses and other liabilities, premiums receivable, net and due to policyholders.

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

At 30 June 2016

12 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.

13 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</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Energy</i> <i>SR'000</i>	<i>Others</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
For the three-month period ended					
30 June 2016 (Unaudited)					
Gross written premiums	6,538	152,183	30,197	72,012	260,930
Less: Reinsurance premiums ceded	-	(74,708)	(29,677)	(65,138)	(169,523)
Excess of loss premiums	(420)	(288)	-	(604)	(1,312)
Net written premiums	6,118	77,187	520	6,270	90,095
Change in net unearned premiums	20,445	70,067	(276)	4,848	95,084
Net premiums earned	26,563	147,254	244	11,118	185,179
Reinsurance commissions earned	-	13,836	475	8,958	23,269
	26,563	161,090	719	20,076	208,448
Gross claims paid	17,099	137,101	-	12,677	166,877
Less: Reinsurers' share of claims paid	(104)	(31,205)	-	(9,611)	(40,920)
Net claims paid	16,995	105,896	-	3,066	125,957
Change in net outstanding claims	3,647	(7,435)	-	1,433	(2,355)
Net claims incurred	20,642	98,461	-	4,499	123,602
Policy acquisition costs	1,413	7,384	-	1,909	10,706
Claims handling provision	-	506	-	-	506
Unexpired risk reserve	-	-	-	(1,964)	(1,964)
	22,055	106,351	-	4,444	132,850
Net underwriting result	4,508	54,739	719	15,632	75,598
General and administration expenses (unallocated)					(30,012)
Provision for doubtful debts (unallocated)					(345)
Supervision and inspection fee	(135)	(1,146)	(151)	(214)	(1,646)
CCHI fee	(291)	-	-	-	(291)
Investment income (unallocated)					4,729
Surplus from insurance operations					48,033

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

13 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>
For the six-month period ended 30 June 2016 (Unaudited)					
Gross written premiums	29,767	415,266	28,765	134,729	608,527
Less: Reinsurance premiums ceded	(2,079)	(213,540)	(28,270)	(118,750)	(362,639)
Excess of loss premiums	(475)	(576)	-	(1,209)	(2,260)
Net written premiums	27,213	201,150	495	14,770	243,628
Change in net unearned premiums	25,154	107,581	(588)	(1,362)	130,785
Net premiums earned	52,367	308,731	(93)	13,408	374,413
Reinsurance commissions earned	-	26,643	950	15,952	43,545
	52,367	335,374	857	29,360	417,958
Gross claims paid	36,435	304,576	-	71,808	412,819
Less: Reinsurers' share of claims paid	(104)	(51,444)	-	(66,054)	(117,602)
Net claims paid	36,331	253,132	-	5,754	295,217
Change in net outstanding claims	1,101	(17,286)	-	(2,164)	(18,349)
Net claims incurred	37,432	235,846	-	3,590	276,868
Policy acquisition costs	2,959	14,734	-	3,484	21,177
Claims handling provision	-	506	-	-	506
Unexpired risk reserve	-	-	-	(1,964)	(1,964)
	40,391	251,086	-	5,110	296,587
Net underwriting result	11,976	84,288	857	24,250	121,371
General and administration expenses (unallocated)					(56,969)
Provision for doubtful debts (unallocated)					(455)
Supervision and inspection fee	(275)	(2,298)	(144)	(388)	(3,105)
CCHI fee	(594)	-	-	-	(594)
Investment income (unallocated)					8,694
Surplus from insurance operations					68,942
	<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 30 June 2016 (Unaudited)					
<i>Insurance operations' assets</i>					
Reinsurers' share of unearned premiums	-	169,890	38,058	126,209	334,157
Reinsurers' share of outstanding claims	-	34,275	-	341,398	375,673
Deferred policy acquisition costs	1,488	14,595	-	5,316	21,399
Unallocated assets					1,058,720
Total insurance operations' assets					1,789,949
<i>Insurance operations' liabilities and surplus</i>					
Unearned premiums	28,409	412,259	38,725	141,520	620,913
Unexpired risk reserve	-	-	-	4,522	4,522
Claims handling provision	-	5,285	-	-	5,285
Catastrophe reserve	-	-	-	1,772	1,772
Other technical reserves	421	223	-	757	1,401
Outstanding claims	39,190	242,547	-	362,080	643,817
Unearned commission income	-	27,363	-	28,175	55,538
Unallocated liabilities and accumulated surplus					456,701
Total insurance operations' liabilities and accumulated surplus					1,789,949

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

13 SEGMENT INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Energy</i> <i>SR'000</i>	<i>Others</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
For the three-month period ended 30 June 2015 (Unaudited)					
Gross written premiums	16,541	164,980	41,333	48,901	271,755
Less: Reinsurance premiums ceded	-	(351)	(40,621)	(38,081)	(79,053)
Excess of loss premiums	-	(238)	-	(571)	(809)
Net written premiums	16,541	164,391	712	10,249	191,893
Change in net unearned premiums	14,444	(33,649)	(270)	(64)	(19,539)
Net premiums earned	30,985	130,742	442	10,185	172,354
Reinsurance commission earned	-	166	814	8,987	9,967
	30,985	130,908	1,256	19,172	182,321
Gross claims paid	35,768	161,249	-	11,781	208,798
Less: Reinsurers' share of claims paid	-	(271)	-	(7,652)	(7,923)
Net claims paid	35,768	160,978	-	4,129	200,875
Change in net outstanding claims	(6,015)	(65,603)	-	(320)	(71,938)
Net claims incurred	29,753	95,375	-	3,809	128,937
Policy acquisition costs	801	3,775	-	1,836	6,412
	30,554	99,150	-	5,645	135,349
Net underwriting result	431	31,758	1,256	13,527	46,972
General and administration expenses (unallocated)					(25,836)
Provision for doubtful debts					(6,257)
Supervision and inspection fee	(156)	(662)	(207)	(188)	(1,213)
CCHI fee	(340)	-	-	-	(340)
Investment income (unallocated)					354
Surplus from insurance operations					13,680

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

13 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>
For the six-month period ended 30 June 2015 (Unaudited)					
Gross written premiums	48,239	372,001	73,834	113,469	607,543
Less: Reinsurance premiums ceded	-	(797)	(72,563)	(85,191)	(158,551)
Excess of loss premiums	(300)	(476)	-	(1,394)	(2,170)
Net written premiums	47,939	370,728	1,271	26,884	446,822
Change in net unearned premiums	15,089	(120,058)	(651)	5,502	(100,118)
Net premiums earned	63,029	250,670	620	32,386	346,704
Reinsurance commission earned	1	292	1,325	19,247	20,865
	63,029	250,962	1,945	51,633	367,569
Gross claims paid	79,866	269,771	-	18,820	368,457
Less: Reinsurers' share of claims paid	-	(5,131)	-	(13,216)	(18,347)
Net claims paid	79,866	264,640	-	5,604	350,110
Change in net outstanding claims	(10,687)	(66,645)	-	(2,418)	(79,750)
Net claims incurred	69,179	197,995	-	3,186	270,360
Policy acquisition costs	1,595	6,671	-	3,903	12,169
	70,774	204,666	-	7,089	282,529
Net underwriting result	(7,745)	46,296	1,945	44,544	85,040
General and administration expenses (unallocated)					(50,181)
Provision for doubtful debts					(11,833)
Supervision and inspection fee	(319)	(1,264)	(369)	(410)	(2,362)
CCHI fee	(704)	-	-	-	(704)
Investment income (unallocated)					785
Surplus from insurance operations					20,745
	<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 2015 (Audited)					
<i>Insurance operations' assets</i>					
Reinsurers' share of unearned premiums	-	58,403	-	115,847	174,250
Reinsurers' share of outstanding claims	-	6,785	-	298,984	305,769
Deferred policy acquisition costs	3,554	16,562	-	4,434	24,550
Unallocated assets					985,095
Total insurance operations' assets					1,489,664
<i>Insurance operations' liabilities and surplus</i>					
Unearned premiums	53,562	408,354	78	129,797	591,791
Unexpired risk reserve	-	-	-	6,486	6,486
Claims handling provision	-	4,779	-	-	4,779
Catastrophe reserve	-	-	-	1,772	1,772
Other technical reserves	421	223	-	757	1,401
Outstanding claims	38,089	232,343	-	321,831	592,263
Unearned commission income	-	12,538	-	22,622	35,160
Unallocated liabilities and accumulated surplus					256,012
Total insurance operations' liabilities and accumulated surplus					1,489,664

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

14 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.

15 SOLVENCY MARGIN

As required by Saudi Arabian Insurance Regulations (Article 66 of Implementation Regulations issued by SAMA), the Company is required to maintain minimum Solvency Margin equivalent to the highest of minimum capital requirement, premium solvency margin or claims solvency margin. As at 30 June 2016, the Company's solvency level is more than the minimum solvency margin required by the Implementation Regulations.

During the three-month period ended 31 March 2016, the Company received a letter from SAMA requesting the Company for the following:

- Improve the solvency margin by 30 September 2016.
- Increase the statutory deposit from 10% to 15% of the paid-up capital by 20 April 2016.
- Appoint an advisor by 20 April 2016 to study the reasons for the weak financial position and recommend solutions to improve the situation.

However, as at 30 June 2016, the Company has achieved the followings:

- Complied with minimum solvency requirement.
- Increased the statutory deposit from 10% to 15% of the paid-up Capital.
- Appointed an advisor as per SAMA requirement.

16 BOARD OF DIRECTORS' APPROVAL

These interim condensed financial statements have been approved by the Board of Directors on 26 July 2016, corresponding to 21 Shawwal 1437H.