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

INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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Aldar Audit Bureau
Abdullah Al-Basri & Co.

Grant Thornton An instinct for growth

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE SHAREHOLDERS OF AL RAJHI COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at 31 March 2017 and the related interim statements of income - takaful operations and shareholders operations, interim statements of comprehensive income for takaful operations and shareholders operations, interim statement of changes in shareholders' equity and interim statements of cash flows for takaful operations and shareholders operations for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority (SAMA) guidance on accounting for zakat and income taxes. Our responsibility is to express a conclusion on these interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 and SAMA guidance on accounting for zakat and income taxes.

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Date: May 11, 2017
Corresponding to: Sha'ban 15, 1438H

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ALDAR AUDIT BUREAU
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INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	31-Mar-17 (Unaudited) SR'000	31-Dec-16 (Audited) SR'000
TAKAFUL OPERATIONS' ASSETS			
Cash and cash equivalents	*7*	**1,331,631**	388,772
Contributions and re-takaful balances receivable	*8*	**244,532**	310,802
Financial assets at fair value through profit or loss	*10 (i)(b)*	**47,875**	13,101
Available-for-sale financial assets	*10 (i)(b)*	**-**	15,096
Prepayments		**16,854**	13,797
Re-takaful share of outstanding claims		**117,237**	95,709
Re-takaful share of unearned contributions		**75,441**	69,666
Re-takaful share of mathematical reserve		**65**	58
Deferred policy acquisition costs		**52,263**	30,366
Financial assets at amortised cost	*10(i)(a)*	**349,743**	-
Held-to-maturity investments	*10(i)(a)*	**-**	705,000
Due from shareholders' operations		**196,822**	196,822
Other assets		**4,124**	9,195
TOTAL TAKAFUL OPERATIONS' ASSETS		**2,436,587**	1,848,384
SHAREHOLDERS' OPERATIONS' ASSETS			
Cash and cash equivalents	*7*	**138,419**	85,248
Financial assets at fair value through profit or loss	*10(ii)(b)*	**101,111**	82,047
Financial assets at fair value through other comprehensive income	*10(ii)(c)*	**82,065**	-
Available-for-sale financial assets		**-**	86,303
Management fees receivable – from takaful operations		**66,303**	169,553
Advances paid to supplier		**11,872**	13,333
Financial assets at amortised cost	*10(ii)(a)*	**244,850**	-
Held-to-maturity investments		**-**	180,000
Property and equipment, net		**20,645**	20,005
Statutory deposits	*9*	**39,968**	40,000
Other assets		**1,883**	1,655
TOTAL SHAREHOLDERS' OPERATIONS' ASSETS		**707,116**	678,144
TOTAL ASSETS		**3,143,703**	2,526,528

Ahmed Sulaiman Al Rajhi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

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

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	31-Mar-17 (Unaudited) SR'000	31-Dec-16 (Audited) SR'000
TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS			
TAKAFUL OPERATIONS' LIABILITIES			
Gross outstanding claims		**675,023**	542,610
Gross unearned contributions		**1,451,099**	996,386
Unearned re-takaful commission income		**6,855**	6,728
Payables, accruals and other liabilities		**139,120**	51,891
Management fees payable – to shareholders' operations		**66,303**	169,553
Re-takaful balances payable		**61,720**	50,679
Financial liabilities at fair value through profit or loss	*12*	**17,401**	14,196
Other reserves		**134**	134
		2,417,655	1,832,177
TAKAFUL OPERATIONS' SURPLUS			
Surplus distributable to policyholders	*4(c)*	**18,932**	16,111
Fair value reserve		**-**	96
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		**2,436,587**	1,848,384
SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY			
Payables to SAMA		**2,791**	2,564
Provision for Zakat & tax	*11*	**21,141**	18,391
Payables, accruals and other liabilities		**17,463**	21,133
Due to takaful operations		**196,822**	196,822
Employees' end of service benefits		**10,303**	9,871
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES		**248,520**	248,781
SHAREHOLDERS' EQUITY			
Share capital		**400,000**	400,000
Statutory reserve		**24,548**	17,725
Fair value reserve		**(1,905)**	502
Retained earnings		**35,953**	11,136
TOTAL SHAREHOLDERS' EQUITY		**458,596**	429,363
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		**707,116**	678,144
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		**3,143,703**	2,526,528

Ahmed Sulaiman Al Rajhi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

INTERIM STATEMENT OF INCOME – TAKAFUL OPERATIONS (UNAUDITED)

		For the three month period ended	
		31 March 2017	31 March 2016
		SR'000	SR'000
Gross contributions written		**1,107,212**	533,180
Re-takaful contributions ceded		**(27,945)**	(30,212)
Excess of loss		**(3,261)**	(1,974)
NET CONTRIBUTIONS WRITTEN		**1,076,006**	500,994
Change in unearned contributions, net		**(448,938)**	(175,911)
NET CONTRIBUTIONS EARNED		**627,068**	325,083
Policy fees and other income		**3,050**	1,457
Re-takaful commission income		**3,373**	4,189
TOTAL UNDERWRITING REVENUE		**633,491**	330,729
Gross claims paid		**(435,311)**	(248,428)
Re-takaful share of claims paid		**5,513**	7,551
NET CLAIMS PAID		**(429,798)**	(240,877)
Movement in outstanding claims, net		**(110,885)**	(30,334)
NET CLAIMS INCURRED		**(540,683)**	(271,211)
Inspection and supervision fees		**(6,470)**	(3,453)
Policy acquisition costs		**(17,595)**	(8,687)
Other expenses		**(2,308)**	(3,080)
Change in mathematical reserve		**(2,992)**	(1,368)
Other income		**954**	601
TOTAL CLAIMS AND OTHER EXPENSES		**(569,094)**	(287,198)
NET UNDERWRITING SURPLUS		**64,397**	43,531
Special commission income		**3,806**	2,002
Net gains on investments mandatorily measured at fair value through profit or loss		**1,528**	-
Impairment loss	*6(b)*	**(36)**	-
Management fee for administration of takaful operations		**(35,785)**	(32,018)
Net surplus for the period		**33,910**	13,515
Management fee attributable to shareholders' operations		**(30,519)**	(12,165)
NET SURPLUS DISTRIBUTABLE TO POLICYHOLDERS		**3,391**	1,350

Ahmed Sulaiman Al Rajhi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

INTERIM STATEMENT OF COMPREHENSIVE INCOME – TAKAFUL OPERATIONS (UNAUDITED)

	For the three month period ended	
	31 March 2017	31 March 2016
	SR'000	SR'000
Net surplus distributable to policyholders	**3,391**	1,350
Other comprehensive income to be reclassified subsequently to the statement of income:		
Net change in fair value of available-for-sale investments	-	185
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3,391**	1,535

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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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INTERIM STATEMENT OF INCOME – SHAREHOLDERS' OPERATIONS (UNAUDITED)

	Note	For the three month period ended 31 March 2017 SR'000	31 March 2016 SR'000 (Restated)
REVENUE			
Management fee for administration of takaful operations		**35,785**	32,018
Management fee attributable to shareholders' operations		**30,519**	12,165
Dividend income		**1,084**	654
Net gains on investments mandatorily measured at fair value through profit or loss		**731**	-
Net change in fair value of investments held as fair value through income statement		-	(6,257)
Special commission income		**1,294**	1,907
Impairment loss	*6(b)*	**(30)**	-
Realised gain on sale of available-for-sale investments		-	287
Other income		**515**	-
TOTAL REVENUE		**69,898**	40,774
General and administrative expenses		**(35,785)**	(32,018)
INCOME FROM OPERATIONS		**34,113**	8,756
BASIC AND DILUTED EARNINGS PER SHARE (SAUDI RIYALS)	*15*	**0.85**	0.22

Ahmed Sulaiman Al Rajhi Member-Board	Abdulaziz Mohammed Al Sedeas Chief Executive Officer	Robert Pereira Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

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

	Note	**For the three month period ended**	
		31 March 2017	31 March 2016
		SR'000	SR'000 (Restated)
Income from operations		**34,113**	8,756
Items that will not be recycled to statement of income in subsequent periods:			
Net losses on equity investments designated at fair value through other comprehensive income	*10(ii)(c)*	**(1,905)**	-
Items that may be recycled to statement of income in subsequent periods:			
Net change in fair value of available-for-sale investments		-	(150)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**32,208**	8,606

Ahmed Sulaiman Al Rajhi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the three-month period ended 31 March 2017

	Share capital SR'000	**Statutory reserve SR'000**	**Retained (deficit) / earnings SR'000**	**Fair value reserve SR'000**	**Total SR'000**
Balance as at 1 January 2016 (Audited)	400,000	-	(59,766)	261	340,495
Total comprehensive income					
Income from operations	-	-	8,756	-	8,756
Changes in fair value of available-for-sale investments	-	-	-	(150)	(150)
Zakat	-	-	(1,200)	-	(1,200)
Balance as at 31 March 2016 (Unaudited)	400,000	-	(52,210)	111	347,901
Balance as at 1 January 2017 (Audited)	**400,000**	**17,725**	**11,136**	**502**	**429,363**
Changes on initial adoption of IFRS 9 (Note 4(b)B	-	-	**277**	**(502)**	**(225)**
Restated balance as at 1 January 2017	**400,000**	**17,725**	**11,413**	-	**429,138**
Total comprehensive income:					
Income from operations	-	-	**34,113**	-	**34,113**
Net losses on equity investments designated at fair value through other comprehensive income – note 10(ii)(c)	-	-	-	**(1,905)**	**(1,905)**
Zakat	-	-	**(2,750)**	-	**(2,750)**
Transfer to statutory reserve	-	**6,823**	**(6,823)**	-	-
Balance as at 31 March 2017 (Unaudited)	**400,000**	**24,548**	**35,953**	**(1,905)**	**458,596**

Ahmed Sulaiman Al Rajhi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

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INTERIM STATEMENT OF CASH FLOWS – TAKAFUL OPERATIONS (UNAUDITED)

		For the three month period ended	
		31 March 2017	31 March 2016
	Note	**SR'000**	SR'000
OPERATING ACTIVITIES			
Net surplus distributable to policyholders		**3,391**	1,350
Adjustment for:			
Management fee for administration of takaful operations		**35,785**	32,018
Management fee attributable to shareholders' operations		**30,519**	12,165
Unrealised gain on financial assets measured at FVPL		**(63)**	-
Impairment loss		**36**	-
Allowance for doubtful receivables		**1,029**	(1,797)
Net surplus before changes in operating assets and liabilities		**70,697**	43,736
Changes in operating assets and liabilities:			
Due from shareholders' operations		**-**	302
Contributions and re-takaful balances receivable, net		**65,241**	(24,037)
Advances, prepayments and other assets		**2,014**	2,119
Re-takaful share of outstanding claims		**(21,528)**	(7,197)
Re-takaful share of unearned contributions		**(5,775)**	(12,391)
Re-takaful share of mathematical reserve		**(7)**	155
Deferred policy acquisition costs		**(21,897)**	(6,942)
Gross outstanding claims		**132,413**	37,531
Payables, accruals and other liabilities		**87,229**	2,261
Reserve for protection and saving activities		**3,205**	1,213
Other reserves		**-**	117
Re-takaful balances payable		**11,041**	13,096
Gross unearned contributions		**454,713**	188,303
Unearned re-takaful commission income		**127**	1,099
Deposit against letters of guarantee		**-**	2,597
		777,473	241,962
Management fee paid		**(169,554)**	(46,740)
Net cash from operating activities		**607,919**	195,222
INVESTING ACTIVITIES			
Purchase of financial assets at amortised cost (held to maturity investments)	*10(i)(a)*	**(200,000)**	(150,000)
Redemption of financial assets at amortised cost (held to maturity investments)	*10(i)(a)*	**555,000**	250,000
Purchase of financial assets measured at FVPL	*10(i)(b)*	**(318,150)**	(176,562)
Sale of financial assets measured at FVPL	*10(i)(b)*	**298,535**	119,732
Net cash from investing activities		**335,385**	43,170
INCREASE IN CASH AND CASH EQUIVALENTS		**943,304**	238,392
Cash and cash equivalents at the beginning of the period		**376,925**	174,055
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	**1,320,229**	412,447

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Member-Board	Chief Executive Officer	Chief Financial Officer

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INTERIM STATEMENT OF CASH FLOWS – SHAREHOLDERS' OPERATIONS (UNAUDITED)

		For the three month period ended	
	Notes	**31 March 2017 SR'000**	31 March 2016 SR'000
OPERATING ACTIVITIES			
Net profit for the period		**34,113**	8,756
Adjustments for:			
Depreciation and amortisation		**1,996**	2,290
Management fee for administration of takaful operations		**(35,785)**	(32,018)
Management fee attributable to shareholders' operations		**(30,519)**	(12,165)
Employees' end of service benefits		**614**	357
Impairment loss		**30**	-
Unrealized gain on investments at FVPL		**(248)**	6,257
Net deficit before changes in operating assets and liabilities		**(29,799)**	(26,523)
Changes in operating assets and liabilities:			
Advances, prepayments and other assets		**1,461**	(2,379)
Payables, accruals and others liabilities		**(3,443)**	(3,949)
Due to takaful operations		**-**	(302)
Statutory deposit investment returns		**(228)**	(222)
		(32,009)	(33,153)
Management fee received		**169,554**	46,740
Employees' end of service benefits paid		**(182)**	(281)
Net cash from operating activities		**137,363**	13,306
INVESTING ACTIVITIES			
Purchase of property and equipment		**(2,636)**	(541)
Purchase of financial assets at amortised cost (held-to-maturity investments)	*10(ii)(a)*	**(245,000)**	(215,000)
Redemption of financial assets at amortised cost (held-to-maturity investments)	*10(ii)(a)*	**180,000**	150,000
Purchase of financial assets measured at FVPL	*10(ii)(b)*	**(85,000)**	-
Sale of financial assets measured at FVPL	*10(ii)(b)*	**68,517**	60,714
Purchase of equity investments designated at FVOCI	*10(ii)(c)*	**(15,672)**	(28,658)
Sale of equity investments designated at FVOCI	*10(ii)(c)*	**23,608**	28,659
Movement in cash balance in equity share portfolio		**(7,936)**	-
Matured Murabaha deposit receivable		**-**	39,038
Net cash (used in) / from investing activities		**(84,119)**	34,212
INCREASE IN CASH AND CASH EQUIVALENTS		**53,244**	47,518
Cash and cash equivalents at beginning of the period		**84,340**	75,707
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7	**137,584**	123,225

Ahmed Sulaiman Al Rajhi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Al Rajhi Company for Cooperative Insurance (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010270371 dated 5 Rajab 1430 corresponding to 28 June 2009. The address of the registered office of the Company is as follows:

Al Rajhi Company for Cooperative Insurance
P.O. Box 67791
Riyadh 11517
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance business and carry out related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 29 Dhul-Qi'dah 1430H (corresponding to 17 November 2009), the Company received its license from the Saudi Arabian Monetary Agency (SAMA) to transact cooperative insurance business in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 13 July 2009. The Company received product approvals from SAMA on 17 January 2010.

2 BASIS OF PREPARATION

a) Basis of measurement

These interim condensed financial statements have been prepared on the historical cost basis except for the following material items

i. Financial assets measured at FVPL
ii. Financial assets measured at FVOCI
iii. Financial liabilities measured at FVPL

b) Statement of compliance

During 2017, SAMA issued a circular number 381000074519 dated 14 Rajab 1438H (April 11, 2017) ("Circular") and subsequent amendments through certain clarifications relating to the accounting for zakat and tax. The impact of these amendments is that zakat and tax will be recognized in the interim statement of shareholders' equity with a corresponding liability in the interim statement of financial position.

Applying the above framework, the interim condensed financial information of the Company as at and for the three month period ended March 31, 2017 have been prepared using the International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and SAMA guidance for the accounting of zakat and tax.

Until 2016, the interim condensed financial information of the Company were prepared in accordance with the IAS 34. This change in framework resulted in a change in accounting policy for zakat and income tax and the effects of this change are disclosed in note 4.4 to the interim condensed financial information.

As required by Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations and present the financial statements accordingly. The physical custody of all assets related to the Takaful Operations and Shareholders' Operations are held by the Company. Assets, liabilities, revenues and expenses clearly attributable to each operation are recorded in their respective books. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016.

2 BASIS OF PREPARATION (continued)

c) *Functional and presentation currency*

The functional and presentational currency of the Company is Saudi Riyals. The financial statements values are presented in Saudi Arabian Riyals rounded off to the nearest thousand (SR'000), unless otherwise indicated.

3 BASIS OF PRESENTATION

The Company's by-laws require separate books to be maintained for Takaful and Shareholders' operations. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The Company in accordance with the Islamic Shariah provisions managing the co-operative insurance operations and calculates the management fee in the below manner and pays it in full shortly after at the end of the fiscal year.

- The first component of the management fee is calculated based on the net contributions written for the period after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the interim statement of income – shareholders' operations; and

- The other component of the management fee is determined up to 90% of the net surplus, if any, for the period from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"). However, the Company has a surplus distribution policy recommended by its sharia council that prescribes a slightly different calculation for surplus distribution. Management already approached SAMA to conclude this matter.

- The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and bank balances, contributions and re-takaful receivables, financial assets at fair value through profit or loss, financial assets at amortised cost, advances prepayments and other assets, gross outstanding claims, gross unearned contributions, unearned re-takaful commission income, payables, accruals and other liabilities, management fees payable, re-takaful balances payable, financial liabilities at fair value through profit or loss and other reserves and other payables and accruals. The following balances would generally be classified as non-current : financial assets at fair value through other comprehensive income and employees' end of service benefits.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Interim Reporting

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2016 except for the new and amended standards and interpretations which are effective for annual periods beginning on or after 1 January 2017, early adoption of IFRS 9 "*Financial Instruments*" effective from 1 January 2017 (refer Note 4.3) and change in the accounting policy in relation to accounting for Zakat and income tax as a result of SAMA circular (refer Note 4.4).

i) Amendments to IAS 7, Statement of cash flows on disclosure initiative: Applicable for annual periods beginning on or after 1 January 2017

These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

The new and revised relevant IFRSs effective for the first time for periods beginning on (or after) 1 January 2017 had no significant impact on the amounts reported and disclosures in these interim condensed financial statements except for the early adoption of IFRS 9, which is narrated below.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Change in accounting policy

The Company has early adopted IFRS 9 as issued by the International Accounting Standards Board in July 2014 with a date of initial application of 1 January 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of initial application were recognised in the opening retained earnings and fair value reserve of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 "*Financial Instruments: Disclosures*".

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in section 4.3 below.

a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with previous (under IAS 39) and new (under IFRS 9) accounting policies as at 1 January 2017 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
		SR'000		SR'000
Financial assets - Takaful operations				
Cash and cash equivalents	Amortised cost (Loans and receivables)	388,772	Amortised cost	388,691
Contributions and re-takaful balances receivable	Amortised cost (Loans and receivables)	310,802	Amortised cost	310,802
Unit linked investments	FVPL (Held for trading)	13,101	FVPL (Mandatory)	13,101
Available for sale investments	FVOCI (Available-for-sale)	15,096	FVPL (Mandatory)	15,096
Held to maturity investments	Amortised cost (Held to maturity)	705,000	Amortised cost	704,415
Due from shareholders' operations	Amortised cost (Loans and receivables)	196,822	Amortised cost	196,822
Other Assets	Amortised cost (Loans and receivables)	9,195	Amortised cost	9,195
Total		**1,638,788**		**1,638,122**

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

*a) **Classification and measurement of financial instruments*** (continued)

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
		SR'000		SR'000
Financial assets - Shareholders' operations				
Cash and cash equivalents	Amortised cost (Loans and receivables)	85,248	Amortised cost	85,179
Investments at fair value through income statement	FVPL (Held for trading)	82,047	FVOCI (Designated)	83,970
Available-for-sale investments	FVOCI (Available-for-sale)	86,303	FVPL (Mandatory)	84,380
Management fee receivable	Amortised cost (Loans and receivables)	169,533	Amortised cost	169,533
Held-to-maturity investments	Amortised cost (Held-to-maturity)	180,000	Amortised cost	179,854
Statutory deposit	Amortised cost (Held-to-maturity)	40,000	Amortised cost	39,990
Other assets	Amortised cost (Loans and receivables)	1,655	Amortised cost	1,655
Total financial assets		**644,786**		**644,561**

There were no changes to the classification and measurement of financial liabilities, other than changes in the fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in the instrument's credit risk, which are presented in other comprehensive income, if any.

*b) **Reconciliation of statement of financial position balances from IAS 39 to IFRS 9***

The Company performed a detailed analysis of its business models for managing financial assets particularly considering the cash flow characteristics of its debt instruments. Please refer to Note 4.3 for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets which have been impacted from classification and measurement requirements of IFRS 9 on 1 January 2017.

	Notes	**IAS 39 carrying amount 31 December 2016**	**Reclassifi-cations**	**Remeasure-ments**	**IFRS 9 carrying amount 1 January 2017**
Takaful operations		SR'000	SR'000	SR'000	SR'000
Available-for-sale investments	*A*				
Opening balance		15,096	-	-	
To: Investments measured at FVPL		-	(15,096)	-	
Closing balance		15,096	(15,096)	-	-
Investments measured at FVPL	*A*				
Opening balance		13,101	-	-	
From: Available-for-sale investments		-	15,096	-	
Closing balance		13,101	15,096	-	28,197
Financial assets at amortised cost					
Cash and cash equivalents					
Opening balance		388,772	-	-	
Remeasurement: ECL allowance		-	-	(81)	
Closing balance		388,772	-	(81)	388,691

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

Takaful operations	IAS 39 carrying amount 31 December 2016	Reclassifi-cations	Remeasure-ments	IFRS 9 carrying amount 1 January 2017
Amortised cost				
Opening balance	-	-	-	
From: Held to maturity	-	705,000	-	
Remeasurement: ECL allowance	-	-	(585)	
Closing balance	-	705,000	(585)	704,415

Shareholders' operations	*Notes*	IAS 39 carrying amount 31 December 2016 SR'000	Reclassifi-cations SR'000	Remeasure-ments SR'000	IFRS 9 carrying amount 1 January 2017 SR'000
Available-for-sale investments	***B***				
Opening balance		86,303	-	-	
To: Investments measured at FVPL		-	(84,380)	-	
To: Investments measured at FVOCI		-	(1,923)	-	
Closing balance		86,303	(86,303)	-	-
Investments measured at FVPL	***C***				
Opening balance		82,047	-	-	
To: Investments measured at FVOCI		-	(82,047)	-	
From: Available-for-sale investments		-	84,380	-	
Closing balance		82,047	2,333	-	84,380
Investments measured at FVOCI	***C***				
Opening balance		-	-	-	
From: Available-for-sale investments		-	1,923	-	
From: Investments measured at FVPL		-	82,047	-	
Closing balance		-	83,790	-	83,970
Financial assets at amortised cost					
Cash and cash equivalents					
Opening balance		85,248	-	-	
Remeasurement: ECL allowance		-	-	(69)	
Closing balance		85,248	-	(69)	85,179
Financial assets at amortised cost					
Financial assets at amortised cost					
Opening balance		-	-	-	
From: Held to maturity		-	180,000	-	
Remeasurement: ECL allowance		-	-	(146)	
Closing balance		-	180,000	(146)	179,854

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

Statutory deposits - Financial assets at amortised cost				
Financial assets at amortised cost				
Opening balance	-	-	-	
From: Held to maturity	-	40,000	-	
Remeasurement: ECL allowance	-	-	(10)	
Closing balance	-	40,000	(10)	39,990

The following notes explain how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Company as shown in the tables above.

A Reclassification from available-for-sale to FVPL

Investments in redeemable units were reclassified from available-for-sale to financial assets mandatorily measured at fair value through profit or loss. In accordance with the requirements of IFRS 9, investments in redeemable units are required to be measured at FVPL. Available-for-sale investments related fair value reserve of SR 95,821 was transferred from fair value reserve to "Surplus distributable to policyholders" on 1 January 2017.

B Reclassification from available-for-sale to FVPL

Investments in redeemable units were reclassified from available-for-sale to financial assets at fair value through profit or loss. In accordance with the requirements of IFRS 9, investments in redeemable units are required to be measured at FVPL. Available-for-sale investments related fair value reserve of SR 502,488 was transferred from fair value reserve to "Retained earnings" on 1 January 2017.

C Reclassification from available-for-sale to FVOCI

In accordance with IFRS 9, an investment in equity instrument that does not have a quoted price in an active market for an identical instrument shall be measured at fair value. Accordingly, unlisted equity investments of the Company for the amount of SR 1.9 million previously classified as available-for-sale investments were reclassified to financial assets measured at FVOCI. These investments in unlisted equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes.

D Equity investments in listed shares previously classified as available-for-sale

The Company irrevocably elected to present changes in the fair value of all its listed equity investments previously classified as investment at FVPL in other comprehensive income. These investments in listed equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes.

E Financial assests measured at amortised cost

At 1 January 2017, there were no instruments reclassified from amortised cost measurement to fair value measurement or vice versa. Previously classified held-to-maturity investments have been reclassified to "Financial assets at amortised cost" category.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with previous IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model as at 1 January 2017.

Takaful operations	**IAS 39 Impairment allowance** SR'000	**Reclassifi-cations** SR'000	**Remeasure-ments** SR'000	**IFRS 9 Impairment allowance** SR'000
Cash and cash equivalents	-	-	(81)	(81)
Held-to-maturity investments/financial assets at amortised cost	-	-	(585)	(585)
Due from shareholders' operations	-	-	-	-
	-	-	(666)	(666)

Shareholders' operations	**IAS 39 Impairment allowance** SR'000	**Reclassifi-cations** SR'000	**Remeasure-ments** SR'000	**IFRS 9 Impairment allowance** SR'000
Cash and cash equivalents	-	-	(69)	(69)
Management fees receivables	-	-	-	-
Held-to-maturity investments/financial assets at amortised cost	-	-	(146)	(146)
Statutory deposits	-	-	(10)	(10)
	-	-	(225)	(225)

As a result of adopting the requirements of IFRS 9 by the Company effective from 1 January 2017, the opening balance of "surplus distributable to policyholders" has been adjusted by SR 0.66 million. The adjustment represents the expected credit losses recognised on the financial assets of the Company which were subject to expected credit losses on 31 December 2016. The fair value reserve of previously classified available-for-sale investments has been reclassified to "surplus distributable to policyholders" due to reclassification of available-for-sale investsments to investments measured at FVPL category from the date of initial application of the requirements of IFRS 9.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Accounting policies on financial assets and liabilities adopted in the preparation of these financial statements effective from 1 January 2017

4.3.1 Financial assets and liabilities

Measurement methods

Amortised cost and effective profit rate
The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Profit income
Profit income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, profit income is recognised by applying the effective profit rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset.

Initial recognition and measurement
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

4.3.2 Classification and subsequent measurement of financial assets

From 1 January 2017, the Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Accounting policies on financial assets and liabilities adopted in the preparation of these financial statements effective from 1 January 2017 (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate Sukuks and premiums payable.

Classification and subsequent measurement of debt instruments depend on:
(i) the Company's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 6.1. Profit income from these financial assets is included in 'Special commission income' using the effective profit method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method.

- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss presented in the statement of income in the period in which it arises. Profit income from these financial assets is included in 'Special commission income'' using the effective profit rate method.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Accounting policies on financial assets and liabilities adopted in the preparation of these financial statements effective from 1 January 2017 (continued)

Business model:
The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Solely payments of principal and profit:
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the lending agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income as 'Dividend income' when the Company's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net gains on investments mandatorily measured at fair value through profit or loss' line in the statement of income.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3.3 Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its debt instruments measured at amortised cost and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 6.1 provides more detail of how the expected credit loss allowance is measured.

4.3.4 Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

4.3.5 Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss: this classification is applied to financial liabilities designated as fair value through profit or loss at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income;

4.3.6 Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Zakat and income tax

As a result of the Circular, the Company amended its accounting policy relating to zakat and income tax and have started to charge zakat and income tax directly to the interim statement of shareholders' equity. Previously, zakat and income tax was charged in the interim statement of income. The Company has accounted for this change in accounting policy relating to zakat and income tax retrospectively.

The change in the accounting policy has the following impacts:

	Balance as previously reported at 31 March 2016 SR'000	Effect of restatement relating to zakat	Balance as restated at 31 March 2016 SR'000
Income from operations within interim statement of comprehensive income - shareholders operations	7,556	1,200	8,756
Total comprehensive income within interim statement of comprehensive income - shareholders operations	7,406	1,200	8,606

The above change in accounting policy did not have an impact on interim statements of financial position and cash flows for any of the year / period presented. The basic and diluted earnings per share have been restated as at 31 March 2016 for the effects of the above change in accounting policy as follows;

	amount as previously reported at 31 March 2016 SR'000	Effect of restatement relating to zakat	Amount as restated at 31 March 2016 SR'000
Basis and diluted earnings per share	0.19	0.03	0.22

4.5 Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has four reportable segments as follows:

- General
- Motor
- Health
- Protection and savings

Operating segments do not include shareholders operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the period.

4.6 Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

a) Estimation of incurred but not reported claims

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

b) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 6.1, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

a. Determining criteria for significant increase in credit risk;
b. Choosing appropriate models and assumptions for the measurement of ECL;
c. Establishing groups of similar financial assets for the purposes of measuring ECL.

c) Fair value of unlisted equity investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of such securities not quoted in an active market may be determined by the Company using latest available audited net assets value of the investee. The Company would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the market practice. As of 31 March 2017, the Company has unlisted equity investments of SR 1.9 million.

6 FINANCIAL RISK MANAGEMENT

The following section discusses the Company's updated credit risk measurement under ECL model in order to comply with the requirements of IFRS 9. The other risk management policies are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2016.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

6.1 Credit risk measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

Significant increase in credit risk

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

Quantitative criteria:

- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 7 days past due;

Qualitative criteria:

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;
- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

6 FINANCIAL RISK MANAGEMENT (continued)

Defenition of default and credit-impaired assets

The Company defines a financial instruments as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:
- Contractual payments are more than 90 days past due;
- Counterparty's refusal to pay the amounts due.

Qualitative criteria:
- Information about the bankruptcy of the counterparty;
- Legal case on recovery proceedings;

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal risk management purposes. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Based on the detailed analysis of the Companies exposures to the credit risk, the management of the Company have opted to benefit from the practical expedient in calculating the expected credit losses provided by IFRS 9 for financial assets with low credit risk. The management of the Company measures impairment using 12-month expected credit losses for its financial assets subject to impairment. The low credit risk financial assets of the Company meet the following requirements of IFRS 9 to measure impairment using 12-month expected credit losses:

- Low credit risk of default;
- The counterparties have a strong capacity to meet their obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil their contractual cash flow obligations.

The Company uses external credit risk ratings of well known and reputable rating agencies to assess the probability of default of individual counterparties.

The Company does not recognise lifetime expected credit losses on a financial instrument simply because it was considered to have low credit risk in the previous reporting period and is not considered to have low credit risk at the reporting date. In such a case, the Company will determine whether there has been a significant increase in credit risk since initial recognition and thus whether lifetime expected credit losses are required to be recognised.

6 FINANCIAL RISK MANAGEMENT (continued)

Measuring expected credit losses

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the exposure.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate.

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the exposures. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

6 FINANCIAL RISK MANAGEMENT (continued)

a) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below also represents the Company's maximum exposure to credit risk on these assets.

i) TAKAFUL OPERATIONS

	31 March 2017				31 December 2016
Financial statement line item	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	**Total**
Cash and cash equivalents	1,332,076	-	-	**1,332,076**	388,772
Held-to-maturity investments/financial assets at amortised cost	350,000	-	-	**350,000**	705,000
Due from shareholders' operations	196,822	-	-	**196,822**	196,822
Gross carrying amount	**1,878,898**	-	-	**1,878,898**	**1,290,594**
Loss allowance	(702)	-	-	**(702)**	-
Carrying amount	**1,878,196**	-	-	**1,878,196**	**1,290,594**

	31 March 2017				31 December 2016
Credit grade	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	**Total**
Investment grade	1,682,076	-	-	**1,682,076**	1,093,772
Standard monitoring	196,822	-	-	**196,822**	196,822
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	**1,878,898**	-	-	**1,878,898**	**1,290,594**
Loss allowance	(702)	-	-	**(702)**	-
Carrying amount	**1,878,196**	-	-	**1,878,196**	**1,290,594**

6 FINANCIAL RISK MANAGEMENT (continued)

a) Maximum exposure to credit risk – financial instruments subject to ECL (continued)

ii) SHAREHOLDERS' OPERATIONS

	31 March 2017				31 December 2016
Financial statement line item	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	**Total**
Cash and cash equivalents	138,492	-	-	138,492	85,248
Held-to-maturity investments/financial assets at amortised cost	245,000	-	-	245,000	180,000
Statutory deposits	40,000	-	-	40,000	40,000
Gross carrying amount	**423,492**	-	-	**423,492**	**305,248**
Loss allowance	(255)	-	-	(255)	-
Carrying amount	**423,237**	-	-	**423,237**	**305,248**

	31 March 2017				31 December 2016
Credit grade	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	**Total**
Investment grade	423,492	-	-	**423,492**	305,248
Standard monitoring	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	**423,492**	-	-	**423,492**	**305,248**
Loss allowance	(255)	-	-	(255)	-
Carrying amount	**423,237**	-	-	**423,237**	**305,248**

The Company's exposures to credit risk are not collateralised.

b) Loss allowance

The loss allowance recognised in the period may be impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period. The following tables explain the change in the loss allowance between the beginning and the end of the annual period due to these factors.

6 FINANCIAL RISK MANAGEMENT (continued)

b) Loss allowance (continued)

a) Takaful operations:

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	SR'000	SR'000	SR'000	SR'000
Loss allowance as at 1 January 2017	666	-	-	666
Movements with the statement of income impact				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	608	-	-	**608**
Net remeasurement of loss allowance	-	-	-	-
Financial assets derecognised during the period	(572)	-	-	**(572)**
Write-offs	-	-	-	-
Total loss allowance for the period	36	-	-	**36**
Loss allowance as at 31 March 2017	**702**	-	-	702

a) Shareholders' operations:

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	SR'000	SR'000	SR'000	SR'000
Loss allowance as at 1 January 2017	225	-	-	225
Movements with the statement of income impact				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	223	-	-	**223**
Net remeasurement of loss allowance	22	-	-	**22**
Financial assets derecognised during the year	(215)	-	-	**(215)**
Write-offs	-	-	-	-
Total loss allowance for the period	30	-	-	**30**
Loss allowance as at 31 March 2017	**255**	-	-	255

7 BANK BALANCES AND CASH

	31 March 2017 (Unaudited)		*31 December 2016 (Audited)*	
	Takaful operations (SR'000)	***Shareholders' operations (SR'000)***	*Takaful operations (SR'000)*	*Shareholders' operations (SR'000)*
Cash in hand and at banks	**320,229**	**47,584**	226,925	(660)
Murabaha deposits	**1,000,000**	**90,000**	150,000	85,000
Cash and cash equivalents in the statements of cash flows	**1,320,229**	**137,584**	376,925	84,340
Less: Impairment loss	**(445)**	**(73)**	-	-
Cash and cash equivalents, net	**1,319,784**	**137,511**	376,925	84,340
Deposits against letters of guarantee (7.2)	**11,847**	**-**	11,847	-
Cash at banks (statutory deposit income) (7.3)	**-**	**908**	-	908
	1,331,631	**138,419**	388,772	85,248

7.1 Murabaha deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The average variable commission rate on Murabaha deposits at 31 March 2017 is 1.39% per annum (31 December 2016: 3.14%). Bank balances and Murabaha deposits are placed with counterparties with investment grade credit ratings, as rated by international rating agencies. The carrying values of Murabaha deposits and bank balances approximate their fair value at the reporting date.

7.2 Deposits against letters of guarantee comprises amounts placed with a local bank against issuance of payment guarantees in favour of the Company's service providers (Note 16). As these cannot be withdrawn before the end of the guarantee period, these are restricted in nature.

7.3 Cash at banks (statutory deposit income) is the realised amount from the statutory deposits relating to the previous years. The amount cannot be withdrawn without the prior approval of SAMA.

8 CONTRIBUTIONS AND RE-TAKAFUL BALANCES RECEIVABLE, NET

Summary of contributions and re-takaful balances receivable is shown below.

	31-March 2017 (Unaudited) SR'000	*31-December 2016 (Audited) SR'000*
Due from policyholders		
- External policyholders	**126,393**	99,868
- Related parties *(note 13 (a))*	**146,892**	235,942
Gross contributions receivable	**273,285**	335,810
Re-takaful balances receivable	**5,445**	8,161
	278,730	343,971
Allowance for doubtful receivables	**(34,198)**	(33,169)
	244,532	310,802

Allowance for doubtful receivables includes provision of SR 2,356 thousands (2016: SR 3,101 thousands) against receivables from related parties.

8 CONTRIBUTIONS AND RE-TAKAFUL BALANCES RECEIVABLE, NET (continued)

The loss allowance provision for receivables as at 31 December 2016 reconciles to the opening loss allowance and the movement for that provision is as follows:

Closing loss allowance as at 31 December 2016	**33,169**
Increase in loss allowance recognised in profit or loss during the period	1,029
Bad debts written off during the period	-
Recoveries / reversals of amounts previously provided	-
Balance loss allowance as at 31 March 2017	**34,198**

During the period, the Company made no write-offs of contributions receivables, it does not expect to receive future cash flows from and no recoveries from collection of cash flows previously written off.

9 STATUTORY DEPOSIT

Statutory deposit amounting to SR 40 million (31 December 2016: SR 40 million) represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Agency ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA. Under ECL method the Company charged an impairment loss amounting to SR 0.03 million.

10 INVESTMENTS

i) TAKAFUL OPERATIONS

a) Financial assets measured at amortised cost

Investments in Murabaha deposits and Sukuks are classified as financial assets measured at amortised cost. The Company's business model for these investments is to hold to collect the contractual cash flows. The cash flows of Murabaha deposits and Sukuks represent solely payments of principal and profit on the principal outstanding.

The investments amounting to SR 350 million (31 December 2016: SR 705 million) comprise Murabaha deposits and investment in Sukuks with original maturities of more than three months. The fair value of these investments are not materially different from their carrying values.

The movement during the period/year is set out below:

	31-Mar-17 (Unaudited) SR'000	31-Dec-16 (Audited) SR'000
At the beginning of the year:		
Murabaha deposits	**655,000**	280,000
Sukuk	**50,000**	50,000
Purchased during the period/year	**200,000**	1,180,000
Maturities during the period/year	**(555,000)**	(805,000)
At the end of the period/year, gross	**350,000**	705,000
Less: Impairment loss	**(257)**	-
At the end of the period/year, net	**349,743**	705,000

10 INVESTMENTS (continued)

i) TAKAFUL OPERATIONS

b) Financial assets mandatorily measured at FVPL

The movement during the period/ year is set out below:

	31-Mar-17 (Unaudited) SR'000	31-Dec-16 (Audited) SR'000
At the beginning of the year	**13,101**	4,978
Reclassification of investment from AFS to FVPL	**15,096**	-
Purchased during the period/year	**318,150**	7,695
Sold during the period/year	**(298,535)**	-
Net change in fair values during the period/year	**63**	428
At the end of the period/year	**47,875**	13,101

ii) SHAREHOLDERS' OPERATIONS

a) Financial assets measured at amortised cost

Financial assets of Shareholders' operations measured at amortised cost comprise of investments in Murabaha deposits amounting to SR 245 million (31 December 2016: SR 180 million) with original maturities of more than three months. The fair value of these investments are not materially different from their carrying values.

The movement during the period/year is set out below:

	31-Mar-17 (Unaudited) SR'000	31-Dec-16 (Audited) SR'000
At the beginning of the year	**180,000**	190,000
Purchased during the period/year	**245,000**	700,000
Maturities during the period/year	**(180,000)**	(710,000)
At the end of the period/year, gross	**245,000**	180,000
Less: Impairment loss	**(150)**	-
At the end of the period/year, net	**244,850**	180,000

b) Financial assets mandatorily measured at FVPL

The movement during the period/year is set out below:

	31-Mar-17 (Unaudited) SR'000	31-Dec-16 (Audited) SR'000
At the beginning of the year	**82,047**	77,314
Reclassification of equity investments from FVPL to FVOCI	**(82,047)**	-
Reclassification of investment from AFS to FVPL	**84,380**	-
Purchased during the period/year	**85,000**	99,590
Sold during the period/year	**(68,517)**	(99,590)
Net change in fair values during the period/year	**248**	4,733
At the end of the period / year	**101,111**	82,047

10 INVESTMENTS (continued)

***ii) SHAREHOLDERS' OPERATIONS* (continued)**

c) Financial assets designated at FVOCI

The movement during the period is set out below:

	31-Mar-17 (Unaudited) SR'000
At the beginning of the year	-
Re-classified from FVPL	**82,047**
Balance of equity shares portfolio with Al Rajhi Capital	79,648
Cash balance with Al Rajhi Capital	2,399
Re-classified from Available-for-sale investments	**1,923**
Total at the beginning of the period	**83,970**
Movement in the portfolio	
Opening balance of portfolio with Al Rajhi Capital equity share	**79,648**
Purchased during the period	**15,672**
Sold during the period	**(23,608)**
Net change in fair values during the period	**(1,905)**
Closing balance of equity shares portfolio	**69,807**
Portfolio balance with Al Rajhi Capital at the end of the period	**69,807**
Cash balance with Al Rajhi Capital	**10,335**
Equity - unlisted shares	**1,923**
At the end of the period	**82,065**

Analysis of available-for-sale investments at 31 December 2016:

	31-Dec-2016 (Audited) SR'000
Equity - listed shares	-
Fund with Al Rajhi Capital	84,380
Sub total	84,380
Equity - unlisted shares	1,923
At the end of the period/year	86,303

Equity investments under listed shares comprise a portfolio of equities listed on the Saudi Arabian Stock Exchange ("Tadawul"). Unlisted equity investments includes an investment amounting to SR 1.9 million (31 December 2016: SR 1.9 million) in an unlisted company, registered in the Kingdom of Saudi Arabia.

11 ZAKAT AND INCOME TAX

Restatement of changes in Shareholders' Equity

Effective January 1, 2017, based on the Circular issued by SAMA in relation to the 'Accounting of income tax and zakat", the Company amended its accounting policy to charge zakat into retained earnings instead of income from operations within interim statement of comprehensive income - shareholders operations.

The impact of change in the accounting policy has been disclosed in note 4.4

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

Movements in the Zakat and income tax accrued during the three month period ended 31 March 2017 and the year ended 31 December 2016 are as follows:

	Zakat payable	
	31-Mar-17 (Unaudited) SR '000	31-Dec-16 (Audited) SR '000
Balance at beginning of the year	**18,391**	9,368
Provided during the period / year	**2,750**	10,400
Payments during the period / year	**-**	1,377
Balance at end of the period / year	**21,141**	18,391

Shareholdings

Following are the shareholding structure of the Company as on:

	31-Mar-17	31-Dec-16
Shareholding subject to Zakat	**100.00%**	100.00%

Status of assessments

The Company has filed Zakat and income tax returns for the financial years up to and including the year 2016 with the General Authority of Zakat and Tax (the "GAZT"). The assessments for the years 2010 to 2015 are under review by GAZT.

12 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The movement during the year in financial liabilities at fair value through profit or loss is set out below:

	31-Mar-17 ***(Unaudited)*** ***SR'000***	31-Dec-16 *(Audited)* *SR'000*
At the beginning of the year	**14,196**	5,712
Net changes in reserve during the period/ year	**3,000**	8,056
Net change in fair values during the period / year	**205**	428
At the end of the period / year	**17,401**	14,196

13 RELATED PARTY TRANSACTIONS AND BALANCES

a) Transactions and balances with related parties:

Related parties represent major shareholders, directors and key management personnel of the Company, and companies which are principally owned by the shareholders and any other entities controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

Following are the details of significant related party transactions during the periods ended 31 March 2017 and 2016 and balances as at 31 March 2017 and 31 December 2016:

Related party	Nature of transaction	Amount of transactions for the three month period ended		Balance as at	
		31-Mar-17 (Unaudited) SR'000	31-Mar-16 (Unaudited) SR'000	**31-Mar-17 (Unaudited) SR'000**	31-Dec-16 (Audited) SR'000
Al Rajhi Insurance Company B.S.C.(c) *(shareholder)*	Reimbursement from / (expenses paid) on behalf of related party				
	a) takaful operations	-	2	**592**	(158)
	b) shareholders' operations	-	-	**(13)**	(13)
Al Rajhi Bank *(shareholder)*	Contribution - policies written	**280,309**	312,270	**114,374**	201,912
Affiliates	Contribution - policies written	**10,986**	31,462	**32,518**	34,030
	Contributions receivable (note 8)			**146,892**	235,942
Al Rajhi Bank *(shareholder)*	Claims incurred and notified during the period	**272,714**	255,879	**53,385**	206,592
Al Rajhi Bank *(shareholder)*	Bank balance *(Takaful operations)*			**244,998**	237,434
	Bank balance *(Shareholders' operations)*			**47,459**	2,192
	Bank balances			**292,457**	239,626

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	Nature of transaction	Amount of transactions for the three month period ended 31-Mar-17 (Unaudited) SR'000	31-Mar-16 (Unaudited) SR'000	Balance as at 31-Mar-17 (Unaudited) SR'000	31-Dec-16 (Audited) SR'000
Al Rajhi Capital *(Affiliate)*	Investments managed by the affiliate				
	a) Takaful operations – purchase/ (sold)	**19,410**	10,030	**47,875**	28,197
	b) Shareholders' operations – purchased/ (sold)	**16,483**	7,758	**101,109**	84,380
		35,893	17,788	**148,984**	99,476
Al Rajhi Capital *(Affiliate)*	Income received from sale of investment in Al Rajhi Capital commodity fund				
	a) Takaful operations	**1,465**	2,002	-	-
	b) Shareholders' operations	**483**	287	-	-
		1,948	2,289	-	-
Al Rajhi Capital *(Affiliate)*	Investment management fee paid to Al Rajhi Capital				
	a) Takaful operations	**254**	264	-	-
	b) Shareholders' operations	**389**	403	-	-
		643	667	-	-
Al Rajhi Bank *(shareholder)*	Investment in shares of Al Rajhi Bank	**956**	34	**12,213**	9,919
Al Rajhi Takaful Agency *(Subsidiary of shareholders)*	Commissions	**1,489**	3,291	**2,305**	1,039

The investment portfolio designated as fair value through other comprehensive income is managed by Al Rajhi Capital (Affiliate). The total value of the portfolio as at 31 March 2017 is SR 80.142 million (31 December 2016 SR 82.047 million).

b) Compensation of key management personnel:

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows:

	For the three month period ended 31-Mar-17 (Unaudited) SR'000	31-Mar-16 (Unaudited) SR'000
Salaries and benefits of key management personnel	**1,490**	1,268
Shariah committee remuneration	**88**	71
	1,578	1,339

14 SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed below is based on current reporting to the Chief Operating Decision Maker, the CEO. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include takaful operations' bank balances and cash, due from shareholders' operations, net contributions receivable and available for sale investments. Accordingly, they are included in unallocated assets.

Segment liabilities do not include takaful operations' payables accruals and other liabilities, amounts due to related parties, management fee payable and re-takaful balances payable. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to the CEO under the related segments and are monitored on a centralized basis.

	For the three month period ended 31 March 2017 (Unaudited)				
Operating segments	*General*	*Motor*	*Health*	*Protection & Saving*	*Total*
			SR'000		
Gross contributions written	37,272	961,972	98,160	9,808	1,107,212
Net contributions written	12,147	958,053	97,910	7,896	1,076,006
Net contributions earned	3,842	561,502	53,950	7,774	627,068
Policy fee and other income	27	2,864	-	159	3,050
Re-takaful commission income	3,072	301	-	-	3,373
Total underwriting revenue	6,941	564,667	53,950	7,933	633,491
Net claims incurred	(1,450)	(491,002)	(47,584)	(647)	(540,683)
Inspection and supervision fees	(168)	(4,780)	(1,473)	(49)	(6,470)
Policy acquisition costs	(1,171)	(13,963)	(1,561)	(900)	(17,595)
Other expenses	(69)	(1,793)	(182)	(264)	(2,308)
Change in mathematical reserve	-	-	-	(2,992)	(2,992)
Other income	-	954	-	-	954
Total claims and other expenses	(2,858)	(510,584)	(50,800)	(4,852)	(569,094)
Net underwriting surplus	4,083	54,083	3,150	3,081	64,397
Special commission income					3,806
Net gains on investments mandatorily measured at fair value through profit or loss					1,528
Impairment loss					(36)
Management fee					(35,785)
Net surplus for the period					33,910

14 SEGMENTAL INFORMATION (continued)

	For the three month period ended 31 March 2016 (Unaudited)				
Operating segments	*General*	*Motor*	*Health*	*Protection & Saving*	*Total SR '000*
Gross contributions written	41,156	392,812	94,007	5,205	533,180
Net contributions written	13,428	389,703	93,656	4,207	500,994
Net contributions earned	5,349	261,469	53,382	4,883	325,083
Policy fee and other income	27	1,400	-	30	1,457
Re-takaful commission income	3,648	541	-	-	4,189
Total underwriting revenue	9,024	263,410	53,382	4,913	330,729
Net claims incurred	(1,393)	(229,310)	(41,307)	799	(271,211)
Inspection and supervision fees	(108)	(1,909)	(1,410)	(26)	(3,453)
Policy acquisition costs	(1,689)	(4,739)	(1,610)	(649)	(8,687)
Other expenses	(220)	(2,212)	(501)	(147)	(3,080)
Change in mathematical reserve	-	-	-	(1,368)	(1,368)
Other income	-	601	-	-	601
Total claims and other expenses	(3,410)	(237,569)	(44,828)	(1,391)	(287,198)
Net underwriting surplus	5,614	25,841	8,554	3,522	43,531
Investment income					2,002
Management fee					(32,018)
Net surplus for the period					13,515

14 SEGMENTAL INFORMATION (continued)

	As at 31 March 2017 (Unaudited)				
Takaful operations' assets	***General***	***Motor***	***Health SR'000***	***Protection & Saving***	***Total***
Re-takaful share of outstanding claims	**95,319**	**15,751**	**-**	**6,167**	**117,237**
Re-takaful share of unearned contributions	**71,891**	**1,812**	**-**	**1,738**	**75,441**
Deferred policy acquisition costs	**10,432**	**33,489**	**8,120**	**222**	**52,263**
Deposit against letters of guarantee (note 7)	**18**	**10,692**	**1,133**	**4**	**11,847**
	177,660	**61,744**	**9,253**	**8,131**	**256,788**
Unallocated assets					**2,179,799**
Total assets					**2,436,587**
Takaful operations' liabilities					
Gross outstanding claims	**101,463**	**526,683**	**38,886**	**7,992**	**675,023**
Gross unearned contributions	**140,327**	**1,178,598**	**129,998**	**2,177**	**1,451,099**
Unearned re-takaful commission income	**6,855**	**-**	**-**	**-**	**6,855**
	248,645	**1,705,281**	**168,884**	**10,169**	**2,132,978**
Unallocated liabilities and surplus					**303,609**
Total liabilities					**2,436,587**

	As at 31 December 2016 (Audited)				
Takaful operations' assets	*General*	*Motor*	*Health SR'000*	*Protection & Saving*	*Total*
Re-takaful share of outstanding claims	82,606	7,411	-	5,692	95,709
Re-takaful share of unearned contributions	66,287	2,000	-	1,379	69,666
Deferred policy acquisition costs	9,415	15,433	5,296	222	30,366
Deposit against letters of guarantee (note 7)	18	10,692	1,133	4	11,847
	158,326	35,536	6,429	7,297	207,588
Unallocated assets					1,640,796
Total assets					1,848,384
Takaful operations' liabilities					
Gross outstanding claims	87,754	409,854	37,550	7,452	542,610
Gross unearned contributions	126,417	782,236	86,038	1,695	996,386
Unearned re-takaful commission income	6,728	-	-	-	6,728
	220,899	1,192,090	123,588	9,147	1,545,724
Unallocated liabilities and surplus					302,660
Total liabilities					1,848,384

15 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the three month period ended 31 March 2017 and 2016 has been calculated by dividing the net profit for the period by the weighted average number of issued shares (40 million shares) for the three month period ended 31 March 2017 and 2016 respectively.

16 CONTINGENT LIABILITIES

As at 31 March 2017, the Company's bankers have issued letters of guarantee of SR 11.9 million (2016: SR 11.9 million) to various motor agencies, workshops and health service providers as per the terms of the agreements with them (note 5.1).

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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 (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

TAKAFUL OPERATIONS

As at 31 March 2017	***Level 1 SR' 000***	***Level 2 SR' 000***	***Level 3 SR' 000***	***Total SR' 000***
Financial assets measured at fair value through profit or loss	-	**47,875**	-	**47,875**
Total	-	**47,875**	-	**47,875**

As at 31 December 2016	*Level 1 SR' 000*	*Level 2 SR' 000*	*Level 3 SR' 000*	*Total SR' 000*
Available for sale financial assets	-	15,096	-	15,096
Financial assets measured at fair value through profit or loss	-	13,101	-	13,101
Total	-	28,197	-	28,197

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

SHAREHOLDERS' OPERATIONS

As at 31 March 2017	***Level 1 SR' 000***	***Level 2 SR' 000***	***Level 3 SR' 000***	***Total SR' 000***
Financial assets measured at fair value through profit or loss	**-**	**101,111**	**-**	**101,111**
Financial assets at fair value through other comprehensive income	**80,142**	**-**	**1,923**	**82,065**
Total	**80,142**	**101,111**	**1,923**	**183,176**

As at 31 December 2016	*Level 1 SR' 000*	*Level 2 SR' 000*	*Level 3 SR' 000*	*Total SR' 000*
Available for sale financial assets	-	84,380	1,923	86,303
Financial assets measured at fair value through profit or loss	82,047	-	-	82,047
Total	82,047	84,380	1,923	168,350

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

During the three-month period ended 31 March 2017, there were no transfers between the levels of fair value hierarchies during the period.

The fair value decrease of SR 1,905 thousand (31 March 2016: SR 6,257 thousand decrease) in respect of FVOCI equity investments was recorded in interim statement of other comprehensive income – shareholders' operations

18 COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform to the current period presentation.

19 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 20 Rajab 1438H, corresponding to 17th April 2017.