SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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Aldar Audit Bureau
Abdullah Al Basri & Co.
Member Firm of Grant Thornton International

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Scope of audit:

We have audited the accompanying statement of financial position of Saudi Arabian Cooperative Insurance Company (the "Company") as at 31 December 2016 and the related statements of insurance operations' surplus, insurance operations' comprehensive income, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

In our opinion, the financial statements taken as a whole:

i) present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and

ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

Emphasis of matter:

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

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6 March 2017
7 Jumada Al-Thani 1438H

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ترخيص رقم ٢٥
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

ALDAR AUDIT BUREAU
Professional Partnership Co.
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Licence No. 323/11/33
Certified Accountants
Abdullah Al Basri & Co.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 December 2016	31 December 2015
Insurance operations' assets			
Property and equipment, net	7	**7,027,868**	7,046,323
Reinsurers' share of outstanding claims and reserves	8(a)	**379,753,132**	418,265,008
Reinsurers' share of unearned premiums	8(b)	**44,019,014**	46,845,626
Deferred policy acquisition costs	8(d)	**19,644,444**	22,247,019
Premiums and reinsurance balances receivable	9	**154,838,544**	132,175,780
Held-to-maturity investment	10(a)	**10,000,000**	10,000,000
Available-for-sale investment	10(b)	**12,943,942**	14,162,233
Prepayments and other assets	11	**30,397,387**	16,596,270
Due from related parties	12	**70,057,529**	71,302,320
Time deposits	13	**149,800,000**	165,000,000
Cash and cash equivalents	14	**70,238,851**	76,151,599
Total insurance operations' assets		**948,720,711**	979,792,178
Shareholders' assets			
Statutory deposit	15	**25,000,000**	25,000,000
Due from insurance operations		**15,514,891**	10,383,676
Prepayments and other assets	11	**1,643,112**	583,100
Time deposits	13	**264,000,000**	215,800,000
Accrued income from statutory deposit		**974,660**	848,893
Cash and cash equivalents	14	**1,374,609**	359,687
Total shareholders' assets		**308,507,272**	252,975,356
Total insurance operations' and shareholders' assets		**1,257,227,983**	1,232,767,534

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The notes on pages 10 to 37 are an integral part of these financial statements.

ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

MOHAN VARGHESE
CHIEF FINANCIAL OFFICER

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 *(continued)*
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 December 2016	31 December 2015
Insurance operations' liabilities			
Employees' end-of-service benefits		**14,555,491**	9,533,899
Due to shareholders' operations		**15,514,891**	10,383,676
Gross outstanding claims and reserves	8(a)	**554,802,588**	600,678,115
Gross unearned premiums	8(b)	**230,953,341**	240,004,422
Unearned commission income	8(c)	**11,359,320**	12,121,690
Reinsurance balances payable		**49,062,978**	47,587,888
Accrued expenses and other liabilities	17	**59,474,255**	52,005,974
Total insurance operations' liabilities		**935,722,864**	972,315,664
Insurance operations' surplus			
Insurance operations' surplus distribution payable	3	**12,634,182**	8,319,389
Fair value reserve for available-for-sale investment	10(b)	**363,665**	(842,875)
Total insurance operations' liabilities and surplus		**948,720,711**	979,792,178
Shareholders' liabilities			
Provision for zakat	18	**7,685,943**	3,258,956
Accounts payable		**1,729,500**	1,590,000
Return payable on statutory deposit		**974,660**	848,893
Total shareholders' liabilities		**10,390,103**	5,697,849
Shareholders' equity			
Share capital	19	**250,000,000**	250,000,000
Statutory reserve	27	**9,623,434**	-
Retained earnings / (accumulated losses)		**38,493,735**	(2,722,493)
Total shareholders' equity		**298,117,169**	247,277,507
Total shareholders' liabilities and equity		**308,507,272**	252,975,356
Total insurance operations' liabilities and surplus and shareholders' liabilities and equity		**1,257,227,983**	1,232,767,534

The notes on pages 10 to 37 are an integral part of these financial statements.

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended 31 December 2016	2015
Revenues			
Gross written premiums	8(b)	**801,806,183**	888,220,440
Reinsurance premiums ceded	8(b)	**(238,861,549)**	(243,062,963)
Excess of loss / stop loss premiums		**(53,815,377)**	(84,796,467)
Net written premiums		**509,129,257**	560,361,010
Movement in unearned premiums, net		**6,224,469**	42,088,209
Net earned premiums		**515,353,726**	602,449,219
Commission income	8(c)	**50,939,911**	44,594,545
Income from investments		**1,373,271**	3,110,827
Special commission income		**5,481,417**	1,313,085
Other income		**11,401,513**	10,488,512
Total revenues		**584,549,838**	661,956,188
Costs and expenses			
Gross claims paid	8(a)	**432,178,000**	482,346,739
Reinsurers' share of claims paid	8(a)	**(81,781,964)**	(42,151,041)
Net claims paid		**350,396,036**	440,195,698
Movement in outstanding claims and reserves, net		**(7,363,651)**	19,514,079
Net claims incurred	8(a)	**343,032,385**	459,709,777
Policy acquisition costs	8(d)	**71,628,956**	65,429,108
General and administration expenses	21	**96,607,698**	82,717,193
Provision for doubtful receivables	9	**5,136,075**	5,518,935
Inspection and supervision fees		**7,025,853**	7,743,705
Impairment of available-for-sale investment	10(b)	**2,424,831**	-
Total costs and expenses		**525,855,798**	621,118,718
Net surplus for the year from insurance operations	3	**58,694,040**	40,837,470
Shareholders' appropriation from surplus	3	**(52,824,636)**	(36,753,724)
Net surplus for the year from insurance operations after shareholders' appropriation	3	**5,869,404**	4,083,746

The notes on pages 10 to 37 are an integral part of these financial statements.

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Net surplus for the year from insurance operations after shareholders' appropriation		**5,869,404**	4,083,746
Other comprehensive income / (loss):			
Items that may be reclassified to statement of insurance operations' surplus in subsequent year:			
Change in fair value of available-for-sale investment	10(b)	**1,206,540**	(842,875)
Total insurance operations' comprehensive income for the year		**7,075,944**	3,240,871

The notes on pages 10 to 37 are an integral part of these condensed interim financial statements.

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended 31 December 2016	2015
Appropriation of surplus from insurance operations		**52,824,636**	36,753,724
Special commission income		**6,558,442**	1,247,828
General and administration expenses	21	**(1,211,539)**	(1,197,272)
Income before zakat		**58,171,539**	36,804,280
Provision for zakat	18	**(7,331,877)**	(4,498,734)
Net income for the year		**50,839,662**	32,305,546
Other comprehensive income			
Items that may be reclassified to shareholders' operations in subsequent year:			
Change in fair value of available-for-sale investment		**-**	-
Total comprehensive income for the year		**50,839,662**	32,305,546
Earnings per share			
Basic and diluted earnings per share (in Saudi Riyals)	20	**2.03**	1.59
Weighted average number of shares in issue throughout the year (in thousands)	20	**25,000**	20,324

The notes on pages 10 to 37 are an integral part of these financial statements.

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Retained earnings/ (accumulated losses)	Total
Balances as at 1 January 2016		250,000,000	-	(2,722,493)	247,277,507
Total comprehensive income for the year		-	-	50,839,662	50,839,662
Transfer to statutory reserve	27	-	9,623,434	(9,623,434)	-
Balances as at 31 December 2016		**250,000,000**	**9,623,434**	**38,493,735**	**298,117,169**
Balances as at 1 January 2015		100,000,000	-	(30,037,449)	69,962,551
Paid in capital from rights issue	19	150,000,000	-	-	150,000,000
Rights issue expenses	19	-	-	(4,990,590)	(4,990,590)
Total comprehensive income for the year		-	-	32,305,546	32,305,546
Balances as at 31 December 2015		250,000,000	-	(2,722,493)	247,277,507

The notes on pages 10 to 37 are an integral part of these financial statements.

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STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended 31 December 2016	2015
Cash flows from operating activities			
Net surplus from insurance operations after shareholders' appropriation		**5,869,404**	4,083,746
Adjustments for:			
Depreciation	7	**3,500,857**	3,445,473
Provision for doubtful receivables	9	**5,136,075**	5,518,935
Provision for employees' end-of-service benefits		**6,112,878**	2,671,659
Shareholders' appropriation from surplus		**52,824,636**	36,753,724
Impairment of available-for-sale investment		**2,424,831**	-
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims and reserves		**38,511,876**	(52,055,058)
Reinsurers' share of unearned premiums		**2,826,612**	18,727,517
Deferred policy acquisition costs		**2,602,575**	1,573,164
Premiums and reinsurance balances receivable		**(27,798,839)**	31,967,749
Prepayments and other assets		**(13,801,117)**	(6,279,087)
Due from related parties		**1,244,791**	(23,316,318)
Gross outstanding claims and reserves		**(45,875,527)**	71,569,134
Gross unearned premiums		**(9,051,081)**	(60,815,721)
Unearned commission income		**(762,370)**	(3,349,310)
Reinsurance balances payable		**1,475,090**	4,278,089
Accrued expenses and other liabilities		**7,468,281**	14,584,826
Surplus distribution to policyholders		**(1,554,611)**	-
Employees' end-of-service benefits paid		**(1,091,286)**	(446,166)
Net cash generated from operating activities		**30,063,075**	48,912,356
Cash flows from investing activities			
Purchase of property and equipment		**(3,482,402)**	(3,743,640)
Acquisition of available-for-sale investment		**-**	(13,082,028)
Acquisition of held-to-maturity investment		**-**	(10,000,000)
Maturity of time deposits		**15,200,000**	15,160,386
Net cash from / (used in) investing activities		**11,717,598**	(11,665,282)
Cash flows from a financing activity			
Due to shareholders' operations, net		**(47,693,421)**	(30,447,862)
Net cash used in a financing activity		**(47,693,421)**	(30,447,862)
Net (decrease) / increase in cash and cash equivalents		**(5,912,748)**	6,799,212
Cash and cash equivalents at the beginning of the year		**76,151,599**	69,352,387
Cash and cash equivalents at the end of the year	14	**70,238,851**	76,151,599
Supplemental non-cash information:			
Change in fair value of available-for-sale investment	10(b)	**1,206,540**	(842,875)

The notes on pages 10 to 37 are an integral part of these financial statements.

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Cash flows from operating activities			
Income before zakat		**58,171,539**	36,804,280
Adjustment for:			
Appropriation of surplus from insurance operations income		**(52,824,636)**	(36,753,724)
Changes in operating assets and liabilities:			
Prepayments and other assets		**(1,060,012)**	950,197
Accrued income from statutory deposit		**(125,767)**	-
Return payable on statutory deposit		**125,767**	-
Accounts payable		**139,500**	757,728
Cash from operations		**4,426,391**	1,758,481
Zakat paid		**(2,904,890)**	(3,298,936)
Net cash from / (used in) operating activities		**1,521,501**	(1,540,455)
Cash flows from investing activities			
Statutory deposit		**-**	(15,000,000)
Increase in time deposits		**(48,200,000)**	(196,250,000)
Net cash used in investing activities		**(48,200,000)**	(211,250,000)
Cash flows from financing activities			
Due from insurance operations, net		**47,693,421**	30,447,862
Net proceeds from share capital increase		**-**	145,009,410
Net cash from financing activities		**47,693,421**	175,457,272
Net increase / (decrease) in cash and cash equivalents		**1,014,922**	(37,333,183)
Cash and cash equivalents at beginning of the year		**359,687**	37,692,870
Cash and cash equivalent at the end of the year	14	**1,374,609**	359,687

The notes on pages 10 to 37 are an integral part of these financial statements.

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HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010237214 dated 20 August 2007 (corresponding to 7 Shaban 1428H). The registered office address of the Company is P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange ("Tadawul") on 3 September 2007 (corresponding to 21 Shaban 1428H).

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 11 October 2006 (corresponding to 18 Ramadan 1427H), pursuant to the Council of Ministers resolution number 233 dated 9 October 2006 (corresponding to 16 Ramadan 1427H).

Following the completion of the public offering on 28 May 2007 (corresponding to 12 Jumada Al-Awwal 1428H), the Ministry of Commerce and Industry ("MCI") issued a resolution declaring the incorporation of the Company on 5 August 2007 (corresponding to 21 Rajab 1428H).

On 11 September 2007 (corresponding to 29 Shaban 1428H), the Saudi Arabian Monetary Authority ("SAMA") issued a formal approval to transact insurance business, thus authorizing the Company to commence operations as soon as product approval and related formalities are completed.

2. BASIS OF PREPARATION

Basis of measurement

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

Statement of compliance

The financial statements of the Company for the year ended 31 December 2016 have been prepared by the management in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, these financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyal.

3. SURPLUS DISTRIBUTION

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementing Regulations issued by SAMA. Accordingly, any deficit arising from insurance operations is transferred in full to the shareholders operations.

The insurance operations' surplus of the Company for the year ended 31 December 2016 amounted to Saudi Riyals 59 million (2015: Saudi Riyals 41 million). Of the total amount of the insurance operations' surplus for the year ended 31 December 2016, 90% amounting to Saudi Riyals 53 million (2015: Saudi Riyals 37 million) has been transferred to the shareholders' operations for the year, leaving a surplus payable to policyholders of Saudi Riyals 6 million as at 31 December 2016 (2015: Saudi Riyals 4 million).

As at 31 December 2016, insurance operations' surplus distribution payable amounted to Saudi Riyals 13 million (2015: Saudi Riyals 8 million).

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year except for the adoption of the amendments to existing standards mentioned below which has had no material impact on these financial statements on the current year or prior years and is expected to have an insignificant effect in future years:

a. Amendments to IAS 1 - "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

b. Amendments to IAS 16 - "Property, Plant and Equipment" and IAS 38 - "Intangible Assets", applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments are as follows:

a. IFRS 5 - "Non-current Assets Held for Sale and Discontinued Operations", amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

b. IFRS 7 - "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

c. IAS 19 - "Employee Benefits" - amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting years beginning on or after 1 January 2017 and is currently assessing their impact. Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after January 1, 2017:

a. IFRS 9 - "Financial instruments", applicable for the annual periods beginning on or after 1 January 2018, and will be applied retrospectively with some exemptions. The new standard presents revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. IASB had allowed temporary exemption for companies issuing insurance contracts until 2021 or until the new insurance contracts standard is applied, if that is earlier.

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

c. Amendments to IAS 12 - "Income Taxes", applicable for the annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

d. IFRS 16 - "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and time deposits with an original maturity of less than three months at the date of acquisition.

Time deposits

Time deposits comprise of time deposits at banks with original maturity of more than three months and less than one year at the date of acquisition.

Statutory deposit

The statutory deposit, which is equal to 10% of the Company's paid up capital, consisted mainly of time deposit maintained at a local bank in compliance with SAMA requirement.

Premiums receivable

Premiums receivable are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recorded in the statement of insurance operations' surplus. Premiums receivable are derecognized when derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of the financial reporting period and settlements and provisions in the following period is included in the general and administrative expenses for that period.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of insurance operations' surplus and shareholders' comprehensive income as they are consumed or expire with the passage of time.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged to the statement of insurance operations' surplus on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	In years
Leasehold improvements	Shorter of 3 or the relevant lease term
Furniture and fittings	10
Computer and office equipment	3 - 5
Vehicles	3

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate as premiums are earned. Amortization is recorded in the statement of insurance operations' surplus.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of insurance operations' surplus. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Zakat

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholder. Provisions for zakat charged to shareholders' accounts of the Saudi shareholders. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Employees' end-of-service benefits

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

Statutory reserve

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to a statutory reserve until it has built up a reserve equal to the share capital. See Note 27.

Investments and other financial assets

Initial recognition
Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets.

Classification and subsequent measurement
Financial assets are classified into the following specified categories: Investment at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

b. Available-for-sale investments ("AFS") are non-derivative financial assets that are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Changes in the carrying amount of the AFS financial asset are recognized in other comprehensive income in the insurance operations' comprehensive income or shareholders' comprehensive income. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

c. Held-to-maturity investments are investments which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statements of insurance operations' surplus when the investment is derecognized or impaired.

d. Investments at fair value through profit or loss are acquired principally for the purpose of selling in short term. These investments comprise of mutual funds, and other investments. Such investments are measured at fair value and any change in the fair value is charged to the statement of insurance operations' surplus. Transaction costs, if any, are not added to the fair value measurement at initial recognition of investments and expensed out when incurred.

5. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Impairment and un-collectibility of financial assets
An assessment is made at each financial reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognized in the statements of insurance operations' surplus, comprehensive income and shareholders' comprehensive income.

When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

Impairment is determined as follows:
a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statements of insurance operations' surplus, comprehensive income and shareholders' comprehensive income;
b. For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
c. For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial Liabilities

Initial recognition
Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Classification and subsequent measurement
Since the Company does not have financial liabilities classified at Fair value through Profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statements of insurance operations' surplus, comprehensive income or shareholders' comprehensive income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Fair values
The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

Liability adequacy test

At the end of each financial reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations' surplus initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests. Where the liability adequacy test requires the adoption of new best estimate's assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and diluted earnings per share and weighted average number of shares

Basic and diluted earnings per share is calculated by dividing the shareholder's total comprehensive income during the year attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares for the year ended 31 December 2015 has been adjusted due to rights issue of 15 million shares during the year then ended (Note 20).

Accordingly, the weighted average number of ordinary shares, used in calculating basic and diluted earnings per share for the year ended 31 December 2015, have been adjusted using an "Adjustment Factor" determined as the ratio between the following:

a. Theoretical ex-rights value which is equivalent to the total fair value of all outstanding shares before the exercise rights plus the total amount received from exercise of rights divided by the sum total of the number of shares outstanding before exercise and number of shares issued in the exercise; and,
b. Closing price per share at the last trading day before the rights issue.

Revenue recognition

Insurance contracts are those contracts when the Company (the "insurer") has accepted significant insurance risk from another party (the "policyholders") by agreeing to compensate the policyholders if a specified uncertain future event (the "insured event") adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Premiums
Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognized on the date on which the policy commences.

Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognized as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Premiums earned and commission income
Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

a. As per the guidelines provided by SAMA for Engineering policies, and
b. Last three months premium for marine cargo business, and
c. 365 days pro-rata basis for all other lines of business.

Unearned commission income
Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of insurance operations' surplus.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations' surplus as incurred changes in the valuation of liabilities arising on policyholders' contracts and internal and external claims handling expenses.

Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported ("IBNR") as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance operations' surplus for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Further, the Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the third party.

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contract.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets in the insurance operations' assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

At each financial reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of insurance operations' surplus.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Expense Recognition

Expenses are recognized in statements of insurance operations' surplus and shareholders' comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of insurance operations' surplus and shareholders' comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statements of insurance operations' surplus and shareholders' comprehensive income are presented using the nature of expense method.

Leases

Operating lease payments are recognized as an expense in the statements of insurance operations' surplus and shareholders' comprehensive income on a straight-line basis over the lease term except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Special commission income on time deposits

Special commission income on time deposits is accrued on an effective yield basis.

Dividend income

Dividend income is recognized when the right to receive dividend is established.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated at the rates of exchange prevailing at that date. All differences are taken to the statement of insurance operations' surplus.

Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on products and services and has seven reportable operating segments and one non-operating reportable segment as follows:

- Medical insurance provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary insurance provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability insurance provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- General accident insurance provides coverage against accidental death to individual and group of parties under Personal Accident Insurance.
- Others provide coverage for workmen compensation.
- Shareholders' Funds is a non-operating segment. Income earned from time deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance income' is allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the 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 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 Company makes estimates, assumptions and judgments that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually evaluated 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 are critical in preparation of these financial statements:

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

6.1 Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

6.2 Deferred policy acquisition costs

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortized over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment.

6.3 Impairment of available-for-sale investments

The Company determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and financing and operational cash flows.

6.4 Insurance risk

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

6.5 Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of the financial reporting period, for which the insured event has occurred prior to the end of financial reporting period.

Claims requiring court decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis. The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

The Company considers the services of an independent actuary to determine the following reserves:

Incurred but not reported claims ("IBNR")
As a first step towards setting appropriate IBNR reserves, a runoff analysis is prepared to assess how the claims reserves determined at the previous valuation dates compare with actual developments. Results from runoff analysis are taken into consideration while setting reserves for IBNR claims. An analysis is carried out by using the following methods:

- **Chain Ladder (CL) method** – this builds up, using historical claims payment patterns, ratios of eventual cumulative claims have been incurred in a particular period to those which have been paid as at the end of a reporting period.
- **Bornheutter-Ferguson (BF) method** – this is a technique that combines actual past claims experience and any prior information or expectations that might be available concerning claims, for example, expected ultimate loss ratios.
- **Hybrid method** – this uses a combination of the CL and BF methods.

Premium deficiency reserve
Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

7. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements	Furniture and fittings	Computer and office equipment	Vehicles	Capital work in progress	Total
Cost						
1 January 2015	7,107,630	1,989,965	15,256,736	543,219	968,516	25,866,066
Additions	117,906	74,360	2,044,573	-	1,506,801	3,743,640
31 December 2015	7,225,536	2,064,325	17,301,309	543,219	2,475,317	29,609,706
Additions / (Transfers)	73,843	62,234	5,689,261	132,381	(2,475,317)	3,482,402
31 December 2016	**7,299,379**	**2,126,559**	**22,990,570**	**675,600**	**-**	**33,092,108**
Accumulated depreciation						
1 January 2015	6,099,243	1,241,958	11,420,329	356,380	-	19,117,910
Charge for the year	700,190	205,195	2,383,671	156,417	-	3,445,473
31 December 2015	6,799,433	1,447,153	13,804,000	512,797	-	22,563,383
Charge for the year	308,961	211,645	2,933,112	47,139	-	3,500,857
31 December 2016	**7,108,394**	**1,658,798**	**16,737,112**	**559,936**	**-**	**26,064,240**
Net book value:						
31 December 2016	**190,985**	**467,761**	**6,253,458**	**115,664**	**-**	**7,027,868**
31 December 2015	426,103	617,172	3,497,309	30,422	2,475,317	7,046,323

The depreciation charge for the year is included in general and administrative expenses in the statement of insurance operations' surplus (Note 21).

8. MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS

a) Outstanding claims

	2016			2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Outstanding claims and other reserves at end of the year	**460,036,524**	**(355,958,131)**	**104,078,393**	464,735,864	(377,196,332)	87,539,532
IBNR and other reserves	**94,766,064**	**(23,795,001)**	**70,971,063**	135,942,251	(41,068,676)	94,873,575
	554,802,588	**(379,753,132)**	**175,049,456**	600,678,115	(418,265,008)	182,413,107
Insurance claims paid during the year	**432,178,000**	**(81,781,964)**	**350,396,036**	482,346,739	(42,151,041)	440,195,698
Outstanding claims and other reserves at beginning of the year	**(464,735,864)**	**377,196,332**	**(87,539,532)**	(428,640,978)	329,899,947	(98,741,031)
IBNR and other reserves	**(135,942,251)**	**41,068,676**	**(94,873,575)**	(100,468,000)	36,310,003	(64,158,000)
	(600,678,115)	**418,265,008**	**(182,413,107)**	(529,108,978)	366,209,950	(162,899,028)
Claims incurred	**386,302,473**	**(43,270,088)**	**343,032,385**	553,915,876	(94,206,099)	459,709,777

b) Unearned premiums

	2016			2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Unearned premiums at beginning of the year	**240,004,422**	**(46,845,626)**	**193,158,796**	300,820,148	(65,573,143)	235,247,005
Premiums written during the year	**801,806,183**	**(238,861,549)**	**562,944,634**	888,220,440	(243,062,963)	645,157,477
Premiums earned during the year	**(810,857,264)**	**241,688,161**	**(569,169,103)**	(949,036,166)	261,790,480	(687,245,686)
Unearned premiums at end of the year	**230,953,341**	**(44,019,014)**	**186,934,327**	240,004,422	(46,845,626)	193,158,796

(All amounts in Saudi Riyals unless otherwise stated)

8. MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS (continued)

c) Unearned commission income

	2016	2015
Beginning of the year	**12,121,690**	15,471,000
Commission received during the year	**50,177,541**	41,245,235
Commission earned during the year	**(50,939,911)**	(44,594,545)
End of the year	**11,359,320**	12,121,690

d) Deferred policy acquisition costs

	2016	2015
Beginning of the year	**22,247,019**	23,820,183
Incurred during the year	**69,026,381**	63,855,944
Amortized during the year	**(71,628,956)**	(65,429,108)
End of the year	**19,644,444**	22,247,019

9. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

Insurance operations' receivables are comprised of net amounts due from the following:

	2016	2015
Premiums receivable	**173,413,991**	150,542,916
Reinsurers and others	**9,480,370**	4,552,606
Total premiums and reinsurance balances receivable	**182,894,361**	155,095,522
Less: Provision for doubtful receivables	**(28,055,817)**	(22,919,742)
	154,838,544	132,175,780

The Company's terms of business require amounts to be settled within 30 to 90 days from the date of the transaction. Amounts due from reinsurers are normally settled on a quarterly basis.

As at 31 December, the aging of premium and reinsurance balances receivable is as follows:

	Total	Current	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Above 365 days
2016	**182,894,361**	**23,046,917**	**24,279,538**	**25,259,183**	**39,998,435**	**44,147,494**	**26,162,794**
2015	155,095,522	29,884,088	13,456,920	13,273,972	45,527,347	34,112,217	18,840,978

The Company classifies client balances as 'past due and impaired' on a case by case basis. An impairment adjustment is recorded in the statement of insurance operations' surplus and comprehensive income. It is not the practice of the Company to obtain collateral over receivables and they are, therefore, unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to policyholders with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past.

The movement in the provision for doubtful receivables for the year ended 31 December is as follows:

	2016	2015
Beginning of the year	**22,919,742**	17,400,807
Provision made during the year	**5,136,075**	5,518,935
Ending of the year	**28,055,817**	22,919,742

(All amounts in Saudi Riyals unless otherwise stated)

10. INVESTMENTS

a. Held-to-maturity investment

As at 31 December 2016, the Company invested in Islamic bonds ("Sukuk") issued by a local bank amounting to Saudi Riyals 10 million comprising of 10 Sukuk denominated at Saudi Riyals 1 million each and a margin equivalent to 6 month SIBOR plus 130 basis points.

b. Available-for-sale investments

	2016	2015
January 1	**14,162,233**	1,923,080
Additions	**-**	13,082,028
Unrealized gain / (loss) from change in fair value	**1,206,540**	(842,875)
Impairment loss	**(2,424,831)**	-
December 31	**12,943,942**	14,162,233

Available-for-sale investment includes investment of Saudi Riyals 1.9 million in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85% equity holding in Najm. In assessing the relationship of unobservable inputs to fair value, management considered the Company's long-term revenue growth rates. As at 31 December 2016 and 2015, management believes that the carrying amount of the available for sale investment is a reasonable estimate of its fair value.

During the year ended 31 December 2016, the Company recognized an impairment loss amounting to Saudi Riyals 2.4 million, charged to insurance operations' surplus, due to significant decline in the value of available-for-sale investment below cost included in insurance operations' assets.

11. PREPAYMENTS AND OTHER ASSETS

	2016		2015	
	Insurance operations	**Shareholders' operations**	Insurance operations	Shareholders' operations
Recoverable expenses from reinsurers	**10,485,738**	**-**	4,245,136	-
Accrued commission income	**3,630,357**	**-**	-	-
Guarantee deposits	**3,477,870**	**-**	4,755,996	-
Accrued Income	**3,312,307**	**-**	1,362,385	-
Prepaid insurance	**1,958,952**	**-**	1,496,242	-
Employees' receivables	**1,856,790**	**-**	1,676,067	-
Accrued special commission income	**1,222,182**	**1,523,112**	341,906	583,100
Prepaid excess of loss premium	**1,171,458**	**-**	921,346	-
Advance for computer implementation	**777,994**	**-**	661,383	-
Accrued income from investments	**450,311**	**-**	398,477	-
Prepaid rentals	**427,197**	**-**	350,590	-
Others	**1,626,231**	**120,000**	386,742	-
	30,397,387	**1,643,112**	16,596,270	583,100

(All amounts in Saudi Riyals unless otherwise stated)

12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company and companies where they are principal owners and other entities significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

a. Transactions with related parties

The following are the details of major related parties' transactions during the year ended 31 December:

Related parties	Nature of transactions	2016	2015
Saudi Arabian Insurance Company B.S.C (C) ("SAICO BSC") (Shareholder)	Amounts paid on behalf of SAICO B.S.C (C), net	**(1,607,158)**	(1,205,135)
	Premiums received	**3,717,339**	3,539,304
	Commission expense	**830,585**	788,615
ACE Insurance Agents Limited ("ACE Agents") (Affiliate)	Premiums received through Agent	**22,218,948**	46,722,458
	Claims paid through Agent	**9,191**	3,150
	Commission expense	**3,220,840**	5,049,724
ACE Limited (Affiliate)	Premiums and claims, net	**(1,443)**	-
ACE Insurance and Reinsurance Brokers Limited ("Ace Brokers") (Affiliate)	Premiums received through Broker, net	**203,448,099**	204,013,168
	Commission expense	**27,152,453**	17,195,903
	Premiums ceded through Broker	**102,171,798**	99,692,396
	Commission received	**13,377,587**	3,659,769

b. Balances with related parties

The above transactions with the related parties resulted in the following balances as at the financial reporting date:

Due from related parties	Nature of transactions	2016	2015
ACE Brokers	Insurance operations	**57,186,835**	53,394,202
ACE Agents	Insurance operations	**11,672,591**	15,412,992
SAICO BSC	Insurance operations	**887,968**	2,495,126
ACE Limited	Insurance operations	**310,135**	-
		70,057,529	71,302,320

c. Compensation of key management personnel

Key management personnel of the Company include all directors (executives and non-executives) and senior management. The summary of compensation of key management personnel for the year ended 31 December is as follows:

	2016	2015
Short-term benefits	**7,401,514**	6,857,915
Bonus	**1,375,920**	479,250
Employees' end-of-service benefits	**336,538**	238,464
	9,113,972	7,575,629

13. TIME DEPOSITS

Time deposits represent deposits with local banks, which have good investment grade credit ratings and have an original maturity of more than three months from date of acquisition. During 2016, the Company earned commission at an effective commission rate of 3.58% per annum (2015: 0.80% to 1.10% per annum).

Investment income earned upon maturity of the short-term placements under insurance operations' and shareholders' assets recognized during the year ended 31 December 2016 amounted to Saudi Riyals 0.3 million (2015: Saudi Riyals 0.6 million).

14. CASH AND CASH EQUIVALENTS

For the purpose of the statements of insurance operations' cash flows and shareholders' cash flows, cash and cash equivalents comprise the following:

	2016		2015	
	Insurance operations	**Shareholders' operations**	**Insurance operations**	**Shareholders' operations**
Cash in banks	**70,217,401**	**1,374,609**	45,921,325	359,687
Cash on hand	**21,450**	**-**	32,136	-
Short-term deposits	**-**	**-**	30,198,138	-
	70,238,851	**1,374,609**	76,151,599	359,687

Cash in banks and short-term deposits are placed with counterparties who have investment grade credit ratings. The short-term deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company.

As at 31 December 2016, the Company holds an amount of Saudi Riyals 110,787 (2015: Saudi Riyals 60,518) in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly, such amount is not accounted for in these condensed interim financial statements.

15. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA. This statutory deposit is placed with a counterparty which has an investment grade credit rating.

16. CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision (with IBNR and other reserves) for 2016:

Accident year	**2011 & earlier**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
At end of accident year	381,035,209	346,192,089	401,097,279	466,242,404	311,795,029	447,097,603	
One year later	414,494,773	417,577,377	463,202,164	280,335,302	458,933,766	-	
Two years later	411,335,528	412,270,611	409,088,240	308,266,654	-	-	
Three years later	412,244,698	393,491,707	438,164,836	-	-	-	
Four years later	403,391,190	400,438,088	-	-	-	-	
Five years later	700,885,544	-	-	-	-	-	
Current estimate of cumulative claims incurred	**700,885,544**	**400,438,088**	**438,164,836**	**308,266,654**	**458,933,766**	**447,097,603**	**2,753,786,491**
Cumulative payments to date	**(627,359,982)**	**(381,510,959)**	**(405,209,350)**	**(271,428,830)**	**(294,277,475)**	**(219,197,307)**	**(2,198,983,903)**
Gross outstanding claims and reserves recognized in the statement of financial position	**73,525,562**	**18,927,129**	**32,955,486**	**36,837,824**	**164,656,291**	**227,900,296**	**554,802,588**

(All amounts in Saudi Riyals unless otherwise stated)

16. CLAIMS DEVELOPMENT TABLE (continued)

Gross insurance contract outstanding claims provision (with IBNR and other reserves) for 2015:

Accident year	2011 & earlier	2012	2013	2014	2015	Total
At end of accident year	381,035,209	346,192,089	401,097,279	466,242,404	635,114,449	
One year later	414,494,773	417,577,377	463,202,164	451,550,209	-	
Two years later	411,335,528	412,270,611	428,257,459	-	-	
Three years later	412,244,698	413,887,397	-	-	-	
Four years later	708,040,555	-	-	-	-	
Five years later	-	-	-	-	-	
Current estimate of cumulative claims incurred	708,040,555	413,887,397	428,257,459	451,550,209	635,114,449	2,636,850,069
Cumulative payments to date	(625,127,868)	(374,763,347)	(360,807,979)	(369,080,791)	(306,391,969)	(2,036,171,954)
Gross outstanding claims and reserves recognized in the statement of financial position	82,912,687	39,124,050	67,449,480	82,469,418	328,722,480	600,678,115

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2016	2015
Commission payable	**20,494,240**	17,122,165
Policyholders' payable balances	**14,873,479**	10,042,953
Payable to hospitals	**6,384,712**	5,208,119
Withholding tax payable	**4,927,625**	3,636,195
Accrued salaries and employees' benefits	**1,910,436**	1,962,113
Surveyors payable	**945,448**	368,821
SAMA inspection & supervision fees	**588,703**	486,817
Council for Cooperative Health Insurance fees ("CCHI")	**514,994**	3,505,451
Accrued professional fees	**248,498**	164,995
Garages payable	**55,170**	-
Others	**8,530,950**	9,508,345
	59,474,255	52,005,974

18. PROVISION FOR ZAKAT

18.1 Calculation of zakat base

The provision for the year ended 31 December 2016 of Saudi Riyals 7.3 million (2015: Saudi Riyals 4.5 million) is based on the following:

	2016	2015
Shareholders' equity and opening provisions	**279,965,328**	120,588,874
Book value of long term assets and statutory deposit	**(53,385,894)**	(32,046,323)
	226,579,434	88,542,551
Adjusted income for the year	**66,695,627**	44,394,438
Zakat base	**293,275,061**	132,936,989

18.2 Zakat payable

The movement in zakat payable during the year is as follows:

	2016	2015
Beginning of the year	**3,258,956**	2,059,158
Provision made during the year	**7,331,877**	4,498,734
Payments during the year	**(2,904,890)**	(3,298,936)
Ending of the year	**7,685,943**	3,258,956

The differences between the financial and zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income.

18. PROVISION FOR ZAKAT (continued)

18.3 Status of assessments

The Company obtained from the GAZT the final assessment for the year ended 31 December 2008 with no additional zakat liability. The Company filed its zakat declarations for the years ended 31 December 2009 up to 2015 with the GAZT. However, the assessments have not yet been finalized as the declarations are under review by the GAZT.

19. SHARE CAPITAL

The Company held an extraordinary general assembly meeting of its shareholders on 31 May 2015 (corresponding to 13 Shaban 1436H) at which the shareholders approved an increase in the authorized share capital of the Company from Saudi Riyals 100 million to Saudi Riyals 250 million through a rights issue of Saudi Riyals 150 million via a three stage process between 9 June 2015 (corresponding to 22 Shaban 1436H) and 29 June 2015 (corresponding to 12 Ramadan 1436H), which included bidding for shares left unsubscribed by rights' holders (the "Rump Shares") by certain Institutional Investors through a process outlined in the rights issue prospectus as approved by the Capital Market Authority. All legal formalities were completed during the year ended 31 December 2015.

As at 31 December 2016 and 2015, the authorized, issued and paid up share capital of the Company amounted to Saudi Riyals 250 million divided into 25 million shares of Saudi Riyals 10 each. The related rights issue expenses amounting to Saudi Riyals 5 million were charged to accumulated losses account in the shareholders' equity during the year ended 31 December 2015.

See also Note 20 for the weighted average number of shares, as adjusted after taking into effect the rights issued during the year, used in the calculation of basic and diluted earnings per share.

20. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year have been calculated by dividing the total comprehensive income for the year by the weighted average number of shares in issue throughout the year.

The weighted average number of ordinary shares have been retrospectively adjusted due to the rights issue of 15 million shares during the year and has been calculated using an adjustment factor of 1.55. The adjustment factor was determined using the following:

a. Theoretical ex-right price of Saudi Riyals 15.73 per share; and,

b. The closing price per share of Saudi Riyals 24.33 per share at 28 June 2015, which is the last trading date before the rights issue.

At 31 December 2016 and 2015, the weighted average number of shares is calculated as follows:

	2016	2015
Weighted average number of shares outstanding (in thousands)	**25,000**	10,000
Effects of rights issued (in thousands)	**-**	10,324
Weighted average number of shares outstanding after rights issue (in thousands)	**25,000**	20,324

(All amounts in Saudi Riyals unless otherwise stated)

21. GENERAL AND ADMINISTRATION EXPENSES

	2016		2015	
	Insurance operations	**Shareholders' operations**	Insurance operations	Shareholders' operations
Salaries and employees' benefits	**72,576,550**	-	60,199,256	-
Computer implementation	**3,595,760**	-	2,768,383	-
Depreciation (Note 7)	**3,500,858**	-	3,445,473	-
Rentals (Note 24)	**2,511,321**	-	2,379,427	-
Postage, telephone and telex	**1,245,791**	-	896,465	-
Legal and professional fees	**1,222,603**	-	654,220	-
Printing and stationery	**801,287**	-	885,974	-
Repairs and maintenance	**703,196**	-	690,764	-
Travel	**619,942**	-	436,975	-
Collectors' fees	**388,285**	-	341,894	-
Withholding tax	**220,066**	-	434,557	-
Tadawul subscription fees	-	**180,000**	-	180,000
Others	**9,222,039**	**1,031,539**	9,583,805	1,017,272
	96,607,698	**1,211,539**	82,717,193	1,197,272

22. 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 administration expenses, provision for doubtful receivables, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and reinsurance balances receivable, time deposits and cash and cash equivalents. Accordingly, they are included in unallocated assets.

Segment liabilities do not include insurance operations' due to shareholders' operations, due to related parties, employees' end-of-service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly, they are included in unallocated liabilities.

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

22. SEGMENT INFORMATION (continued)

	Year ended 31 December 2016 (Amounts in Saudi Riyals thousands)								
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	320,945	216,372	147,406	26,238	26,763	16,382	32,902	14,798	**801,806**
Reinsurance premiums ceded	-	(462)	(140,073)	(23,645)	(25,272)	(11,363)	(31,234)	(6,813)	**(238,862)**
Excess of loss premiums / stop loss premiums	(48,417)	(2,332)	(1,985)	(616)	(389)	(57)	-	(19)	**(53,815)**
Net written premiums	272,528	213,578	5,348	1,977	1,102	4,962	1,668	7,966	**509,129**
Movement in unearned premiums, net	(15,503)	20,369	224	6	252	674	(93)	296	**6,225**
Net earned premiums	257,025	233,947	5,572	1,983	1,354	5,636	1,575	8,262	**515,354**
Commission income	-	102	22,357	8,092	7,376	2,846	8,360	1,807	**50,940**
Total allocated revenues	**257,025**	**234,049**	**27,929**	**10,075**	**8,730**	**8,482**	**9,935**	**10,069**	**566,294**
Unallocated revenue									**18,256**
Total revenues									**584,550**
Costs and expenses									
Gross claims paid	202,695	144,081	36,196	8,447	15,342	37	24,143	1,237	**432,178**
Reinsurers' share of claims paid	-	(860)	(34,075)	(7,411)	(14,892)	(18)	(23,646)	(880)	**(81,782)**
Net claims paid	202,695	143,221	2,121	1,036	450	19	497	357	**350,396**
Movement in outstanding claims and reserves, net	(12,900)	6,181	1,591	(361)	192	(255)	(1,661)	(151)	**(7,364)**
Net claims incurred	189,795	149,402	3,712	675	642	(236)	(1,164)	206	**343,032**
Policy acquisition cost	13,612	29,560	16,849	2,928	3,976	1,633	898	2,173	**71,629**
Total allocated costs and expenses	**203,407**	**178,962**	**20,561**	**3,603**	**4,618**	**1,397**	**(266)**	**2,379**	**414,661**
Unallocated expenses									**111,195**
Total costs and expenses									**525,856**
Net surplus from insurance operations									**58,694**

22. SEGMENT INFORMATION (continued)

	Year ended 31 December 2015 (Amounts in Saudi Riyals thousands)								
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	350,545	265,596	142,322	35,853	33,823	16,130	25,594	18,357	888,220
Reinsurance premiums ceded	-	(407)	(134,479)	(32,951)	(31,852)	(10,128)	(24,224)	(9,022)	(243,063)
Excess of loss premiums / stop loss premiums	(77,504)	(3,148)	(2,685)	(654)	(644)	(113)	-	(48)	(84,796)
Net written premiums	273,041	262,041	5,158	2,248	1,327	5,889	1,370	9,287	560,361
Movement in unearned premiums, net	17,959	22,080	420	7	578	328	449	267	42,088
Net earned premiums	291,000	284,121	5,578	2,255	1,905	6,217	1,819	9,554	602,449
Commission income	(49)	112	14,829	8,728	10,449	2,554	7,454	518	44,595
Total allocated revenues	290,951	284,233	20,407	10,983	12,354	8,771	9,273	10,072	647,044
Unallocated revenue									14,912
Total revenues									661,956
Costs and expenses									
Gross claims paid	231,032	207,056	13,090	5,146	15,179	17	6,834	3,993	482,347
Reinsurers' share of claims paid	(1,848)	(385)	(10,824)	(4,598)	(14,681)	(7)	(6,592)	(3,216)	(42,151)
Net claims paid	229,184	206,671	2,266	548	498	10	242	777	440,196
Movement in outstanding claims and reserves, net	(1,975)	16,861	1,009	143	490	195	2,940	(149)	19,514
Net claims incurred	227,209	223,532	3,275	691	988	205	3,182	628	459,710
Policy acquisition cost	14,846	28,767	7,643	3,461	5,552	1,669	926	2,565	65,429
Total allocated costs and expenses	242,055	252,299	10,918	4,152	6,540	1,874	4,108	3,193	525,139
Unallocated expenses									95,980
Total costs and expenses									621,119
Net surplus from insurance operations									40,837

22. SEGMENT INFORMATION (continued)

	As at 31 December 2016 (Amounts in Saudi Riyals thousands)								
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Assets									
Reinsurers' share of outstanding claims and reserves	-	13,829	163,680	17,644	82,932	13,876	85,918	1,874	**379,753**
Reinsurers' share of unearned premiums	-	133	8,579	8,841	9,596	4,937	11,434	499	**44,019**
Deferred policy acquisition costs	6,196	9,019	1,150	897	1,160	705	340	177	**19,644**
Segment assets	**6,196**	**22,981**	**173,409**	**27,382**	**93,688**	**19,518**	**97,692**	**2,550**	**443,416**
Unallocated assets									**505,305**
Total assets									**948,721**
Liabilities									
Gross outstanding claims and reserves	84,718	79,435	175,911	20,275	87,003	14,756	89,319	3,386	**554,803**
Gross unearned premiums	110,018	70,960	9,659	9,572	10,095	7,501	11,848	1,300	**230,953**
Unearned commission income	-	39	1,927	2,365	2,260	994	3,764	10	**11,359**
Segment liabilities	**194,736**	**150,434**	**187,497**	**32,212**	**99,358**	**23,251**	**104,931**	**4,696**	**797,115**
Unallocated liabilities and surplus									**151,606**
Total liabilities and surplus									**948,721**

Unallocated assets at 31 December 2016 consist mainly of premiums and reinsurance balances receivable of Saudi Riyals 155 million, due from related parties of Saudi Riyals 70 million, time deposits of Saudi Riyals 150 million, cash and cash equivalents of Saudi Riyals 70 million, and other insurance operations' assets of Saudi Riyals 60 million.

At 31 December 2016, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 155 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 64 million while the remaining balance of Saudi Riyals 91 million consisted mainly of receivables from top 10 policyholders from the following lines of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Marine (e) General Accident and (f) Others.

22. SEGMENT INFORMATION (continued)

	As at 31 December 2015 (Amounts in Saudi Riyals thousands)								
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Assets									
Reinsurers' share of outstanding claims and reserves	-	1,086	165,086	20,924	81,894	945	145,957	2,373	418,265
Reinsurers' share of unearned premiums	-	85	6,913	9,327	16,223	4,942	8,538	818	46,846
Deferred policy acquisition costs	5,594	11,026	1,046	1,092	2,248	838	196	207	22,247
Segment assets	5,594	12,197	173,045	31,343	100,365	6,725	154,691	3,398	487,358
Unallocated assets									492,434
Total assets									979,792
Liabilities									
Gross outstanding claims and reserves	97,618	60,511	175,726	23,916	85,773	2,079	151,018	4,037	600,678
Gross unearned premiums	94,515	91,281	8,218	10,064	16,975	8,179	8,858	1,914	240,004
Unearned commission income	-	25	1,650	2,280	4,047	1,126	2,950	44	12,122
Segment liabilities	192,133	151,817	185,594	36,260	106,795	11,384	162,826	5,995	852,804
Unallocated liabilities									126,988
Total liabilities									979,792

Unallocated assets at 31 December 2015 consist mainly of premiums and reinsurance balances receivable of Saudi Riyals 132 million, due from related parties of Saudi Riyals 71 million, time deposits of Saudi Riyals 165 million, cash and cash equivalents of Saudi Riyals 76 million, and other insurance operations' assets of Saudi Riyals 48 million.

At 31 December 2015, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 132 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 39 million while the remaining balance of Saudi Riyals 93 million consisted mainly of receivables from top 10 policyholders from the following lines of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Marine Hull (e) General Accident (f) Public Liability and (g) Engineering.

23. RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

Risk Governance
The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors. The Company is exposed to insurance, reinsurance, special commission rate, credit, and liquidity and currency risks.

a. Risk management structure - a cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.
b. Board of directors - the apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.
c. Senior management - the senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks.

The Company issues short term insurance policies in connection with medical, motor, fire and burglary, marine, engineering and public liability risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and burglary, marine, engineering and public liability risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Medical
The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

Motor
For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive polices for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

Fire and burglary
For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

(All amounts in Saudi Riyals unless otherwise stated)

23. RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Marine
For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

Engineering
For engineering insurance, main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

Public liability
For public liability insurance, main risks are legal liabilities of the insured towards third party death, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the Company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

Sensitivity analysis
The medical and general insurance claims provision is sensitive to the above key assumptions. A hypothetical percentage change in the claims ratio would impact the net underwriting surplus for the year ended 31 December 2015 by approximately Saudi Riyals 4 million (2015: Saudi Riyals 27 million) in aggregate with details as follows:

	2016		2015	
	+/- %	Impact on net underwriting surplus	+/- %	Impact on net underwriting surplus
Medical	1%	**3,054,417**	1%	1,180,862
Motor	0.2%	**472,558**	0.2%	281,651
Fire and burglary	3%	**226,701**	3%	4,306,103
Marine	2%	**51,993**	2%	1,951,687
Engineering	7%	**121,992**	7%	9,222,583
Public liability	7%	**398,516**	7%	8,405,254
General accident and others	1%	**98,563**	1%	1,236,088
		4,424,740		26,584,228

b) Reinsurance risk

In order to minimize its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programs.

c) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its time deposits and cash and cash equivalents.

The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2016. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2016 would impact special commission income on time deposits by approximately Saudi Riyals 103 thousand (2015: Saudi Riyals 78 thousand) over the remaining period of maturity.

(All amounts in Saudi Riyals unless otherwise stated)

23. RISK MANAGEMENT (continued)

d) 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.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

a. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
b. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
c. Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The Company does not have an internal credit ratings assessment process, and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	2016		2015	
Financial assets	**Insurance operations**	**Shareholders' operations**	Insurance operations	Shareholders' operations
Reinsurers' share of outstanding claims and reserves	**379,753,132**	**-**	418,265,008	-
Premiums and reinsurance balances receivable	**154,838,544**	**-**	132,175,780	-
Time deposits	**149,800,000**	**264,000,000**	165,000,000	215,800,000
Cash equivalents	**70,238,851**	**1,374,609**	76,119,463	359,687
Due from related parties	**70,057,529**	**-**	71,302,320	-
Other assets	**19,873,253**	**1,523,112**	11,465,781	1,431,993
Held-to-maturity investment	**10,000,000**	**-**	10,000,000	-
Available-for-sale investment	**12,943,942**	**-**	14,162,233	-
Statutory deposit	**-**	**25,000,000**	-	25,000,000
	867,505,251	**291,897,721**	898,490,585	242,591,680

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity Profiles
The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

(All amounts in Saudi Riyals unless otherwise stated)

23. RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2016					
	Insurance operations			Shareholders' operations		
FINANCIAL ASSETS	**Less than one year**	**No term**	**Total**	**Less than one year**	**No term**	**Total**
Reinsurers' share of outstanding claims and reserves	379,753,132	-	379,753,132	-	-	-
Premiums and insurance balances receivable	154,838,544	-	154,838,544	-	-	-
Held-to-maturity investment	10,000,000	-	10,000,000	-	-	-
Time deposits	149,800,000	-	149,800,000	264,000,000	-	264,000,000
Cash equivalents	70,238,851	-	70,238,851	1,374,609	-	1,374,609
Due from related parties	70,057,529	-	70,057,529	-	-	-
Other assets	19,873,253	-	19,873,253	1,523,112	-	1,523,112
Statutory deposit	-	-	-	-	25,000,000	25,000,000
Available-for-sale investment	-	12,943,942	12,943,942	-	-	-
	854,561,309	**12,943,942**	**867,505,251**	**266,897,721**	**25,000,000**	**291,897,721**
FINANCIAL LIABILITIES						
Gross outstanding claims	554,802,588	-	554,802,588	-	-	-
Reinsurance balances payable	49,062,978	-	49,062,978	-	-	-
Accrued expenses and other liabilities	59,474,255	-	59,474,255	-	-	-
Employees' end of service benefits	-	14,555,491	14,555,491	-	-	-
Provision for zakat	-	-	-	7,685,943	-	7,685,943
Accounts payable	-	-	-	1,729,500	-	1,729,500
	663,339,821	**14,555,491**	**677,895,312**	**9,415,443**	**-**	**9,415,443**

(All amounts in Saudi Riyals unless otherwise stated)

23. RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2015					
	Insurance operations			Shareholders' operations		
FINANCIAL ASSETS	Less than one year	No term	Total	Less than one year	No term	Total
Reinsurers' share of outstanding claims and reserves	418,265,008	-	418,265,008	-	-	-
Premiums and insurance balances receivable	132,175,780	-	132,175,780	-	-	-
Held-to-maturity investment	10,000,000	-	10,000,000	-	-	-
Time deposits	165,000,000	-	165,000,000	215,800,000	-	215,800,000
Cash equivalents	76,119,463	-	76,119,463	359,687	-	359,687
Due from related parties	71,302,320	-	71,302,320	-	-	-
Other assets	11,465,781	-	11,465,781	1,431,993	-	1,431,993
Statutory deposit	-	-	-	-	25,000,000	25,000,000
Available-for-sale investment	-	14,162,233	14,162,233	-	-	-
	884,328,352	14,162,233	898,490,585	217,591,680	25,000,000	242,591,680
FINANCIAL LIABILITIES						
Gross outstanding claims	600,678,115	-	600,678,115	-	-	-
Reinsurance balances payable	47,587,888	-	47,587,888	-	-	-
Accrued expenses and other liabilities	52,005,974	-	52,005,974	-	-	-
Employees' end of service benefits	-	9,533,899	9,533,899	-	-	-
Provision for zakat	-	-	-	3,258,956	-	3,258,956
Accounts payable	-	-	-	2,438,893	-	2,438,893
	700,271,977	9,533,899	709,805,876	5,697,849	-	5,697,849

Liquidity profiles
None of the liabilities on the statement of financial position are based on discounted cash flows and except employees' end of service benefits, all are contractually payable on a current basis within 1 year.

f) Currency risk

Currency risk Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyals.

g) Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Company has investment in unquoted equity instruments carried at an amount, indicative of its selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of changes in shareholders' equity will be impacted.

(All amounts in Saudi Riyals unless otherwise stated)

23. RISK MANAGEMENT (continued)

g) Market price risk (continued)

The sensitivity of the comprehensive income on the assumed changes in the market prices of quoted available-for-sale investments included in the insurance operations' assets for the year ended 31 December 2016 and 2015 is set out below:

2016		2015	
Change in market price	Impact +/-	Change in market price	Impact +/-
+ / - 5%	551,043	+ / - 5%	611,255
+ / - 10%	1,102,086	+ / - 10%	1,222,509
	1,653,129		1,833,764

h) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

i) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

j) 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 market prices in an active market (that are unadjusted) 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), and

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

During the year ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table summarizes the financial assets recorded at fair value as of December 31, 2016 and 2015 by level of the fair value hierarchy.

As at 31 December 2016	Insurance operations' assets			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale investment	11,020,862	-	1,923,080	12,943,942

As at 31 December 2015	Insurance operations' assets			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale investment	11,020,862	-	1,923,080	12,943,942

The fair values of other financial assets and liabilities, not included in the table above, are not materially different from the carrying values included in the financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

24. CONTINGENCIES AND COMMITMENTS

a. Legal proceedings and regulations

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

b. Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations and amounted to Saudi Riyals 2.5 million for the year ended 31 December 2016 (2015: Saudi Riyals 1.8 million) are recognized in the statement of insurance operations' surplus and comprehensive income.

Future minimum lease payments under the operating lease arrangements as at the financial reporting date are as follows:

Years	2016	2015
2016	-	2,411,547
2017	**845,738**	619,150
	845,738	3,030,697

25. NET UNDERWRITING SURPLUS

Net underwriting surplus, as defined by the management of the Company for the year ended 31 December, is as follows:

	2016	2015
Net earned premiums	**515,353,726**	602,449,219
Commission income	**50,939,911**	44,594,545
Other underwriting income	**3,913,388**	1,362,385
Net claims incurred	**(343,032,385)**	(459,709,777)
Policy acquisition costs	**(71,628,956)**	(65,429,108)
Net underwriting surplus	**155,545,684**	123,267,264

26. RECLASSIFICATIONS

The following reclassifications have been made to the corresponding balance in the 2015 financial statements to conform to 2016 presentation:

a. Accrued income from statutory deposit, previously included in prepayments and other asset under shareholders' assets, amounting to Saudi Riyals 848,893, has been presented as a separate line item in the shareholders' assets; and,

b. Return payable on statutory deposit, previously included in accounts payable under shareholders' liabilities, amounting to Saudi Riyals 848,893, has been presented as a separate line item in the shareholders' liabilities.

27. STATUTORY RESERVE

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital and such transfer is only made at year end. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

During the year ended December 31, 2016, the Company transferred Saudi Riyals 9.6 million (2015: nil).

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on 6 March 2017 (corresponding to 7 Jumada Al-Thani 1438H).