

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

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

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED  
30 SEPTEMBER 2016**

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT FOR  
THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016**

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

**SCOPE OF REVIEW**

We have reviewed the accompanying interim statement of financial position of Saudi Arabian Cooperative Insurance Company (the "Company") as at 30 September 2016 and the related interim statements of insurance operations' surplus, insurance operations' comprehensive income, shareholders' comprehensive income for the three-month and nine-month periods then ended, and changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine-month period then ended and the related notes which form an integral part of these condensed interim financial statements. These condensed interim financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" ("IAS 34") and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION**

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

**EMPHASIS OF MATTER**

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

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16 October 2016  
(15 Muharram 1438H)



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

**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2016**

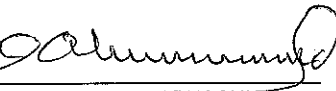
(All amounts in Saudi Riyals unless otherwise stated)

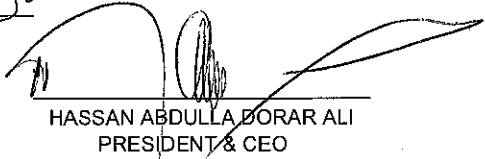
	Notes	30 September 2016 (Unaudited)	31 December 2015 (Audited)
<b>Insurance operations' assets</b>			
Property and equipment, net		6,723,498	7,046,323
Reinsurers' share of outstanding claims and reserves		378,998,176	418,265,008
Reinsurers' share of unearned premiums		75,532,031	46,845,626
Deferred policy acquisition costs		25,551,851	22,247,019
Premiums and reinsurance balances receivable	6	198,458,408	132,175,780
Held-to-maturity investment	7	10,000,000	10,000,000
Available-for-sale investment	7	11,108,067	14,162,233
Prepayments and other assets		23,213,688	16,596,270
Due from related parties	8	85,812,527	71,302,320
Time deposits	5	200,600,000	165,000,000
Cash and cash equivalents	4	43,310,165	76,151,599
<b>Total insurance operations' assets</b>		<b>1,059,308,411</b>	<b>979,792,178</b>
<b>Shareholders' assets</b>			
Statutory deposit		25,000,000	25,000,000
Due from insurance operations		32,737,760	10,383,676
Prepayments and other assets		1,391,386	583,100
Time deposits	5	229,400,000	215,800,000
Accrued income from statutory deposit		936,221	848,893
Cash and cash equivalents	4	1,306,753	359,687
<b>Total shareholders' assets</b>		<b>290,772,120</b>	<b>252,975,356</b>
<b>Total insurance operations' and shareholders' assets</b>		<b>1,350,080,531</b>	<b>1,232,767,534</b>

Continued to p-3

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.

  
MOHAN VARGHESE  
CHIEF FINANCIAL OFFICER

  
ABDULAZIZA-ABUSSOOD  
BOARD MEMBER

  
HASSAN ABDULLA DORAR ALI  
PRESIDENT & CEO

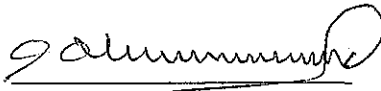
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)

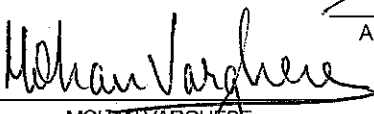
INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016 (continued)

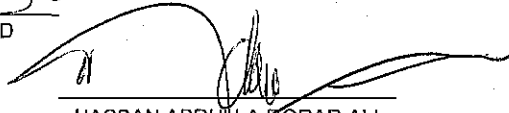
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2016 (Unaudited)	31 December 2015 (Audited)
<b>Insurance operations' liabilities</b>			
Employees' end-of-service benefits		13,206,274	9,533,899
Due to shareholders' operations		32,737,760	10,383,676
Gross outstanding claims and reserves		546,799,056	600,678,115
Gross unearned premiums		317,054,752	240,004,422
Unearned commission income		15,704,589	12,121,690
Reinsurance balances payable		61,753,567	47,587,888
Accrued expenses and other liabilities		61,064,454	52,005,974
<b>Total insurance operations' liabilities</b>		<b>1,048,320,452</b>	<b>972,315,664</b>
<b>Insurance operations' surplus</b>			
Insurance operations' surplus distribution payable		12,460,169	8,319,389
Fair value reserve for available-for-sale investment		(1,472,210)	(842,875)
<b>Total insurance operations' liabilities and surplus</b>		<b>1,059,308,411</b>	<b>979,792,178</b>
<b>Shareholders' liabilities</b>			
Provision for zakat		5,316,085	3,258,956
Accounts payable		1,564,500	1,590,000
Return payable on statutory deposit		936,221	848,893
<b>Total shareholders' liabilities</b>		<b>7,816,806</b>	<b>5,697,849</b>
<b>Shareholders' equity</b>			
Share capital	10	250,000,000	250,000,000
Retained earnings / (Accumulated losses)		32,955,314	(2,722,493)
<b>Total shareholders' equity</b>		<b>282,955,314</b>	<b>247,277,507</b>
<b>Total shareholders' liabilities and equity</b>		<b>290,772,120</b>	<b>252,975,356</b>
<b>Total insurance operations' liabilities and surplus and shareholders' liabilities and equity</b>		<b>1,350,080,531</b>	<b>1,232,767,534</b>

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.

  
 ABDULAZIZ A. ABUSSUUD  
 BOARD MEMBER

  
 MOHAN VARGHESE  
 CHIEF FINANCIAL OFFICER

  
 HASSAN ABDULLA DORAR ALI  
 PRESIDENT & CEO

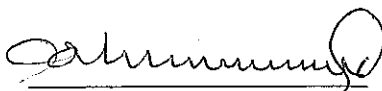
**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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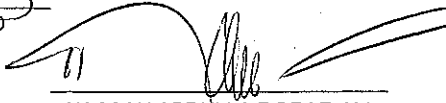
**INTERIM STATEMENT OF INSURANCE OPERATIONS' SURPLUS**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
<b>Revenues</b>					
Gross written premiums		160,436,900	154,679,348	681,938,946	778,164,767
Reinsurance premiums ceded		(28,929,481)	(35,030,778)	(210,770,088)	(223,536,183)
Excess of loss / stop loss premiums		(23,323,937)	(26,101,777)	(37,070,408)	(60,506,808)
<b>Net written premiums</b>		<b>108,183,482</b>	<b>93,546,793</b>	<b>434,098,450</b>	<b>494,121,776</b>
Movement in unearned premiums, net		15,352,996	50,141,362	(48,363,925)	(23,358,573)
<b>Net earned premiums</b>		<b>123,536,478</b>	<b>143,688,155</b>	<b>385,734,525</b>	<b>470,763,203</b>
Commission income		14,435,857	12,068,578	40,023,194	34,004,539
Income from investments		297,881	224,203	1,142,976	2,389,275
Special commission income		1,507,572	312,820	3,929,037	800,831
Other income		2,015,164	1,890,515	6,289,228	7,963,361
<b>Total revenues</b>		<b>141,792,952</b>	<b>158,184,271</b>	<b>437,118,960</b>	<b>515,921,209</b>
<b>Costs and expenses</b>					
Gross claims paid		91,346,219	103,572,926	341,246,698	354,426,905
Reinsurers' share of claims paid		(19,056,062)	(3,103,472)	(69,424,673)	(20,385,551)
<b>Net claims paid</b>		<b>72,290,157</b>	<b>100,469,454</b>	<b>271,822,025</b>	<b>334,041,354</b>
Movement in outstanding claims and reserves, net		2,263,996	5,893,201	(14,612,225)	30,645,189
<b>Net claims incurred</b>		<b>74,554,153</b>	<b>106,362,655</b>	<b>257,209,800</b>	<b>364,686,543</b>
Policy acquisition costs		18,181,719	16,314,816	53,646,098	49,254,804
General and administration expenses		24,608,915	19,385,634	72,721,975	63,031,170
Provision for doubtful receivables	6	2,735,368	2,438,361	3,786,303	2,723,219
Inspection and supervision fees		1,675,329	1,454,336	5,922,155	6,896,952
Impairment of available-for-sale investment	7	2,424,831	-	2,424,831	-
<b>Total costs and expenses</b>		<b>124,180,315</b>	<b>145,955,802</b>	<b>395,711,162</b>	<b>486,592,688</b>
<b>Net surplus for the period from insurance operations</b>		<b>17,612,637</b>	<b>12,228,469</b>	<b>41,407,798</b>	<b>29,328,521</b>
<b>Shareholders' appropriation from surplus</b>		<b>(15,851,373)</b>	<b>(11,005,622)</b>	<b>(37,267,018)</b>	<b>(26,395,669)</b>
<b>Net surplus for the period from insurance operations after shareholders' appropriation</b>		<b>1,761,264</b>	<b>1,222,847</b>	<b>4,140,780</b>	<b>2,932,852</b>

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.

  
MOHAN VARGHESE  
CHIEF FINANCIAL OFFICER

  
ABDULAZIZ A. ABUSSOUD  
BOARD MEMBER

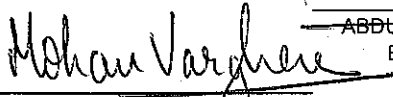
  
HASSAN ABDULLA DORAR ALI  
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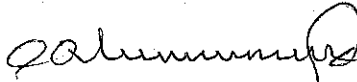
**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
<b>Net surplus for the period from insurance operations after shareholders' appropriation</b>		1,761,264	1,222,847	4,140,780	2,932,852
<b>Other comprehensive loss:</b>					
Items that may be reclassified to statement of insurance operations' surplus in subsequent period:					
Change in fair value of available-for-sale investment	7	(629,335)	-	(629,335)	-
<b>Total insurance operations' comprehensive income for the period</b>		<b>1,131,929</b>	<b>1,222,847</b>	<b>3,511,445</b>	<b>2,932,852</b>

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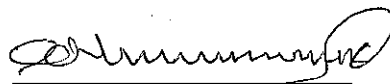
**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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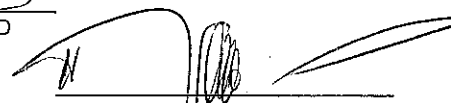
**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

	Three months ended 30 September		Nine months ended 30 September		
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	
<b>Appropriation of surplus from insurance operations</b>	<b>15,851,373</b>	<b>11,005,822</b>	<b>37,267,018</b>	<b>26,395,669</b>	
Special commission income	1,745,817	363,336	4,331,628	470,172	
General and administration expenses	(225,007)	(216,285)	(958,820)	(980,714)	
<b>Income before zakat</b>	<b>17,372,183</b>	<b>11,152,673</b>	<b>40,639,826</b>	<b>25,885,127</b>	
Provision for zakat	(1,911,309)	(792,211)	(4,962,019)	(3,141,109)	
<b>Net income for the period</b>	<b>15,460,874</b>	<b>10,360,462</b>	<b>35,677,807</b>	<b>22,744,018</b>	
<b>Other comprehensive income</b>					
Items that may be reclassified to shareholders' operations in subsequent period:					
Change in fair value of available-for-sale investment	-	-	-	-	
<b>Total comprehensive income for the period</b>	<b>15,460,874</b>	<b>10,360,462</b>	<b>35,677,807</b>	<b>22,744,018</b>	
<b>Earnings per share</b>					
Basic and diluted earnings per share (in Saudi Riyals)	11	0.62	0.41	1.43	1.21
Weighted average number of shares in issue throughout the period (in thousands)		25,000	25,000	25,000	18,760

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MOHAN VARGHESE  
CHIEF FINANCIAL OFFICER

  
ABDULAZIZ A. ABUSSUUD  
BOARD MEMBER

  
HASSAN ABDULLA DORAR ALI  
PRESIDENT & CEO

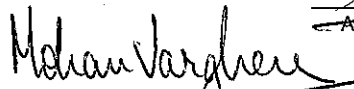


**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)


**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	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 period		-	35,677,807	35,677,807
<b>Balances as at 30 September 2016 (Unaudited)</b>		<b>250,000,000</b>	<b>32,955,314</b>	<b>282,955,314</b>
Balances as at 1 January 2015		100,000,000	(30,037,449)	69,962,551
Paid in capital from rights issue	10	150,000,000	-	150,000,000
Rights issue expenses	10	-	(4,930,426)	(4,930,426)
Total comprehensive income for the period		-	22,744,018	22,744,018
Balances as at 30 September 2015 (Unaudited)		250,000,000	(12,223,857)	237,776,143

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**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
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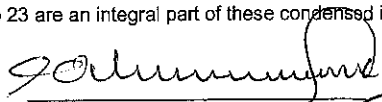
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**


(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Nine months ended 30 September	
		2016 (Unaudited)	2015 (Unaudited)
<b>Operating activities</b>			
Net surplus from insurance operations after shareholders' appropriation		4,140,780	2,932,852
Adjustments for:			
Depreciation		2,660,605	2,625,104
Provision for doubtful receivables	6	3,786,303	2,723,219
Employees' end-of-service benefits, net		3,672,375	1,815,922
Shareholders' appropriation from surplus		37,267,018	26,395,669
Impairment of available-for-sale investment		2,424,831	-
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims and reserves		39,266,832	(35,966,101)
Reinsurers' share of unearned premiums		(28,686,405)	(25,963,812)
Deferred policy acquisition costs		(3,304,832)	(2,355,315)
Premiums and reinsurance balances receivable		(70,068,931)	(12,079,336)
Prepayments and other assets		(6,617,418)	(6,099,389)
Due from related parties		(14,510,207)	(28,392,155)
Gross outstanding claims and reserves		(53,879,059)	66,611,288
Gross unearned premiums		77,050,330	49,322,381
Unearned commission income		3,582,899	1,820,461
Reinsurance balances payable		14,165,679	8,296,274
Accrued expenses and other liabilities		9,058,480	12,892,130
<b>Net cash from operating activities</b>		<b>20,009,280</b>	<b>64,579,192</b>
<b>Investing activities</b>			
Purchase of property and equipment		(2,337,780)	(2,789,096)
Acquisition of held-to-maturity investment		-	(10,000,000)
Acquisition of available-for-sale investment		-	(7,918,918)
Increase in time deposits		(35,600,000)	(84,859,115)
<b>Net cash used in investing activities</b>		<b>(37,937,780)</b>	<b>(105,567,129)</b>
<b>Financing activity</b>			
Due to shareholders' operations, net		(14,912,934)	11,106,098
<b>Net cash (used in) / from a financing activity</b>		<b>(14,912,934)</b>	<b>11,106,098</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(32,841,434)</b>	<b>(29,881,839)</b>
Cash and cash equivalents at the beginning of the period		76,151,599	69,352,387
<b>Cash and cash equivalents at the end of the period</b>	4	<b>43,310,165</b>	<b>39,470,548</b>
<b>Supplemental non-cash information:</b>			
Change in fair value of available-for-sale investment	7	629,335	-

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MOHAN VARGHESE  
CHIEF FINANCIAL OFFICER

  
ABDULAZIZ A. ABUSSOUD  
BOARD MEMBER

  
HASSAN ABDULLA DORAR ALI  
PRESIDENT & CEO

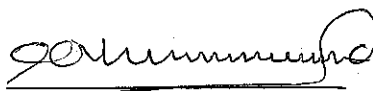
**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Nine months ended 30 September	
		2016 (Unaudited)	2015 (Unaudited)
<b>Operating activities</b>			
Income before zakat		40,639,826	25,885,127
<i>Adjustment for:</i>			
Appropriation of surplus from insurance operations income		(37,267,018)	(26,395,669)
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other assets		(808,286)	1,251,423
Accrued income from statutory deposit		(87,328)	(56,976)
Return payable on statutory deposit		87,328	56,976
Accounts payable		(25,500)	562,625
Cash from operations		2,539,022	1,303,506
Zakat paid		(2,904,890)	(3,298,936)
<b>Net cash used in operating activities</b>		<b>(365,868)</b>	<b>(1,995,430)</b>
<b>Investing activity</b>			
Reserve deposit		-	(15,000,000)
Increase in time deposits		(13,600,000)	(154,280,000)
<b>Net cash used in investing activities</b>		<b>(13,600,000)</b>	<b>(169,280,000)</b>
<b>Financing activities</b>			
Due from insurance operations, net		14,912,934	(11,106,098)
Paid in capital from rights issue, net of expenses	10	-	145,069,574
<b>Net cash from financing activities</b>		<b>14,912,934</b>	<b>133,963,476</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>947,066</b>	<b>(37,311,954)</b>
Cash and cash equivalents at beginning of the period		359,687	37,692,870
<b>Cash and cash equivalent at the end of the period</b>	4	<b>1,306,753</b>	<b>380,916</b>

The notes pages 10 to 23 are an integral part of these condensed interim financial statements.

  
MOHAN VARGHESE  
CHIEF FINANCIAL OFFICER

  
ABDULAZIZ A. ABUSSUUD  
BOARD MEMBER

  
HASSAN ABDULLA DORAR ALI  
PRESIDENT & CEO

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

**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, 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 Agency ("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**

The condensed interim financial statements for the three-month and nine-month periods ended 30 September 2016 have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS - 34). Accordingly, these condensed interim financial statements are not intended to be a presentation in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, i.e., in accordance with Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2015.

The condensed interim financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investment. The Company presents its statement of financial position in order of liquidity.

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.

In management's opinion, the condensed interim financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The Company's interim results may not be indicative of its annual results.

**3. NEW STANDARDS, AMENDMENTS AND INTERPRETATION**

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2015, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 1 January 2016, which had no financial impact on the condensed interim financial statements of the Company:

- a. Annual improvements 2014 - These set of amendments, effective for annual periods beginning on or after January 1, 2016, impacts the following standards:
  - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal
  - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts
  - IAS 19, 'Employee benefits' regarding discount rates
  - IAS 34, 'Interim financial reporting' regarding disclosure of information

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**3. NEW STANDARDS, AMENDMENTS AND INTERPRETATION (continued)**

- b. Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative - These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2016, subject to European Union endorsement.

In addition to the above, the Company has chosen not to early adopt the following standards:

- IFRS 9 – Financial instruments (effective on or after January 1, 2018)
- IFRS 15 – Revenue from contracts with customers (effective on or after January 1, 2018)
- IFRS 16 – Leases (effective on or after January 1, 2019)

**4. CASH AND CASH EQUIVALENTS**

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

	30 September 2016 (Unaudited)		31 December 2015 (Audited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in banks	43,288,165	1,306,753	45,921,325	359,687
Cash on hand	22,000	-	32,136	-
Short-term deposits	-	-	30,198,138	-
	<b>43,310,165</b>	<b>1,306,753</b>	<b>76,151,599</b>	<b>359,687</b>

Cash in banks 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 30 September 2016, the Company holds an amount of Saudi Riyals 30,273 (31 December 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.

**5. TIME DEPOSITS**

Time deposits represent deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The deposits earn commission at an effective commission rate of 3.05% per annum (31 December 2015: 0.80% to 1.10% per annum).

Investment income earned upon maturity of the short-term placements under insurance operations' assets recognized during the nine-month period ended 30 September 2016 amounted to Saudi Riyals 0.28 million (Twelve-month period ended 31 December 2015: Saudi Riyals 0.6 million).

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**6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE**

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

	30 September 2016 (Unaudited)	31 December 2015 (Audited)
Premiums receivable	217,180,933	150,542,916
Reinsurers and others	7,983,520	4,552,606
Total premiums and reinsurance balances receivable	<u>225,164,453</u>	<u>155,095,522</u>
Less: Provision for doubtful receivables	<u>(26,706,045)</u>	<u>(22,919,742)</u>
	<u>198,458,408</u>	<u>132,175,780</u>

The movement in the provision for doubtful receivables is as follows:

	30 September 2016 (Unaudited)	31 December 2015 (Audited)
Beginning balance	22,919,742	17,400,807
Provision made during the period / year	3,786,303	5,518,935
Ending balance	<u>26,706,045</u>	<u>22,919,742</u>

**7. INVESTMENTS**

**a. Held-to-maturity investment**

As at 30 September 2016 and 31 December 2015, the Company's investment in Islamic bonds ("Sukuk"), issued by a local bank, amounted to Saudi Riyals 10 million comprising 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 investment**

	30 September 2016 (Unaudited)	31 December 2015 (Audited)
Beginning balance	14,162,233	1,923,080
Additions	-	13,082,028
Unrealized loss from change in fair value	(629,335)	(842,875)
Impairment loss	<u>(2,424,831)</u>	<u>-</u>
Ending balance	<u>11,108,067</u>	<u>14,162,233</u>

Available-for-sale investment comprises 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 30 September 2016 and 31 December 2015, management believes that the carrying amount of the available-for-sale investment is a reasonable estimate of its fair value (Note 12).

During the three-month period ended 30 September 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 under insurance operations' assets.

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**8. 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 three-month and nine-month periods ended 30 September:

Related parties	Nature of transactions	Three months ended 30 September		Nine months ended 30 September	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Saudi Arabian Insurance Company B.S.C. (C) ("SAICO BSC") (Shareholder)	Amounts received / (paid) on behalf of SAICO BSC, net	462,469	(467,936)	420,987	(1,215,185)
ACE Insurance Agents Limited ("ACE Agents") (Affiliate)	Premiums received through Agents	7,535,102	9,403,427	18,802,794	34,565,227
	Claims paid through Agent	2,078	(4,436)	9,191	4,792
	Commission expense	1,116,921	1,343,868	2,723,064	3,821,038
ACE Limited (Affiliate)	Premiums and claims, net	-	487,027	(1,443)	-
ACE Insurance and Reinsurance Brokers Limited ("ACE Brokers") (Affiliate)	Premiums received through Brokers, net	15,972,606	16,645,652	177,156,210	179,850,690
	Commission expense	2,638,063	1,914,048	23,307,027	13,746,894
	Premiums ceded through Brokers	837,736	1,328,640	99,191,473	98,670,193
	Commission received	110,507	276,448	12,964,366	3,433,652

**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 / (to) related parties	Nature of transactions	30 September 2016 (Unaudited)	31 December 2015 (Audited)
		ACE Brokers	Insurance operations
ACE Agents	Insurance operations	17,184,326	15,412,992
SAICO BSC	Insurance operations	2,916,113	2,495,126
ACE Limited	Insurance operations	(74,404)	-
		<b>85,812,527</b>	<b>71,302,320</b>

**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 three-month and nine-month periods ended 30 September is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Short-term benefits	1,523,863	1,813,354	5,877,652	4,817,883
Bonus	-	-	1,375,920	479,250
Employees' end-of-service benefits	84,134	59,616	252,403	178,848
	<b>1,607,997</b>	<b>1,872,970</b>	<b>7,505,975</b>	<b>5,475,981</b>

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**9. 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.

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.



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**9. SEGMENT INFORMATION (continued)**

Three months ended 30 September 2016 (Unaudited)  
(Amounts in Saudi Riyals thousands)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
<b>Revenues</b>									
Gross written premiums	88,591	38,864	7,725	2,670	9,333	1,765	8,022	3,467	160,437
Reinsurance premiums ceded	-	(18)	(7,049)	(2,252)	(8,943)	(953)	(7,818)	(1,897)	(28,930)
Excess of loss premiums	(22,513)	(453)	(154)	(102)	(89)	(10)	-	(3)	(23,324)
<b>Net written premiums</b>	66,078	38,393	522	316	301	802	204	1,567	108,183
Movement in unearned premiums, net	(8,379)	21,376	1,230	102	85	632	203	104	15,353
<b>Net earned premiums</b>	57,699	59,769	1,752	418	386	1,434	407	1,671	123,536
Commission income	-	27	5,960	2,895	2,142	855	2,518	39	14,436
<b>Total allocated revenue</b>	<b>57,699</b>	<b>59,796</b>	<b>7,712</b>	<b>3,313</b>	<b>2,528</b>	<b>2,289</b>	<b>2,925</b>	<b>1,710</b>	<b>137,972</b>
Unallocated revenue									3,821
<b>Total revenues</b>									<b>141,793</b>
<b>Cost and expenses</b>									
Gross claims paid	42,044	29,675	17,246	612	551	-	784	434	91,346
Reinsurers' share of claims paid	-	(2)	(16,996)	(522)	(515)	-	(673)	(348)	(19,056)
<b>Net claims paid</b>	42,044	29,673	250	90	36	-	111	86	72,290
Movement in outstanding claims and reserves, net	(3,103)	5,380	(360)	163	116	136	(491)	423	2,264
<b>Net claims incurred</b>	38,941	35,053	(110)	253	152	136	(380)	509	74,554
Policy acquisition costs	3,463	7,509	4,361	615	1,081	438	212	503	18,182
<b>Total allocated costs and expenses</b>	<b>42,404</b>	<b>42,562</b>	<b>4,251</b>	<b>868</b>	<b>1,233</b>	<b>574</b>	<b>(168)</b>	<b>1,012</b>	<b>92,736</b>
Unallocated expenses									31,444
<b>Total costs and expenses</b>									<b>124,180</b>
<b>Net surplus from insurance operations</b>									<b>17,613</b>

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9. SEGMENT INFORMATION (continued)

Nine months ended 30 September 2016 (Unaudited)  
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
<b>Revenues</b>									
Gross written premiums	269,445	180,936	143,467	17,825	21,768	11,360	26,139	10,999	681,939
Reinsurance premiums ceded	-	(332)	(136,708)	(15,961)	(20,419)	(7,431)	(24,669)	(5,250)	(210,770)
Excess of loss premiums	(32,444)	(1,927)	(1,854)	(430)	(357)	(43)	-	(15)	(37,070)
<b>Net written premiums</b>	237,001	178,677	4,905	1,434	992	3,886	1,470	5,734	434,099
Movement in unearned premiums, net	(46,368)	(1,239)	(1,231)	316	221	367	(330)	(100)	(48,364)
<b>Net earned premiums</b>	190,633	177,438	3,674	1,750	1,213	4,253	1,140	5,634	385,735
Commission income	-	69	16,800	6,995	5,733	2,161	6,479	1,786	40,023
<b>Total allocated revenues</b>	190,633	177,507	20,474	8,745	6,946	6,414	7,619	7,420	425,758
Unallocated revenue									11,361
<b>Total revenues</b>									437,119
<b>Costs and expenses</b>									
Gross claims paid	150,291	119,101	30,429	6,210	10,939	34	23,402	841	341,247
Reinsurers' share of claims paid	-	(866)	(28,864)	(5,413)	(10,696)	(18)	(22,963)	(605)	(69,425)
<b>Net claims paid</b>	150,291	118,235	1,565	797	243	16	439	236	271,822
Movement in outstanding claims and reserves, net	(16,645)	3,462	542	(231)	279	(524)	(1,379)	(116)	(14,612)
<b>Net claims incurred</b>	133,646	121,697	2,107	566	522	(508)	(940)	120	257,210
Policy acquisition cost	10,042	22,278	12,574	2,419	2,941	1,238	638	1,516	53,646
<b>Total allocated costs and expenses</b>	143,688	143,975	14,681	2,985	3,463	730	(302)	1,636	310,856
Unallocated expenses									84,855
<b>Total costs and expenses</b>									395,711
<b>Net surplus from insurance operations</b>									41,408

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9. SEGMENT INFORMATION (continued)

Nine months ended 30 September 2015 (Unaudited)  
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
<b>Revenues</b>									
Gross written premiums	314,551	216,079	137,239	29,885	29,896	13,076	22,852	14,587	778,165
Reinsurance premiums ceded	-	(376)	(130,266)	(27,713)	(28,196)	(8,250)	(21,580)	(7,155)	(223,536)
Excess of loss premiums	(54,227)	(2,632)	(2,441)	(492)	(568)	(101)	-	(46)	(60,507)
Net written premiums	260,324	213,071	4,532	1,680	1,132	4,725	1,272	7,386	494,122
Movement in unearned premiums, net	(26,480)	4,031	(910)	(42)	438	(131)	198	(463)	(23,359)
<b>Net earned premiums</b>	233,844	217,102	3,622	1,638	1,570	4,594	1,470	6,923	470,763
Commission income	(49)	79	11,109	6,605	8,360	1,878	5,554	469	34,005
<b>Total allocated revenues</b>	233,795	217,181	14,731	8,243	9,930	6,472	7,024	7,392	504,768
Unallocated revenue									11,153
<b>Total revenues</b>									515,921
<b>Costs and expenses</b>									
Gross claims paid	171,792	159,230	9,660	2,870	5,363	13	2,693	2,806	354,427
Reinsurers' share of claims paid	(78)	(387)	(7,534)	(2,567)	(5,039)	(7)	(2,521)	(2,253)	(20,386)
<b>Net claims paid</b>	171,714	158,843	2,126	303	324	6	172	553	334,041
Movement in outstanding claims and reserves, net	12,954	15,809	374	247	199	201	1,246	(385)	30,645
<b>Net claims incurred</b>	184,668	174,652	2,500	550	523	207	1,418	168	364,686
Policy acquisition cost	11,482	21,272	5,675	2,557	4,421	1,292	711	1,845	49,255
<b>Total allocated costs and expenses</b>	196,150	195,924	8,175	3,107	4,944	1,499	2,129	2,013	413,941
Unallocated expenses									72,651
<b>Total costs and expenses</b>									486,592
<b>Net surplus from insurance operations</b>									29,329

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9. SEGMENT INFORMATION (continued)

As at 30 September 2016 (Unaudited)  
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
<b>Assets</b>									
Reinsurers' share of outstanding claims	-	13,199	151,679	19,920	91,563	14,044	86,174	2,419	378,998
Reinsurers' share of unearned premiums	-	120	40,267	5,406	12,516	3,916	12,501	806	75,532
Deferred policy acquisition costs	6,162	11,507	4,806	510	1,371	597	330	269	25,552
<b>Segment assets</b>	<b>6,162</b>	<b>24,826</b>	<b>196,752</b>	<b>25,836</b>	<b>105,450</b>	<b>18,557</b>	<b>99,005</b>	<b>3,494</b>	<b>480,082</b>
Unallocated assets									579,226
<b>Total assets</b>									<b>1,059,308</b>
<b>Liabilities</b>									
Gross outstanding claims and reserves	80,973	76,086	162,862	22,681	95,721	14,654	89,856	3,966	546,799
Gross unearned premiums	140,883	92,554	42,803	5,827	13,046	6,787	13,152	2,003	317,055
Unearned commission income	-	35	6,818	1,164	2,890	906	3,864	28	15,705
<b>Segment liabilities</b>	<b>221,856</b>	<b>168,675</b>	<b>212,483</b>	<b>29,672</b>	<b>111,657</b>	<b>22,347</b>	<b>106,872</b>	<b>5,997</b>	<b>879,559</b>
Unallocated liabilities									179,749
<b>Total liabilities</b>									<b>1,059,308</b>

Unallocated assets at 30 September 2016 consists mainly of premiums and reinsurance balances receivable of Saudi Riyals 198.5 million, due from related parties of Saudi Riyals 85.8 million, cash and cash equivalents of Saudi Riyals 243.9 million, and other insurance operations' assets of Saudi Riyals 51 million.

At 30 September 2016, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 198.5 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 83.5 million while the remaining balance of Saudi Riyals 115 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.

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9. SEGMENT INFORMATION (continued)

As at 31 December 2015 (Audited)  
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
<b>Assets</b>									
Reinsurers' share of outstanding claims	-	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
<b>Total assets</b>									<b>979,792</b>
<b>Liabilities</b>									
Gross outstanding claims	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
<b>Total liabilities</b>									<b>979,792</b>

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 39.3 million while the remaining balance of Saudi Riyals 92.8 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.

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(All amounts in Saudi Riyals unless otherwise stated)

**10. 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 three-month period ended 30 September 2015.

As at 30 September 2016 and 31 December 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 4.9 million were charged to accumulated losses account in the shareholders' equity during the three-month period ended 30 September 2015.

See also Note 11 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.

**11. BASIC AND DILUTED EARNINGS PER SHARE**

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

The weighted average number of ordinary shares have been retrospectively adjusted due to the rights issue of 15 million shares during 2015 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.

The weighted average number of shares is calculated as follows:

Note	Three months ended 30 September		Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Weighted average number of shares outstanding before rights issue (in thousands)	10,000	10,000	10,000	10,000
Effects of rights issued (in thousands)	15,000	15,000	15,000	8,760
Weighted average number of shares outstanding after rights issue (in thousands)	10	25,000	25,000	18,760

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**12. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date, under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of the Company's recognized financial instruments are not significantly different from the carrying values included in the condensed interim financial statements.

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 three-month and nine-month periods ended 30 September 2016 and twelve-month period ended 31 December 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 by level of the fair value hierarchy.

As at 30 September 2016 (Unaudited)	Insurance operations' assets			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Available-for-sale investment	9,184,987	-	1,923,080	<b>11,108,067</b>

As at 31 December 2015 (Audited)	Insurance operations' assets			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Held-to-maturity investment	-	10,000,000	-	10,000,000
Available-for-sale investment	12,239,153	-	1,923,080	14,162,233
	<b>12,239,153</b>	<b>10,000,000</b>	<b>1,923,080</b>	<b>24,162,233</b>

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 condensed interim financial statements.

**13. 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 for the three-month and nine-month periods ended 30 September 2016, amounted to Saudi Riyals 0.6 million and Saudi Riyals 1.8 million, respectively, (Three-month and nine-month periods ended 30 September 2015: Saudi Riyals 0.6 million and Saudi Riyals 1.8 million, respectively) are recognized in the interim statement of insurance operations' surplus.

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**13. CONTINGENCIES AND COMMITMENTS (continued)**

**b. Operating lease commitments (continued)**

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

<u>Years</u>	<u>30 September</u> <u>2016</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2015</u> <u>(Audited)</u>
2016	602,342	2,411,547
2017	655,459	619,150
	<u>1,257,801</u>	<u>3,030,697</u>

**14. NET UNDERWRITING SURPLUS**

Net underwriting surplus as defined by the management of the Company for the period is as follows:

	<u>Three months ended</u> <u>30 September</u>		<u>Nine months ended</u> <u>30 September</u>	
	<u>2016</u> <u>(Unaudited)</u>	<u>2015</u> <u>(Unaudited)</u>	<u>2016</u> <u>(Unaudited)</u>	<u>2015</u> <u>(Unaudited)</u>
Net earned premiums	123,536,478	143,688,155	385,734,525	470,763,203
Commission income	14,435,857	12,068,578	40,023,194	34,004,539
Other underwriting income	1,098,196	285,308	2,619,772	616,500
Net claims incurred	(74,554,153)	(106,362,655)	(257,209,800)	(364,686,543)
Policy acquisition costs	(18,181,719)	(16,314,816)	(53,646,098)	(49,254,804)
Net underwriting surplus	<u>46,334,659</u>	<u>33,364,570</u>	<u>117,521,593</u>	<u>91,442,895</u>

**15. RECLASSIFICATIONS**

The following reclassifications have been made to the comparative figures to confirm with the current period presentation:

- a. Accrued income from statutory deposit, previously included in prepayments and other asset under shareholders' assets, amounting to Saudi 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.

**16. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 16 October 2016 (corresponding to 15 Muharram 1438H), as authorized for issue by SAMA.