

**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 TWELVE-MONTH PERIODS ENDED
31 DECEMBER 2015**

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 TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015**

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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 (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015 and the related interim statements of insurance surplus and comprehensive income and shareholders' comprehensive income for the three-month and twelve-month periods then ended, and changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the twelve-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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18 January 2016
(8 Rabi Al-Thani 1437H)

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

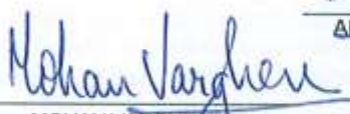


INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | 31 December 2015 (Unaudited) | 31 December 2014 (Audited) |
|---|-------|---------------------------------|-------------------------------|
| Insurance operations' assets | | | |
| Property and equipment, net | | 7,046,323 | 6,748,156 |
| Reinsurers' share of outstanding claims and reserves | | 418,265,008 | 366,209,950 |
| Reinsurers' share of unearned premiums | | 46,845,626 | 65,573,143 |
| Deferred policy acquisition costs | | 22,247,019 | 23,820,183 |
| Premiums and reinsurance balances receivable | 6 | 132,175,780 | 169,662,464 |
| Held-to-maturity investment | 7 | 10,000,000 | - |
| Available-for-sale investment | 7 | 14,162,233 | 1,923,080 |
| Prepayments and other assets | | 16,596,270 | 10,317,183 |
| Due from related parties | 8 | 71,302,320 | 47,986,002 |
| Time deposits | 5 | 165,000,000 | 180,160,386 |
| Cash and cash equivalents | 4 | 76,151,599 | 69,352,387 |
| Total insurance operations' assets | | 979,792,178 | 941,752,934 |
| Shareholders' assets | | | |
| Statutory deposit | | 25,000,000 | 10,000,000 |
| Due from insurance operations | | 10,383,676 | 4,077,814 |
| Prepayments and other assets | | 1,431,993 | 2,382,190 |
| Time deposits | 5 | 215,800,000 | 19,550,000 |
| Cash and cash equivalents | 4 | 359,687 | 37,692,870 |
| Total shareholders' assets | | 252,975,356 | 73,702,874 |
| Total insurance operations' and shareholders' assets | | 1,232,767,534 | 1,015,455,808 |

Continued to p-3

The notes on pages 9 to 21 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)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2015
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | 31 December 2015 (Unaudited) | 31 December 2014 (Audited) |
|---|------|---------------------------------|-------------------------------|
| Insurance operations' liabilities | | | |
| Employees' end-of-service benefits | | 9,533,899 | 7,308,406 |
| Due to shareholders' operations | | 10,383,676 | 4,077,814 |
| Gross outstanding claims and reserves | | 600,678,112 | 529,108,978 |
| Gross unearned premiums | | 240,004,422 | 300,820,143 |
| Unearned commission income | | 12,121,690 | 15,471,000 |
| Reinsurance balances payable | | 47,587,888 | 43,309,799 |
| Accrued expenses and other liabilities | | 52,005,977 | 37,421,151 |
| Total insurance operations' liabilities | | 972,315,664 | 937,517,291 |
| Insurance operations' surplus | | | |
| Insurance operations' surplus distribution payable | | 8,319,389 | 4,235,643 |
| Fair value reserve for available-for-sale investment | | (842,875) | - |
| Total insurance operations' liabilities and surplus | | 979,792,178 | 941,752,934 |
| Shareholders' liabilities | | | |
| Provision for zakat | | 3,258,956 | 2,059,158 |
| Accounts payable | | 2,438,893 | 1,681,165 |
| Total shareholders' liabilities | | 5,697,849 | 3,740,323 |
| Shareholders' equity | | | |
| Share capital | 10 | 250,000,000 | 100,000,000 |
| Accumulated losses | | (2,722,493) | (30,037,449) |
| Total shareholders' equity | | 247,277,507 | 69,962,551 |
| Total shareholders' liabilities and equity | | 252,975,356 | 73,702,874 |
| Total insurance operations' liabilities and shareholders' liabilities and equity | | 1,232,767,534 | 1,015,455,808 |

The notes on pages 9 to 21 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)

INTERIM STATEMENT OF INSURANCE SURPLUS AND COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015
(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | Three months ended 31 December | | Twelve months ended 31 December | |
|---|-------|-----------------------------------|----------------------|------------------------------------|-----------------------|
| | | 2015 (Unaudited) | 2014 (Unaudited) | 2015 (Unaudited) | 2014 (Audited) |
| Revenues | | | | | |
| Gross written premiums | | 110,055,673 | 157,055,557 | 888,220,440 | 803,729,395 |
| Reinsurance premiums ceded | | (19,526,780) | (39,800,596) | (243,062,963) | (230,422,930) |
| Excess of loss/ stop loss premiums | | (24,289,659) | 188,310 | (84,796,467) | (28,064,343) |
| Net written premiums | | 66,239,234 | 117,443,271 | 560,361,010 | 545,242,122 |
| Movement in unearned premiums, net | | 65,446,778 | 27,402,488 | 42,088,205 | (82,856,378) |
| Net earned premiums | | 131,686,012 | 144,845,759 | 602,449,215 | 462,385,744 |
| Commission income | | 10,590,006 | 12,163,885 | 44,594,545 | 44,314,019 |
| Income from investments | 7 | 721,552 | 119,758 | 3,110,827 | 160,386 |
| Special commission income | | 512,254 | 270,107 | 1,313,085 | 1,108,180 |
| Other income | | 2,525,155 | 120,618 | 10,488,516 | 4,450,739 |
| Total insurance revenues | | 146,034,979 | 157,520,127 | 661,956,188 | 512,419,068 |
| Costs and expenses | | | | | |
| Gross claims paid | | 127,919,834 | 132,857,044 | 482,346,739 | 428,861,492 |
| Reinsurers' share of claims paid | | (21,765,490) | (31,223,973) | (42,151,041) | (99,543,476) |
| Net claims paid | | 106,154,344 | 101,633,071 | 440,195,698 | 329,318,016 |
| Movement in outstanding claims, net | | (11,131,110) | 16,334,686 | 19,514,079 | 30,169,236 |
| Net claims incurred | | 95,023,234 | 117,967,757 | 459,709,777 | 359,487,252 |
| Policy acquisition costs | | 16,174,304 | 15,713,327 | 65,429,108 | 59,090,584 |
| General and administration expenses | | 19,686,023 | 17,013,777 | 82,717,193 | 61,089,889 |
| Provision for doubtful receivables | 6 | 2,795,716 | 2,554,716 | 5,518,935 | 2,481,431 |
| Inspection and supervision fees | | 846,753 | 1,212,568 | 7,743,705 | 6,919,022 |
| Total costs and expenses | | 134,526,030 | 154,462,145 | 621,118,718 | 489,068,178 |
| Net surplus for the period from insurance operations | | 11,508,949 | 3,057,982 | 40,837,470 | 23,350,890 |
| Shareholders' appropriation from surplus | | (10,358,055) | (2,752,184) | (36,753,724) | (21,015,801) |
| Net surplus for the period from insurance operations after shareholders' appropriation | | 1,150,894 | 305,798 | 4,083,746 | 2,335,089 |
| Other comprehensive income | | | | | |
| Change in fair value of available-for-sale investment | 7 | (842,875) | - | (842,875) | - |

The notes on pages 9 to 21 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)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | Three months ended 31 December | | Twelve months ended 31 December | |
|---|------|-----------------------------------|---------------------|------------------------------------|-------------------|
| | | 2015 (Unaudited) | 2014 (Unaudited) | 2015 (Unaudited) | 2014 (Audited) |
| Appropriation of surplus from insurance operations | | 10,358,055 | 2,752,184 | 36,753,724 | 21,015,801 |
| Special commission income | | 777,656 | 92,353 | 1,247,828 | 363,068 |
| General and administration expenses | | (216,558) | (279,128) | (1,197,272) | (1,156,413) |
| Income before zakat | | 10,919,153 | 2,565,409 | 36,804,280 | 20,222,456 |
| Zakat | | (1,357,625) | (610,968) | (4,498,734) | (1,998,041) |
| Net income for the period | | 9,561,528 | 1,954,441 | 32,305,546 | 18,224,415 |
| Other comprehensive income | | | | | |
| Change in fair value of available for sale investment | | - | - | - | - |
| Total comprehensive income for the period | | 9,561,528 | 1,954,441 | 32,305,546 | 18,224,415 |
| Earnings per share | | | | | |
| Basic and diluted earnings per share (in Saudi Riyals) | 11 | 0.38 | 0.13 | 1.59 | 1.18 |
| Weighted average number of shares in issue throughout the period/ year (in thousands) | 11 | 25,000 | 15,465 | 20,324 | 15,465 |

The notes on pages 9 to 21 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)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2015
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | Share capital | Accumulated losses | Total |
|--|------|---------------|--------------------|-------------|
| Balance as at 1 January 2014 | | 100,000,000 | (48,261,864) | 51,738,136 |
| Total comprehensive income for twelve months | | - | 18,224,415 | 18,224,415 |
| Balance as at 31 December 2014 (Audited) | | 100,000,000 | (30,037,449) | 69,962,551 |
| Balance 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 | - | (4,990,590) | (4,990,590) |
| Total comprehensive income for twelve months | | - | 32,305,546 | 32,305,546 |
| Balance as at 31 December 2015 (Unaudited) | | 250,000,000 | (2,722,493) | 247,277,507 |

The notes on pages 9 to 21 are an integral part of these condensed interim financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABOUSSUUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

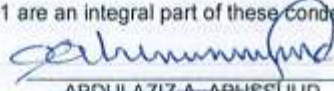
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)


INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2015
(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | Twelve months ended 31 December | |
|---|-------|------------------------------------|----------------------|
| | | 2015 (Unaudited) | 2014 (Audited) |
| Operating activities | | | |
| Net surplus from insurance operations after shareholders' appropriation | | 4,083,746 | 2,335,089 |
| Adjustments for: | | | |
| Depreciation | | 3,445,472 | 3,886,103 |
| Provision for doubtful receivables | 6 | 5,518,935 | 2,481,431 |
| Employees' end-of-service benefits, net | | 2,225,493 | 552,767 |
| Shareholders' appropriation from surplus | | 36,753,724 | 21,015,801 |
| | | <u>52,027,370</u> | <u>30,271,191</u> |
| Changes in operating assets and liabilities: | | | |
| Reinsurers' share of outstanding claims and reserves | | (52,055,058) | (71,634,076) |
| Reinsurers' share of unearned premiums | | 18,727,517 | 1,511,938 |
| Deferred policy acquisition costs | | 1,573,164 | (2,330,832) |
| Premiums and reinsurance balances receivable | | 31,967,749 | (64,661,849) |
| Prepayments and other assets | | (6,279,087) | (2,869,560) |
| Due from related parties | | (23,316,318) | 3,817,210 |
| Gross outstanding claims and reserves | | 71,569,134 | 101,803,312 |
| Gross unearned premiums | | (60,815,721) | 81,344,440 |
| Unearned commission income | | (3,349,310) | (2,690,317) |
| Reinsurance balances payable | | 4,278,089 | 5,388,792 |
| Accrued expenses and other liabilities | | 14,584,826 | 2,606,356 |
| Net cash from operating activities | | <u>48,912,355</u> | <u>82,556,605</u> |
| Investing activities | | | |
| Purchase of property and equipment | | (3,743,639) | (2,842,671) |
| Purchase of available-for-sale investment | | (13,082,028) | - |
| Acquisition of held-to-maturity investment | | (10,000,000) | - |
| Decrease / (Increase) in time deposits | | 15,160,386 | (98,000,000) |
| Net cash used in investing activities | | <u>(11,665,281)</u> | <u>(100,842,671)</u> |
| Financing activity | | | |
| Due to shareholders' operations, net | | (30,447,862) | (8,106,017) |
| Net cash used in a financing activity | | <u>(30,447,862)</u> | <u>(8,106,017)</u> |
| Net increase / (decrease) in cash and cash equivalents | | <u>6,799,212</u> | <u>(26,392,083)</u> |
| Cash and cash equivalents at the beginning of the period | | 69,352,387 | 95,744,470 |
| Cash and cash equivalents at the end of the period | 4 | <u>76,151,599</u> | <u>69,352,387</u> |
| Supplemental non-cash information: | | | |
| Change in fair value of available-for-sale investment | 7 | (842,875) | - |

The notes on pages 9 to 21 are an integral part of these condensed interim financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

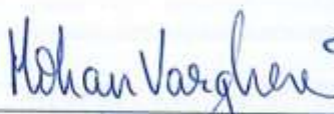

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

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

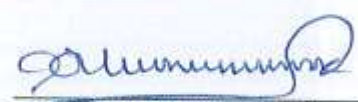
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2015
(All amounts in Saudi Riyals unless otherwise stated)


| | Notes | Twelve months ended 31 December | |
|---|-------|------------------------------------|-------------------|
| | | 2015 (Unaudited) | 2014 (Audited) |
| Operating activities | | | |
| Income before zakat | | 36,804,280 | 20,222,456 |
| Adjustment for: | | | |
| Appropriation of surplus from insurance operations income | | (36,753,724) | (21,015,801) |
| Changes in operating assets and liabilities: | | | |
| Prepayments and other assets | | 950,197 | (1,139,096) |
| Accounts payable | | 757,728 | 821,780 |
| Cash from / (used in) operations | | 1,758,481 | (1,110,661) |
| Zakat paid | | (3,298,936) | (1,365,834) |
| Net cash used in operating activities | | (1,540,455) | (2,476,495) |
| Investing activities | | | |
| Statutory deposit | | (15,000,000) | - |
| (Increase) / decrease in time deposits | | (196,250,000) | 11,550,000 |
| Net cash (used in) / from an investing activity | | (211,250,000) | 11,550,000 |
| Financing activities | | | |
| Due from insurance operations, net | | 30,447,862 | 8,106,017 |
| Net proceeds from share capital increase | 10 | 145,009,410 | - |
| Net cash from financing activities | | 175,457,272 | 8,106,017 |
| Net (decrease) / increase in cash and cash equivalents | | (37,333,183) | 17,179,522 |
| Cash and cash equivalents at beginning of the period | | 37,692,870 | 20,513,348 |
| Cash and cash equivalent at the end of the period | 4 | 359,687 | 37,692,870 |

The notes pages 9 to 21 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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015**
(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.

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 twelve-month periods ended 31 December 2015 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 2014.

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 interpretations

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 2014, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 1 January 2015.

The nature and the impact of each new standard / amendment are summarized as follows:

- a. Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 are applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in the period in which the related service is rendered.
- b. Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:
 - IFRS 3 - "business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015
(All amounts in Saudi Riyals unless otherwise stated)

3. New standards, amendments and interpretations (continued)

- IFRS 6 - "operating segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
- IAS 16 - "Property plant and equipment" and IAS 38 - "intangible assets": - the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 - "related party disclosures"- the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

In addition to the above, the Company has chosen not to early adopt IFRS 9 (2010) - Financial instruments which will not be effective until January 1, 2018.

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 the following:

| | 31 December 2015 (Unaudited) | | 31 December 2014 (Audited) | |
|---------------------|---------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Insurance operations | Shareholders' operations | Insurance operations | Shareholders' operations |
| Cash in banks | 45,921,327 | 359,687 | 69,320,251 | 342,870 |
| Cash on hand | 32,136 | - | 32,136 | - |
| Short-term deposits | 30,198,136 | - | - | 37,350,000 |
| | 76,151,599 | 359,687 | 69,352,387 | 37,692,870 |

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 31 December 2015, the Company holds an amount of Saudi Riyals 60,518 (31 December 2014: Saudi Riyals 90,210), 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 0.80% to 1.10% per annum (31 December 2014: 0.98% per annum).

As at 31 December 2015, the Company has short-term money market placements amounting to Saudi Riyals nil (31 December 2014: Saudi Riyals 45.2 million) with Saudi Hollandi Capital under a portfolio managed account based on agreed terms.

Investment income earned upon maturity of the short-term placements under insurance operations' and shareholders' assets recognized during the twelve-month period ended 31 December 2015 amounted to Saudi Riyals 0.6 million (Twelve-month period ended 31 December 2014: nil).

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6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

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

| | 31 December 2015 (Unaudited) | 31 December 2014 (Audited) |
|--|------------------------------------|----------------------------------|
| Premiums receivable | 150,542,916 | 182,950,335 |
| Reinsurers and others | 4,552,606 | 4,112,936 |
| Total premiums and reinsurance balances receivable | 155,095,522 | 187,063,271 |
| Less: Provision for doubtful receivables | (22,919,742) | (17,400,807) |
| | 132,175,780 | 169,662,464 |

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

| | 31 December 2015 (Unaudited) | 31 December 2014 (Audited) |
|--------------------------------|------------------------------------|----------------------------------|
| Beginning balance | 17,400,807 | 14,919,378 |
| Provision made during the year | 5,518,935 | 2,481,431 |
| Ending balance | 22,919,742 | 17,400,807 |

7. INVESTMENTS

a. Investment at fair value through profit or loss

During the twelve months period ended 31 December 2015, the Company invested in local IPO shares of a certain company which resulted in gain upon sale of the IPO shares in the same period amounting to Saudi Riyals 1.2 million.

b. Held-to-maturity investment

As at 31 December 2015, 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. See also Note 12.

c. Available-for-sale investments

| | 31 December 2015 (Unaudited) | 31 December 2014 (Audited) |
|-----------------|------------------------------------|----------------------------------|
| January 1 | 1,923,080 | 1,923,080 |
| Additions | 13,062,028 | - |
| Unrealized loss | (842,875) | - |
| December 31 | 14,162,233 | 1,923,080 |

Available for sale investment comprises 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 2015 and 2014, management believes that the carrying amount of the available for sale investment is a reasonable estimate of its fair value (Note 12).

Dividends received from Najm during the twelve-month period ended 31 December 2015 amounted to Saudi Riyals 339,103 (Twelve-month period ended 31 December 2014: nil).

During the three-month period ended 31 December 2015, the Company invested in local quoted securities amounting to Saudi Riyals 13.1 million.

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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 twelve-month period ended 31 December:

| Related parties | Nature of transactions | 31 December 2015 (Unaudited) | 31 December 2014 (Audited) |
|--|--|------------------------------------|----------------------------------|
| Saudi Arabian Insurance Company B.S.C (C) (Shareholder) | Amounts paid on behalf of SAICO B.S.C (C), net | (1,205,135) | (1,575,308) |
| ACE Insurance Agents Limited ("Agent") (Affiliate) | Premiums received through Agent | 46,722,458 | 77,453,087 |
| | Claims paid through Agent | 3,150 | 120,495 |
| | Commission expense | 5,049,724 | 4,516,268 |
| ACE Limited (Affiliate) | Premiums and claims, net | - | (1,761,788) |
| ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate) | Premiums received through Broker, net | 204,013,168 | 171,548,129 |
| | Commission expense | 17,195,903 | 19,058,187 |
| | Premiums ceded through Broker | 99,692,396 | 22,315,591 |
| | Commission received | 3,659,769 | 2,689,548 |

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 | 31 December 2015 (Unaudited) | 31 December 2014 (Audited) |
|--|------------------------|------------------------------------|----------------------------------|
| ACE Insurance and Reinsurance Brokers Limited ("Broker") affiliate | Insurance operations | 53,394,202 | 34,287,716 |
| ACE Insurance Agents Limited ("Agent") (Affiliate) | Insurance operations | 15,412,992 | 9,553,855 |
| Saudi Arabian Insurance Company B.S.C (C) (Shareholder) | Insurance operations | 2,495,126 | 3,700,261 |
| ACE Limited (Affiliate) | Insurance operations | - | 444,170 |
| | | 71,302,320 | 47,986,002 |

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 twelve-month period ended 31 December is as follows:

| | 31 December 2015 (Unaudited) | 31 December 2014 (Audited) |
|------------------------------------|------------------------------------|----------------------------------|
| Short-term benefits | 6,857,915 | 6,510,150 |
| Bonus | 479,250 | - |
| Employees' end-of-service benefits | 238,464 | 297,492 |
| | 7,575,629 | 6,807,642 |

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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.

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

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9. SEGMENT INFORMATION (continued)

| | Three months ended 31 December 2015 (Unaudited) | | | | | | | | |
|--|---|--------|-----------------|---------|-------------|------------------|------------------|---------|----------|
| | (Amounts in Saudi Riyals thousands) | | | | | | | | |
| Operating segment | Medical | Motor | Fire & burglary | Marine | Engineering | Public liability | General accident | Others | Total |
| Revenues | | | | | | | | | |
| Gross written premiums | 35,994 | 49,517 | 5,083 | 5,968 | 3,927 | 3,054 | 2,742 | 3,770 | 110,055 |
| Reinsurance premiums ceded | - | (31) | (4,213) | (5,238) | (3,656) | (1,878) | (2,644) | (1,867) | (19,527) |
| Excess of loss premiums | (23,277) | (516) | (244) | (162) | (76) | (12) | - | (2) | (24,289) |
| Net written premiums | 12,717 | 48,970 | 626 | 568 | 195 | 1,164 | 98 | 1,901 | 66,239 |
| Movement in unearned premiums, net | 44,439 | 18,049 | 1,330 | 49 | 140 | 459 | 251 | 730 | 65,447 |
| Net earned premiums | 57,156 | 67,019 | 1,956 | 617 | 335 | 1,623 | 349 | 2,631 | 131,686 |
| Commission income | - | 33 | 3,720 | 2,123 | 2,089 | 676 | 1,900 | 49 | 10,590 |
| Total allocated revenue | 57,156 | 67,052 | 5,676 | 2,740 | 2,424 | 2,299 | 2,249 | 2,680 | 142,276 |
| Unallocated revenue | | | | | | | | | 3,759 |
| Total insurance revenues | | | | | | | | | 146,035 |
| Cost and expenses | | | | | | | | | |
| Gross claims paid | 59,240 | 47,826 | 3,430 | 2,276 | 9,816 | 4 | 4,141 | 1,187 | 127,920 |
| Reinsurers' share of claims paid | (1,770) | 2 | (3,290) | (2,031) | (9,642) | - | (4,071) | (963) | (21,765) |
| Net claims paid | 57,470 | 47,828 | 140 | 245 | 174 | 4 | 70 | 224 | 106,155 |
| Movement in outstanding claims, net | (14,929) | 1,052 | 635 | (104) | 291 | (6) | 1,694 | 236 | (11,131) |
| Net claims incurred | 42,541 | 48,880 | 775 | 141 | 465 | (2) | 1,764 | 460 | 95,024 |
| Policy acquisition costs | 3,364 | 7,495 | 1,968 | 904 | 1,131 | 377 | 215 | 720 | 16,174 |
| Total allocated costs and expenses | 45,905 | 56,375 | 2,743 | 1,045 | 1,596 | 375 | 1,979 | 1,180 | 111,198 |
| Unallocated expenses | | | | | | | | | 23,328 |
| Total costs and expenses | | | | | | | | | 134,526 |
| Net surplus from insurance operations | | | | | | | | | 11,509 |

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9. SEGMENT INFORMATION (continued)

| Three months ended 31 December 2014 (Unaudited) | | | | | | | | | |
|---|---------------|---------------|-----------------|--------------|--------------|------------------|------------------|--------------|----------------|
| (Amounts in Saudi Riyals thousands) | | | | | | | | | |
| Operating segment | Medical | Motor | Fire & burglary | Marine | Engineering | Public liability | General accident | Others | Total |
| Revenues | | | | | | | | | |
| Gross written premiums | 43,278 | 69,475 | 16,124 | 5,267 | 10,911 | 4,597 | 4,924 | 2,479 | 157,055 |
| Reinsurance premiums ceded | - | (30) | (15,157) | (4,542) | (10,542) | (3,713) | (4,687) | (1,130) | (39,801) |
| Excess of loss premiums | 2,382 | (1,556) | (323) | (166) | (122) | (22) | - | (4) | 189 |
| Net written premiums | 45,660 | 67,889 | 644 | 559 | 247 | 862 | 237 | 1,345 | 117,443 |
| Movement in unearned premiums, net | 38,398 | (13,847) | 638 | 327 | 217 | 495 | 320 | 855 | 27,403 |
| Net earned premiums | 84,058 | 54,042 | 1,282 | 886 | 464 | 1,357 | 557 | 2,200 | 144,846 |
| Commission income | 49 | 35 | 3,877 | 3,448 | 2,704 | 417 | 1,577 | 59 | 12,164 |
| Total allocated revenue | 84,107 | 54,077 | 5,159 | 4,332 | 3,168 | 1,774 | 2,134 | 2,259 | 157,010 |
| Unallocated revenue | | | | | | | | | 510 |
| Total insurance revenues | | | | | | | | | 157,520 |
| Cost and expenses | | | | | | | | | |
| Gross claims paid | 69,078 | 31,180 | 24,265 | 4,634 | 1,975 | 19 | 16 | 1,690 | 132,857 |
| Reinsurers' share of claims paid | (1,409) | (13) | (22,258) | (4,178) | (1,887) | - | (8) | (1,471) | (31,224) |
| Net claims paid | 67,669 | 31,167 | 2,007 | 456 | 88 | 19 | 8 | 219 | 101,633 |
| Movement in outstanding claims, net | 7,264 | 12,543 | (2,943) | (282) | (151) | 220 | (390) | 74 | 16,335 |
| Net claims incurred | 74,933 | 43,710 | (936) | 174 | (63) | 239 | (382) | 293 | 117,968 |
| Policy acquisition costs | 4,063 | 5,891 | 2,370 | 1,082 | 1,220 | 243 | 300 | 545 | 15,714 |
| Total allocated costs and expenses | 78,996 | 49,601 | 1,434 | 1,256 | 1,157 | 482 | (82) | 838 | 133,682 |
| Unallocated expenses | | | | | | | | | 20,780 |
| Total costs and expenses | | | | | | | | | 154,462 |
| Net surplus from insurance operations | | | | | | | | | 3,058 |

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9. SEGMENT INFORMATION (continued)

| | Twelve months ended 31 December 2015 (Unaudited) | | | | | | | | |
|--|--|----------------|-----------------|---------------|---------------|------------------|------------------|---------------|----------------|
| | (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 | (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 insurance 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, 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 |

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9. SEGMENT INFORMATION (continued)

| | Twelve months ended 31 December 2014 (Audited) | | | | | | | | |
|--|--|----------------|-----------------|---------------|---------------|------------------|------------------|--------------|----------------|
| | (Amounts in Saudi Riyals thousands) | | | | | | | | |
| | Medical | Motor | Fire & burglary | Marine | Engineering | Public liability | General accident | Others | Total |
| Revenues | | | | | | | | | |
| Gross written premiums | 315,591 | 229,295 | 121,406 | 37,255 | 40,302 | 16,241 | 27,719 | 15,920 | 803,729 |
| Reinsurance premiums ceded | (1,076) | (477) | (115,357) | (33,774) | (38,281) | (9,133) | (25,526) | (6,799) | (230,423) |
| Excess of loss premiums | (18,881) | (5,128) | (2,210) | (895) | (706) | (162) | - | (82) | (28,064) |
| Net written premiums | 295,634 | 223,690 | 3,839 | 2,586 | 1,315 | 6,946 | 2,193 | 9,039 | 545,242 |
| Movement in unearned premiums, net | (15,351) | (66,831) | (188) | (79) | 591 | (793) | (57) | (148) | (82,856) |
| Net earned premiums | 280,283 | 156,859 | 3,651 | 2,507 | 1,906 | 6,153 | 2,136 | 8,891 | 462,386 |
| Commission income | 74 | 148 | 14,722 | 9,758 | 10,762 | 1,927 | 5,887 | 1,036 | 44,314 |
| Total allocated revenues | 280,357 | 157,007 | 18,373 | 12,265 | 12,668 | 8,080 | 8,023 | 9,927 | 506,700 |
| Unallocated revenue | | | | | | | | | 5,719 |
| Total insurance revenues | | | | | | | | | 512,419 |
| Costs and expenses | | | | | | | | | |
| Gross claims paid | 230,855 | 95,426 | 70,369 | 9,930 | 14,829 | 933 | 1,265 | 5,254 | 428,861 |
| Reinsurers' share of claims paid | (3,084) | (1,785) | (66,476) | (8,917) | (14,443) | (37) | (750) | (4,051) | (99,543) |
| Net claims paid | 227,771 | 93,641 | 3,893 | 1,013 | 386 | 896 | 515 | 1,203 | 329,318 |
| Movement in outstanding claims, net | 8,133 | 18,070 | (282) | 219 | 2,014 | 754 | 303 | 958 | 30,169 |
| Net claims incurred | 235,904 | 111,711 | 3,611 | 1,232 | 2,400 | 1,650 | 818 | 2,161 | 359,487 |
| Policy acquisition cost | 15,584 | 19,043 | 9,839 | 3,859 | 5,385 | 1,877 | 1,189 | 2,315 | 59,091 |
| Total allocated costs and expenses | 251,488 | 130,754 | 13,450 | 5,091 | 7,785 | 3,527 | 2,007 | 4,476 | 418,578 |
| Unallocated expenses | | | | | | | | | 70,490 |
| Total costs and expenses | | | | | | | | | 489,068 |
| Net surplus from insurance operations | | | | | | | | | 23,351 |

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9. SEGMENT INFORMATION (continued)

| | As at 31 December 2015 (Unaudited) | | | | | | | | |
|--|-------------------------------------|----------------|-----------------|---------------|----------------|------------------|------------------|--------------|----------------|
| | (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 consists 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 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 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 line 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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9. SEGMENT INFORMATION (continued)

| | As at 31 December 2014 (Audited) | | | | | | | | |
|--|-------------------------------------|----------------|-----------------|---------------|----------------|------------------|------------------|--------------|----------------|
| | (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 | 6 | 2,086 | 66,663 | 54,414 | 66,869 | 702 | 136,607 | 2,553 | 329,900 |
| Reinsurers' share of unearned premiums | - | 128 | 17,353 | 7,635 | 24,324 | 5,174 | 10,252 | 707 | 65,573 |
| Deferred policy acquisition costs | 6,422 | 10,243 | 1,430 | 908 | 3,519 | 736 | 323 | 239 | 23,820 |
| Segment assets | 6,428 | 12,457 | 85,446 | 62,957 | 94,712 | 6,612 | 147,182 | 3,499 | 419,293 |
| Unallocated assets | | | | | | | | | 486,150 |
| Total assets | | | | | | | | | 905,443 |
| Liabilities | | | | | | | | | |
| Gross outstanding claims | 99,600 | 44,650 | 76,261 | 57,248 | 70,255 | 1,669 | 138,727 | 4,389 | 492,799 |
| Gross unearned premiums | 112,474 | 113,404 | 19,078 | 8,379 | 25,653 | 8,740 | 11,022 | 2,070 | 300,820 |
| Unearned commission income | - | 37 | 3,233 | 1,999 | 6,494 | 733 | 2,933 | 42 | 15,471 |
| Segment liabilities | 212,074 | 158,091 | 98,572 | 67,626 | 102,402 | 11,142 | 152,682 | 6,501 | 809,090 |
| Unallocated liabilities | | | | | | | | | 96,353 |
| Total liabilities | | | | | | | | | 905,443 |

Unallocated assets at 31 December 2014 consists mainly of premiums and reinsurance balances receivable of Saudi Riyals 170 million, due from related parties of Saudi Riyals 48 million, time deposits of Saudi Riyals 180 million, cash and cash equivalents of Saudi Riyals 69 million, and other insurance operations' assets of Saudi Riyals 19 million.

At 31 December 2014, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 170 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 71.4 million while the remaining balance of Saudi Riyals 98.3 million is consisting mainly of receivables from top 10 policyholders from the following lines of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Engineering and (e) General Accident.

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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. All legal formalities have been completed during the three-month period ended 30 September 2015.

As at 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 (31 December 2014: Saudi Riyals 100 million divided into 10 million shares of Saudi Riyals 10 each). The related rights issue expenses amounting to Saudi Riyals 4.9 million were charged and presented in shareholders' equity.

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.

At 31 December 2015 and 2014, the weighted average number of shares is calculated as follows:

| | Note | Three months ended 31 December | | Twelve months ended 31 December | |
|--|------|-----------------------------------|---------------------|------------------------------------|-------------------|
| | | 2015 (Unaudited) | 2014 (Unaudited) | 2015 (Unaudited) | 2014 (Audited) |
| 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 | 5,465 | 10,324 | 5,465 |
| Weighted average number of shares outstanding after rights issue (in thousands) | 10 | 25,000 | 15,465 | 20,324 | 15,465 |

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 recognised 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 twelve-month period ended 31 December 2015 and 2014, 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.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table summarizes the financial assets recorded at fair value by level of the fair value hierarchy.

| As at 31 December 2015 (Unaudited) | | Insurance operations' assets | | | |
|---|--|------------------------------|------------|-----------|------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | | |
| Held-to-maturity investment | | - | 10,000,000 | - | 10,000,000 |
| Available-for-sale investment | | 12,239,153 | - | 1,923,080 | 14,162,233 |
| | | 12,239,153 | 10,000,000 | 1,923,080 | 24,162,233 |
| As at 31 December 2014 (Audited) | | | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | | |
| Available-for-sale investment | | - | - | 1,923,080 | 1,923,080 |
| | | - | - | 1,923,080 | 1,923,080 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015
(All amounts in Saudi Riyals unless otherwise stated)

13. CONTINGENCIES AND COMMITMENTS (continued)

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 1.8 million for the twelve-month period ended 31 December 2015 (Twelve-month period ended 31 December 2014: Saudi Riyals 1.7 million) are recognized in the interim statement of insurance income.

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

| <u>Years</u> | <u>31 December 2015 (Unaudited)</u> | <u>31 December 2014 (Audited)</u> |
|--------------|---|---|
| 2015 | - | 2,043,949 |
| 2016 | 2,411,547 | 1,979,542 |
| 2017 | 619,150 | 646,412 |
| | 3,030,697 | 4,669,903 |

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 31 December</u> | | <u>Twelve months ended 31 December</u> | |
|---------------------------|---|-----------------------------|--|-----------------------------|
| | <u>2015 (Unaudited)</u> | <u>2014 (Unaudited)</u> | <u>2015 (Unaudited)</u> | <u>2014 (Unaudited)</u> |
| Net earned premiums | 131,686,012 | 144,845,759 | 602,449,215 | 462,385,744 |
| Commission income | 10,590,006 | 12,163,885 | 44,594,545 | 44,314,019 |
| Other underwriting income | 745,885 | - | 1,362,385 | - |
| Policy acquisition costs | (16,174,304) | (15,713,327) | (65,429,108) | (59,090,584) |
| Net claims incurred | (95,023,234) | (117,967,757) | (459,709,777) | (359,487,252) |
| Net underwriting surplus | 31,824,365 | 23,328,560 | 123,267,260 | 88,121,927 |

15. RECLASSIFICATIONS

The following reclassifications have been made to the comparative 2014 financial information as previously reported in the 2014 audited financial statements to conform with 2015 presentation as follows:

- (i) Reinsurers' share of IBNR reserve amounting to Saudi Riyals 36.3 million, previously presented under gross outstanding claims and reserves, is disclosed as a separately line item in insurance assets in the statement of financial position;
- (ii) Money market deposits amounting to Saudi Riyals 45 million, previously presented under investment at fair value through profit and loss, is included in time deposits (Note 5) in insurance assets in the statement of financial position; and
- (iii) Income from investments amounting to Saudi Riyals 119 thousand and Saudi Riyals 160 thousand for the three-month and twelve-month periods, respectively, were reclassified from other income in the statement of insurance surplus and comprehensive income.

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 18 January 2016 (corresponding to 8 Rabi Al-Thani, 1437H).