
ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

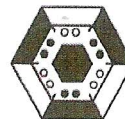
INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016

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**INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)**

Scope of Review

We have reviewed the accompanying interim statement of financial position of **Allied Cooperative Insurance Group (ACIG)** – a Saudi Joint Stock Company – (the "Company") as at 31 December 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income for three-month and twelve-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the twelve-month period then ended and the related notes 1 to 18 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the 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 review in accordance with the Standard on review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of person responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Emphasis of Matter

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

**PKF Al-Bassam & Al-Nemer
Allied Accountants**

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337



**Ahmed Tayseer Ibrahim & Co.
Chartered Accountants**

Ahmed Tayseer Ibrahim
Certified Public Accountant
Licence No. 213



18 January 2017
20 Rabi Al Thani 1438H
Jeddah, Kingdom of Saudi Arabia

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	204,500	167,613
Term deposits	4	-	50,000
Premiums receivable, net	5	89,661	82,492
Reinsurance receivables, net		4,739	1,336
Reinsurers' share of unearned premiums	9	35,120	34,420
Reinsurers' share of outstanding claims	10	12,640	6,507
Deferred policy acquisition cost		22,243	21,553
Due from a related party		1,215	-
Prepayments and other receivables		23,538	22,280
Property and equipment, net		7,474	5,452
Total insurance operations' assets		401,130	391,653
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	55,036	30,551
FVIS investments	6	-	-
Available-for-sale investments	7	47,682	65,442
Prepayments and other receivables		4,738	2,387
Statutory deposit	8	20,000	20,000
Total shareholders' assets		127,456	118,380
TOTAL ASSETS		528,586	510,033

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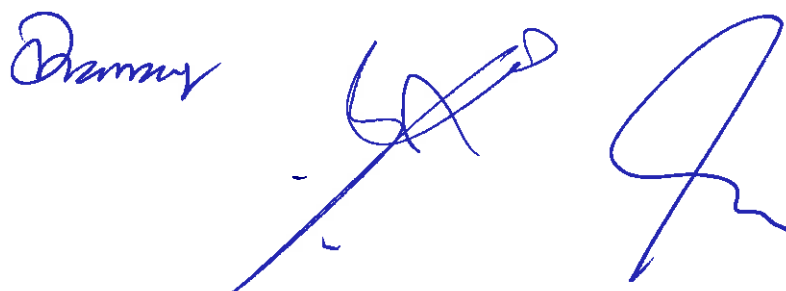
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The accompanying notes 1 to 18 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION - (Continued)
At 31 December 2016

	Note	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurance payables		35,461	38,430
Unearned commission income		644	1,943
Unearned premiums	9	232,296	234,971
Premium deficiency reserve		-	6,969
Catastrophe reserve		248	133
Accounts payable		16,609	21,743
Outstanding claims	10	98,836	72,137
Accrued and other payables		6,591	7,373
Employees' terminal benefits		6,474	5,126
Total insurance operations' liabilities		<u>397,159</u>	<u>388,825</u>
Insurance operations' surplus			
Surplus from insurance operations		<u>3,971</u>	<u>2,828</u>
Total insurance operations' liabilities and surplus		<u>401,130</u>	<u>391,653</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		795	673
Accrued zakat and income tax	11	1,510	748
Total shareholders' liabilities		<u>2,305</u>	<u>1,421</u>
Shareholders' equity			
Share capital	12	200,000	200,000
Accumulated losses		(73,796)	(80,482)
Available-for-sale investments reserve	7	(1,053)	(2,559)
Total shareholders' equity		<u>125,151</u>	<u>116,959</u>
Total shareholders' liabilities and equity		<u>127,456</u>	<u>118,380</u>
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		<u>528,586</u>	<u>510,033</u>



The accompanying notes 1 to 18 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016

	<i>Three-month period ended</i>		<i>Twelve-month period ended</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
REVENUE				
Gross premiums written	80,094	105,414	510,618	549,441
Less: Premiums ceded	(11,194)	(11,751)	(72,342)	(85,293)
Excess of loss premiums	(3,055)	(2,388)	(9,074)	(7,957)
Net written premiums	65,845	91,275	429,202	456,191
Changes in net unearned premiums	47,207	23,489	3,374	(72,138)
Net premiums earned	113,052	114,764	432,576	384,053
Other underwriting income	2,693	2,991	10,494	10,740
Reinsurance commission earned	1,143	1,256	5,026	4,798
Net revenues	116,888	119,011	448,096	399,591
Cost and expenses				
Gross claims paid	102,772	79,807	353,566	284,317
Less: Reinsurers' share	(8,590)	(5,712)	(29,417)	(24,491)
Net claims paid	94,182	74,095	324,149	259,826
Changes in outstanding claims, net	5,045	12,650	19,893	31,164
Net claims incurred	99,227	86,745	344,042	290,990
Change in premium deficiency reserve	-	6,969	(6,854)	6,969
Change in catastrophe reserve	-	133	-	133
Policy acquisition cost	10,519	10,713	40,017	36,198
Net cost and expenses	109,746	104,560	377,205	334,290
Net result of insurance operations	7,142	14,451	70,891	65,301
General and administrative expenses	(14,891)	(13,104)	(61,891)	(52,670)
Supervision and inspection fee	(667)	(628)	(2,459)	(2,282)
CCHI fee	(473)	(455)	(1,684)	(1,588)
Investment income	3,120	133	4,922	869
Other (loss) / income	(59)	1,047	1,662	1,225
(Deficit) / Surplus from insurance operations	(5,828)	1,444	11,441	10,855
Shareholders' share of insurance operations surplus	5,245	(1,300)	(10,297)	(9,770)
(Deficit) / Surplus for the period	(583)	144	1,144	1,085
Accumulated surplus at the beginning of the period	4,554	2,684	2,827	1,743
Accumulated surplus at the end of the period	3,971	2,828	3,971	2,828

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The accompanying notes 1 to 18 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016

	<u>Note</u>	<u>Three-month period ended</u>		<u>Twelve-month period ended</u>	
		<u>31 December</u> <u>2016</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>31 December</u> <u>2015</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>31 December</u> <u>2016</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>31 December</u> <u>2015</u> <u>(Audited)</u> <u>SR'000</u>
Shareholders' share of insurance operations (deficit) / surplus		(5,245)	1,300	10,297	9,770
Realized gain on available-for-sale investments		574	(1,074)	(1,739)	2,311
Dividends		-	-	385	118
Realized gain on FVIS investments		-	-	-	423
Commission income		254	40	586	108
Total revenues		(4,417)	266	9,529	12,730
EXPENSES					
General and administrative expenses		(130)	(112)	(1,185)	(1,597)
Net (loss) / income for the period		(4,547)	154	8,344	11,133
Weighted average number of ordinary shares outstanding ('000')	12	20,000	20,000	20,000	20,000
Basic and diluted earnings (loss) per share for the period (SR)	13	(0.23)	0.01	0.42	0.56

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ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016

	<i>Three-month period ended</i>		<i>Twelve-month period ended</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net (loss) / income for the period	(4,547)	154	8,344	11,133
Other comprehensive income / (expenses):				
Change in fair value of available-for-sale investments	3,237	(169)	1,506	(3,985)
Zakat and income tax (note 11)	(152)	-	(1,658)	(720)
Total comprehensive (loss) / income for the period	<u>(1,462)</u>	<u>(15)</u>	<u>8,192</u>	<u>6,428</u>

The accompanying notes 1 to 18 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2016

Twelve-month period ended
31 December 2016 – unaudited

	Share capital SR '000	Accumulated losses SR '000	Available-for- sale investments reserve	Total SR '000
Balance as at 31 December 2015 (audited)	200,000	(80,482)	(2,559)	116,959
Net income for the period	-	8,344	-	8,344
Change in fair value of available-for-sale investments	-	-	1,506	1,506
Zakat and income tax (note 11)	-	(1,658)	-	(1,658)
Balance as at 31 December 2016 (unaudited)	200,000	(73,796)	(1,053)	125,151

Twelve-month period ended
31 December 2015 – audited

Balance as at 31 December 2014 (audited)	200,000	(90,895)	1,426	110,531
Net income for the period	-	11,133	-	11,133
Change in fair value of available-for-sale investments	-	-	(3,985)	(3,985)
Zakat and income tax	-	(720)	-	(720)
Balance as at 31 December 2015 (audited)	200,000	(80,482)	(2,559)	116,959



The accompanying notes 1 to 18 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2016

	<i>Twelve-month period ended</i>	
	31 December 2016 (Unaudited)	31 December 2015 (Audited)
	SR'000	SR'000
Cash flows from operating activities:		
Surplus for the period from insurance operations	1,144	1,085
Adjustment for:		
Depreciation	2,340	1,933
Employees' terminal benefits, net	1,348	1,268
Doubtful debts provision	3,592	951
	8,424	5,237
<i>Changes in operating assets and liabilities:</i>		
Premiums receivable, net	(10,761)	(37,428)
Reinsurance receivables, net	(3,403)	(69)
Reinsurers' share of unearned premiums	(700)	(7,909)
Reinsurers' share of outstanding claims	(6,133)	2,599
Deferred policy acquisition cost	(690)	(9,624)
Due from related party	(1,215)	-
Prepayments and other receivables	(1,258)	(10,264)
Reinsurance payables	(2,969)	18,600
Unearned commission income	(1,299)	(364)
Unearned premiums	(2,790)	80,047
Premium deficiency reserve	(6,854)	6,969
Catastrophe reserves	-	133
Accounts payable	(5,134)	8,829
Outstanding claims	26,814	28,565
Accrued and other payables	(782)	3,789
Net cash (used in) / from operating activities	(8,750)	89,110
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,363)	(1,438)
Investment in term deposit	50,000	(50,000)
Net cash from / (used in) investing activities	45,637	(51,438)
Net increase in cash and cash equivalents	36,887	37,672
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	167,613	129,941
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	204,500	167,613

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The accompanying notes 1 to 18 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2016

	<i>Twelve-month period ended</i>	
	<i>31 December 2016 (Unaudited)</i>	<i>31 December 2015 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net income for the period	8,344	11,133
Adjustment for:		
Realized loss / (gain) on available-for-sale investments	1,739	(2,311)
Dividend income	(385)	(118)
Realized gain on FVIS investments	-	(423)
	<u>9,698</u>	<u>8,281</u>
<i>Changes in operating assets and liabilities:</i>		
Prepayments and other receivables	(2,350)	304
Accrued and other payables	122	60
Zakat Paid	(890)	(1,266)
Net cash from operating activities	<u>6,574</u>	<u>7,379</u>
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(28,182)	(69,392)
Proceeds from sale of FVIS investments	-	5,742
Proceeds from sale of available-for-sale investments	45,708	42,469
Dividend received on FVIS investments	385	118
Net cash from / (used in) investing activities	<u>17,911</u>	<u>(21,063)</u>
Net increase / (decrease) in cash and cash equivalents	24,485	(13,684)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	30,551	44,235
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>55,036</u>	<u>30,551</u>
<u>Non Cash Transactions:</u>		
Change in fair value of available-for-sale investments	<u>(1,506)</u>	<u>(3,985)</u>

The accompanying notes 1 to 18 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016 – UNAUDITED

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171999 dated 9 Shabaan 1428H, corresponding to 22 August 2007. Registered Office address of the Company is Al Ruwais District, P. O. Box 7076, Jeddah 21462, Kingdom of Saudi Arabia.

As per the shareholders resolution dated 13 May 2014, the registered office address of the Company has changed from Jeddah to Al Malka District P.O. Box 40523 Riyadh 11511, Kingdom of Saudi Arabia. The legal formalities to change the registered office address of the Company have been completed during the year 2014 and accordingly new Commercial Registration No. 1010417178 has been obtained and Articles of Association has been amended.

The activities of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. On 4 April 2009, the Company received license from the Saudi Arabian Monetary Authority ("SAMA") to engage in insurance in Saudi Arabia. The Company commenced its commercial operations on 1 July 2009. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 August 2007. As per Tadawul shareholding system at 31 December 2016, the Company is owned 98.97% (2015: 98.97%) by Saudi shareholders and 1.03% (2015: 1.03%) by non-Saudi shareholders.

2. BASIS OF PREPARATION

Statement of Compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are consistent with those used for the preparation of annual financial statements.

These interim condensed financial statements for the three-month and twelve-month periods ended 31 December 2016 should be read in conjunction with the Company's audited financial statements as at 31 December 2015. In the Company's Board of Directors opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

The Company follows a fiscal year ending 31 December.

The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	<u>100%</u>

In case of deficit, the whole deficit will be transferred to Shareholders' operations.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016-UNAUDITED-(continued)

2. BASIS OF PREPARATION – (continued)

In accordance with article 70 of the Saudi Arabian Monetary Authority ("SAMA") implementing regulations, the Company must obtain SAMA approval before distribution of policyholder's surplus directly to policyholders at a time, and according to criteria set by its Board of Directors.

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

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

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IAS 12	Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised losses	1 January 2017
IAS 7	Amendments to IAS 7 Disclosure Initiative	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016-UNAUDITED-(continued)

3. CASH AND CASH EQUIVALENTS

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
<i>Insurance operations</i>		
Cash in hand and at banks	36,381	45,050
Short term deposit	168,119	122,563
	204,500	167,613
<i>Shareholders' operations</i>		
Cash in hand and at banks	15,168	18,551
Short term deposit	39,868	12,000
	55,036	30,551

Cash at banks are placed with counterparties who have good credit ratings.

4. TERM DEPOSITS

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
<i>Insurance Operations</i>		
Term deposits	-	50,000

The term deposits are held with the commercial banks. These term deposits are denominated in Saudi Arabian Riyals and have been an original maturity of more than three months and less than twelve months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date

5. PREMIUMS RECEIVABLE, NET

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Due from policyholders	95,804	84,965
Due from policyholders - related parties	71	149
Doubtful debt provision	(6,214)	(2,622)
	89,661	82,492

Movement in provision for doubtful debts is as follows:

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Balance at the beginning of the period / year	2,622	1,671
Additional provision during the period / year	3,592	951
Balance at the end of the period / year	6,214	2,622

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016-UNAUDITED-(continued)

6. FVIS INVESTMENTS

Shareholders' operations

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Balance at the beginning of the period / year	-	5,319
Purchased during the period / year	-	-
Disposals during the period / year	-	(5,319)
Change in fair value of investment	-	-
Balance at the end of the period / year	-	-

7. AVAILABLE-FOR-SALE INVESTMENTS

Shareholders' operations

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Investment in sukuk	25,000	26,503
Mutual funds	-	19,361
Quoted securities	20,759	17,655
Unquoted securities	1,923	1,923
	47,682	65,442

	Balance at the beginning of the period SR'000	Net movement during the period SR'000	Change in fair value for the period SR'000	Balance at the end of the period SR'000
As at 31 December 2016 – (Unaudited)				
Investment in Najm for Insurance Services Company	1,923	-	-	1,923
Investment in mutual funds	19,361	(19,632)	271	-
Investment in sukuk	26,503	(2,105)	602	25,000
Quoted securities	17,655	2,471	633	20,759
	65,442	(19,266)	1,506	47,682
	Balance at the beginning of the year SR'000	Net movement during the year SR'000	Change in fair value for the year SR'000	Balance at the end of the year SR'000
As at 31 December 2015 – (Audited)				
Investment in Najm for Insurance Services Company	1,923	-	-	1,923
Investment in mutual funds	17,473	204	1,684	19,361
Investment in sukuk	20,797	5,000	706	26,503
Quoted securities	-	24,030	(6,375)	17,655
	40,193	29,234	(3,985)	65,442

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7. AVAILABLE-FOR-SALE INVESTMENT – (Continued)

Investment in Najm for Insurance Services Company is classified under level 3. Investments in mutual funds and GACA Sukuk are classified under level 2.

Unrealised gain of SR 1.506 million for the twelve-month period ended 31 December 2016 (31 December 2015: unrealised loss SR 3.985 million) was recognized to the interim statement of changes in shareholders' equity as available-for-sale investments reserve. The available-for-sale investments reserve as of 31 December 2016 is SR 1.503 million (31 December 2015: SR 2.559 million).

8. STATUTORY DEPOSIT

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Shareholders' Operations		
Statutory deposit	20,000	20,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 20 million in a bank designated by the Saudi Arabian Monetary Authority (SAMA). The Company cannot withdraw this deposit without SAMA's approval.

9. UNEARNED PREMIUMS, NET

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Unearned premiums	232,296	234,971
Reinsurance share of unearned premiums	(35,120)	(34,420)
	197,176	200,551

10. OUTSTANDING CLAIMS, NET

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Gross outstanding claims	24,446	16,092
Add: Incurred but not reported (IBNR) reserve	74,390	56,045
Outstanding claims	98,836	72,137
Reinsurance share of outstanding claims	(12,640)	(6,507)
Outstanding claims, net	86,196	65,630

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11. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

The movement in the Zakat and Income tax payable is as follows:

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Balance at the beginning of the period / year	748	1,294
Zakat and income tax for the period / year	1,658	720
Zakat and income tax paid during the period / year	(896)	(1,266)
Balance at the end of the period / year	1,510	748

The differences between the financial and the Zakatable/taxable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Income Tax

Foreign shareholder, being Islamic Development Bank (IDB) is exempted from income tax.

Status of assessment:

Zakat and income tax returns have been filed with the Department of General Authority of Zakat and Tax ("GAZT") for the years ended up to 31 December 2014. Final certificate has been received from GAZT for the year ended 31 December 2008. However, GAZT has raised an additional assessment in respect of the returns filed for the years ended 31 December 2008, 2009 and 2010 amounting to SR 1.86 million which has not been booked in the interim condensed financial statements. The major difference of the additional assessment relates to disallowance of a portion of pre-incorporation expenses and withholding tax. The Company has filed an objection against this additional assessment with the Preliminary Tax objection Committee. An adverse decision was received from the Preliminary Tax objection Committee, upon which the Company has appeal with the higher objection Committee. The higher appeal committee issued its decision in favour of the Company with respect to Zakat and rejected the appeal related to withholding tax. The Company is in the process of reforming the matter to the board of grievance. In this regard, the Company have issued a letter of guarantee amounting to SR 1.83 million in favour of GAZT (See Note 17).

12. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million at period end consisting of 20 million shares of SR 10 each.

13. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share for the period has been calculated by dividing the net income for the period by the weighted average number of issued and outstanding shares for the period.

14. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. No appropriation has been made as the Company has accumulated losses at the end of the period.

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15. TRANSACTIONS WITH RELATED PARTIES

Major related party transactions during the period and the related balances at the end of the period / year are as follows:

Insurance operations

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>		<i>Closing balance</i>	
		<i>Twelve-month period ended</i>		<i>Receivable / (Payable)</i>	
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Affiliates	Premiums written	<u>1,055</u>	<u>1,630</u>	<u>71</u>	<u>149</u>
	Claims paid	<u>(207)</u>	<u>(34)</u>	<u>(200)</u>	<u>(313)</u>
Board and audit committee	Meetings fee	<u>881</u>	<u>689</u>	<u>-</u>	<u>-</u>
Key management personnel	Short term benefits	<u>5,230</u>	<u>4,915</u>	<u>10</u>	<u>70</u>
	Long term benefits	<u>310</u>	<u>232</u>	<u>(1,387)</u>	<u>(1,024)</u>

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16. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by the Management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses, provision for doubtful debts and other income.

Segment assets do not include cash and cash equivalents, investments, prepayments and other receivables, and property and equipment, net.

Segment liabilities do not include reinsurance payables, accrued expenses and other liabilities, due to shareholders' operations and employees' terminal benefits.

Operating segments

For three-month period ended 31 December 2016 (Unaudited)	Motor	Medical	General accident	Others	Total
Revenue	SR '000	SR '000	SR '000	SR '000	SR '000
Gross premiums written	40,459	32,323	5,269	2,043	80,094
Less: Premiums ceded	-	(6,655)	(2,618)	(1,921)	(11,194)
Excess of loss premiums	(1,850)	(990)	(115)	(100)	(3,055)
Net written premiums	38,609	24,678	2,536	22	65,845
Changes in net unearned premiums	36,708	11,198	(816)	117	47,207
Net premiums earned	75,317	35,876	1,720	139	113,052
Other underwriting Income	2,693	-	-	-	2,693
Reinsurance commission earned	2	-	451	690	1,143
Net revenues	78,012	35,876	2,171	829	116,888
Cost and expenses					
Gross claims paid	80,074	22,058	367	273	102,772
Less: Reinsurers' share	(1,277)	(6,988)	(115)	(210)	(8,590)
Net claims paid	78,797	15,070	252	63	94,182
Changes in outstanding claims, net	1,423	4,088	(148)	(318)	5,045
Net claims incurred	80,220	19,158	104	(255)	99,227
Policy acquisition cost	6,408	3,710	197	204	10,519
Net cost and expenses	86,628	22,868	301	(51)	109,746
Net result of insurance operations	(8,616)	13,008	1,870	880	7,142
General and administrative expenses	-	-	-	-	(14,891)
Supervision and inspection fee	(386)	(237)	(19)	(25)	(667)
CCHI fee	-	(473)	-	-	(473)
Investment income					3,120
Other income					(59)
Deficit from insurance operations					(5,828)

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16. SEGMENTAL INFORMATION – (Continued)

**For twelve-month period ended
31 December 2016 (Unaudited)**

	Motor	Medical	General accident	Others	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Revenue					
Gross premiums written	278,858	186,765	22,170	22,825	510,618
Less: Premiums ceded	(66)	(40,613)	(9,581)	(22,082)	(72,342)
Excess of loss premiums	(6,836)	(1,380)	(460)	(398)	(9,074)
Net written premiums	271,956	144,772	12,129	345	429,202
Changes in net unearned premiums	24,752	(17,453)	(4,220)	295	3,374
Net premiums earned	296,708	127,319	7,909	640	432,576
Other underwriting Income	10,494	-	-	-	10,494
Reinsurance commission earned	10	-	1,539	3,477	5,026
Net revenues	307,212	127,319	9,448	4,117	448,096
Cost and expenses					
Gross claims paid	275,543	75,578	740	1,705	353,566
Less: Reinsurers' share	(2,762)	(25,165)	(198)	(1,292)	(29,417)
Net claims paid	272,781	50,413	542	413	324,149
Changes in outstanding claims, net	11,846	7,237	1,069	(259)	19,893
Net claims incurred	284,627	57,650	1,611	154	344,042
Change in premium deficiency reserve	(6,854)	-	-	-	(6,854)
Policy acquisition cost	25,089	13,146	1,065	717	40,017
Net cost and expenses	302,862	70,796	2,676	871	377,205
Net result of insurance operations	4,350	56,523	6,772	3,246	70,891
General and administrative expenses	-	-	-	-	(61,891)
Supervision and inspection fee	(1,518)	(736)	(88)	(117)	(2,459)
CCHI fee	-	(1,684)	-	-	(1,684)
Investment income					4,922
Other income					1,662
Surplus from insurance operations					11,441

As at 31 December 2016 (Unaudited)

Premiums and reinsurance receivables – net	26,164	33,714	1,839	32,683	94,400
Reinsurance share of unearned premiums	30	17,396	2,653	15,041	35,120
Reinsurance share of outstanding claims	1,100	4,301	1,824	5,415	12,640
Deferred policy acquisition cost	9,498	11,410	1,149	186	22,243
Unallocated assets					236,727
Total insurance operations assets					401,130
Unearned commission income	1	-	344	299	644
Unearned premiums	116,168	83,428	18,036	14,664	232,296
Outstanding claims	69,307	18,965	4,827	5,737	98,836
Other liabilities				56,289	56,289
Unallocated liabilities				13,065	13,065
Total insurance operations liabilities					401,130

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16. SEGMENTAL INFORMATION – (Continued)

For three-month period ended 31 December 2015 (Unaudited)	Motor	Medical	General accident	Others	Total
Revenue	SR '000	SR '000	SR '000	SR '000	SR '000
Gross premiums written	72,244	24,949	5,009	3,212	105,414
Less: Premiums ceded	-	(6,411)	(2,462)	(2,878)	(11,751)
Excess of loss premiums	(1,797)	(1,134)	(116)	659	(2,388)
Net written premiums	70,447	17,404	2,431	993	91,275
Changes in net unearned premiums	9,100	16,562	(1,229)	(944)	23,489
Net premiums earned	79,547	33,966	1,202	49	114,764
Other underwriting Income	2,991	-	-	-	2,991
Reinsurance commission earned	6	-	276	974	1,256
Net revenues	82,544	33,966	1,478	1,023	119,011
Cost and expenses					
Gross claims paid	62,300	16,132	298	1,077	79,807
Less: Reinsurers' share	155	(5,338)	(86)	(443)	(5,712)
Net claims paid	62,455	10,794	212	634	74,095
Changes in outstanding claims, net	13,837	(907)	44	(324)	12,650
Net claims incurred	76,292	9,887	256	310	86,745
Change in premium deficiency reserve	6,969	-	-	-	6,969
Change in catastrophe reserve	-	-	-	133	133
Policy acquisition cost	6,512	3,655	262	284	10,713
Net cost and expenses	89,773	13,542	518	727	104,560
Net result of insurance operations	(7,229)	20,424	960	296	14,451
General and administrative expenses	-	-	-	-	(13,104)
Supervision and inspection fee	(341)	(234)	(18)	(35)	(628)
CCHI fee	-	(455)	-	-	(455)
Investment income					133
Other income					1,047
Surplus from insurance operations					1,444

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16. SEGMENTAL INFORMATION – (Continued)

For twelve-month period ended

31 December 2015 (Audited)	Motor	Medical	General accident	Others	Total
Revenue	SR '000	SR '000	SR '000	SR '000	SR '000
Gross premiums written	320,469	177,031	19,831	32,110	549,441
Less: Premiums ceded	(90)	(44,629)	(9,965)	(30,609)	(85,293)
Excess of loss premiums	(5,891)	(1,134)	(464)	(468)	(7,957)
Net written premiums	314,488	131,268	9,402	1,033	456,191
Changes in net unearned premiums	(54,188)	(14,119)	(3,153)	(678)	(72,138)
Net premiums earned	260,300	117,149	6,249	355	384,053
Other underwriting Income	10,740	-	-	-	10,740
Reinsurance commission earned	42	-	1,283	3,473	4,798
Net revenues	271,082	117,149	7,532	3,828	399,591
Cost and expenses					
Gross claims paid	221,850	56,017	2,897	3,553	284,317
Less: Reinsurers' share	(598)	(19,233)	(2,374)	(2,286)	(24,491)
Net claims paid	221,252	36,784	523	1,267	259,826
Changes in outstanding claims, net	31,754	(912)	301	21	31,164
Net claims incurred	253,006	35,872	824	1,288	290,990
Change in premium deficiency reserve	6,969	-	-	-	6,969
Change in catastrophe reserve	-	-	-	133	133
Policy acquisition cost	21,477	12,449	1,157	1,115	36,198
Net cost and expenses	281,452	48,321	1,981	2,536	334,290
Net result of insurance operations	(10,370)	68,828	5,551	1,292	65,301
General and administrative expenses	-	-	-	-	(52,670)
Supervision and inspection fee	(1,263)	(794)	(86)	(139)	(2,282)
CCHI fee	-	(1,588)	-	-	(1,588)
Investment income					869
Other income					1,225
Surplus from insurance operations					10,855

As at 31 December 2015 (Audited)

Premiums and reinsurance receivables – net	32,847	30,125	653	20,203	83,828
Reinsurance share of unearned premiums	40	16,453	3,017	14,910	34,420
Reinsurance share of outstanding claims	1,773	3,120	751	863	6,507
Deferred policy acquisition cost	11,531	8,694	947	381	21,553
Unallocated assets					245,345
Total insurance operations assets					391,653
Unearned commission income	6	-	530	1,407	1,943
Unearned premiums	140,931	65,031	13,550	15,459	234,971
Outstanding claims	57,462	10,547	2,685	1,443	72,137
Premium deficiency reserve	6,969	-	-	-	6,969
Catastrophe reserve	-	-	-	133	133
Other liabilities				34,242	34,242
Unallocated liabilities					41,258
Total insurance operations liabilities					391,653

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17. CONTINGENT LIABILITY

As at 31 December 2016, the Company has a letter of guarantee amounting to SR 1.83 million (31 December 2015: SR 1.83 million) in favor of GAZT (See Note 11). A margin of SR 1.83 million (31 December 2015: SR 1.83 million) being deposited with a bank for this purpose is included in prepayments and other receivables in the interim statement of financial position of insurance operations.

18. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the board of directors on 18 January 2017 corresponding to 20 Rabi Al Thani 1438H.