
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 2015

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 2015

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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 2015, 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 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**

Abdul Mohsen M. Al Nemer
Certified Public Accountant
Licence No. 399



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

Ahmed Tayseer Ibrahim
Certified Public Accountant
Licence No. 213

18 January 2016
08 Rabi Al Thani 1437H
Jeddah, Kingdom of Saudi Arabia




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

INTERIM STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Note	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	167,613	129,941
Term deposits	4	50,000	-
Premiums receivable, net	5	82,492	46,015
Reinsurance receivables, net		1,336	1,267
Reinsurers' share of unearned premiums	9	34,420	26,511
Reinsurers' share of outstanding claims	10	6,507	9,106
Deferred policy acquisition cost		21,553	11,929
Prepayments and other receivables		22,280	12,015
Property and equipment, net		5,452	5,947
Total insurance operations' assets		391,653	242,731
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	30,551	44,235
FVIS investments	6	-	5,319
Available-for-sale investments	7	65,442	40,193
Prepayments and other receivables		2,387	2,691
Statutory deposit	8	20,000	20,000
Total shareholders' assets		118,380	112,438
TOTAL ASSETS		510,033	355,169







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 2015

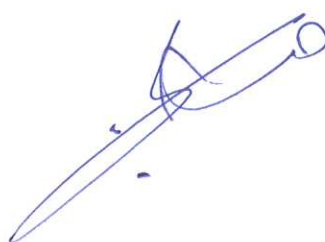
	Note	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurance payables		38,430	19,830
Unearned commission income		1,943	2,307
Unearned premiums	9	234,971	154,924
Premium deficiency reserve		6,969	-
Catastrophe reserve		133	-
Accounts payable		21,743	12,914
Outstanding claims	10	72,137	43,572
Accrued and other payables		7,373	3,584
Employees' terminal benefits		5,126	3,858
Total insurance operations' liabilities		388,825	240,989
Insurance operations' surplus			
Surplus from insurance operations		2,828	1,742
Total insurance operations' liabilities and surplus		391,653	242,731
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		673	613
Accrued zakat and income tax	11	748	1,294
Total shareholders' liabilities		1,421	1,907
Shareholders' equity			
Share capital	12	200,000	200,000
Accumulated losses		(80,482)	(90,895)
Available-for-sale investments reserve	7	(2,559)	1,426
Total shareholders' equity		116,959	110,531
Total shareholders' liabilities and equity		118,380	112,438
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		510,033	355,169

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 2015

	<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>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</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	105,414	114,821	549,441	297,374
Less: Premiums ceded	(11,751)	(16,541)	(85,293)	(63,650)
Excess of loss premiums	(2,388)	(954)	(7,957)	(4,404)
Net written premiums	91,275	97,326	456,191	229,320
Changes in net unearned premiums	23,489	(44,772)	(72,138)	(16,680)
Net premiums earned	114,764	52,554	384,053	212,640
Other underwriting income	2,991	-	10,740	-
Reinsurance commission earned	1,256	1,004	4,798	3,951
Net revenues	119,011	53,558	399,591	216,591
Cost and expenses				
Gross claims paid	79,807	38,983	284,317	165,503
Less: Reinsurers' share	(5,712)	(4,133)	(24,491)	(22,333)
Net claims paid	74,095	34,850	259,826	143,170
Changes in outstanding claims, net	12,650	1,429	31,164	6,187
Net claims incurred	86,745	36,279	290,990	149,357
Change in premium deficiency reserve	6,969	(6,324)	6,969	(3,800)
Change in catastrophe reserve	133	-	133	-
Policy acquisition cost	10,713	5,256	36,198	22,520
Net cost and expenses	104,560	35,211	334,290	168,077
Net result of insurance operations	14,451	18,347	65,301	48,514
General and administrative expenses	(13,104)	(10,854)	(52,670)	(41,219)
Supervision and inspection fee	(628)	(352)	(2,282)	(1,498)
CCHI fee	(455)	(331)	(1,588)	(1,756)
Investment income	133	147	869	1,038
Other income	1,047	778	1,225	1,306
Surplus from insurance operations	1,444	7,735	10,855	6,385
Shareholders' share of insurance operations surplus:	(1,300)	(7,097)	(9,770)	(5,747)
Surplus for the period	144	638	1,085	638
Accumulated surplus at the beginning of the period	2,683	1,104	1,742	1,104
Accumulated surplus at the end of the period	2,827	1,742	2,827	1,742


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 2015

	<u>Note</u>	<i>Three-month period ended</i>		<i>Twelve-month period ended</i>	
		<i>31 December</i> 2015 <i>(Unaudited)</i> SR'000	<i>31 December</i> 2014 <i>(Unaudited)</i> SR'000	<i>31 December</i> 2015 <i>(Unaudited)</i> SR'000	<i>31 December</i> 2014 <i>(Audited)</i> SR'000
Shareholders' share of insurance operations surplus		1,300	7,097	9,770	5,747
Realized gain on available-for-sale investments		(1,074)	-	2,311	97
Dividends		-	343	118	343
Realized gain on FVIS investments		-	(5,459)	423	5,209
Unrealized loss on FVIS investments		-	(5)	-	(5)
Commission income		40	15	108	53
Total revenues		266	1,991	12,730	11,444
EXPENSES					
General and administrative expenses		(112)	(103)	(1,597)	(2,512)
Net income for the period		154	1,888	11,133	8,932
Weighted average number of ordinary shares outstanding ('000')	12	20,000	20,000	20,000	20,000
Basic and diluted earnings per share for the period (SR)	13	0.01	0.09	0.56	0.45

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' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015

	<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>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</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 income for the period	154	1,888	11,133	8,932
Other comprehensive income / (expenses):				
Change in fair value of available-for-sale investments	(169)	164	(3,985)	1,012
Zakat and income tax (note 11)	-	-	(720)	(1,663)
Total comprehensive income for the period	(15)	2,052	6,428	8,281





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 2015

Twelve-month period ended
31 December 2015 – unaudited

	Share capital SR '000	Accumulated losses SR '000	Available-for- sale investments reserve	Total SR '000
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 (note 11)		(720)	-	(720)
Balance as at 31 December 2015 (unaudited)	200,000	(80,482)	(2,559)	116,959

Twelve-month period ended
30 December 2014 – audited

Balance as at 31 December 2013 (audited)	200,000	(98,164)	414	102,250
Net income for the period	-	8,932	-	8,932
Change in fair value of available-for-sale investments	-	-	1,012	1,012
Zakat and income tax	-	(1,663)	-	(1,663)
Balance as at 31 December 2014 (audited)	200,000	(90,895)	1,426	110,531

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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 INSURANCE OPERATIONS' CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2015

	<i>Twelve-month period ended</i>	
	<i>31</i>	<i>31</i>
	<i>December</i>	<i>December</i>
	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Cash flows from operating activities:		
Surplus for the period from insurance operations	1,085	638
Adjustment for:		
Depreciation	1,933	1,774
Employees' terminal benefits, net	1,268	1,431
Doubtful debts provision	951	840
	<u>5,237</u>	<u>4,683</u>
<i>Changes in operating assets and liabilities:</i>		
Premiums receivable, net	(37,428)	(15,532)
Reinsurance receivables, net	(69)	(437)
Reinsurers' share of unearned premiums	(7,909)	18,037
Reinsurers' share of outstanding claims	2,599	(3,798)
Deferred policy acquisition cost	(9,624)	136
Prepayments and other receivables	(10,264)	505
Reinsurance payables	18,600	(23,368)
Unearned commission income	(364)	597
Unearned premiums	80,047	(1,357)
Premium deficiency reserve	6,969	(3,800)
Catastrophe reserve	133	-
Accounts payable	8,829	146
Outstanding claims	28,565	9,985
Accrued and other payables	3,789	(459)
Net cash from / (used in) from operating activities	<u>89,110</u>	<u>(14,662)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,438)	(1,367)
Investment in term deposit	(50,000)	-
Net cash used in investing activities	<u>(51,438)</u>	<u>(1,367)</u>
Net increase / (decrease) in cash and cash equivalents	37,672	(16,029)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	129,941	145,970
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>167,613</u>	<u>129,941</u>

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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 2015

	<i>Twelve-month period ended</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net income for the period	11,133	8,932
Adjustment for:		
Realized gain on available-for-sale investments	(2,311)	(97)
Dividend income	(118)	(343)
Realized gain on FVIS investments	(423)	(5,209)
Unrealized gain on FVIS investments	-	5
	<u>8,281</u>	<u>3,288</u>
<i>Changes in operating assets and liabilities:</i>		
Prepayments and other receivables	304	28
Accrued and other payables	60	(456)
Zakat Paid	(1,266)	(1,488)
Net cash from / (used in) operating activities	<u>7,379</u>	<u>1,372</u>
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(69,392)	(5,324)
Proceeds from sale of FVIS investments	5,742	22,137
Proceeds from sale of available-for-sale investments	42,469	1,253
Dividend received on FVIS investments	118	-
Net cash used in / from investing activities	<u>(21,063)</u>	<u>18,066</u>
Net (decrease) / increase in cash and cash equivalents	(13,684)	19,438
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	44,235	24,797
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>30,551</u>	<u>44,235</u>
<u>Non Cash Transactions:</u>		
Change in fair value of available-for-sale investments	<u>(3,985)</u>	<u>1,012</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 2015 – 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 Agency ("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.

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 period ended 31 December 2015 should be read in conjunction with the Company's audited financial statements as at 31 December 2014. 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 2015-UNAUDITED-(continued)

2. BASIS OF PREPARATION – (continued)

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>
IAS 19	Revision to IAS 19 Employee Benefits
IFRS 2	Share based payment
IFRS 3	Business combination
IFRS 8	Operating segments
IFRS 13	Fair value measurement
IAS 16 & 38	Property, plant and equipment and intangible assets
IAS 24	Related party disclosures
IAS 40	Investment property

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>
IFRS 9	Financial Instruments – Classification & Measurement	1 January 2018
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27	Amendments to IAS 27 Equity Method in Separate Financial Statements	1 January 2016
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	1 January 2016
IAS 1	Amendments to IAS 1 Disclosure initiative	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception	1 January 2016

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 2015-UNAUDITED-(continued)

3. CASH AND CASH EQUIVALENTS

	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
<i>Insurance operations</i>		
Cash in hand and at banks	45,050	41,941
Short term deposit	122,563	88,000
	<u>167,613</u>	<u>129,941</u>
<i>Shareholders' operations</i>		
Cash in hand and at banks	18,551	32,235
Short term deposit	12,000	12,000
	<u>30,551</u>	<u>44,235</u>

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

4. TERM DEPOSITS

	31 December 2015 (Unaudited) SR'000	31 December 2014 (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 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Due from policyholders	84,965	47,528
Due from policyholders - related parties	149	158
Doubtful debt provision	(2,622)	(1,671)
	<u>82,492</u>	<u>46,015</u>

Movement in provision for doubtful debts is as follows:

	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Balance at the beginning of the period / year	1,671	831
Additional provision during the period / year	951	840
Balance at the end of the period / year	<u>2,622</u>	<u>1,671</u>

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 2015-UNAUDITED-(continued)

6. FVIS INVESTMENTS

Shareholders' operations

	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Balance at the beginning of the period / year	5,319	16,928
Purchased during the period / year	-	5,324
Disposals during the period / year	(5,319)	(16,928)
Change in fair value of investment	-	(5)
Balance at the end of the period / year	-	5,319

7. AVAILABLE-FOR-SALE INVESTMENTS

Shareholders' operations

	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Investment in sukuk	26,503	20,797
Mutual funds	19,361	17,473
Quoted securities	17,655	-
Unquoted securities	1,923	1,923
	<u>65,442</u>	<u>40,193</u>

	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 2015 – (Unaudited)				
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
	<u>40,193</u>	<u>29,234</u>	<u>(3,985)</u>	<u>65,442</u>

	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 2014 – (Audited)				
Investment in Najm for Insurance Services Company	1,923	-	-	1,923
Investment in mutual funds	18,266	(1,156)	363	17,473
Investment in sukuk	20,148	-	649	20,797
	<u>40,337</u>	<u>(1,156)</u>	<u>1,012</u>	<u>40,193</u>

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 loss of SR 3.985 million for the twelve-month period ended 31 December 2015 (31 December 2014: unrealised gain SR 1.012 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 2015 is SR 2.559 million (31 December 2014: SR 1.426 million).

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8. STATUTORY DEPOSIT

	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
<i>Shareholders' Operations</i>		
Statutory deposit	<u>20,000</u>	<u>20,000</u>

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 Agency (SAMA). The Company cannot withdraw this deposit without SAMA's approval.

9. UNEARNED PREMIUMS, NET

	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Unearned premiums	234,971	154,924
Reinsurance share of unearned premiums	<u>(34,420)</u>	<u>(26,511)</u>
	<u>200,551</u>	<u>128,413</u>

10. OUTSTANDING CLAIMS, NET

	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Gross outstanding claims	16,092	17,092
Add: Incurred but not reported (IBNR) reserve	<u>56,045</u>	<u>26,480</u>
Outstanding claims	<u>72,137</u>	<u>43,572</u>
Reinsurance share of outstanding claims	<u>(6,507)</u>	<u>(9,106)</u>
Outstanding claims, net	<u>65,630</u>	<u>34,466</u>

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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 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Balance at the beginning of the <i>period</i> / year	1,294	1,119
Charge for the period / year	720	1,663
Paid during the period / year	(1,266)	(1,488)
Balance at the end of the period / year	<u>748</u>	<u>1,294</u>

The differences between the financial and the zakatable 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 Zakat and Income Tax ("DZIT") for the years ended up to 31 December 2014. Final certificate has been received from DZIT for the year ended 31 December 2008. However, DZIT 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. Subsequent to the year end, an adverse decision was received from the Preliminary Tax objection Committee, upon which the company the appeal with the Higher objection Committee. The high 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 DZIT (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.

	31 December 2015 (Unaudited)		31 December 2014 (Audited)	
	% holding	SR'000	% holding	SR'000
Founding shareholders	40	80,000	40	80,000
General public	60	120,000	60	120,000
Balance at the end of the period / year	<u>100</u>	<u>200,000</u>	<u>100</u>	<u>200,000</u>

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.

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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.

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 Twelve-month period ended</i>		<i>Closing balance Receivable / (Payable)</i>	
		<i>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (audited) SR'000</i>	<i>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Affiliates	Premiums written	1,630	19	149	158
	Claims paid	(34)	-	(313)	-
Board and audit committee	Meetings fee	689	108	-	-
Key management personnel	Short term benefits	4,915	4,047	70	70
	Long term benefits	232	177	(1,024)	(684)

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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 2015 (Unaudited)

	Motor	Medical	General accident	Others	Total
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Revenue					
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 (Unaudited)

	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 (Unaudited)					
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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16. SEGMENTAL INFORMATION – (Continued)

For three-month period ended
31 December 2014 (Unaudited)

	Motor	Medical	General accident	Others	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Revenue					
Gross premiums written	71,045	30,013	4,705	9,058	114,821
Less: Premiums ceded	(368)	(5,023)	(2,625)	(8,525)	(16,541)
Excess of loss premiums	(779)	-	(95)	(80)	(954)
Net written premiums	69,898	24,990	1,985	453	97,326
Changes in net unearned premiums	(44,025)	445	(1,067)	(125)	(44,772)
Net premiums earned	25,873	25,435	918	328	52,554
Reinsurance commission earned	(7)	-	189	822	1,004
Net revenues	25,866	25,435	1,107	1,150	53,558
Cost and expenses					
Gross claims paid	24,255	14,372	135	221	38,983
Less: Reinsurers' share	1,989	(5,327)	(41)	(754)	(4,133)
Net claims paid	26,244	9,045	94	(533)	34,850
Changes in outstanding claims, net	765	546	(310)	428	1,429
Net claims incurred	27,009	9,591	(216)	(105)	36,279
Change in premium deficiency reserve	(6,324)	-	-	-	(6,324)
Policy acquisition cost	2,193	2,590	197	276	5,256
Net cost and expenses	22,878	12,181	(19)	171	35,211
Net result of insurance operations	2,988	13,254	1,126	979	18,347
General and administrative expenses					(10,854)
Supervision and inspection fee	(218)	(92)	(14)	(28)	(352)
CCHI fee	-	(331)	-	-	(331)
Investment income					147
Other income					778
Surplus from insurance operations					7,735

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16. SEGMENTAL INFORMATION – (Continued)

For twelve-month period ended 31

December 2014 (Audited)	Motor	Medical	General accident	Others	Total
Revenue	SR '000	SR '000	SR '000	SR '000	SR '000
Gross premiums written	130,251	121,127	15,276	30,720	297,374
Less: Premiums ceded	(483)	(26,843)	(7,788)	(28,536)	(63,650)
Excess of loss premiums	(3,576)	-	(382)	(446)	(4,404)
Net written premiums	126,192	94,284	7,106	1,738	229,320
Changes in net unearned premiums	(40,498)	26,721	(2,462)	(441)	(16,680)
Net premiums earned	85,694	121,005	4,644	1,297	212,640
Reinsurance commission earned	32	-	1,173	2,746	3,951
Net revenues	85,726	121,005	5,817	4,043	216,591
Cost and expenses					
Gross claims paid	106,712	54,734	1,466	2,591	165,503
Less: Reinsurers' share	100	(20,181)	(449)	(1,803)	(22,333)
Net claims paid	106,812	34,553	1,017	788	143,170
Changes in outstanding claims, net	2,709	4,690	(754)	(458)	6,187
Net claims incurred	109,521	39,243	263	330	149,357
Change in premium deficiency reserve	(3,800)	-	-	-	(3,800)
Policy acquisition cost	7,289	13,387	900	944	22,520
Net cost and expenses	113,010	52,630	1,163	1,274	168,077
Net result of insurance operations	(27,284)	68,375	4,654	2,769	48,514
General and administrative expenses					(41,219)
Supervision and inspection fee	(656)	(610)	(77)	(155)	(1,498)
CCHI fee	-	(1,756)	-	-	(1,756)
Investment income					1,038
Other income					1,306
Surplus from insurance operations					6,385
As at 31 December 2014 (Audited)					
Premiums and reinsurance receivables – net	21,996	15,807	1,136	8,343	47,282
Reinsurers' share of unearned premiums	331	12,299	3,592	10,289	26,511
Reinsurers' share of outstanding claims	1,098	3,414	3,498	1,096	9,106
Deferred policy acquisition cost	6,973	3,697	717	542	11,929
Unallocated assets					147,903
Total insurance operations' assets					242,731
Unearned commission income	36	-	634	1,637	2,307
Unearned premiums	85,996	46,759	10,972	11,197	154,924
Outstanding claims	25,034	11,753	5,131	1,654	43,572
Other liabilities	3,041	6,187	-	821	10,049
Unallocated liabilities					31,879
Total insurance operations' liabilities					242,731

17. CONTINGENT LIABILITY

As at 31 December 2015, the Company has a letter of guarantee amounting to SR 1.83 million (31 December 2014: SR 1.83 million) in favor of DZIT (See Note 11). A margin of SR 1.83 million (31 December 2014: 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 17 January 2016 corresponding to 7 Rabi Al Thani 1437H.