

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2016

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(A SAUDI JOINT STOCK COMPANY)

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INDEPENDENT AUDITORS' REVIEW REPORT

**THE SHAREHOLDERS
SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of review

We have reviewed the accompanying interim statement of financial position of Salama Cooperative Insurance Company – a Saudi Joint Stock Company – (the "Company") as at 31 March 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the three-month period then ended and notes 1 to 14 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 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 Statements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of analytical procedures applied 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 on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

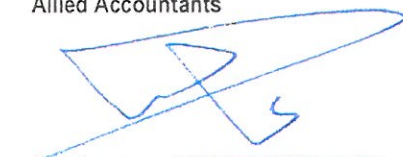
Conclusion

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 a matter

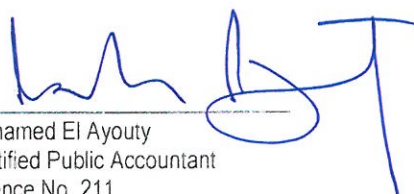
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with Standard on Interim Financial Information issued by SOCPA.

for PKF Al-Bassam & Al-Nemer
Allied Accountants



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

for Moore Stephens
El Sayed El Ayouuty & Co.



Mohamed El Ayouuty
Certified Public Accountant
Licence No. 211



18 April 2016
12 Rajab 1437H
Jeddah, Kingdom of Saudi Arabia

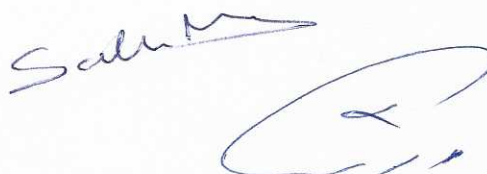


SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	<u>Note</u>	<u>31 March</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>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	41,691	2,691
Term deposits	4	14,471	10,962
Premium receivables, net	5	67,804	59,772
Reinsurance receivables, net		2,125	1,553
Deferred policy acquisition costs		7,102	5,215
Prepayments and other receivables		13,436	14,922
FVIS investments	6(a)	156,368	159,137
Reinsurers' share of unearned premiums		7,607	6,063
Reinsurers' share of outstanding claims	7	7,485	7,408
Held to maturity investments	6(b)	36,088	36,100
Furniture, fittings and office equipment		2,417	2,340
Due from Shareholders' Operations		-	1,991
Total Insurance Operations' assets		356,594	308,154
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	8	8
FVIS investments	6(a)	140,792	141,684
Available-for-sale investments	6(c)	1,923	1,923
Prepayments and other receivables		180	109
Held to maturity investments	6(b)	10,147	10,147
Statutory deposit		25,000	25,000
Return on statutory deposit		1,121	1,068
Due from policyholders' fund		1,328	-
Total Shareholders' assets		180,499	179,939
TOTAL ASSETS		537,093	488,093

The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2016

	<i>Note</i>	31 March 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		212,662	172,147
Outstanding claims	7	103,220	98,107
Unearned reinsurance commission		1,995	1,553
Other technical reserves		2,584	2,584
Policyholders' claims		6,156	5,061
Reinsurance payables		2,141	2,563
Accruals and other payables		15,845	16,252
Employees' end of service benefits		7,064	6,693
Due to shareholders fund		1,328	-
Total insurance operations' liabilities		352,995	304,960
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		3,599	3,194
Total Insurance Operations' liabilities and surplus		356,594	308,154
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables		700	700
Return on statutory deposit payable to SAMA		1,121	1,068
Accrued Zakat	8	5,558	4,308
Due to Insurance Operations		-	1,991
Total Shareholders' liabilities		7,379	8,067
Shareholders' equity			
Share capital	9	250,000	250,000
Accumulated losses		(76,880)	(78,128)
Total Shareholders' equity		173,120	171,872
Total Shareholders' liabilities and equity		180,499	179,939
TOTAL LIABILITIES, SURPLUS AND EQUITY		537,093	488,093

The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the three-month period ended 31 March 2016

	<i>Three-month period ended 31 March</i>	
<i>Note</i>	<i>2016 (Unaudited)</i>	<i>2015 (Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Revenues		
Gross premiums written	141,717	113,681
Less: Reinsurance premiums ceded	(5,029)	(5,526)
Less: Excess of loss premiums	(2,868)	(1,274)
Net premiums written	133,820	106,881
Changes in net unearned premiums	(38,971)	(26,636)
Net premiums earned	94,849	80,245
Net reinsurance commissions earned	935	684
Other Underwriting Income	601	-
Net revenue	96,385	80,929
Costs and expenses		
Gross claims paid	72,094	65,095
Less: Reinsurers' share	(1,325)	(1,017)
Net claims paid	70,769	64,078
Changes in net outstanding claims	5,036	1,849
Net claims incurred	75,805	65,927
Policy acquisition costs	3,125	2,757
Other operating expenses	2,639	1,888
Net costs and expenses	81,569	70,572
Net results of insurance operations	14,816	10,357
General and administrative expenses	(11,257)	(9,421)
Provision for doubtful debts	(475)	-
Investment income	966	1,762
Other income	1	2
Surplus from Insurance Operations	4,051	2,700
Shareholders' share of insurance operations' surplus	2(a) (3,646)	(2,430)
Surplus for the period	405	270
Accumulated surplus at the beginning of the period	3,194	3,014
Accumulated surplus at the end of the period	3,599	3,284




The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month period ended 31 March 2016

		<i>Three-month period ended 31 March</i>	
	<i>Note</i>	<u>2016</u> <i>(Unaudited)</i> SR'000	<u>2015</u> <i>(Unaudited)</i> SR'000
REVENUES			
Shareholders' share of Insurance Operations' surplus	2 (a)	3,646	2,430
Unrealized (loss) / gain on FVIS Investments		(892)	413
Income from held to maturity investments		72	-
		<u>2,826</u>	<u>2,843</u>
EXPENSES			
General and administrative expenses		<u>(328)</u>	<u>(285)</u>
Net income for the period before Zakat		2,498	2,558
Zakat	8	<u>(1,250)</u>	<u>(300)</u>
Net income for the period		<u>1,248</u>	<u>2,258</u>
Earnings per share – (SR) - restated	13	<u>0.05</u>	<u>0.14</u>







The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2016

	<i>Three-month period ended 31 March</i>	
	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	1,248	2,258
Items that are or may be reclassified subsequently to statement of Shareholders' Operations:		
Change in fair value of available-for-sale-investments (note 6(c))	-	-
Total comprehensive income for the period	<u>1,248</u>	<u>2,258</u>

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The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2016

	<i>For the three-month period ended 31 March 2016</i>			
	<i>Available-for-sale</i>		<i>Accumulated</i>	<i>Total</i>
	<i>Share capital</i>	<i>investments</i>		
	<i>SR'000</i>	<i>reserve</i>	<i>losses</i>	<i>SR'000</i>
Balance as at 31 December 2015 (Audited)	250,000	-	(78,128)	171,872
Net income for the period	-	-	1,248	1,248
Balance at 31 March 2016 (Unaudited)	250,000	-	(76,880)	173,120

	<i>For the three-month period ended 31 March 2015</i>			
	<i>Available-for-sale</i>		<i>Accumulated</i>	<i>Total</i>
	<i>Share capital</i>	<i>investments</i>		
	<i>SR'000</i>	<i>reserve</i>	<i>losses</i>	<i>SR'000</i>
Balance as at 31 December 2014 (Audited)	100,000	-	(73,021)	26,979
Net income for the period	-	-	2,258	2,258
Balance at 31 March 2015 (Unaudited)	100,000	-	(70,763)	29,237

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The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the three-month period ended 31 March 2016

	<i>Notes</i>	<i>Three-month period ended 31 March 2016 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2015 (Unaudited) SR'000</i>
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		405	270
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(156)	(1,762)
Realized gain on FVIS investments		(14)	-
Reinsurers share of unearned premiums		(1,544)	(3,081)
Amortization related to held to maturity investments	6(b)	12	-
Provision for doubtful insurance receivables		446	-
Provision for doubtful reinsurance receivables		29	-
Unearned premiums		40,515	29,716
Employees end of service benefits, net		371	192
Depreciation		375	375
		<u>40,439</u>	<u>25,710</u>
Changes in operating assets and liabilities:			
Premium receivables		(8,478)	(20,435)
Reinsurance receivables		(601)	1,238
Policy acquisition costs		(1,887)	(554)
Prepayments and other receivables		1,486	357
Reinsurers share of outstanding claims		(77)	(1,503)
Unearned commission income		442	1,040
Outstanding claims		5,113	3,351
Policyholders' claims		1,095	(358)
Reinsurance payables		(422)	(567)
Accruals and other payables		(407)	2,591
Due from Shareholders' Operations		3,319	673
		<u>40,022</u>	<u>11,543</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(452)	(275)
Purchase of FVIS investments		(331)	(15,000)
Term deposits		(14,471)	(386)
Proceeds from disposal of FVIS investments	6 (a)	3,270	16,823
Proceeds from term deposits		10,962	-
Net cash (used in) / from investing activities		<u>(1,022)</u>	<u>1,162</u>
INCREASE IN CASH AND CASH EQUIVALENTS		39,000	12,705
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,691	23,573
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u>41,691</u>	<u>36,278</u>




The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS

For the three-month period ended 31 March 2016

		<i>Three-month period ended 31 March 2016 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2015 (Unaudited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income for the period before Zakat		2,498	2,558
Adjustments for:			
Unrealized loss / (gain) on FVIS investments	6(a)	892	(413)
		<u>3,390</u>	<u>2,145</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		(71)	(834)
Due to Insurance Operations		(3,319)	(673)
Return on statutory deposit		53	-
Return on statutory deposit payable to SAMA		(53)	-
Amount due to a related party		-	3
		<u>-</u>	<u>641</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of held to maturity Investments		-	(5,665)
		<u>-</u>	<u>(5,665)</u>
Net cash used in investing activities			
DECREASE IN CASH AND CASH EQUIVALENTS		-	(5,024)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		8	5,524
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	<u>8</u>	<u>500</u>
MAJOR NON-CASH TRANSACTIONS			
Change in the fair value of available-for-sale-investments	6(c)	-	-

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The accompanying notes 1 to 14 form part of these interim condensed financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Salama Cooperative Insurance Company ("the Company") is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 1121K dated 29 Rabi Al-Thani 1428H (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awal 1428H (corresponding to 23 May 2007).

The Registered Office address of the Company is:

Al Amir Muhammed bin Abdulaziz Street,
Bin Hamran Center, P.O. Box 122392,
Jeddah 21332,
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). The interim condensed financial statements for the three-month period ended 31 March 2016 (the "period") do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as at 31 December 2015.

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those used for the preparation of the annual financial statements of the Company for the year ended 31 December 2015 except for adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 2(b) which had no impact on the financial position or financial performance of the Company. The Company's risk management objectives and policies are consistent with those disclosed in the annual financial statements for year ended 31 December 2015.

The preparation of interim condensed financial statements in conformity with 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. 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 periods presented. The Company's interim results may not be indicative of its annual results.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of presentation (continued)

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.

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

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

Shareholders	90%
Policyholders	10%
	<hr/>
	100%
	<hr/>

If the insurance operations results in a deficit, the entire deficit is transferred to shareholders' operations.

In accordance with article 70 of the Saudi Arabian Monetary Agency ("SAMA") implementing regulations, the Company must obtain SAMA approval before distribution of policyholders surplus directly to policyholders at a time, and according to criteria set by its board of directors, provided that the customer contract is active and paid up to date at the time of settlement of the cooperative distribution account.

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and financial liabilities except for investments held to maturity are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

- b) 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) with a date of initial application of 1 January 2016:

<i>Standard</i>	<i>Description</i>
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.

- c) 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.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective date</i>
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.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016

3. CASH AND CASH EQUIVALENTS

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand and at banks	<u>41,691</u>	<u>2,691</u>
<i>Shareholders' Operations</i>		
Cash at banks	<u>8</u>	<u>8</u>

4. TERM DEPOSITS

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Term deposits	<u>14,471</u>	<u>10,962</u>

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. PREMIUM RECEIVABLES, NET

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Due from policyholders	57,797	42,900
Due from policy holders – related parties (note 10)	26,288	32,707
Provision for doubtful debts	(16,281)	(15,835)
	<u>67,804</u>	<u>59,772</u>

Movements in allowance for doubtful premiums receivable were as follows:

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at beginning of period / year	15,835	22,653
Provision during the period / year	446	-
Release of provision during the period / year	-	(6,963)
Write off of bad debts	-	(3,174)
Write back of previously written off balance during the year	-	3,319
Balance at the end of the period / year	<u>16,281</u>	<u>15,835</u>

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Three -month period ended 31 March <u>2016</u> (Unaudited) SR'000</i>	<i>Year ended 31 December <u>2015</u> (Audited) SR'000</i>
Balance at the beginning of the period / year	159,137	85,484
Changes in fair value of investments	156	2,964
Purchased during the period / year	331	140,068
Disposals during the period / year	(3,256)	(69,379)
Balance at the end of the period / year	<u>156,368</u>	<u>159,137</u>

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Three -month period ended 31 March <u>2016</u> (Unaudited) SR'000</i>	<i>Year ended 31 December <u>2015</u> (Audited) SR'000</i>
Balance at the beginning of the period / year	141,684	14,072
Purchases during the period / year	-	166,126
Disposals during the period / year	-	(40,000)
Changes in fair value of investments	(892)	1,486
Balance at the end of the period / year	<u>140,792</u>	<u>141,684</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Three -month period ended 31 March <u>2016</u> (Unaudited) SR'000</i>	<i>Year ended 31 December <u>2015</u> (Audited) SR'000</i>
Balance at the beginning of the period / year	36,100	30,641
Purchases during the period / year	-	5,586
Amortized during the period / year	(12)	(127)
Balance at the end of the period / year	<u>36,088</u>	<u>36,100</u>

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
 FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016

6. INVESTMENTS (continued)

b) Held to maturity investments – (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Three -month period ended 31 March 2016 (Unaudited) SR'000</i>	<i>Year ended 31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	10,147	-
Purchases during the period / year	-	10,211
Amortized during the period / year	-	(64)
Balance at the end of the period / year	<u>10,147</u>	<u>10,147</u>

The fair values of held to maturity investments are not expected to be materially different from their carrying values.

c) Available-for-sale investments

Shareholders' operations

Movement in available-for-sale investments is as follows:

Three-month period ended 31 March 2016 (Unaudited)

	<i>Quoted securities SR'000</i>	<i>Unquoted securities SR'000</i>	<i>Total SR'000</i>
Balance at the beginning of the period	-	1,923	1,923
Balance at the end of the period	<u>-</u>	<u>1,923</u>	<u>1,923</u>

Year ended 31 December 2015 (Audited)

	<i>Quoted securities SR'000</i>	<i>Unquoted securities SR'000</i>	<i>Total SR'000</i>
Balance at the beginning of the year	-	1,923	1,923
Balance at the end of the year	<u>-</u>	<u>1,923</u>	<u>1,923</u>

- i. Unquoted available-for-sale investment, having a carrying value of SR 1,923 thousand (31 December 2015: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

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7. OUTSTANDING CLAIMS - NET

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Gross outstanding claims	13,754	13,766
Add: Incurred But Not Reported (IBNR) reserve	89,466	84,341
	103,220	98,107
Less: Reinsurance companies' share of outstanding claims	(7,485)	(7,408)
Net outstanding claims	95,735	90,699

8. ZAKAT

The Zakat payable by the Company has been calculated based on the best estimates of the management. Movement in Zakat payable during the three-month period ended 31 March 2016 and for the year ended 31 December 2015 is as follows:

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	4,308	3,108
Charge for the period / year	1,250	1,200
Balance at the end of the period / year	5,558	4,308

Zakat status

The Company has filed its zakat declarations for the period from 16 May 2007 to 31 December 2008 and for the years ended 31 December 2009 through 2014 and obtained restricted zakat certificates.

The Department of Zakat and Income Tax (DZIT) raised assessment for the period from 16 May 2007 to 31 December 2008 and demanded additional Zakat liability of SR 619 thousand. The Company filed an objection against this demand and is confident of a favorable outcome. Zakat assessments for years ended 31 December 2009 through 2013 have not yet been raised. However, during 2013 the DZIT issued initial assessment for the year 2011, disallowing investments and statutory deposit from Zakat base and requested additional Zakat of SR 1.3 million. The Company has filed an appeal against DZIT's initial assessment and confident of a favorable outcome.

9. SHARE CAPITAL

The authorised and issued share capital of the Company was SR 100 million divided into 10 million ordinary shares of SR 10 each.

In the extra-ordinary general meeting held on 30 June 2015 corresponding to 13 Ramadan 1436H, the shareholders approved rights issue of SR 150 million. As approved by the regulators, 15 million ordinary shares were offered at an exercise price of SR 10 during the subscription period which was completed during August 2015. The legal formalities have been completed and the share capital has been increased from SR 100 Million to SR 250 Million.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of significant related party transactions during the period.

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction Three-month period ended</u>		<u>Balance as at</u>	<u>Balance as at</u>
		<u>31 March 2016</u>	<u>31 March 2015</u>	<u>31 March</u>	<u>December</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
		<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
<i>a) Insurance Operations</i>					
<i>Major Shareholder</i>					
Islamic Arab Insurance Company (UAE)	Insurance premium	-	3	-	-
<i>Related Parties of key management personnel</i>					
Tajeer Co. (Affiliate)	Insurance policies written	32,694	44,721	26,288	32,707
Chairman of the Board	Insurance policies written	7	188	7	-
Chief executive officer	Insurance policies written	4	-	-	-
Rusd Global Company	Insurance policies written	-	-	-	-
Technology Establishment	Insurance policies written	-	(2)	-	-
Al Firdous Group Co.	Insurance policies written	1,372	997	969	82
<i>Key management personnel</i>					
	Long-term benefits	70	57	(1,581)	(1,511)
	Short term benefits	1,257	1,140	172	132
<i>b) Shareholders' Operations</i>					
Board of Directors	Remuneration	23	20	-	-
Board Committees	Remuneration	4	86	-	-

Terms of transactions with related parties are approved by the management of the Company. The period end balances of transactions with related parties are disclosed in the interim statement of financial position.

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11. SEGMENTAL INFORMATION

All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in three major lines of business. Segment results do not include general and administration expenses and investment income. Segment assets do not include cash and cash equivalents, term deposits, net premiums receivable, net reinsurance receivable, due from shareholders operations, prepayments and other receivables, amount due from a related party, investments, furniture, fittings and office equipment. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables, due to shareholders' operations and employees' end of service benefits. 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:

For the three-month period ended 31 March 2016 – unaudited	<u>Medical</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Other</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
Gross premium written	10,782	123,590	7,345	141,717
Less: Reinsurance premiums ceded	-	-	(5,029)	(5,029)
Less: Excess of loss premiums	(366)	(2,216)	(286)	(2,868)
Net premium written	10,416	121,374	2,030	133,820
Changes in net unearned premiums	(3,475)	(34,407)	(1,089)	(38,971)
Net premiums earned	6,941	86,967	941	94,849
Net reinsurance commissions earned	-	-	935	935
Other Underwriting Income	-	601	-	601
Net revenue	6,941	87,568	1,876	96,385
Gross claims paid	4,380	66,123	1,591	72,094
Less: Reinsurers share	-	-	(1,325)	(1,325)
Net claims paid	4,380	66,123	266	70,769
Changes in outstanding claims	904	3,314	818	5,036
Net claims incurred	5,284	69,437	1,084	75,805
Other technical reserves	-	-	-	-
Commission expense	343	2,470	312	3,125
Other operating expenses	734	1,809	96	2,639
Net costs and expenses	6,361	73,716	1,492	81,569
Net results of insurance operations	580	13,852	384	14,816
General and Administrative expenses				(11,257)
Release of provision for doubtful debts				(475)
Investment income				966
Unallocated other Income				1
Surplus from insurance operations				4,051

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11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	Total SR'000
As at 31 March 2016 - unaudited				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	7,607	7,607
Reinsurer's share of outstanding claims	-	-	7,485	7,485
Deferred policy acquisition costs	646	5,699	757	7,102
Unallocated assets				334,400
Total insurance operations' assets				<u>356,594</u>
Insurance operations' liabilities and surplus				
Unearned premium	14,182	188,339	10,141	212,662
Outstanding claims	6,615	84,655	11,950	103,220
Unearned commission income	-	-	1,995	1,995
Other technical reserves	1,079	1,478	27	2,584
Unallocated liabilities and surplus				36,133
Total insurance operations' liabilities and surplus				<u>356,594</u>

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11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
For the three-month period ended 31 March 2015				
Gross premium written	10,616	95,009	8,056	113,681
Less: Reinsurance premiums ceded	-	(74)	(5,452)	(5,526)
Excess of loss premiums	(488)	(559)	(227)	(1,274)
Net premium written	10,128	94,376	2,377	106,881
Changes in net unearned premiums	(1,636)	(24,956)	(44)	(26,636)
Net premiums earned	8,492	69,420	2,333	80,245
Net reinsurance commissions earned	-	88	596	684
Net revenue	8,492	69,508	2,929	80,929
Gross claims paid	5,678	58,011	1,406	65,095
Less: Reinsurers share	51	-	(1,068)	(1,017)
Net claims paid	5,729	58,011	338	64,078
Changes in outstanding claims	(373)	2,190	32	1,849
Net claims incurred	5,356	60,201	370	65,927
Policy acquisition costs	447	2,088	222	2,757
Other operating expenses	710	1,138	40	1,888
Net costs and expenses	6,513	63,427	632	70,572
Net results of insurance operations	1,979	6,081	2,297	10,357
Unallocated expenses				(9,421)
Investment income				1,762
Unallocated other income				2
Surplus from insurance operations				2,700
As at 31 December 2015 - audited	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	6,063	6,063
Reinsurer's share of outstanding claims	-	-	7,408	7,408
Deferred policy acquisition costs	613	4,132	470	5,215
Unallocated assets				289,468
Total insurance operations' assets				308,154
Insurance operations' liabilities and surplus				
Unearned premium	10,707	153,932	7,508	172,147
Outstanding claims	5,711	81,341	11,055	98,107
Unearned commission income	-	-	1,553	1,553
Other technical reserves	1,079	1,478	27	2,584
Unallocated liabilities and surplus				33,763
Total insurance operations' liabilities and surplus				308,154

12. FAIR VALUE 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 between market participants at the measurement date.

The fair values of on-balance sheet financial instruments, except for investments held to maturity, are not significantly different from the carrying values included in the interim condensed financial statements. The fair values of held to maturity investments are not expected to be materially different from their book values.

Determination of fair value and fair value hierarchy

The Company, if applicable, uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments at their fair values as at 31 March 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets</i>				
Financial assets held as FVIS - Insurance Operations	-	156,368	-	156,368
Financial assets held as FVIS - Shareholders' Operations	-	140,792	-	140,792
Balance at the end of the period	<u>-</u>	<u>297,160</u>	<u>-</u>	<u>297,160</u>

The table below presents the financial instruments at their fair values as at 31 December 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets</i>				
Financial assets held as FVIS - Insurance Operations	-	159,137	-	159,137
Financial assets held as FVIS - Shareholders' Operations	-	141,684	-	141,684
Balance at the end of the year	<u>-</u>	<u>300,821</u>	<u>-</u>	<u>300,821</u>

The Company determines Level 2 fair values for trading investments based on the net assets value of the respective funds as at the end of the reporting period.

13. 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. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 17 April 2016, corresponding to 10 Rajab 1437H.