

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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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 December 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income for the 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 notes 1 to 15 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

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



for Moore Stephens
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Jeddah, Kingdom of Saudi Arabia
19 January 2017
21 Rabi Al Thani 1438H

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Note</i>	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	57,999	2,691
Term deposits	4	14,783	10,962
Premium receivables, net	5	99,044	59,772
Reinsurance receivables, net		509	1,553
Deferred policy acquisition costs		10,590	5,215
Prepayments and other receivables		21,407	14,922
FVIS investments	6(a)	254,516	159,137
Reinsurers' share of unearned premiums		4,752	6,063
Reinsurers' share of outstanding claims	7	6,376	7,408
Held to maturity investments	6(b)	35,947	36,100
Furniture, fittings and office equipment		2,607	2,340
Due from Shareholders' Operations		-	1,991
Total Insurance Operations' assets		508,530	308,154
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	11	8
FVIS investments	6(a)	145,210	141,684
Available-for-sale investments	6(c)	1,923	1,923
Prepayments and other receivables		132	109
Held to maturity investments	6(b)	13,755	10,147
Statutory deposit		25,000	25,000
Return on statutory deposits		1,645	1,068
Due from Insurance Operations		21,199	-
Total Shareholders' assets		208,875	179,939
TOTAL ASSETS		717,405	488,093

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The accompanying notes 1 to 15 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 December 2016

	<i>Note</i>	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		280,969	172,147
Outstanding claims	7	147,176	98,107
Unearned reinsurance commission		1,287	1,553
Other technical reserves		3,695	2,584
Policyholders' claims		7,572	5,061
Reinsurance payables		6,449	2,563
Accruals and other payables		25,630	16,252
Employees' end of service benefits		8,382	6,693
Due to Shareholders' Operations		21,199	-
Total Insurance Operations' liabilities		502,359	304,960
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		6,171	3,194
Total Insurance Operations' liabilities and surplus		508,530	308,154
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Return on statutory deposit payable to SAMA		1,645	1,068
Accrued Zakat	8	14,054	5,008
Due to Insurance Operations		-	1,991
Total Shareholders' liabilities		15,699	8,067
Shareholders' equity			
Share capital	9	250,000	250,000
Accumulated losses		(56,824)	(78,128)
Total Shareholders' equity		193,176	171,872
Total Shareholders' liabilities and equity		208,875	179,939
TOTAL LIABILITIES, SURPLUS AND EQUITY		717,405	488,093

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SALAMA COOPERATIVE INSURANCE COMPANY – 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 31 December</i>		<i>Twelve-month period ended 31 December</i>	
<i>Note</i>	<i>2016 (Unaudited)</i>	<i>2015 (Unaudited)</i>	<i>2016 (Unaudited)</i>	<i>2015 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenues				
Gross premiums written	156,098	80,170	571,353	391,740
Less: Reinsurance premiums ceded	(2,311)	(1,749)	(13,668)	(14,325)
Less: Excess of loss premiums	(4,999)	(2,365)	(14,587)	(8,327)
Net premiums written	148,788	76,056	543,098	369,088
Changes in net unearned premiums	(23,021)	14,864	(110,133)	(27,640)
Net premiums earned	125,767	90,920	432,965	341,448
Net reinsurance commissions earned	940	1,027	3,735	3,767
Other underwriting income	-	1,362	601	1,362
Net revenue	126,707	93,309	437,301	346,577
Costs and expenses				
Gross claims paid	80,936	72,167	283,758	280,143
Less: Reinsurers' share	(812)	(3,894)	(3,898)	(5,566)
Net claims paid	80,124	68,273	279,860	274,577
Changes in net outstanding claims	11,359	17,009	50,101	17,055
Net claims incurred	91,483	85,282	329,961	291,632
Changes in other technical reserves	1,111	(1,947)	1,111	(1,947)
Policy acquisition costs	4,822	2,837	15,612	11,163
Other operating expenses	7,407	1,815	14,842	7,818
Net costs and expenses	104,823	87,987	361,526	308,666
Net results of insurance operations	21,884	5,322	75,775	37,911
General and administrative expenses	(13,019)	(11,138)	(48,826)	(41,170)
(Provision for) / release of doubtful debts	(239)	112	(5,760)	-
Investment income	2,582	735	5,968	4,327
Other income	1,780	252	2,613	735
Surplus / (deficit) from Insurance Operations	12,988	(4,717)	29,770	1,803
Shareholders' share of insurance operations' (surplus) / deficit	2(a) (11,689)	4,245	(26,793)	(1,623)
Surplus / (deficit) for the period	1,299	(472)	2,977	180
Accumulated surplus at the beginning of the period	4,872	3,666	3,194	3,014
Accumulated surplus at the end of the period	6,171	3,194	6,171	3,194

The accompanying notes 1 to 15 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 and twelve-month periods ended 31 December 2016

		Three-month period ended 31 December		Twelve-month period ended 31 December	
	<i>Note</i>	<u>2016</u> <i>(Unaudited)</i> SR'000	<u>2015</u> <i>(Unaudited)</i> SR'000	<u>2016</u> <i>(Unaudited)</i> SR'000	<u>2015</u> <i>(Audited)</i> SR'000
REVENUES					
Shareholders' share of Insurance Operations' surplus / (deficit)	2 (a)	11,689	(4,245)	26,793	1,623
Investment income		4,559	1,488	4,176	2,001
		<u>16,248</u>	<u>(2,757)</u>	<u>30,969</u>	<u>3,624</u>
EXPENSES					
General and administrative expenses		<u>(164)</u>	<u>(152)</u>	<u>(619)</u>	<u>(546)</u>
Net income for the period before Zakat		16,084	(2,909)	30,350	3,078
Zakat	8	<u>(5,296)</u>	<u>(300)</u>	<u>(9,046)</u>	<u>(1,200)</u>
Net income for the period		<u>10,788</u>	<u>(3,209)</u>	<u>21,304</u>	<u>1,878</u>
Earnings per share – (SR)	13	0.43	(0.16)	0.85	0.10

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SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and twelve-month periods ended 31 December 2016

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<u>2016</u> <i>(Unaudited)</i> SR'000	<u>2015</u> <i>(Unaudited)</i> SR'000	<u>2016</u> <i>(Unaudited)</i> SR'000	<u>2015</u> <i>(Audited)</i> SR'000
Net income for the period	10,788	3,209	21,304	1,878
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	10,788	3,209	21,304	1,878

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The accompanying notes 1 to 15 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 twelve-month period ended 31 December 2016

	<i>For the twelve-month period ended 31 December 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	-	-	21,304	21,304
Balance at 31 December 2016 (Unaudited)	250,000	-	(56,824)	193,176

	<i>For the twelve-month period ended 31 December 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
Issuance of right shares	150,000	-	-	150,000
Net income for the period	-	-	1,878	1,878
Issuance cost	-	-	(6,985)	(6,985)
Balance at 31 December 2015 (Audited)	250,000	-	(78,128)	171,872

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The accompanying notes 1 to 15 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 twelve-month period ended 31 December 2016

	<i>Notes</i>	<i>Twelve-month period ended 31 December 2016 (Unaudited) SR'000</i>	<i>Twelve-month period ended 31 December 2015 (Audited) SR'000</i>
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		2,977	180
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(2,237)	(822)
Realized gain on FVIS investments		(1,392)	(2,142)
Reinsurers' share of unearned premiums		1,311	(1,137)
Amortization related to held to maturity investments	6(b)	153	127
Provision for doubtful reinsurance receivables		226	92
Write off of doubtful premium receivables		-	3,174
Provision for doubtful premium receivables		5,534	(6,963)
Unearned premiums		108,822	28,777
Other technical reserves		1,111	(1,947)
Employees' end of service benefits, net		1,689	743
Depreciation		1,304	1,251
		<u>119,498</u>	<u>21,333</u>
Changes in operating assets and liabilities:			
Premium receivables		(44,806)	(7,364)
Reinsurance receivables		818	1,378
Policy acquisition costs		(5,375)	(476)
Prepayments and other receivables		(6,485)	354
Amount due from a related party		-	6,759
Reinsurers' share of outstanding claims		1,032	(1,326)
Unearned commission income		(266)	262
Outstanding claims		49,069	18,381
Policyholders' claims		2,511	(298)
Reinsurance payables		3,886	(321)
Accruals and other payables		9,378	(934)
Due from Shareholders' Operations		23,190	(704)
		<u>152,450</u>	<u>37,044</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(1,571)	(1,428)
Purchase of FVIS investments		(166,162)	(140,068)
Purchase of held to maturity investments	6 (b)	-	(5,586)
Term deposits		(3,821)	(477)
Proceeds from disposal of FVIS investments	6 (a)	74,412	69,379
Proceeds from term deposits		-	20,254
		<u>(97,142)</u>	<u>(57,926)</u>
Net cash used in investing activities			
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		55,308	(20,882)
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>57,999</u>	<u>2,691</u>

The accompanying notes 1 to 15 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 twelve-month period ended 31 December 2016

		<i>Twelve-month period ended 31 December 2016 (Unaudited) SR'000</i>	<i>Twelve-month period ended 31 December 2015 (Audited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income for the period before Zakat		30,350	3,078
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(3,012)	(1,486)
Amortization of held to maturity investments	6(b)	109	64
		<u>27,447</u>	<u>1,656</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		(23)	446
Due to Insurance Operations		(23,190)	704
Statutory deposit		-	(15,000)
Return on statutory deposit		(577)	(92)
Return on statutory deposit payable to SAMA		577	92
		<u>4,234</u>	<u>(12,194)</u>
Net cash from / (used in) operating activities			
INVESTING ACTIVITIES			
Purchase of FVIS Investments	6(a)	(514)	(166,126)
Purchase of held to maturity Investments		(3,717)	(10,211)
Proceeds from disposal of FVIS Investments		-	40,000
		<u>(4,231)</u>	<u>(136,337)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Proceeds from right issue		-	150,000
Issuance cost		-	(6,985)
		<u>-</u>	<u>143,015</u>
Net cash from financing activities			
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		3	(5,516)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		8	5,524
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	<u>11</u>	<u>8</u>

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The accompanying notes 1 to 15 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 and twelve-month periods ended 31 December 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 2016

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%
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	100%
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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 AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016

3. CASH AND CASH EQUIVALENTS

	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand and at banks	57,999	2,691
<i>Shareholders' Operations</i>		
Cash at banks	11	8

4. TERM DEPOSITS

	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Term deposits	14,783	10,962

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 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Due from policyholders	84,051	42,900
Due from policy holders – related parties (note 10)	36,362	32,707
Provision for doubtful debts	(21,369)	(15,835)
	99,044	59,772

Movements in allowance for doubtful premiums receivable were as follows:

	<i>31 December 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	5,534	(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	21,369	15,835

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Twelve-month period ended 31 December 2016 (Unaudited) SR'000</i>	<i>Year ended 31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	159,137	85,484
Changes in fair value of investments	2,237	2,964
Purchased during the period / year	166,162	140,068
Disposals during the period / year	(73,020)	(69,379)
Balance at the end of the period / year	<u>254,516</u>	<u>159,137</u>

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Twelve-month period ended 31 December 2016 (Unaudited) SR'000</i>	<i>Year ended 31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	141,684	14,072
Purchases during the period / year	514	166,126
Disposals during the period / year	-	(40,000)
Changes in fair value of investments	3,012	1,486
Balance at the end of the period / year	<u>145,210</u>	<u>141,684</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Twelve-month period ended 31 December 2016 (Unaudited) SR'000</i>	<i>Year ended 31 December 2015 (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	(153)	(127)
Balance at the end of the period / year	<u>35,947</u>	<u>36,100</u>

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6. INVESTMENTS (continued)

b) Held to maturity investments – (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Twelve-month period ended 31 December 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	3,717	10,211
Amortized during the period / year	(109)	(64)
Balance at the end of the period / year	<u>13,755</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:

Twelve-month period ended 31 December 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 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Gross outstanding claims	23,179	13,766
Add: Incurred But Not Reported (IBNR) reserve	123,997	84,341
	<u>147,176</u>	<u>98,107</u>
Less: Reinsurance companies' share of outstanding claims	(6,376)	(7,408)
Net outstanding claims	<u>140,800</u>	<u>90,699</u>

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 twelve-month period ended 31 December 2016 and for the year ended 31 December 2015 is as follows:

	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	5,008	3,808
Charge for the period / year	9,046	1,200
Balance at the end of the period / year	<u>14,054</u>	<u>5,008</u>

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 2015 and has obtained restricted zakat certificates.

General Authority of Zakat and Tax (GAZT) 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. However during 2015, the GAZT 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 GAZT initial assessment and confident of a favorable outcome. During the period, the Company received Zakat assessments for the years ended 31 December 2008 through 2012 and demanded an additional Zakat and Withholding tax liability of SR 13.7 million. The Company has filed an objection against those assessments and confident of a favorable outcome. Further, the Company has booked an additional liability of SR 4.4 million for withholding tax in interim statement of Insurance Operations and SR 4.0 million for zakat for prior period in the interim statement of shareholders' operations.

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. The Company incurred a sum of SR 6.97 million as issuance cost to raise additional capital of SR 150 million through rights issue which has been accounted through interim statement of changes in shareholders' equity during the twelve-month period ended 31 December 2015.

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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</u> <u>Twelve-month period ended</u>		<u>Balance as at</u>	<u>Balance as</u>
		<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>at 31</u>
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>December</u>
		<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
		<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
a) Insurance Operations					
<u>Major Shareholder</u>					
Islamic Arab Insurance Company (UAE)	Insurance premium	100	91	-	-
<u>Related Parties of key management personnel</u>					
Tajeer Co. (Affiliate)	Insurance policies written	98,661	160,813	36,362	32,707
Chairman of the Board	Insurance policies written	312	390	144	-
Rusd Global Company	Insurance policies written	608	564	191	-
Technology Establishment	Insurance policies written	-	78	-	-
Al Firdous Group Co.	Insurance policies written	1,971	1,407	26	82
<u>Key management personnel</u>	Long-term benefits	276	248	(1,038)	(1,511)
	Short term benefits	4,423	4,657	146	132
b) Shareholders' Operations					
Board of Directors	Remuneration	104	104		
Board Committees	Remuneration	11	140		

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:

	<u>Medical</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
For the three-month period ended	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
31 December 2016 – unaudited				
Gross premiums written	6,915	146,209	2,974	156,098
Less: Reinsurance premiums ceded	-	-	(2,311)	(2,311)
Less: Excess of loss premiums	-	(4,777)	(222)	(4,999)
Net premiums written	6,915	141,432	441	148,788
Changes in net unearned premiums	673	(24,278)	584	(23,021)
Net premiums earned	7,588	117,154	1,025	125,767
Net reinsurance commissions earned	-	-	940	940
Net revenue	7,588	117,154	1,965	126,707
Gross claims paid	3,448	76,439	1,049	80,936
Less: Reinsurers' share	-	-	(812)	(812)
Net claims paid	3,448	76,439	237	80,124
Changes in outstanding claims	1,543	9,213	603	11,359
Net claims incurred	4,991	85,652	840	91,483
Changes in other technical reserves	(546)	1,661	(4)	1,111
Policy acquisition costs	333	4,164	325	4,822
Other operating expenses	689	6,674	44	7,407
Net costs and expenses	5,467	98,151	1,205	104,823
Net results of insurance operations	2,121	19,003	760	21,884
General and administrative expenses				(13,019)
Provision for doubtful debts				(239)
Investment income				2,582
Unallocated other income				1,780
Surplus from insurance operations				12,988

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11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
For the twelve-month period ended 31 December 2016 – unaudited	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross premiums written	30,016	523,287	18,050	571,353
Less: Reinsurance premiums ceded	-	(400)	(13,268)	(13,668)
Less: Excess of loss premiums	(732)	(12,859)	(996)	(14,587)
Net premiums written	29,284	510,028	3,786	543,098
Changes in net unearned premiums	(957)	(109,251)	75	(110,133)
Net premiums earned	28,327	400,777	3,861	432,965
Net reinsurance commissions earned	-	70	3,665	3,735
Other underwriting income	-	601	-	601
Net revenue	28,327	401,448	7,526	437,301
Gross claims paid	16,683	261,901	5,174	283,758
Less: Reinsurers' share	-	-	(3,898)	(3,898)
Net claims paid	16,683	261,901	1,276	279,860
Changes in outstanding claims	1,925	47,890	286	50,101
Net claims incurred	18,608	309,791	1,562	329,961
Changes in other technical reserves	(546)	1,661	(4)	1,111
Policy acquisition costs	1,311	13,000	1,301	15,612
Other operating expenses	2,450	12,157	235	14,842
Net costs and expenses	21,823	336,609	3,094	361,526
Net results of insurance operations	6,504	64,839	4,432	75,775
General and administrative expense				(48,826)
Provision for doubtful debts				(5,760)
Investment income				5,968
Unallocated other income				2,613
Surplus from insurance operations				29,770
As at 31 December 2016 - unaudited	<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				
Reinsurers' share of unearned premiums	-	-	4,752	4,752
Reinsurers' share of outstanding claims	-	-	6,376	6,376
Deferred policy acquisition costs	674	9,475	440	10,590
Unallocated assets	-	-	-	486,812
Total insurance operations' assets				508,530
Insurance operations' liabilities and surplus				
Unearned premiums	11,665	263,183	6,122	280,969
Outstanding claims	7,636	129,231	10,309	147,176
Unearned reinsurance commission	-	-	1,287	1,287
Other technical reserves	533	3,140	22	3,695
Unallocated liabilities and surplus				75,403
Total insurance operations' liabilities and surplus				508,530

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11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
For the three-month period ended				
31 December 2015 – unaudited	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross premiums written	5,498	72,510	2,162	80,170
Less: Reinsurance premiums ceded	-	-	(1,749)	(1,749)
Less: Excess of loss premiums	(990)	(793)	(582)	(2,365)
Net premiums written	4,508	71,717	(169)	76,056
Changes in net unearned premiums	2,251	11,617	996	14,864
Net premiums earned	6,759	83,334	827	90,920
Net reinsurance commissions earned	-	-	1,027	1,027
Other underwriting income	-	1,362	-	1,362
Net revenue	6,759	84,696	1,854	9,309
Gross claims paid	4,340	65,239	2,588	72,167
Less: Reinsurers' share	(1,352)	-	(2,542)	(3,894)
Net claims paid	2,988	65,239	46	68,273
Changes in outstanding claims	40	16,716	253	17,009
Net claims incurred	3,028	81,955	299	85,282
Changes in other technical reserves	1,079	(2,853)	(173)	(1,947)
Policy acquisition costs	363	2,158	316	2,837
Other operating expenses	519	1,264	32	1,815
Net costs and expenses	4,989	82,524	474	87,987
Net results of insurance operations	1,770	2,172	1,380	5,322
General and administrative expenses				(11,138)
Release of provision for doubtful debts				112
Investment income				735
Unallocated other income				252
Deficit from insurance operations				(4,717)

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11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
For the twelve-month period ended 31 December 2015 – audited	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Gross premiums written	29,688	342,733	19,319	391,740
Less: Reinsurance premiums ceded	-	(74)	(14,251)	(14,325)
Less: Excess of loss premiums	(1,868)	(5,155)	(1,304)	(8,327)
Net premiums written	27,820	337,504	3,764	369,088
Changes in net unearned premiums	4,737	(33,788)	1,411	(27,640)
Net premiums earned	32,557	303,716	5,175	341,448
Net reinsurance commissions earned	-	88	3,679	3,767
Other underwriting Income	-	1,362	-	1,362
Net revenue	32,557	305,166	8,854	346,577
Gross claims paid	20,256	254,742	5,145	280,143
Less: Reinsurers share	(1,301)	-	(4,265)	(5,566)
Net claims paid	18,955	254,742	880	274,577
Changes in outstanding claims	(741)	17,150	646	17,055
Net claims incurred	18,214	271,892	1,526	291,632
Changes in other technical reserves	1,079	(2,853)	(173)	(1,947)
Policy acquisition costs	1,666	8,323	1,174	11,163
Other operating expenses	2,476	5,079	263	7,818
Net costs and expenses	23,435	282,441	2,790	308,666
Net results of insurance operations	9,122	22,725	6,064	37,911
General and administrative expenses				(41,170)
Investment income				4,327
Unallocated other income				735
Surplus from insurance operations				1,803
As at 31 December 2015 – audited	<u>Medical</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Insurance operations' assets				
Reinsurers' share of unearned premiums	-	-	6,063	6,063
Reinsurers' 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 reinsurance commission	-	-	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 December 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		254,516		254,516
Financial assets held as FVIS - Shareholders' Operations		145,210		145,210
Balance at the end of the period	<u>-</u>	<u>399,726</u>	<u>-</u>	<u>399,726</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. COMPARATIVE FIGURES

Certain comparative period figures have been reclassified to conform with the current period presentation.

15. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 19 January 2017, corresponding to 21 Rabi Al Thani 1438H.