

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three and six month periods ended 30 June 2016**  
together with the  
**Independent auditors' limited review report**

**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT  
TO THE SHAREHOLDERS OF  
SANAD COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**SCOPE OF LIMITED REVIEW:**

We have reviewed the accompanying interim statement of financial position of Sanad Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2016, the related interim statements of comprehensive income for insurance and shareholders' operations for the three and six month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the six 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 International Accounting Standard – 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

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

**EMPHASIS OF MATTERS:**

We draw attention to the following matters:

- i) As at 30 June 2016, the Company has accumulated losses amounting to SR 166.1 million reaching to 83% of its capital. Moreover, the Company does not maintain the minimum regulatory solvency requirement. On the other hand, the Company is being banned from issuing new insurance policies since 12 DhulQadah 1435 (corresponding to 7 September 2014). The continuation of the Company is mainly dependent on its shareholders' financing support and related financial restructuring to meet the requirements set forth by the insurance industry regulator in order to obtain the regulatory release with regard to the ban for issuing new insurance policies and accordingly on acquiring profitable business. In the above connection, there is doubt about the Company's ability to continue as a going concern, yet the intention of Company's Board of Directors is to continue its operations and accordingly these interim condensed financial statements are prepared on going concern basis as described in note 2.2. As at 9 DhulQadah 1435 (corresponding to 4 September 2014), the Company's Board has recommended a capital increase and the calling for an Extraordinary General Assembly is pending subject to meeting certain regulatory requirements and securing certain regulatory approvals before calling for the same as per the requirement of Article 148 of the Regulations for Companies.

**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT  
TO THE SHAREHOLDERS OF  
SANAD COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)[CONTINUED]**

**EMPHASIS OF MATTERS (CONTINUED):**

During the third quarter of 2015, the Company obtained a conditional approval from SAMA for increasing the share capital. The Company has fulfilled all the requirements contained in the conditional approval within the prescribed time limit; this was announced on Saudi Arabian Stock Exchange's website ("Tadawul") on January 3, 2016. On 28 January 2016, the Company has obtained the related final capital increase approval from the Saudi Arabian Monetary Agency. On 15 May 2016 the company requested from SAMA to reduce its Capital by 10 million shares (i.e. SR 100 million) and received their approval on 2 June 2016, both files related to Capital increase and decrease were presented to CMA at 15 June 2016.

- ii) As per Article 68 of the Regulation for Companies, a director must own not less than ten thousand shares of the Company's stock. As stated in note 2.2 the Capital Market Authority (CMA) Board has issued its decision on 12 DhulQadah 1435 (corresponding to 7 September 2014) to suspend trading the shares of the Company in the Saudi Stock Exchange (Tadawul). Accordingly, the appointed Board of Directors following the above mentioned trading suspension date are unable to purchase the minimum shares.
- iii) These interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

**PKF Al-Bassam & Al-Nemer**  
Allied Accountants  
P. O. Box 28355  
Riyadh 11437  
Kingdom of Saudi Arabia



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

**AlAzem&AlSudairy**  
Certified Public Accountants  
P. O. Box 10504  
Riyadh 11443  
Kingdom of Saudi Arabia



**Abdullah M. Al Azem**  
Certified Public Accountant  
License No. 335



20 Shawwal 1437H  
July 25, 2016



**SANAD COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2016  
(Amount in Saudi Riyals)

	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>ASSETS</b>			
<b>ASSETS – INSURANCE OPERATIONS</b>			
Cash and cash equivalents		21,765,464	32,508,394
Premiums receivable, net	5	9,491,794	10,528,378
Reinsurers' balance receivable, net	6	--	3,555,647
Reinsurers' share of outstanding claims and other technical reserves	7	3,870,429	4,833,801
Reinsurers' share of unearned premiums		367,594	839,809
Deferred policy acquisition cost		68,415	150,047
Due from shareholders' operations		10,699,876	11,338,874
Prepayments and other assets		5,228,464	5,103,750
Property and equipment, net		1,560,211	2,165,304
<b>TOTAL ASSETS – INSURANCE OPERATIONS</b>		<b>53,052,247</b>	<b>71,024,004</b>
<b>ASSETS – SHAREHOLDERS' OPERATIONS</b>			
Cash and cash equivalents		1,154,257	1,174,812
Statutory deposit		20,000,000	20,000,000
Accrued income from Statutory deposit		1,310,418	1,310,418
Investments - available for sale	8	32,375,220	32,572,273
Prepayments and other assets		2,213,694	3,051,040
<b>TOTAL ASSETS – SHAREHOLDERS' OPERATIONS</b>		<b>57,053,589</b>	<b>58,108,543</b>
<b>TOTAL ASSETS</b>		<b>110,105,836</b>	<b>129,132,547</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES – INSURANCE OPERATIONS</b>			
Unearned premiums reserve		481,973	1,041,117
Reinsurers' balances payable		2,412,130	2,760,142
Accrued expenses and other liabilities		32,625,878	40,515,889
Outstanding claims and other technical reserves	7	15,750,879	24,141,478
Unearned reinsurance commissions		103,135	235,625
End-of-service indemnities		994,275	1,645,776
Surplus payable to policy holders		683,977	683,977
<b>TOTAL LIABILITIES – INSURANCE OPERATIONS</b>		<b>53,052,247</b>	<b>71,024,004</b>
<b>LIABILITIES – SHAREHOLDERS' OPERATIONS</b>			
Income payable from Statutory deposit		1,310,418	1,310,418
Zakat and tax payable		13,119,849	13,119,849
Due to insurance operations		10,699,876	11,338,874
<b>TOTAL LIABILITIES – SHAREHOLDERS' OPERATIONS</b>		<b>25,130,143</b>	<b>25,769,141</b>
<b>TOTAL LIABILITIES</b>		<b>78,182,390</b>	<b>96,793,145</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		200,000,000	200,000,000
Accumulated deficit		(166,136,103)	(165,917,170)
Investment revaluation reserve	8	(1,940,451)	(1,743,428)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>31,923,446</b>	<b>32,339,402</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>110,105,836</b>	<b>129,132,547</b>

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.



**SANAD COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS**  
(Amount in Saudi Riyals)

	Three Months ended 30 June 2016 (Unaudited)	Six Months ended 30 June 2016 (Unaudited)	Three Months ended 30 June 2015 (Unaudited)	Six Months ended 30 June 2015 (Unaudited)
<b>INCOME</b>				
Gross insurance premiums written	(12,195)	5,010	156,717	546,388
Gross inward reinsurance premiums written	-	-	-	6,890
<b>TOTAL GROSS WRITTEN PREMIUMS</b>	<b>(12,195)</b>	<b>5,010</b>	<b>156,717</b>	<b>553,278</b>
Reinsurance premiums ceded	(527,385)	(1,094,663)	(929,342)	(1,817,277)
<b>NET WRITTEN PREMIUMS</b>	<b>(539,580)</b>	<b>(1,089,653)</b>	<b>(772,625)</b>	<b>(1,263,999)</b>
Changes in unearned premiums	247,195	559,144	5,798,062	20,651,522
Changes in reinsurance unearned premiums	(207,748)	(472,215)	(1,563,767)	(5,252,322)
<b>NET EARNED PREMIUMS</b>	<b>(500,133)</b>	<b>(1,002,724)</b>	<b>3,461,670</b>	<b>14,135,201</b>
Reinsurance commission	(426,427)	(342,458)	599,552	2,335,776
Policy fee and other underwriting income, net	415,481	4,047,854	541,965	1,121,079
<b>UNDERWRITING REVENUE</b>	<b>(511,079)</b>	<b>2,702,672</b>	<b>4,603,187</b>	<b>17,592,056</b>
<b>EXPENSES</b>				
Gross claims paid	(485,571)	(2,482,001)	(9,306,988)	(42,283,000)
Reinsurance share of claims paid	71,988	190,874	907,951	12,146,036
<b>NET CLAIMS PAID</b>	<b>(413,583)</b>	<b>(2,291,127)</b>	<b>(8,399,037)</b>	<b>(30,136,964)</b>
Net changes in outstanding claim reserve	727,228	1,690,850	8,609,505	25,649,628
Net changes in other technical reserve	5,736,377	5,736,377	7,321,755	13,202,799
<b>NET CLAIMS INCURRED</b>	<b>6,050,022</b>	<b>5,136,100</b>	<b>7,532,223</b>	<b>8,715,463</b>
Policy acquisition costs	(35,339)	(84,843)	(752,514)	(4,041,018)
Other underwriting expenses, net	(141,561)	(240,152)	(3,096,859)	(3,543,422)
Impairment against doubtful receivables	949,065	1,746,920	2,305,823	2,169,233
<b>UNDERWRITING EXPENSES</b>	<b>6,822,187</b>	<b>6,558,025</b>	<b>5,988,673</b>	<b>3,300,256</b>
<b>UNDERWRITING SURPLUS</b>	<b>6,311,108</b>	<b>9,260,697</b>	<b>10,591,860</b>	<b>20,892,312</b>
General and administration expenses	(5,048,667)	(9,671,068)	(4,983,008)	(10,318,577)
<b>PROFIT / (LOSS) FROM INSURANCE OPERATIONS</b>	<b>1,262,441</b>	<b>(410,371)</b>	<b>5,608,852</b>	<b>10,573,735</b>
Gain on sale of property and equipment	-	-	-	-
Other income	-	250	21,819	62,677
<b>COMPREHENSIVE LOSS FROM INSURANCE OPERATIONS</b>	<b>1,262,441</b>	<b>(410,121)</b>	<b>5,630,671</b>	<b>10,636,412</b>
Transfer of comprehensive (profit) / loss to shareholders operations	(1,262,441)	410,121	(4,567,030)	(9,572,771)
<b>SURPLUS FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>1,063,641</b>	<b>1,063,641</b>

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

**SANAD COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS**  
(Amount in Saudi Riyals)

	Three Months ended 30 June 2016 Note (Unaudited)	Six Months ended 30 June 2016 (Unaudited)	Three Months ended 30 June 2015 (Unaudited)	Six Months ended 30 June 2015 (Unaudited)
<b>INCOME</b>				
Commission income	-	-	18,565	376,066
Dividend income from investments	693,750	693,750	526,603	714,103
	<u>693,750</u>	<u>693,750</u>	<u>545,168</u>	<u>1,090,169</u>
<b>EXPENSES</b>				
Appropriation of surplus / ( deficit) from insurance operations	1,262,441	(410,121)	4,567,030	9,572,771
General and administration expenses	602,120	(502,562)	(1,433,138)	(2,301,314)
<b>NET PROFIT (LOSS) FOR THE PERIOD BEFORE ZAKAT</b>	<u>2,558,311</u>	<u>(218,933)</u>	<u>3,679,060</u>	<u>8,361,626</u>
<b>OTHER COMPREHENSIVE INCOME / (LOSS):</b>				
Net changes in fair value of available for sale investments 8	(721,319)	(197,023)	36,229	(1,033,001)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<u>1,836,992</u>	<u>(415,956)</u>	<u>3,715,290</u>	<u>7,328,625</u>
<b>BASIC AND DILUTED EARNING / (LOSS) PER SHARE FOR THE PERIOD</b>				
<b>WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE</b>	<u>0.13</u>	<u>(0.01)</u>	<u>0.18</u>	<u>0.42</u>
	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>



Handwritten signature in blue ink.

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

**SANAD COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 June 2016**  
(Amount in Saudi Riyals)

	<i>Share Capital</i>	<i>Accumulated deficit</i>	<i>Investment revaluation reserve</i>	<i>Total</i>
<b>2016</b>				
Balance at 1 January 2016	200,000,000	(165,917,170)	(1,743,428)	32,339,402
Net loss for the period	-	(218,933)	-	(218,933)
Other comprehensive loss for the period	-	-	(197,023)	(197,023)
Balance at 30 JUNE 2016	<u>200,000,000</u>	<u>(166,136,103)</u>	<u>(1,940,451)</u>	<u>31,923,446</u>
<b>2015</b>				
Balance at 1 January 2015	200,000,000	(168,233,675)	3,849,514	35,615,839
Net Profit for the Year	--	6,805,654	--	6,805,654
Other comprehensive income for the period	--	--	(1,033,001)	(1,033,001)
Balance at 30 JUNE 2015	<u>200,000,000</u>	<u>(161,428,021)</u>	<u>2,816,513</u>	<u>41,388,492</u>



Handwritten signatures in blue ink, including a large signature and a smaller one to the right.

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

**SANAD COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)**  
(Amount in Saudi Riyals)

	Six Months ended 30 June 2016 (Unaudited)	Six Months ended 30 June 2015 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Surplus for the period	-	1,063,641
Adjustments for non-cash items:		
Transfer of profit / (loss) to shareholders' operations	(410,121)	9,572,771
Impairment allowance against salvage recoveries	-	2,247,648
Depreciation	613,587	753,668
Provision for end-of-service indemnities	(651,501)	(354,519)
Impairment allowance against doubtful receivables, net	(1,746,920)	(4,418,281)
Loss/ (gain) on sale of property and equipment	-	567
	<u>(2,194,955)</u>	<u>8,865,495</u>
<b>Changes in operating assets and liabilities:</b>		
Premiums receivable	2,775,006	14,613,144
Deferred policy acquisition costs	81,632	3,994,929
Prepayments and other assets	856,331	780,983
Unearned premium reserves, net	(86,929)	(15,399,200)
Unearned commission income	(132,491)	(2,251,631)
Reinsurers' balances payable	(348,012)	(5,925,342)
Accrued expenses and other liabilities	(8,871,051)	(1,875,061)
Outstanding claims and other technical reserves, net	(7,427,227)	(38,852,426)
Reinsurance balance receivable	3,555,647	(747,396)
<b>Cash used in operating activities</b>	<u>(11,792,049)</u>	<u>(36,796,505)</u>
End-of-service indemnities paid	-	(1,974,024)
<b>Net cash used in operating activities</b>	<u>(11,792,049)</u>	<u>(38,770,529)</u>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	-	-
Proceeds from sale of property and equipment	-	1,200
<b>Net cash (used in) investing activities</b>	<u>-</u>	<u>1,200</u>
<b>FINANCING ACTIVITIES</b>		
Due to shareholders' operations	1,049,119	5,335,864
<b>Net cash from financing activities</b>	<u>1,049,119</u>	<u>5,335,864</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(10,742,930)</u>	<u>(33,433,465)</u>
Cash and cash equivalents at the beginning of the period	32,508,394	75,336,852
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>21,765,464</u>	<u>41,903,387</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

موايب



Handwritten signatures in blue ink.

**SANAD COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)**  
(Amount in Saudi Riyals)

	<i>Six Months ended 30 June 2016 (Unaudited)</i>	<i>Six Months ended 30 June 2015 (Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Net profit / (loss) for the period before zakat	(218,933)	8,361,626
<i>Adjustments for non-cash items:</i>		
Transfer of (profit) / loss from insurance operations	410,121	(9,572,771)
<b>Changes in operating assets and liabilities:</b>		
Accrued expenses and other liabilities	981,066	(51,219)
Income payable from Statutory deposit	-	58,720
Prepayments and other assets	(143,690)	(692,345)
<b>Net cash from/(used) in operating activities</b>	<b>1,028,564</b>	<b>(1,895,989)</b>
Zakat Paid	--	(649,927)
<b>Net cash from/(used) in operating activities</b>	<b>1,028,564</b>	<b>(2,545,916)</b>
<b>INVESTING ACTIVITIES</b>		
Accrued income from Statutory deposit	--	(58,720)
<b>Net cash used in investing activities</b>	<b>--</b>	<b>(58,720)</b>
<b>FINANCING ACTIVITIES</b>		
Due from insurance operations	(1,049,119)	(5,335,864)
<b>Net cash (used in) financing activities</b>	<b>(1,049,119)</b>	<b>(5,335,864)</b>
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(20,555)</b>	<b>(7,940,500)</b>
Cash and cash equivalents at the beginning of the period	1,174,812	13,127,451
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,154,257</b>	<b>5,186,951</b>
<b>Non - cash supplemental information:</b>		
Change in fair value of investments - available for sale	(197,023)	(1,033,001)



The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

Sanad Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company incorporated under Ministerial Resolution dated 15 Jumada II, 1428 H, (corresponding to 30 June 2007). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010235409 dated 23 Jumada II, 1428 H (corresponding to 8 July 2007).

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 21 July 2007.

The Registered Office of the Company is located at Dareen Center, Al Ahsa Street, Riyadh 11417, Kingdom of Saudi Arabia. These interim condensed financial statements cover the period from 1 January 2016 to 30 JUNE 2016 (the "period").

**2 BASIS OF PREPARATION**

**2.1 Basis of measurement**

The interim condensed financial statements have been prepared under the historical cost convention, except for the measurement at fair value of available for sale investments.

**2.2 Going concern**

As at 30 June 2016, the Company's solvency margin is below the limit prescribed by Saudi Arabian Monetary Agency (SAMA).

The Company accumulated losses amounted to SR 166.1 million that represents approximately 83% of the Share Capital. The Saudi Arabian Regulations for Companies Article 148 require that in situations where the losses exceed 75% of the share capital, the Company's Board of Directors must call for an extraordinary general meeting to consider this situation. As of the date of the approval of these interim condensed financial statements, the extraordinary general meeting has not been called and the Board is in the process of calling the extraordinary general assembly.

The Board of Directors has announced a restructuring plan to the shareholders which has been approved by the Board on 9 Dhul Qadah 1435 (corresponding to 4 September 2014). The restructuring plan includes the following:

- a) Increasing the capital
- b) Cancellation of the reinsurance license
- c) Administrative restructuring including the appointment of Chief Executive Officer and all the vacant leadership positions in the Company.
- d) Financial restructuring including the establishment of collection Department to collect the company's debts and reduce the accumulated losses of the Company.

Due to the restructuring plan, the Board is expecting that there will be improvements in the net results of the Company and it will be able to continue its operations for the foreseeable future.

SAMA has restrained the Company from accepting new subscribers to any of its insurance activities, thus, banning it from issuing or renewing any insurance policy whatsoever as of 12 DhulQadah 1435 corresponding to (7 September 2014) until a decision is issued by SAMA that the Company has rectified its status. SAMA has also directed the Company to settle and pay out all due claims and compensations arising from insurance policies issued before 12 Dhul Qadah 1435 corresponding to (7 September 2014).

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

**2 BASIS OF PREPARATION (Continued)**

**2.2 *Going concern (continued)***

Furthermore, the Capital Market Authority's (CMA) Board has issued its decision on 12 Dhul Qadah 1435 corresponding to (7 September 2014) to suspend trading the shares of the Company in the Saudi Stock Exchange (Tadawul) starting from 12 Dhul Qadah 1435 corresponding to (7 September 2014). Also the Company has to correct its position in regard to the decision received from SAMA as required by the related rules and regulations. Based on that the CMA will look into whether to continue or discontinue suspending the trading of the shares.

During the third quarter of 2015, the Company obtained a conditional approval from SAMA for increasing the share capital whereby the Company's management believes that it would be able to meet the requirements for the conditional approval within the stated deadlines i.e. 31 December 2015. The Company as per its point of view has fulfilled all the requirements contained in the conditional approval within the prescribed time limit; and the same was announced on Saudi Arabian Stock Exchange's website ('Tadawul') on January 3, 2016, and the Company has received the final approval from the Saudi Arabian Monetary Agency to increase the capital by 200 million at 18 Rabi'a Al Akhir 1437 (corresponding to 28 January 2015) and the same was announced on Saudi Arabian Stock Exchange's website ('Tadawul') at the same date. The Company cancelled the contract with the Financial Advisor handling the capital increase file and requested a time extension from SAMA in order to appoint another financial advisor and handling the file to CMA and a letter was received from SAMA extending the deadline to handle the file to CMA on 15 June 2016. The company appointed Saudi Kuwaiti Finance House as the new Financial Advisor on 10 April 2016. The company requested from SAMA to reduce its Capital by 10 million shares (i.e. SR 100 million) and received their approval on 2 June 2016, both files related to Capital increase and decrease were presented to CMA at 15 June 2016.

Based on Company's restructuring plan, future business prospects and the various discussions and negotiations with SAMA, the management believes that the going concern assumption is valid and has therefore prepared the financial statements on a going concern basis.

**2.3 *Statement of compliance***

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, 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 and approved by the management and Board of Directors.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 December 2015.

In management's 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's interim results may not be indicative of its annual results.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**

**2 BASIS OF PREPARATION (Continued)**

**2.4 *Functional and presentation currency***

The interim condensed financial statements have been presented in Saudi Riyals, being the functional currency of the Company. Amounts are rounded to nearest Riyal unless otherwise indicated.

**2.5 *Use of accounting judgements, estimates and assumptions in the preparation of interim condensed financial statements***

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenue and expenses during the reporting period.

Although these judgments, estimates and assumptions are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimate is revised. In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Unearned premium reserve
- Outstanding claims and other technical reserve
- Impairment of receivables and salvage recoveries
- Impairment in value of investment – available for sale

**3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES**

The accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the ones used in the Company's audited financial statements for the year ended 31 December 2014, except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect on the condensed interim financial statements of the Company on the current period or prior period and is expected to have an insignificant effect in future periods:

**a) *New standards and amendments to existing standards***

**- *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32***

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

**- *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39***

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Company as the Company has not entered transacted any derivative during the current or prior periods.

**- *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36***

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**4 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management. The related parties of the Company are as follows:

<b>Nature of relationship</b>	<b>Name of related party</b>
<i>10% founding shareholder and common directorship</i>	- Saudi Continental Insurance Company
<i>90% shareholder in Saudi Continental Insurance Company and have a common directorship</i>	- Aggad Investment Company
<i>Common directorship and control</i>	- Arabian Tiles Company
	- Medical Supplies and Services Company Limited (MEDISERV)
	- National Advanced Systems Company Limited (NASCO)
	- United Motors Company

**a) Transactions with related parties:**

Details of significant transactions carried out during the period with related parties are as follows:

	<i>Six months ended June 2016 (Unaudited)</i>		<i>Six months ended June 2015 (Unaudited)</i>	
	<b>Gross written premium</b>	<b>Gross claims paid</b>	<b>Gross written premium</b>	<b>Gross claims paid</b>
Aggad Investment Company	--	<b>61,466</b>	--	202,293
Arabian Tiles Company	--	--	--	397,938
Medical Supplies and Services Company Limited (MEDISERV)	--	--	--	165,795
National Advanced Systems Company Limited (NASCO)	--	--	235,701	3,391,813
United Motors Company	--	<b>1,200</b>	--	1,247,304

**b) Balances with related parties:**

Details of significant receivables from and payables to the related parties are as follows:

	<i>30 June 2016 (Unaudited)</i>		<i>31 December 2015 (Audited)</i>	
	<b>Premiums receivable</b>	<b>Outstanding claims</b>	<b>Premiums receivable</b>	<b>Outstanding claims</b>
Aggad Investment Company	--	<b>28,560</b>	--	30,915
Arabian Tiles Company	<b>314,686</b>	--	375,951	23,455
Medical Supplies and Services Company Limited (MEDISERV)	<b>269,021</b>	<b>330,232</b>	269,021	330,232
National Advanced Systems Company Limited (NASCO)	--	<b>3,087,838</b>	--	4,088,140
United Motors Company	--	<b>92,416</b>	--	325,226

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**4 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

**c) Compensation of key management personnel:**

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows:

	<i>Six months ended June 2016 (Unaudited)</i>	<i>Six months ended June 2015 (Unaudited)</i>
Salaries and other short term benefits	<b>2,091,658</b>	1,129,904
End of service benefit	<b>101,992</b>	46,494
	<b>2,193,650</b>	1,176,398

**5 PREMIUMS RECEIVABLE, NET**

	<i>30 June 2016 (Unaudited)</i>	<i>31 December 2015 (Audited)</i>
Premiums receivable	<b>36,315,504</b>	38,564,972
Less : Impairment against doubtful receivables	<b>(26,823,710)</b>	(28,036,594)
	<b>9,491,794</b>	10,528,378

	<i><b>Total</b></i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>	<i>Past due and impaired</i>
<b>30 June 2016 (unaudited)</b>	<b>36,315,504</b>	-	<b>9,491,794</b>	<b>26,823,710</b>
31 December 2015 (Audited)	38,564,972	-	10,528,378	28,036,594

The Company classifies receivable balances as ‘past due and impaired’ on a case to case basis, impairment against which is recorded in the statement of insurance operations. The Company does not obtain collateral against premium receivables. Amount which are neither past due nor considered impaired by management, in respect of premium receivables, are from individuals and unrated corporate policy holders.

**6 REINSURERS’ BALANCE RECEIVABLE, NET**

	<i>30 June 2016 (Unaudited)</i>	<i>31 December 2015 (Audited)</i>
Reinsurers’ balance receivable	--	3,646,210
Less: Impairment against doubtful receivables	--	(90,563)
	--	3,555,647

	<i><b>Total</b></i>	<i>Past due but not impaired</i>	<i>Past due and impaired</i>
<b>30 June 2016 (Unaudited)</b>	--	--	--
31 December 2015 (Audited)	3,646,210	3,555,647	90,563

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**7 OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES**

<i>30 June 2016 (Unaudited)</i>			
	<i>Gross</i>	<i>Reinsurers' Share</i>	<i>Net</i>
Outstanding claim reserves	<b>12,053,030</b>	<b>(2,417,701)</b>	<b>9,635,329</b>
Incurred but not reported reserve ("IBNR")	<b>3,697,849</b>	<b>(1,452,728)</b>	<b>2,245,121</b>
Outstanding claims and other technical reserves	<b>15,750,879</b>	<b>(3,870,429)</b>	<b>11,880,450</b>
<i>31 December 2015 (Audited)</i>			
	<i>Gross</i>	<i>Reinsurers' Share</i>	<i>Net</i>
Outstanding claim reserves	13,704,221	(2,378,042)	11,326,179
Incurred but not reported reserve ("IBNR")	10,437,257	(2,455,759)	7,981,498
Outstanding claims and other technical reserves	24,141,478	(4,833,801)	19,307,677

**8 INVESTMENTS**

***Investments - available for sale***

Investment in available for sale securities comprise of the following:

	<b>30 June 2016 (Unaudited)</b>			<b>31 December 2015 (Audited)</b>
	<i>Cost</i>	<i>Unrealised (loss) / gain</i>	<i>Market value</i>	<i>Market Value</i>
<b><i>Quoted/Published prices</i></b>				
Mutual Funds	<b>6,625,998</b>	<b>523,373</b>	<b>7,149,371</b>	7,085,475
Global Sukuk Fund deposits	<b>9,450,000</b>	<b>2,337,884</b>	<b>11,787,884</b>	11,647,502
Equities	<b>16,316,600</b>	<b>(4,801,708)</b>	<b>11,514,917</b>	11,916,218
	<b>32,392,598</b>	<b>(1,940,451)</b>	<b>30,452,172</b>	30,649,195
<b><i>Unquoted</i></b>				
Equities	<b>1,923,078</b>	<b>--</b>	<b>1,923,078</b>	1,923,078
<b>Total investments in available for sale</b>	<b>34,315,676</b>	<b>(1,940,451)</b>	<b>32,375,220</b>	32,572,273

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**8 INVESTMENTS (continued)**

Movements in available for sale investments are as follows:

	<b>30 June 2016 (Unaudited)</b>	31 December 2015 (Audited)
At beginning of the period	<u>32,572,273</u>	<u>38,165,215</u>
Impairment in Investments	--	--
Change in fair value	<u>(197,023)</u>	<u>(5,592,942)</u>
At end of the period	<u><b>32,375,220</b></u>	<u><b>32,572,273</b></u>

**9 SEGMENTAL INFORMATION**

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include general and administration expenses and other income.

Segment assets do not include property and equipment, prepayments and other assets, premiums receivable, reinsurances' balance receivables, cash and cash equivalents, and due from shareholders' operations. Accordingly they are included in unallocated assets.

Segment liabilities do not include, end-of-service indemnities, reinsurers' balances payable, accrued expenses and other liabilities.

All unallocated assets and liabilities are reported to chief operating decision maker as unallocated assets and liabilities and are monitored on a centralized basis.

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

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**9 SEGMENTAL INFORMATION (CONTINUED)**

*a) Statement of results for insurance operations*

	For the three months ended 30 June 2016 (Unaudited)					
	Medical	Motor	Marine	Engineering	Others	Total
Gross written premiums	(12,195)	-	-	-	-	(12,195)
Reinsurance premiums ceded	-	(308,234)	(141,569)	(23,799)	(53,783)	(527,385)
<b>Net written premiums</b>	<b>(12,195)</b>	<b>(308,234)</b>	<b>(141,569)</b>	<b>(23,799)</b>	<b>(53,783)</b>	<b>(539,580)</b>
Net changes in unearned premiums	-	-	-	11,146	28,301	39,447
<b>Net earned premiums</b>	<b>(12,195)</b>	<b>(308,234)</b>	<b>(141,569)</b>	<b>(12,653)</b>	<b>(25,482)</b>	<b>(500,133)</b>
Reinsurance commission earned	(484,917)	-	-	53,172	5,318	(426,427)
Other underwriting income	-	83,759	146,896	111,090	73,736	415,481
<b>Underwriting revenue</b>	<b>(497,112)</b>	<b>(224,475)</b>	<b>5,327</b>	<b>151,609</b>	<b>53,572</b>	<b>(511,079)</b>
<b>EXPENSES</b>						
Gross claims paid	-	(386,248)	-	11,827	(111,150)	(485,571)
Reinsurance share of claims paid	-	-	-	(11,375)	83,363	71,988
<b>Net claims paid</b>	<b>-</b>	<b>(386,248)</b>	<b>-</b>	<b>452</b>	<b>(27,787)</b>	<b>(413,583)</b>
Net changes in outstanding claims and other technical reserves	366,094	6,096,589	5,130	166,222	(170,430)	6,463,605
<b>Net claims incurred</b>	<b>366,094</b>	<b>5,710,341</b>	<b>5,130</b>	<b>166,674</b>	<b>(198,217)</b>	<b>6,050,022</b>
Policy acquisition costs	610	-	-	(29,468)	(6,481)	(35,339)
Other underwriting expenses, net	(97,109)	(73,961)	30,346	(837)	-	(141,561)
Impairment allowance against doubtful receivables	215,871	733,194	-	-	-	949,065
<b>Underwriting expenses</b>	<b>485,466</b>	<b>6,369,574</b>	<b>35,476</b>	<b>136,369</b>	<b>(204,698)</b>	<b>6,822,187</b>
<b>Underwriting (deficit) / surplus before administration expenses and other income</b>	<b>(11,646)</b>	<b>6,145,099</b>	<b>40,803</b>	<b>287,978</b>	<b>(151,126)</b>	<b>6,311,108</b>
Unallocated income						-
Unallocated expenses						(5,048,667)
<b>Net surplus from insurance operations</b>						<b>1,262,441</b>

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**9 SEGMENTAL INFORMATION (CONTINUED)**

*b) Statement of results for insurance operations*

	<b>For the Six months ended 30 June 2016 (Unaudited)</b>					
	<b>Medical</b>	<b>Motor</b>	<b>Marine</b>	<b>Engineering</b>	<b>Others</b>	<b>Total</b>
Gross written premiums	(36,990)	-	-	42,000	-	5,010
Reinsurance premiums ceded	-	(616,468)	(283,138)	(87,492)	(107,565)	(1,094,663)
<b>Net written premiums</b>	<b>(36,990)</b>	<b>(616,468)</b>	<b>(283,138)</b>	<b>(45,492)</b>	<b>(107,565)</b>	<b>(1,089,653)</b>
Net changes in unearned premiums	-	-	-	23,928	63,001	86,929
<b>Net earned premiums</b>	<b>(36,990)</b>	<b>(616,468)</b>	<b>(283,138)</b>	<b>(21,564)</b>	<b>(44,564)</b>	<b>(1,002,724)</b>
Reinsurance commission earned	(484,917)	-	-	130,325	12,134	(342,458)
Other underwriting income	1,315,303	2,380,874	146,896	120,518	84,263	4,047,854
<b>Underwriting revenue</b>	<b>793,396</b>	<b>1,764,406</b>	<b>(136,242)</b>	<b>229,279</b>	<b>51,833</b>	<b>2,702,672</b>
<b>EXPENSES</b>						
Gross claims paid	(8,320)	(2,231,272)	(1,550)	(87,538)	(153,321)	(2,482,001)
Reinsurance share of claims paid	-	-	1,008	84,936	104,930	190,874
<b>Net claims paid</b>	<b>(8,320)</b>	<b>(2,231,272)</b>	<b>(542)</b>	<b>(2,602)</b>	<b>(48,391)</b>	<b>(2,291,127)</b>
Net changes in outstanding claims and other technical reserves	366,094	7,054,800	5,130	169,103	(167,900)	7,427,227
<b>Net claims incurred</b>	<b>357,774</b>	<b>4,823,528</b>	<b>4,588</b>	<b>166,501</b>	<b>(216,291)</b>	<b>5,136,100</b>
Policy acquisition costs	3,089	-	-	(73,205)	(14,727)	(84,843)
Other underwriting expenses, net	(117,935)	(121,380)	-	(837)	-	(240,152)
Impairment allowance against doubtful receivables	536,238	1,210,682	-	-	-	1,746,920
<b>Underwriting expenses</b>	<b>779,166</b>	<b>5,912,830</b>	<b>4,588</b>	<b>92,459</b>	<b>(231,018)</b>	<b>6,558,025</b>
<b>Underwriting (deficit) / surplus before administration expenses and other income</b>	<b>1,572,562</b>	<b>7,677,236</b>	<b>(131,654)</b>	<b>321,738</b>	<b>(179,185)</b>	<b>9,260,697</b>
Unallocated income						250
Unallocated expenses						(9,671,068)
<b>Net surplus from insurance operations</b>						<b>(410,121)</b>

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**9 SEGMENTAL INFORMATION (CONTINUED)**

*a) Statement of results for insurance operations (continued)*

	<i>For the three months ended 30 June 2015 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
Gross written premiums	(1,695)	30,148	-	150,856	(22,592)	156,717
Reinsurance premiums ceded	1,187	(370,039)	(265,137)	(189,107)	(106,246)	(929,342)
Net written premiums	(508)	(339,891)	(265,137)	(38,251)	(128,838)	(772,625)
Net changes in unearned premiums	490,999	3,467,364	878	36,006	239,050	4,234,297
Net earned premiums	490,491	3,127,473	(264,259)	(2,244)	110,211	3,461,672
Reinsurance commission earned	179,649	-	95,375	192,027	132,500	599,552
Other underwriting income	-	541,964	-	-	-	541,964
Underwriting revenue	670,140	3,669,436	(168,883)	189,783	242,712	4,603,187
<b>EXPENSES</b>						
Gross claims paid	(780,876)	(8,247,776)	(120,750)	(158,609)	1,023	(9,306,988)
Reinsurance share of claims paid	615,589	27,000	112,297	153,101	(35)	907,951
Net claims paid	(165,287)	(8,220,776)	(8,453)	(5,508)	987	(8,399,037)
Net changes in outstanding claims and other technical reserves	(361,487)	15,019,728	696,415	598,222	(21,618)	15,931,260
Net claims incurred	(526,774)	6,798,952	687,962	592,714	(20,631)	7,532,223
Policy acquisition costs	(75,753)	(453,643)	(45,208)	(87,287)	(90,624)	(752,514)
Other underwriting expenses	(486,662)	(20,909)	(505,894)	(981,972)	(1,101,422)	(3,096,859)
Impairment allowance against doubtful and salvage receivables	1,599,417	706,406	--	--	--	2,305,823
Underwriting expenses	510,229	7,030,807	136,860	(476,545)	(1,212,677)	5,988,673
Underwriting surplus / (deficit) before administration expenses and other income	1,180,368	10,700,243	(32,023)	(286,762)	(969,966)	10,591,860
Unallocated income						21,819
Unallocated expenses						(4,983,008)
Net deficit from insurance operations						5,630,671

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**9 SEGMENTAL INFORMATION (CONTINUED)**

*a) Statement of results for insurance operations (continued)*

	<i>For the Six months ended 30 June 2015 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
Gross written premiums	(4,878)	219,845	40,837	333,629	(36,155)	553,278
Reinsurance premiums ceded	3,415	(711,289)	(526,726)	(404,989)	(177,688)	(1,817,277)
Net written premiums	(1,463)	(491,444)	(485,889)	(71,360)	(213,843)	(1,263,999)
Net changes in unearned premiums	963,973	13,599,031	69,303	95,019	671,874	15,399,200
Net earned premiums	962,510	13,107,587	(416,586)	23,659	458,031	14,135,201
Reinsurance commission earned	606,948	-	878,474	454,802	395,551	2,335,776
Other underwriting income	-	1,121,054	25	-	-	1,121,079
Underwriting revenue	1,569,458	14,228,641	461,913	478,461	853,582	17,592,056
<b>EXPENSES</b>						
Gross claims paid	(11,799,694)	(21,324,638)	(1,496,357)	(3,424,075)	(4,238,236)	(42,283,000)
Reinsurance share of claims paid	6,814,812	630,375	1,205,606	3,311,235	184,008	12,146,036
Net claims paid	(4,984,882)	(20,694,263)	(290,751)	(112,840)	(4,054,228)	(30,136,964)
Net changes in outstanding claims and other technical reserves	12,357,716	19,004,924	919,644	733,321	5,836,822	38,852,427
Net claims incurred	7,372,834	(1,689,339)	628,893	620,481	1,782,594	8,715,463
Policy acquisition costs	(253,495)	(2,525,492)	(494,503)	(375,464)	(392,064)	(4,041,018)
Other underwriting expenses	(486,869)	(463,251)	(506,098)	(985,373)	(1,101,831)	(3,543,422)
Impairment allowance against doubtful and salvage receivables	1,807,721	361,512	--	--	--	2,169,233
Underwriting expenses	8,440,191	(4,316,570)	(371,708)	(740,356)	288,699	3,300,256
Underwriting surplus / (deficit) before administration expenses and other income	10,009,649	9,912,071	90,205	(261,895)	1,142,281	20,892,312
Unallocated income						62,677
Unallocated expenses						(10,318,577)
Net deficit from insurance operations						10,636,412

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**9 SEGMENTAL INFORMATION (CONTINUED)**

**b) Insurance operations' assets and liabilities**

	<i>At 30 June 2016 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
<b>Insurance operations assets</b>						
Reinsurers' share of unearned premiums	-	-	-	314,034	53,560	367,594
Reinsurers' share of outstanding claims and other technical reserves	486,317	28,580	292,490	2,194,343	868,699	3,870,429
Deferred policy acquisition cost	-	-	-	47,385	21,030	68,415
Allocated assets	486,317	28,580	292,490	2,555,762	943,289	4,306,438
Unallocated assets						48,745,809
<b>Total insurance operations assets</b>						<b>53,052,247</b>
<b>Insurance operations liabilities</b>						
Unearned premiums reserves	-	-	-	329,315	152,658	481,973
Outstanding claims and other technical reserves	530,340	11,232,135	479,470	2,318,024	1,190,910	15,750,879
Unearned commission income	-	-	-	88,404	14,731	103,135
Allocated liabilities	530,340	11,232,135	479,470	2,735,743	1,358,299	16,335,987
Unallocated liabilities						36,716,260
<b>Total insurance operations liabilities</b>						<b>53,052,247</b>

  

	<i>At 31 December 2015 (Audited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
<b>Insurance operations assets</b>						
Reinsurers' share of unearned premiums	-	-	-	742,127	97,682	839,809
Reinsurers' share of outstanding claims and other technical reserves	714,386	919,354	293,420	2,596,767	309,874	4,833,801
Deferred policy acquisition cost	-	-	-	114,290	35,757	150,047
Allocated assets	714,386	919,354	293,420	3,453,184	443,313	5,823,657
Unallocated assets						66,181,387
<b>Total insurance operations assets</b>						<b>72,005,044</b>
<b>Insurance operations liabilities</b>						
Unearned premiums reserves	-	-	-	781,337	259,780	1,041,117
Outstanding claims and other technical reserves	1,124,503	19,177,709	485,530	2,889,551	464,185	24,141,478
Unearned commission income	-	-	-	208,762	26,863	235,625
Allocated liabilities	1,124,503	19,177,709	485,530	3,879,650	750,828	25,418,220
Unallocated liabilities						46,586,824
<b>Total insurance operations liabilities</b>						<b>72,005,044</b>

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**10 FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Company measures financial instruments and non-financial assets at fair value at each balance sheet date. 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 value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for distribution in any discontinued operation. External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration.

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2016**  
*(Amount in Saudi Riyals)*

**10 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

<i>30 June 2016 (Unaudited)</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equities	11,514,892	--	--	11,514,892
Other quoted investments	--	18,937,250	--	18,937,250
Unquoted equities	--	--	1,923,078	1,923,078
	<u>11,514,892</u>	<u>18,937,250</u>	<u>1,923,078</u>	<u>32,375,220</u>
<i>31 December 2015 (Audited)</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equities	11,916,218	--	--	11,916,218
Other quoted investments	--	18,732,977	--	18,732,977
Unquoted equities	--	--	1,923,078	1,923,078
	<u>11,916,218</u>	<u>18,732,977</u>	<u>1,923,078</u>	<u>32,572,273</u>

**11 COMMITMENTS AND CONTINGENCIES**

***Legal proceedings and regulations***

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

**12 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors on 20 July 2016 corresponding to 15 Shawwal 1437H.