

**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three month period ended 31 March 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 31 March 2016, the related interim statements of comprehensive income - insurance operations and shareholders' operations, the interim statement of changes in shareholders' equity, and interim statement of cash flows - insurance operations' and shareholders' operations for the three month period then ended and the related notes from (1) to (13), 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 31 March 2016, the Company has accumulated losses amounting to SR 168.69 million reaching to 84% 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.





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Allied Accountants**



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

**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.

- 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.

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**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2016  
*(Amount in Saudi Riyals)*

	Notes	31 March 2016 (Unaudited)	31 December 2015 (Audited)
<b>ASSETS</b>			
<b>ASSETS – INSURANCE OPERATIONS</b>			
Cash and cash equivalents		25,794,952	32,508,394
Premiums receivable, net	5	9,823,265	10,528,378
Reinsurers' balance receivable, net	6	1,999,481	3,555,647
Reinsurers' share of outstanding claims and other technical reserves	7	4,705,026	4,833,801
Reinsurers' share of unearned premiums		575,342	839,809
Deferred policy acquisition cost		104,364	150,047
Due from shareholders' operations		13,532,915	11,338,874
Prepayments and other assets		5,205,085	6,084,790
Property and equipment, net		1,850,174	2,165,304
<b>TOTAL ASSETS – INSURANCE OPERATIONS</b>		<b>63,590,604</b>	<b>72,005,044</b>
<b>ASSETS – SHAREHOLDERS' OPERATIONS</b>			
Cash and cash equivalents		1,154,257	1,174,812
Statutory deposit		21,310,418	21,310,418
Investments - available for sale	8	33,096,570	32,572,273
Prepayments and other assets		1,504,974	2,070,000
<b>TOTAL ASSETS – SHAREHOLDERS' OPERATIONS</b>		<b>57,066,219</b>	<b>57,127,503</b>
<b>TOTAL ASSETS</b>		<b>120,656,823</b>	<b>129,132,547</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES – INSURANCE OPERATIONS</b>			
Unearned premiums reserve		729,168	1,041,117
Reinsurers' balances payable		1,841,529	2,760,142
Accrued expenses and other liabilities		35,973,675	41,496,929
Outstanding claims and other technical reserves	7	23,049,081	24,141,478
Unearned reinsurance commission		161,624	235,625
End-of-service indemnities		1,151,550	1,645,776
Surplus payable to policy holders		683,977	683,977
<b>TOTAL LIABILITIES – INSURANCE OPERATIONS</b>		<b>63,590,604</b>	<b>72,005,044</b>
<b>LIABILITIES – SHAREHOLDERS' OPERATIONS</b>			
Accrued expenses and other liabilities		327,001	329,378
Zakat and tax provision		13,119,849	13,119,849
Due to insurance operations		13,532,915	11,338,874
<b>TOTAL LIABILITIES – SHAREHOLDERS' OPERATIONS</b>		<b>26,979,765</b>	<b>24,788,101</b>
<b>TOTAL LIABILITIES</b>		<b>90,570,369</b>	<b>96,793,145</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		200,000,000	200,000,000
Accumulated deficit		(168,694,414)	(165,917,170)
Investment revaluation reserve		(1,219,132)	(1,743,428)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>30,086,454</b>	<b>32,339,402</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>120,656,823</b>	<b>129,132,547</b>



The accompanying notes 1 to 13 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)

	<i>Three Month ended 31 March 2016 (Unaudited)</i>	<i>Three Month ended 31 March 2015 (Unaudited)</i>
<b>INCOME</b>		
Gross insurance premiums written	17,205	389,671
Gross inward reinsurance premiums written	--	6,890
<b>TOTAL GROSS WRITTEN PREMIUMS</b>	<b>17,205</b>	<b>396,561</b>
Reinsurance premiums ceded	(567,278)	(887,935)
<b>NET WRITTEN PREMIUMS</b>	<b>(550,073)</b>	<b>(491,374)</b>
Changes in unearned premiums	311,949	14,853,459
Changes in reinsurance unearned premiums	(264,467)	(3,688,556)
<b>NET EARNED PREMIUMS</b>	<b>(502,591)</b>	<b>10,673,529</b>
Reinsurance commission	83,969	1,736,224
Policy fee and other underwriting income, net	3,632,373	579,115
<b>UNDERWRITING REVENUE</b>	<b>3,213,751</b>	<b>12,988,868</b>
<b>EXPENSES</b>		
Gross claims paid	(1,996,430)	(32,976,012)
Reinsurance share of claims paid	118,886	11,238,085
<b>NET CLAIMS PAID</b>	<b>(1,877,544)</b>	<b>(21,737,927)</b>
Net changes in outstanding claims reserve	963,622	17,040,123
Net changes in other technical reserve	--	5,881,044
<b>NET CLAIMS INCURRED</b>	<b>(913,922)</b>	<b>1,183,240</b>
Policy acquisition costs	(49,504)	(3,288,504)
Other underwriting expenses, net	(98,591)	(446,563)
Impairment against doubtful receivables	797,855	(136,590)
<b>UNDERWRITING EXPENSES</b>	<b>(264,162)</b>	<b>(2,688,417)</b>
<b>UNDERWRITING SURPLUS</b>	<b>2,949,589</b>	<b>10,300,451</b>
General and administration expenses	(4,622,401)	(5,335,568)
<b>(LOSS) / PROFIT FROM INSURANCE OPERATIONS</b>	<b>(1,672,812)</b>	<b>4,964,883</b>
Gain on sale of property and equipment	--	(567)
Other income	250	41,425
<b>COMPREHENSIVE (LOSS) / PROFIT FROM INSURANCE OPERATIONS</b>	<b>(1,672,562)</b>	<b>5,005,741</b>
Transfer of comprehensive (loss) / profit to shareholders operations	1,672,562	(5,005,741)
<b>SURPLUS / (DEFICIT) FOR THE PERIOD</b>	<b>--</b>	<b>--</b>



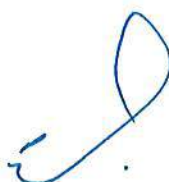
The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

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

	<i>Note</i>	<i>Three Month ended 31 March 2016 (Unaudited)</i>	<i>Three Month ended 31 March 2015 (Unaudited)</i>
<b>INCOME</b>			
Commission income		--	357,500
Dividend income from investments		--	187,500
		--	545,000
<b>EXPENSES</b>			
Appropriation of (deficit) / surplus from insurance operations		(1,672,562)	5,005,741
General and administration expenses		(1,104,682)	(868,175)
<b>NET (LOSS) / PROFIT FOR THE PERIOD BEFORE ZAKAT</b>		(2,777,244)	4,682,566
<b>OTHER COMPREHENSIVE INCOME / (LOSS):</b>			
Net changes in fair value of available for sale investments	8	524,296	(1,069,230)
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		(2,252,948)	3,613,336
<b>BASIC AND DILUTED (LOSS) / EARNING PER SHARE FOR THE PERIOD</b>		(0.14)	0.23
<b>WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE</b>		20,000,000	20,000,000






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**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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	-	(2,777,244)	-	(2,777,244)
Other comprehensive income for the period	-	-	524,296	524,296
<b>Balance at 31 March 2016</b>	<b>200,000,000</b>	<b>(168,694,414)</b>	<b>(1,219,132)</b>	<b>30,086,454</b>
<b>2015</b>				
Balance at 1 January 2015	200,000,000	(168,233,675)	3,849,514	35,615,839
Net profit for the period	-	4,682,566	-	4,682,566
Other comprehensive loss for the period	-	-	(1,069,230)	(1,069,230)
<b>Balance at 31 March 2015</b>	<b>200,000,000</b>	<b>(163,551,109)</b>	<b>2,780,284</b>	<b>39,229,175</b>



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The accompanying notes 1 to 13 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)

	<i>Three Month ended 31 March 2016 (Unaudited)</i>	<i>Three Month ended 31 March 2015 (Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Surplus for the period	--	--
<i>Adjustments for non-cash items:</i>		
Transfer of (loss) / profit to shareholders' operations	(1,672,562)	5,005,741
Impairment allowance against salvage recoveries	--	1,253,552
Depreciation	316,677	394,983
Provision for end-of-service indemnities	(494,226)	(467,957)
Impairment allowance against doubtful receivables, net	(797,855)	(1,118,362)
Loss / (Gain) on sale of property and equipment	-	567
<b>Changes in operating assets and liabilities:</b>		
Premiums receivable	1,501,421	9,579,885
Deferred policy acquisition costs	45,683	3,237,740
Prepayments and other assets	879,705	1,073,885
Unearned premium reserves, net	(47,482)	(11,164,904)
Unearned commission income	(74,001)	(1,685,660)
Reinsurers' balances payable	(918,613)	(6,057,392)
Accrued expenses and other liabilities	(5,523,254)	2,129,689
Outstanding claims and other technical reserves, net	(963,622)	(22,921,167)
Reinsurance balance receivable	(1,556,166)	(3,833,577)
<b>Cash used in operating activities</b>	<b>(6,191,963)</b>	<b>(24,572,977)</b>
End-of-service indemnities paid	--	(1,680,238)
<b>Net cash used in operating activities</b>	<b>(6,191,963)</b>	<b>(26,253,215)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	--	1,200
<b>Net cash from investing activities</b>	--	1,200
<b>FINANCING ACTIVITIES</b>		
Due to shareholders' operations	(521,479)	4,097,325
<b>Net cash (used in) / from financing activities</b>	<b>(521,479)</b>	<b>4,097,325</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,713,442)</b>	<b>(22,154,690)</b>
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>	<b>25,794,952</b>	<b>53,182,162</b>



The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.



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

	<i>Three Month ended 31 March 2016 (Unaudited)</i>	<i>Three Month ended 31 March 2015 (Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Net (loss) / profit for the period before zakat	(2,777,244)	4,682,566
<i>Adjustments for non-cash items:</i>		
Transfer of (loss) / profit from insurance operations	1,672,562	(5,005,741)
<b>Changes in operating assets and liabilities:</b>		
Accrued expenses and other liabilities	(2,378)	7,500
Prepayments and other assets	565,026	(545,000)
<b>Net cash used in operating activities</b>	<b>(542,034)</b>	<b>(860,675)</b>
<b>Net cash used in operating activities</b>	<b>(542,034)</b>	<b>(860,675)</b>
 <b>FINANCING ACTIVITIES</b>		
Due from insurance operations	521,479	(4,097,325)
<b>Net cash (used in) / from financing activities</b>	<b>521,479</b>	<b>(4,097,325)</b>
 <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(20,555)</b>	<b>(4,958,000)</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>8,169,451</b>
 <b>Non - cash supplemental information:</b>		
Change in fair value of investments - available for sale	524,296	(1,069,230)



The accompanying notes 1 to 13 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 MONTH PERIOD ENDED 31 MARCH 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 2015 to 30 September 2015 (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 31 March 2016, the Company's solvency margin is below the limit prescribed by Saudi Arabian Monetary Agency (SAMA).

The Company accumulated losses amounted to SR 168.69 million that represents approximately 84% 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 Dhul Qadah 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 MONTH PERIOD ENDED 31 MARCH 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 on 11 Dhul Qadah corresponding to ( 1 September 2015) whereby the Company's' management believed 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 it's 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, on 17 February 2016 the company send a letter to SAMA in order to extend the deadline for submission of its capital increase file to CMA due to appointment of a new financial advisor. On 17 March 2016 the Company received letter from SAMA containing its approval on the Company's order to extend the deadline up to 15 June 2016 instead of the previous deadline which was on 15 March 2016 whereby this extension of deadline is considered by SAMA as final.

**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.

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

**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 policies used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had an no significant financial impact on the unaudited interim condensed financial statements of the Company on the current period or prior period and is expected to have no significant effect in future periods.

**New and amended standards issued and adopted**

*Annual improvements to IFRSs 2012 – 2014*

Annual improvements to IFRSs 2012 – 2014 cycle applicable to annual period beginning on or after 1 January 2016.

*Disclosure initiative (Amendments to IAS 1)*

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports. It is effective for annual periods beginning on or after 1 January 2016.



**SANAD COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**  
**(Amount in Saudi Riyals)**

**3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT**  
**POLICIES(Continued)**

*Standards issued but not yet effective*

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

*IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

*Disclosure initiative (Amendments to IAS 7)*

IAS 7 Statement of Cash flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. It is effective for annual periods beginning on or after 1 January 2017.

The following new or amended standards are not expected to have significant impact on the financial statements.

*IFRS 15 Revenue from contracts with customers*

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**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>Three months ended 31 March 2016 (Unaudited)</i>		<i>Three months ended 31 March 2015 (Unaudited)</i>	
	<b>Gross written premium</b>	<b>Gross claims paid</b>	Gross written premium	Gross claims paid
Aggad Investment Company	--	<b>61,466</b>	--	89,880
Arabian Tiles Company	--	--	--	398,145
Medical Supplies and Services Company Limited (MEDISERV)	--	--	--	165,305
National Advanced Systems Company Limited (NASCO)	--	--	53,879	3,386,269
United Motors Company	--	<b>1,200</b>	--	956,997

**b) Balances with related parties:**

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

	<i>31 March 2016 (Unaudited)</i>		<i>31 December 2015 (Audited)</i>	
	<b>Premiums receivable</b>	<b>Outstanding claims</b>	Premiums receivable	Outstanding claims
Aggad Investment Company	--	<b>30,915</b>	--	30,915
Arabian Tiles Company	<b>314,686</b>	<b>19,250</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



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**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>Three month ended 31 March 2016 (Unaudited)</i>	<i>Three month ended 31 March 2015 (Unaudited)</i>
Salaries and other short term benefits	<b>1,013,658</b>	438,000
End of service benefit	<b>146,416</b>	18,219
	<b>1,160,074</b>	456,219

**5 PREMIUMS RECEIVABLE, NET**

	<i>31 March 2016 (Unaudited)</i>	<i>31 December 2015 (Audited)</i>
Premiums receivable	<b>37,241,972</b>	38,564,972
Less : Impairment against doubtful receivables	<b>(27,418,707)</b>	(28,036,594)
	<b>9,823,265</b>	10,528,378

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>	<i>Past due and impaired</i>
<b>31 March 2016 (Unaudited)</b>	<b>37,241,972</b>	-	<b>9,823,265</b>	<b>27,418,707</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>31 March 2016 (Unaudited)</i>	<i>31 December 2015 (Audited)</i>
Reinsurers' balance receivable	<b>1,999,481</b>	3,646,210
Less: Impairment against doubtful receivables	<b>--</b>	(90,563)
	<b>1,999,481</b>	3,555,647

	<i>Total</i>	<i>Past due but not impaired</i>	<i>Past due and impaired</i>
<b>31 March 2016 (Unaudited)</b>	<b>1,999,481</b>	<b>1,999,481</b>	<b>--</b>
31 December 2015 (Audited)	3,646,210	3,555,647	90,563

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**7 OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES**

	<i>31 March 2016 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurers' Share</i>	<i>Net</i>
Outstanding claim reserves	12,611,824	(2,249,267)	10,362,557
Incurred but not reported reserve ("IBNR")	10,437,257	(2,455,759)	7,981,498
Outstanding claims and other technical reserves	<u>23,049,081</u>	<u>(4,705,026)</u>	<u>18,344,055</u>
<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	<u>24,141,478</u>	<u>(4,833,801)</u>	<u>19,307,677</u>

**8 INVESTMENTS**

*Investments - available for sale*

Investment in available for sale securities comprise of the following:

	<b>31 March 2016 (Unaudited)</b>			<b>31 December 2015 (Audited)</b>
	<i>Cost</i>	<i>Unrealised gain</i>	<i>Market value</i>	<i>Market Value</i>
<i>Quoted/Published prices</i>				
Mutual Funds	6,625,998	487,137	7,113,135	7,085,475
Global Sukuk Fund deposits	9,450,000	2,264,789	11,714,789	11,647,502
Equities	16,316,626	(3,971,058)	12,345,568	11,916,218
	<u>32,392,624</u>	<u>(1,219,132)</u>	<u>31,173,492</u>	<u>30,649,195</u>
<i>Unquoted</i>				
Equities	1,923,078	--	1,923,078	1,923,078
<b>Total investments in available for sale</b>	<u><b>34,315,702</b></u>	<u><b>(1,219,132)</b></u>	<u><b>33,096,570</b></u>	<u><b>32,572,273</b></u>

Movements in available for sale investments are as follows:

	<i>31 March 2016 (Unaudited)</i>	<i>31 December 2015 (Audited)</i>
At beginning of the period	32,572,274	38,165,216
Change in fair value	524,296	(5,592,942)
At end of the period	<u>33,096,570</u>	<u>32,572,274</u>

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**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.

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

	For the three month ended 31 March 2016 (Unaudited)					
	Medical	Motor	Marine	Engineering	Others	Total
Gross written premiums	(24,795)	-	-	42,000	-	17,205
Reinsurance premiums ceded	-	(308,234)	(141,569)	(63,693)	(53,782)	(567,278)
<b>Net written premiums</b>	<b>(24,795)</b>	<b>(308,234)</b>	<b>(141,569)</b>	<b>(21,693)</b>	<b>(53,782)</b>	<b>(550,073)</b>
Net changes in unearned premiums	-	-	-	12,782	34,700	47,482
<b>Net earned premiums</b>	<b>(24,795)</b>	<b>(308,234)</b>	<b>(141,569)</b>	<b>(8,911)</b>	<b>(19,082)</b>	<b>(502,591)</b>
Reinsurance commission earned	-	-	-	77,153	6,816	83,969
Other underwriting income	1,315,303	2,297,115	-	9,428	10,527	3,632,373
<b>Underwriting revenue</b>	<b>1,290,508</b>	<b>1,988,881</b>	<b>(141,569)</b>	<b>77,670</b>	<b>(1,739)</b>	<b>3,213,751</b>
<b>EXPENSES</b>						
Gross claims paid	(8,320)	(1,845,024)	(1,550)	(99,365)	(42,171)	(1,996,430)
Reinsurance share of claims paid	-	-	1,008	96,311	21,567	118,886
<b>Net claims paid</b>	<b>(8,320)</b>	<b>(1,845,024)</b>	<b>(542)</b>	<b>(3,054)</b>	<b>(20,604)</b>	<b>(1,877,544)</b>
Net changes in outstanding claims and other technical reserves	-	958,211	-	2,881	2,530	963,622
<b>Net claims incurred</b>	<b>(8,320)</b>	<b>(886,813)</b>	<b>(542)</b>	<b>(173)</b>	<b>(18,074)</b>	<b>(913,922)</b>
Policy acquisition costs	2,479	-	-	(43,737)	(8,246)	(49,504)
Other underwriting expenses, net	(20,826)	(47,419)	(30,346)	-	-	(98,591)
Impairment allowance against doubtful receivables	320,367	477,488	-	-	-	797,855
<b>Underwriting expenses</b>	<b>293,700</b>	<b>(456,744)</b>	<b>(30,888)</b>	<b>(43,910)</b>	<b>(26,320)</b>	<b>(264,162)</b>
<b>Underwriting (deficit) / surplus before administration expenses and other income</b>	<b>1,584,208</b>	<b>1,532,137</b>	<b>(172,457)</b>	<b>33,760</b>	<b>(28,059)</b>	<b>2,949,589</b>
Unallocated income						250
Unallocated expenses						(4,622,401)
<b>Net deficit from insurance operations</b>						<b>(1,672,562)</b>



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**9 SEGMENTAL INFORMATION (CONTINUED)**

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

	<i>For the three month ended 31 March 2015 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
Gross written premiums	(3,183)	189,697	40,837	182,773	(13,563)	396,561
Reinsurance premiums ceded	2,228	(341,250)	(261,589)	(215,882)	(71,442)	(887,935)
Net written premiums	(955)	(151,553)	(220,752)	(33,109)	(85,005)	(491,374)
Net changes in unearned premiums	472,974	10,131,667	68,425	59,013	432,824	11,164,903
Net earned premiums	472,019	9,980,114	(152,327)	25,904	347,819	10,673,529
Reinsurance commission earned	427,299	-	783,099	262,775	263,051	1,736,224
Other underwriting income	-	579,090	25	-	-	579,115
Underwriting revenue	899,318	10,559,204	630,797	288,679	610,870	12,988,868
<b>EXPENSES</b>						
Gross claims paid	(11,018,818)	(13,076,862)	(1,375,607)	(3,265,466)	(4,239,259)	(32,976,012)
Reinsurance share of claims paid	6,199,223	603,375	1,093,309	3,158,134	184,044	11,238,085
Net claims paid	(4,819,595)	(12,473,487)	(282,298)	(107,332)	(4,055,215)	(21,737,927)
Net changes in outstanding claims and other technical reserves	12,719,203	3,985,196	223,229	135,099	5,858,440	22,921,167
Net claims incurred	7,899,608	(8,488,291)	(59,069)	27,767	1,803,225	1,183,240
Policy acquisition costs	(177,742)	(2,071,849)	(449,295)	(288,177)	(301,441)	(3,288,504)
Other underwriting expenses	(207)	(442,342)	(204)	(3,401)	(409)	(446,563)
Impairment allowance against doubtful and salvage receivables	208,304	(344,894)	--	--	--	(136,590)
Underwriting expenses	7,929,963	(11,347,376)	(508,568)	(263,811)	1,501,375	(2,688,417)
Underwriting surplus / (deficit) before administration expenses and other income	8,829,281	(788,172)	122,229	24,868	2,112,245	10,300,451
Unallocated income						40,858
Unallocated expenses						(5,335,568)
Net surplus from insurance operations						5,005,741

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**9 SEGMENTAL INFORMATION (CONTINUED)**

*a) Insurance operations' assets and liabilities*

	<i>At 31 March 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	-	-	-	502,444	72,898	575,342
Reinsurers' share of outstanding claims and other technical reserves	714,386	919,354	293,420	2,489,559	288,307	4,705,026
Deferred policy acquisition cost	-	-	-	76,853	27,511	104,364
Allocated assets	714,386	919,354	293,420	3,068,856	388,716	5,384,732
Unallocated assets						58,205,872
<b>Total insurance operations assets</b>						63,590,604
<b>Insurance operations liabilities</b>						
Unearned premiums reserves	-	-	-	528,872	200,296	729,168
Outstanding claims and other technical reserves	1,124,503	18,219,498	485,530	2,779,462	440,088	23,049,081
Unearned commission income	-	-	-	141,577	20,047	161,624
Allocated liabilities	1,124,503	18,219,498	485,530	3,449,911	660,431	23,939,873
Unallocated liabilities						39,650,731
<b>Total insurance operations liabilities</b>						63,590,604

	<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>						72,005,044
<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>						72,005,044

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**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.



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**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>31 March 2016 (Unaudited)</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equities	12,345,568	--	--	12,345,568
Other quoted investments	--	18,827,924	--	18,827,924
Unquoted equities	--	--	1,923,078	1,923,078
	<u>12,345,568</u>	<u>18,827,924</u>	<u>1,923,078</u>	<u>33,096,570</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 COMPARATIVE FIGURES**

Certain other prior period figures have been reclassified to conform to the current period presentation, however the impact of such reclassifications was not material to the overall presentation of the interim condensed financial statements.

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

The interim condensed financial statements have been approved by the Board of Directors on 17 April 2016 corresponding to 10 Rajab 1437.