

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2017

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

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INDEPENDENT AUDITORS' REVIEW REPORT

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

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of **Salama Cooperative Insurance Company** (A Saudi Joint Stock Company) (the "Company") as at 30 June 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the six-month period then ended and the notes from 1 to 15 which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for Zakat and Tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

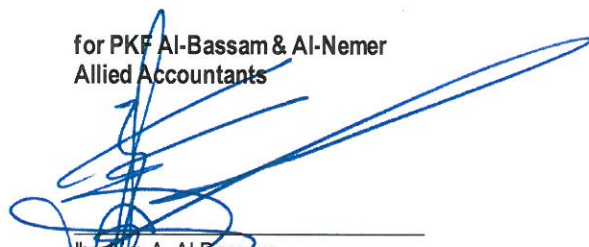
SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of these interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

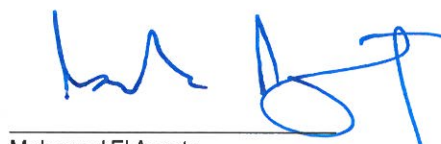
CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) and SAMA guidance on accounting for Zakat and Tax.

for PKF Al-Bassam & Al-Nemer
Allied Accountants


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

for Moore Stephens
El Sayed El Ayouuty & Co.


Mohamed El Ayouuty
Certified Public Accountant
Licence No. 211



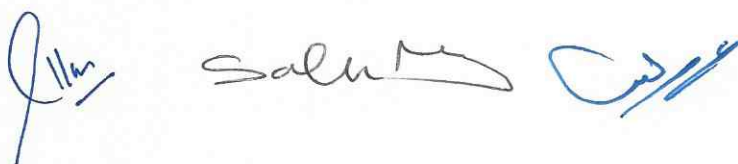
27 July 2017
4 Dhul Qa'dah 1438H
Jeddah, Kingdom of Saudi Arabia



SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 30 June 2017

	<i>Note</i>	30 June 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	20,203	58,019
Term deposits	4	14,783	14,783
Premium receivables, net	5	150,396	99,109
Reinsurance receivables, net		819	509
Deferred policy acquisition costs		16,411	10,590
Prepayments and other receivables		16,461	21,407
FVIS investments	6(a)	362,877	254,516
Reinsurers' share of unearned premiums		7,773	4,752
Reinsurers' share of outstanding claims	7	4,310	6,376
Held to maturity investments	6(b)	35,869	35,947
Furniture, fittings and office equipment		3,756	2,607
Total Insurance Operations' assets		633,658	508,615
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	11	11
FVIS investments	6(a)	193,063	145,210
Available-for-sale investments	6(c)	1,923	1,923
Prepayments and other receivables		122	132
Held to maturity investments	6(b)	13,699	13,755
Statutory deposit		25,000	25,000
Return on statutory deposit		1,931	1,645
Due from insurance operations		3,748	21,199
Total Shareholders' assets		239,497	208,875
TOTAL ASSETS		873,155	717,490



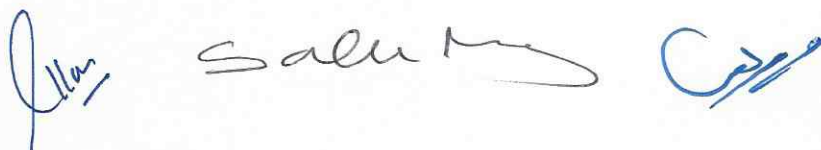
The accompanying notes 1 to 15 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2017

	<i>Note</i>	30 June 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		382,170	280,969
Outstanding claims	7	165,152	147,176
Unearned commission income		2,112	1,287
Other technical reserves		3,695	3,695
Policyholders' claims		16,032	7,572
Reinsurance payables		9,060	6,449
Accruals and other payables		33,545	25,715
Employees' end of service benefits		8,817	8,382
Due to shareholder operations		3,748	21,199
Total insurance operations' liabilities		624,331	502,444
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		9,327	6,171
Total Insurance Operations' liabilities and surplus		633,658	508,615
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Return on statutory deposit payable to SAMA		1,931	1,645
Accrued Zakat	8	16,554	14,054
Total Shareholders' liabilities		18,485	15,699
Shareholders' equity			
Share capital	9	250,000	250,000
Accumulated losses		(28,988)	(56,824)
Total Shareholders' equity		221,012	193,176
Total Shareholders' liabilities and equity		239,497	208,875
TOTAL LIABILITIES, SURPLUS AND EQUITY		873,155	717,490



SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the three-month and six-month periods ended 30 June 2017

	Three-month period ended 30 June		Six-month period ended 30 June	
<i>Note</i>	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
	SR'000	SR'000	SR'000	SR'000
Revenues				
Gross premiums written	201,968	141,488	429,847	283,205
Less: Reinsurance premiums ceded	(3,992)	(1,922)	(10,306)	(6,951)
Less: Excess of loss premiums	(3,557)	(3,883)	(7,364)	(6,751)
Net premiums written	194,419	135,683	412,177	269,503
Changes in net unearned premiums	(26,810)	(36,102)	(98,180)	(75,073)
Net premiums earned	167,609	99,581	313,997	194,430
Net reinsurance commissions earned	1,190	795	2,048	1,730
Other underwriting income	4,267	-	4,267	601
Net revenue	173,066	100,376	320,312	196,761
Costs and expenses				
Gross claims paid	112,138	68,350	215,426	140,444
Less: Reinsurers' share	(367)	(1,398)	(2,018)	(2,723)
Net claims paid	111,771	66,952	213,408	137,721
Changes in net outstanding claims	16,929	12,858	20,042	17,894
Net claims incurred	128,700	79,810	233,450	155,615
Policy acquisition costs	7,297	3,623	13,198	6,748
Other operating expenses	3,536	2,310	11,162	4,949
Net costs and expenses	139,533	85,743	257,810	167,312
Net results of insurance operations	33,533	14,633	62,502	29,449
General and administrative expenses	(15,541)	(13,479)	(31,144)	(24,736)
Provision for doubtful debts	(3,488)	(1,156)	(4,130)	(1,631)
Investment income	1,753	999	3,960	1,965
Other income	-	832	379	833
Surplus from Insurance Operations	16,257	1,829	31,567	5,880
Shareholders' share of insurance operations' surplus	2(a) (14,632)	(1,646)	(28,411)	(5,292)
Surplus for the period	1,625	183	3,156	588
Accumulated surplus at the beginning of the period	7,702	3,599	6,171	3,194
Accumulated surplus at the end of the period	9,327	3,782	9,327	3,782

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and six-month periods ended 30 June 2017

		Three-month period ended 30 June		Six-month period ended 30 June	
	<i>Note</i>	<u>2017</u> (Unaudited) SR'000	<u>2016</u> (Unaudited) SR'000	<u>2017</u> (Unaudited) SR'000	<u>2016</u> (Unaudited) SR'000
REVENUES					
Shareholders' share of Insurance Operations' surplus	2 (a)	14,632	1,646	28,411	5,292
Unrealized gain / (loss) on FVIS Investments		2,193	1,419	2,841	527
Income from held to maturity investments		81	71	176	143
		16,906	3,136	31,428	5,962
EXPENSES					
General and administrative expenses		(747)	(105)	(1,092)	(433)
Net income for the period		16,159	3,031	30,336	5,529
Earnings per share – (SR) – restated	13, 14	0.65	0.12	1.21	0.22



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SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

For the three-month and six-month periods ended 30 June 2017

	Three-month period ended 30 June		Six-month period ended 30 June	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR'000	SR'000	SR'000	SR'000
Net income for the period	16,159	3,031	30,336	5,529
Items that are or may be reclassified subsequently to statement of Shareholders' Operations:				
Change in fair value of available-for-sale-investments (note 6(c))	-	-	-	-
Total comprehensive income for the period	<u>16,159</u>	<u>3,031</u>	<u>30,336</u>	<u>5,529</u>



The accompanying notes 1 to 15 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month period ended 30 June 2017

	<i>For the six-month period ended 30 June 2017</i>			
	<i>Available-for-sale</i>			<i>Total</i>
	<i>Share capital</i>	<i>investments</i>	<i>Accumulated</i>	
	<i>SR'000</i>	<i>reserve</i>	<i>losses</i>	<i>SR'000</i>
Balance as at 31 December 2016 (Audited)	250,000	-	(56,824)	193,176
Net income for the period	-	-	30,336	30,336
Zakat for the current period (note 8)	-	-	(2,500)	(2,500)
Balance at 30 June 2017 (Unaudited)	250,000	-	(28,988)	221,012

	<i>For the six-month period ended 30 June 2016</i>			
	<i>Available-for-sale</i>			<i>Total</i>
	<i>Share capital</i>	<i>investments</i>	<i>Accumulated</i>	
	<i>SR'000</i>	<i>reserve</i>	<i>losses</i>	<i>SR'000</i>
Balance as at 31 December 2015 (Audited)	250,000	-	(78,128)	171,872
Net income for the period before adjustment	-	-	3,029	3,029
<i>Prior year adjustment (note 14)</i>	-	-	2,500	2,500
Net income for the period after adjustment	-	-	5,529	5,529
Zakat for the period	-	-	(2,500)	(2,500)
Balance at 30 June 2016 (Unaudited)	250,000	-	(75,099)	174,901



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The accompanying notes 1 to 15 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the six-month period ended 30 June 2017

	<i>Notes</i>	<i>Six-month period ended 30 June 2017 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2016 (Unaudited) SR'000</i>
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		3,156	588
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(3,069)	(941)
Realized gain on FVIS investments		-	(14)
Reinsurers share of unearned premiums		(3,021)	145
Amortization related to held to maturity investments	6(b)	78	76
Provision for doubtful insurance receivables		4,030	1,551
Provision for doubtful reinsurance receivables		100	51
Unearned premiums		101,201	74,928
Employees end of service benefits, net		435	807
Depreciation		825	750
		<u>103,735</u>	<u>77,941</u>
Changes in operating assets and liabilities:			
Premium receivables		(55,317)	(40,897)
Reinsurance receivables		(410)	(1,045)
Policy acquisition costs		(5,821)	(3,426)
Prepayments and other receivables		4,946	(269)
Reinsurers share of outstanding claims		2,066	1,235
Unearned commission income		825	74
Outstanding claims		17,976	16,659
Policyholders' claims		8,460	997
Reinsurance payables		2,611	(588)
Accruals and other payables		7,830	2,216
Due from shareholders' operations		(17,451)	5,055
		<u>69,450</u>	<u>57,952</u>
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(1,974)	(774)
Purchase of FVIS investments	6 (a)	(105,292)	(20,331)
Term deposits		-	(14,471)
Proceeds from disposal of FVIS investments		-	3,270
Proceeds from term deposits		-	10,962
Net cash used in investing activities		<u>(107,266)</u>	<u>(21,344)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		(37,816)	36,608
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		58,019	2,691
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u>20,203</u>	<u>39,299</u>

The accompanying notes 1 to 15 form part of these interim condensed financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS

For the six-month period ended 30 June 2017

		<i>Six-month period ended 30 June 2017 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2016 (Unaudited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income for the period		30,336	5,529
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(2,845)	(529)
Amortization of held to maturity investments	6(b)	56	54
		<u>27,547</u>	<u>5,054</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		10	1
Due to insurance operations		17,451	(5,055)
Return on statutory deposit		(286)	(53)
Return on statutory deposit payable to SAMA		286	53
		<u>45,008</u>	<u>-</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of FVIS Investments		(60,000)	-
Proceeds from disposal of FVIS Investments		14,992	-
		<u>(45,008)</u>	<u>-</u>
Net cash used in investing activities			
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD			
		11	8
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
	3	<u>11</u>	<u>8</u>





The accompanying notes 1 to 15 form part of these interim condensed financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

The Registered Office address of the Company is:

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for Zakat and Tax. The interim condensed financial statements for the six-month period ended 30 June 2017 (the "period") do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as at 31 December 2016.

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those used for the preparation of the annual financial statements of the Company for the year ended 31 December 2016 except for adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 2(b) which had no impact on the financial position or financial performance of the Company. The Company's risk management objectives and policies are consistent with those disclosed in the annual financial statements for year ended 31 December 2016.

The preparation of interim condensed financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. In the Company's Board of Directors opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The Company's interim results may not be indicative of its annual results.

• **Zakat**

On 14 Rajab 1438H corresponding to 11 April 2017, SAMA has issued a new circular (number 381000074519) regarding the accounting policy of Zakat and income tax in which it is mentioned that Zakat and income tax should be charged directly to the retained earnings of all insurance companies irrespective of their ownership structure for the current and comparative periods and this will be effective starting 1 January 2017.

Therefore, the Company has adopted the above new accounting policy in the preparation of these interim condensed financial statements and has restated the comparative financial statements accordingly (Note 14).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of presentation (continued)

The Company follows a fiscal year ending 31 December.

The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) with a date of initial application of 1 January 2017:

<i>Standard</i>	<i>Description</i>
IFRS 12	The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. This did not have any impact on the financial statements of the Company as there is no investment in subsidiary, a joint venture or an associate.
IAS 7	Amendments to IAS 7 – "Statement of Cash flows: Disclosure Initiative", The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Company is not required to provide additional disclosures in its interim condensed financial statements, but will disclose additional information in its annual financial statements for the year ending 31 December 2017.

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

c) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective date</i>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.	1 January 2018
IAS 40	Amendments to IAS 40 Transfers of investment property.	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance consideration.	1 January 2018
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.	1 January 2018
IFRS 16	Leases	1 January 2019

The Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

3. CASH AND CASH EQUIVALENTS

	<i>30 June</i> <u>2017</u> (Unaudited) SR'000	<i>31 December</i> <u>2016</u> (Audited) SR'000
<i>Insurance Operations</i>		
Cash in hand and at banks	<u>20,203</u>	<u>58,019</u>
<i>Shareholders' Operations</i>		
Cash at banks	<u>11</u>	<u>11</u>

4. TERM DEPOSITS

	<i>30 June</i> <u>2017</u> (Unaudited) SR'000	<i>31 December</i> <u>2016</u> (Audited) SR'000
<i>Insurance Operations</i>		
Term deposits	<u>14,783</u>	<u>14,783</u>

The term deposits are held with the commercial banks. These term deposits are denominated in Saudi Arabian Riyals and have been an original maturity of more than three months and less than twelve months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date.

5. PREMIUM RECEIVABLES, NET

	<i>30 June</i> <u>2017</u> (Unaudited) SR'000	<i>31 December</i> <u>2016</u> (Audited) SR'000
Due from policyholders	137,022	83,755
Due from policy holders – related parties (note 10)	38,773	36,723
Allowance for doubtful premiums receivable (see below)	(25,399)	(21,369)
	<u>150,396</u>	<u>99,109</u>

Movements in allowance for doubtful premiums receivable were as follows:

	<i>30 June</i> <u>2017</u> (Unaudited) SR'000	<i>31 December</i> <u>2016</u> (Audited) SR'000
Balance at beginning of period / year	21,369	15,835
Provision during the period / year	<u>4,030</u>	<u>5,534</u>
Balance at the end of the period / year	<u>25,399</u>	<u>21,369</u>

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Six -month period ended 30 June 2017 (Unaudited) SR'000</i>	<i>Year ended 31 December 2016 (Audited) SR'000</i>
Balance at the beginning of the period / year	254,516	159,137
Purchased during the period / year	105,292	166,162
Disposals during the period / year	-	(74,412)
Changes in fair value of investments	3,069	3,629
Balance at the end of the period / year	<u>362,877</u>	<u>254,516</u>

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Six-month period ended 30 June 2017 (Unaudited) SR'000</i>	<i>Year ended 31 December 2016 (Audited) SR'000</i>
Balance at the beginning of the period / year	145,210	141,684
Purchases during the period / year	60,000	514
Disposals during the period / year	(14,992)	-
Changes in fair value of investments	2,845	3,012
Balance at the end of the period / year	<u>193,063</u>	<u>145,210</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Six -month period ended 30 June 2017 (Unaudited) SR'000</i>	<i>Year ended 31 December 2016 (Audited) SR'000</i>
Balance at the beginning of the period / year	35,947	36,100
Amortized during the period / year	(78)	(153)
Balance at the end of the period / year	<u>35,869</u>	<u>35,947</u>

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6. INVESTMENTS (continued)

b) Held to maturity investments – (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Six -month period ended 30 June 2017 (Unaudited) SR'000</i>	<i>Year ended 31 December 2016 (Audited) SR'000</i>
Balance at the beginning of the period / year	13,755	10,147
Purchases during the period / year	-	3,717
Amortized during the period / year	(56)	(109)
Balance at the end of the period / year	<u>13,699</u>	<u>13,755</u>

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

c) Available-for-sale investments

Shareholders' operations

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

Six-month period ended 30 June 2017 (Unaudited)

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

Year ended 31 December 2016 (Audited)

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

- i. Unquoted available-for-sale investment, having a carrying value of SR 1,923 thousand (31 December 2016: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

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7. OUTSTANDING CLAIMS – NET

	<i>30 June 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Gross outstanding claims	26,426	23,179
Add: Incurred But Not Reported (IBNR) reserve	138,726	123,997
	<u>165,152</u>	<u>147,176</u>
Less: Reinsurance companies' share of outstanding claims	(4,310)	(6,376)
Net outstanding claims	<u>160,842</u>	<u>140,800</u>

8. ZAKAT

The Zakat payable by the Company has been calculated based on the best estimates of the management. Movement in Zakat payable during the six-month period ended 30 June 2017 and for the year ended 31 December 2016 is as follows:

	<i>30 June 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Balance at the beginning of the period / year	14,054	5,008
Charge for the current period / year	2,500	5,000
Charge for the prior period / year	-	4,046
Balance at the end of the period / year	<u>16,554</u>	<u>14,054</u>

Zakat status

The Company has filed its zakat declarations for the period from 16 May 2007 to 31 December 2008 and for the years ended 31 December 2009 through 2015 and has obtained restricted zakat certificates. The Company is in the process of submitting its zakat declaration for the year ended 31 December 2016.

During the year, the Company received zakat assessments for the years ended 31 December 2008 through 2012 where GAZT demanded an additional zakat and withholding tax liability of SR 13.7 million in respect of those years. The Company has filed an objection against those assessments and the management is confident of a favorable outcome. In this regard, the Company have issued a letter of guarantee amounting to SR 9.5 million in favour of GAZT. Further, the Company has booked an additional liability of SR 4.4 million for withholding tax in statement of insurance operations and SR 4 million for zakat for prior period in the statement of shareholders' operations.

9. SHARE CAPITAL

The authorized and issued share capital of the Company is SR 250 million divided into 25 million ordinary shares of SR 10 each.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>		<i>Balance as at</i>	<i>Balance as at</i>
		<i>Six-month period ended</i>		<i>30 June</i>	<i>December</i>
		<i>30 June</i>	<i>30 June</i>	<i>2017</i>	<i>2016</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
a) Insurance Operations					
<u>Related Parties of key management personnel</u>					
Tajeer Co. (Affiliate)	Insurance policies written	41,854	62,007	37,667	36,362
Chairman of the Board	Insurance policies written	131	145	57	144
Rusd Global Company	Insurance policies written	180	608	90	191
Al Firdous Group Co.	Insurance policies written	1,617	1,755	959	26
<u>Key management personnel</u>					
	Long-term benefits	121	156	(1,079)	(1,038)
	Short term benefits	1,831	2,887	102	146
b) Shareholders' Operations					
Board of Directors	Remuneration	696	60	-	-
Board Committees	Remuneration	42	11	-	-

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

11. SEGMENTAL INFORMATION

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

	<u>Medical</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Other</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
For the three-month period ended 30 June 2017 – unaudited				
Gross premium written	23,067	173,170	5,731	201,968
Less: Reinsurance premiums ceded	-	-	(3,992)	(3,992)
Less: Excess of loss premiums	-	(3,337)	(220)	(3,557)
Net premium written	23,067	169,833	1,519	194,419
Changes in net unearned premiums	(8,724)	(17,606)	(480)	(26,810)
Net premiums earned	14,343	152,227	1,039	167,609
Net reinsurance commissions earned	-	-	1,190	1,190
Other underwriting income	-	4,267	-	4,267
Net revenue	14,343	156,494	2,229	173,066
Gross claims paid	4,058	107,577	503	112,138
Less: Reinsurers share	-	-	(367)	(367)
Net claims paid	4,058	107,577	136	111,771
Changes in outstanding claims	1,858	14,688	383	16,929
Net claims incurred	5,916	122,265	519	128,700
Commission expense	806	5,982	509	7,297
Other operating expenses	1,452	2,033	51	3,536
Net costs and expenses	8,174	130,280	1,079	139,533
Net results of insurance operations	6,169	26,214	1,150	33,533
General and administrative expenses				(15,541)
Provision for doubtful debts				(3,488)
Investment income				1,753
Surplus from insurance operations				<u>16,257</u>

11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
For the six-month period ended 30 June 2017 – unaudited				
Gross premium written	49,313	366,231	14,303	429,847
Less: Reinsurance premiums ceded	-	-	(10,306)	(10,306)
Less: Excess of loss premiums	(450)	(6,473)	(441)	(7,364)
Net premium written	48,863	359,758	3,556	412,177
Changes in net unearned premiums	(25,580)	(70,981)	(1,619)	(98,180)
Net premiums earned	23,283	288,777	1,937	313,997
Net reinsurance commissions earned	-	-	2,048	2,048
Other underwriting income	-	4,267	-	4,267
Net revenue	23,283	293,044	3,985	320,312
Gross claims paid	8,210	205,083	2,133	215,426
Less: Reinsurers share	(550)	-	(1,468)	(2,018)
Net claims paid	7,660	205,083	665	213,408
Changes in outstanding claims	2,370	17,839	(167)	20,042
Net claims incurred	10,030	222,922	498	233,450
Commission expense	1,283	11,072	843	13,198
Other operating expenses	3,512	7,525	125	11,162
Net costs and expenses	14,825	241,519	1,466	257,810
Net results of insurance operations	8,458	51,525	2,519	62,502
General and administrative expenses				(31,144)
Provision for doubtful debts				(4,130)
Investment income				3,960
Unallocated other income				379
Surplus from insurance operations				<u>31,567</u>
As at 30 June 2017 - unaudited	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	7,773	7,773
Reinsurer's share of outstanding claims	-	-	4,310	4,310
Deferred policy acquisition costs	2,082	13,288	1,041	16,411
Unallocated assets				605,164
Total insurance operations' assets				<u>633,658</u>
Insurance operations' liabilities and surplus				
Unearned premium	37,244	334,164	10,762	382,170
Outstanding claims	10,006	147,070	8,076	165,152
Unearned commission income	-	-	2,112	2,112
Other technical reserves	533	3,140	22	3,695
Unallocated liabilities and surplus				80,529
Total insurance operations' liabilities and surplus				<u>633,658</u>

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11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
For the three-month period ended 30 June 2016				
Gross premium written	8,241	130,034	3,213	141,488
Less: Reinsurance premiums ceded	-	-	(1,922)	(1,922)
Less: Excess of loss premiums	-	(3,616)	(267)	(3,883)
Net premium written	8,241	126,418	1,024	135,683
Changes in net unearned premiums	(1,342)	(34,664)	(96)	(36,102)
Net premiums earned	6,899	91,754	928	99,581
Net reinsurance commissions earned	-	-	795	795
Net revenue	6,899	91,754	1,723	100,376
Gross claims paid	4,854	61,479	2,017	68,350
Less: Reinsurers share	-	-	(1,398)	(1,398)
Net claims paid	4,854	61,479	619	66,952
Changes in outstanding claims	(427)	14,152	(867)	12,858
Net claims incurred	4,427	75,631	(248)	79,810
Commission expense	323	2,951	349	3,623
Other operating expenses	572	1,680	58	2,310
Net costs and expenses	5,322	80,262	159	85,743
Net results of insurance operations	1,577	11,492	1,564	14,633
General and administrative expenses				(13,479)
Provision for doubtful debts				(1,156)
Investment income				999
Unallocated other income				832
Surplus from insurance operations				1,829

11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Other</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
For the Six-month period ended 30 June 2016				
Gross premium written	19,023	253,623	10,559	283,205
Less: Reinsurance premiums ceded	-	-	(6,951)	(6,951)
Less: Excess of loss premiums	(366)	(5,831)	(554)	(6,751)
Net premium written	18,657	247,792	3,054	269,503
Changes in net unearned premiums	(4,817)	(69,070)	(1,186)	(75,073)
Net premiums earned	13,840	178,722	1,868	194,430
Net reinsurance commissions earned	-	-	1,730	1,730
Other underwriting income	-	601	-	601
Net revenue	13,840	179,323	3,598	196,761
Gross claims paid	9,234	127,603	3,607	140,444
Less: Reinsurers share	-	-	(2,723)	(2,723)
Net claims paid	9,234	127,603	884	137,721
Changes in outstanding claims	478	17,465	(49)	17,894
Net claims incurred	9,712	145,068	835	155,615
Commission expense	666	5,421	661	6,748
Other operating expenses	1,306	3,489	154	4,949
Net costs and expenses	11,684	153,978	1,650	167,312
Net results of insurance operations	2,156	25,345	1,948	29,449
General and administrative expenses				(24,736)
Provision for doubtful debts				(1,631)
Investment income				1,965
Unallocated other income				833
Surplus from insurance operations				5,880
As at 30 June 2016				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	5,918	5,918
Reinsurer's share of outstanding claims	-	-	6,173	6,173
Deferred policy acquisition costs	620	7,407	614	8,641
Unallocated assets				386,167
Total insurance operations' assets				406,899
Insurance operations' liabilities				
Unearned premiums	15,525	223,003	8,547	247,075
Outstanding claims	6,188	98,806	9,772	114,766
Unearned commission income	-	-	1,627	1,627
Provision for premium deficiency	1,478	1,079	27	2,584
Unallocated liabilities and surplus				40,847
Total insurance operations' liabilities and surplus				406,899

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Determination of fair value and fair value hierarchy

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

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

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

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

The table below presents the financial instruments at their fair values as at 30 June 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets</i>				
Financial assets held as FVIS - Insurance Operations	-	362,877	-	362,877
Financial assets held as FVIS - Shareholders' Operations	-	193,063	-	193,063
Balance at the end of the period	<u>-</u>	<u>555,940</u>	<u>-</u>	<u>555,940</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets</i>				
Financial assets held as FVIS - Insurance Operations	-	254,516	-	254,516
Financial assets held as FVIS - Shareholders' Operations	-	145,210	-	145,210
Balance at the end of the year	<u>-</u>	<u>399,726</u>	<u>-</u>	<u>399,726</u>

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

13. EARNINGS PER SHARE

Earnings per share for the period has been calculated by dividing the net income for the period by the weighted average number of issued and outstanding shares for the period.

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14. PRIOR PERIOD RESTATEMENT

Further to the new SAMA's circular (number 381000074519) regarding the accounting policy of Zakat and income tax (Note 2), the below is the restatement impact on the comparative financial statements:

Financial Position – shareholders' equity as at 31 December 2016 and statement of shareholders' operations for the year ended 31 December 2016

	<u>Before</u> <u>Adjustment</u> <u>SR'000</u>	<u>Adjustment</u> <u>SR'000</u>	<u>After</u> <u>Adjustment</u> <u>SR'000</u>
Accumulated losses as at 1 January 2016	(78,128)	-	(78,128)
Income before Zakat for the year ended 31 December 2016	30,350	-	30,350
Zakat for the year	(9,046)	9,046*	-
Net Income for the year ended 31 December 2016	21,304	9,046*	30,350
Accumulated losses as at 31 December 2016	(56,824)	-	(56,824)

*The above mentioned adjustment was carried out to the net income and accumulated losses for the year ended and as of 31 December 2016 as a result of the Zakat restatement from income statement to the statement of shareholders' equity following the new accounting policy of Zakat and Income Tax as disclosed in Note 2 (no effect on the total shareholders' equity as of 31 December 2016).

Interim Statement of Shareholders' Operations – (for the period ended 30 June 2016)

	<u>Before</u> <u>Adjustment</u> <u>SR'000</u>	<u>Adjustment</u> <u>SR'000</u>	<u>After</u> <u>Adjustment</u> <u>SR'000</u>
Net Income before Zakat for the period ended 30 June 2016	5,529	-	5,529
Zakat for the period ended 30 June 2016	(2,500)	2,500*	-
Net Income for the period ended 30 June 2016	3,029	2,500*	5,529
Total Comprehensive Income for the period ended 30 June 2016	3,029	2,500*	5,529
Basic and Diluted Earnings per Share for the period	0.12	0.1	0.22

*The above mentioned adjustment was carried out to the net income / comprehensive income for the period ended 30 June 2016 as a result of the Zakat restatement from income statement to the statement of shareholders' equity following the new accounting policy of Zakat and Income Tax as disclosed in Note 2.

15. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 27 July 2017, corresponding to 4 Dhul Qa'dah 1438H.