

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2015**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015**

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Scope of review

We have reviewed the accompanying interim statement of financial position of Salama Cooperative Insurance Company – a Saudi Joint Stock Company – (the “Company”) as at 30 September 2015, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations, comprehensive income for the three-month and nine-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 nine-month period then ended and notes 1 to 14 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on Review of Interim Financial Statements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of analytical procedures applied to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

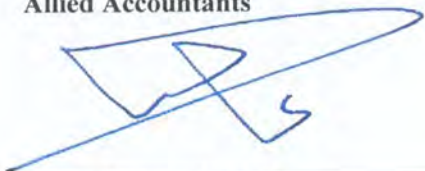
Conclusion

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

Emphasis of a matter

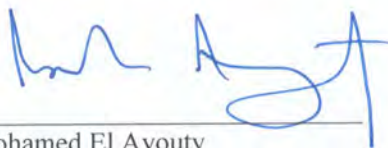
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with Standard on Interim Financial Information issued by SOCPA.

**for PKF Al-Bassam & Al-Nemer
Allied Accountants**



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

for El Sayed El Ayouty & Co.



Mohamed El Ayouty
Certified Public Accountant
Licence No. 211



21 October 2015
8 Muharram 1437H
Jeddah, Kingdom of Saudi Arabia



SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	<i>Note</i>	<i>30 September 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	12,143	23,573
Term deposits	4	30,994	30,739
Premium receivables, net	5	76,069	48,619
Reinsurance receivables, net		882	3,023
Deferred policy acquisition costs		5,764	4,739
Prepayments and other receivables		16,932	15,276
Amounts due from a related party	10	6,759	6,759
FVIS investments	6(a)	111,453	85,484
Reinsurers' share of unearned premiums		7,747	4,927
Reinsurers' share of outstanding claims	7	8,898	6,082
Held to maturity investments	6(b)	40,830	30,641
Furniture, fittings and office equipment		1,959	2,163
Due from Shareholders' Operations		-	1,287
Total Insurance Operations' assets		320,430	263,312
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	8	5,524
FVIS investments	6(a)	144,978	14,072
Available-for-sale investments	6(c)	1,923	1,923
Prepayments and other receivables		106	555
Held to maturity investments	6(b)	5,558	-
Statutory deposit		26,031	10,976
Due from Insurance Operations		2,235	-
Total Shareholders' assets		180,839	33,050
TOTAL ASSETS		501,269	296,362



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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2015

	<i>Note</i>	<i>30 September 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		188,695	143,371
Premium deficiency reserve		4,531	4,531
Unearned commission income		2,153	1,291
Outstanding claims	7	82,588	79,726
Policyholders' claims		4,641	5,359
Reinsurance payables		5,952	2,883
Amount due to related parties		91	-
Accruals and other payables		19,207	17,186
Employees' end of service benefits		6,671	5,951
Due to Shareholders' Operations		2,235	-
		<u>316,764</u>	<u>260,298</u>
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		3,666	3,014
Total Insurance Operations' liabilities and surplus		<u>320,430</u>	<u>263,312</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables		1,731	1,676
Accrued Zakat	8	4,008	3,108
Due to Insurance Operations		-	1,287
Total Shareholders' liabilities		<u>5,739</u>	<u>6,071</u>
Shareholders' equity			
Share capital	9	250,000	100,000
Accumulated losses		(74,900)	(73,021)
Total Shareholders' equity		<u>175,100</u>	<u>26,979</u>
Total Shareholders' liabilities and equity		<u>180,839</u>	<u>33,050</u>
TOTAL LIABILITIES, SURPLUS AND EQUITY		<u>501,269</u>	<u>296,362</u>





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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the three-month and nine-month periods ended 30 September 2015

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
<i>Note</i>	<i>2015 (Unaudited)</i>	<i>2014 (Unaudited)</i>	<i>2015 (Unaudited)</i>	<i>2014 (Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenues				
Gross premiums written	84,800	74,840	311,570	256,835
Less: Reinsurance premiums ceded	(3,593)	(2,747)	(12,576)	(12,571)
Less: Excess of loss premiums	(1,860)	(1,302)	(5,962)	(4,909)
Net premiums written	79,347	70,791	293,032	239,355
Changes in net unearned premiums	7,992	(1,250)	(42,504)	(55,074)
Net premiums earned	87,339	69,541	250,528	184,281
Net reinsurance commissions earned	1,006	1,004	2,740	2,611
Net revenue	88,345	70,545	253,268	186,892
Costs and expenses				
Gross claims paid	71,063	54,526	207,976	172,102
Less: Reinsurers' share	(379)	(134)	(1,672)	(6,621)
Net claims paid	70,684	54,392	206,304	165,481
Changes in net outstanding claims	2,078	3,592	46	(15,966)
Net claims incurred	72,762	57,984	206,350	149,515
Policy acquisition costs	2,731	2,455	8,326	5,890
Other operating expenses	1,725	1,501	6,003	5,166
Net costs and expenses	77,218	61,940	220,679	160,571
Net results of insurance operations	11,127	8,605	32,589	26,321
General and administrative expenses	(10,137)	(9,336)	(30,144)	(27,371)
Other income	-	21	483	108
Investment income	783	468	3,592	3,882
Surplus from Insurance Operations	1,773	(242)	6,520	2,940
Shareholders' share of insurance operations' surplus	2(a) (1,596)	218	(5,868)	(2,646)
Surplus for the period	177	(24)	652	294
Accumulated surplus at the beginning of the period	3,489	3,332	3,014	3,014
Accumulated surplus at the end of the period	3,666	3,308	3,666	3,308

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and nine-month periods ended 30 September 2015

		Three-month period ended 30 September		Nine-month period ended 30 September	
	Note	<u>2015</u> (Unaudited) SR'000	<u>2014</u> (Unaudited) SR'000	<u>2015</u> (Unaudited) SR'000	<u>2014</u> (Unaudited) SR'000
REVENUES					
Shareholders' share of Insurance					
Operations' surplus	2 (a)	1,596	(218)	5,868	2,646
Investment income		(135)	1,069	513	2,841
		<u>1,461</u>	<u>851</u>	<u>6,381</u>	<u>5,487</u>
EXPENSES					
General and administrative expenses		<u>(18)</u>	<u>(88)</u>	<u>(394)</u>	<u>(491)</u>
Net income for the period before Zakat		1,443	763	5,987	4,996
Zakat	8	<u>(300)</u>	<u>(300)</u>	<u>(900)</u>	<u>(800)</u>
Net income for the period		<u>1,143</u>	<u>463</u>	<u>5,087</u>	<u>4,196</u>
Earnings per share – (SR) - restated	13	0.06	0.03	0.29	0.25

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2015

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<u>2015</u> <i>(Unaudited)</i> SR'000	<u>2014</u> <i>(Unaudited)</i> SR'000	<u>2015</u> <i>(Unaudited)</i> SR'000	<u>2014</u> <i>(Unaudited)</i> SR'000
Net income for the period	1,143	463	5,087	4,196
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))	-	121	-	474
Total comprehensive income for the period	<u>1,143</u>	<u>584</u>	<u>5,087</u>	<u>4,670</u>

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended 30 September 2015

<i>For the nine-month period ended 30 September 2015</i>				
	<i>Share capital</i>	<i>Available-for-sale investments reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at 31 December 2014 (Audited)	100,000	-	(73,021)	26,979
Issuance of right shares (note 9)	150,000	-	-	150,000
Net income for the period	-	-	5,087	5,087
Issuance cost	-	-	(6,966)	(6,966)
Balance at 30 September 2015 (Unaudited)	250,000	-	(74,900)	175,100

<i>For the nine-month period ended 30 September 2014</i>				
	<i>Share capital</i>	<i>Available-for- sale investments reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at 31 December 2013 (Audited)	100,000	2,053	(74,850)	27,203
Net income for the period	-	-	4,196	4,196
<i>Other comprehensive income for the period:</i>				
Change in fair value of available-for-sale investments (note 6 (c))	-	474	-	474
Balance at 30 September 2014 (unaudited)	100,000	2,527	(70,654)	31,873

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the nine-month period ended 30 September 2015

		<i>Nine-month period ended 30 September 2015 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2014 (Unaudited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		652	294
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(744)	(2,886)
Realized gain on FVIS investments		(1,762)	(1)
Amortisation related to held to maturity investments	6(b)	23	22
Depreciation		1,050	1,382
Employees end of service benefits, net		720	336
		(61)	(853)
Changes in operating assets and liabilities:			
Premium receivables		(27,450)	(14,799)
Reinsurance receivables		2,141	3,187
Deferred policy acquisition costs		(1,025)	(3,039)
Prepayments and other receivables		(1,656)	1,697
Reinsurers share of unearned premiums		(2,820)	(3,744)
Reinsurers share of outstanding claims		(2,816)	3,069
Unearned premiums		45,325	58,818
Unearned commission income		862	983
Outstanding claims		2,862	(19,033)
Policyholders' claims		(718)	(14)
Reinsurance payables		3,068	1,928
Amount due to related parties		91	-
Accruals and other payables		2,021	2,695
Due to / (from) Shareholders' Operations		3,522	(5,040)
Net cash from operating activities		23,346	25,855
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(846)	(523)
Purchase of FVIS investments		(40,285)	(15,000)
Purchase of held to maturity investments	6(b)	(10,212)	(10,000)
Term deposits		(20,509)	(20,050)
Proceeds from disposal of FVIS investments	6(a)	16,822	6,627
Proceeds from term deposits		20,254	-
Proceeds from held to maturity investments		-	3,000
Net cash used in investing activities		(34,776)	(35,946)
DECREASE IN CASH AND CASH EQUIVALENTS		(11,430)	(10,091)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		23,573	36,465
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	12,143	26,374

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS
For the nine-month period ended 30 September 2015

		<i>Nine-month period ended 30 September 2015 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2014 (Unaudited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income for the period before Zakat		5,987	4,996
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(66)	(2,675)
Amortization of held to maturity investments	6(b)	28	7
		<u>5,949</u>	<u>2,328</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		449	(56)
Due (to) / from Insurance Operations		(3,522)	5,040
Statutory deposit		(15,055)	(55)
Accruals and other payables		55	(50)
Amount due to a related party		-	212
		<u>(12,124)</u>	<u>7,419</u>
Net cash (used in) / from operating activities			
INVESTING ACTIVITIES			
Purchase of FVIS Investments	6(a)	(130,840)	(7,425)
Proceeds from maturity of held to maturity investments	6(b)	(5,586)	-
		<u>(136,426)</u>	<u>(7,425)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Issuance of right shares		150,000	-
Issuance cost		(6,966)	-
		<u>143,034</u>	<u>-</u>
Net cash from financing activities			
DECREASE IN CASH AND CASH EQUIVALENTS		(5,516)	(6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		5,524	33
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	<u>8</u>	<u>27</u>
MAJOR NON-CASH TRANSACTIONS			
Change in the fair value of available-for-sale-investments	6(c)	-	474




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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

The Registered Office address of the Company is:

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). The interim condensed financial statements for the three-month and nine-month periods ended 30 September 2015 (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 2014.

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 2014 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 2014.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of presentation (continued)

The Company follows a fiscal year ending 31 December.

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

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

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

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

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

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

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015

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 2015:

<u>Standard/ Interpretation</u>	<u>Description</u>
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employees Contributions
IFRS 2	Share based payment
IFRS 3	Business combination
IFRS 8	Operating segments
IFRS 13	Fair value measurement
IAS 16 & 38	Property, plant and equipment and intangible assets
IAS 24	Related party disclosures
IAS 40	Investment property

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.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Inventor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
IFRS 10 and IFRS 12	Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the consolidated exception	1 January 2016
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 1	Amendments to IAS 1 – disclosure initiative	1 January 2016
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27	Amendment to IAS 27 Equity Method in Separate Financial Statements	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	1 January 2016

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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015

3. CASH AND CASH EQUIVALENTS

	<i>30 September 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand and at banks	<u>12,143</u>	<u>23,573</u>
<i>Shareholders' Operations</i>		
Cash at banks	<u>8</u>	<u>5,524</u>

4. TERM DEPOSITS

	<i>30 September 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Term deposits	<u>30,994</u>	<u>30,739</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 September 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Due from policyholders	52,411	48,425
Due from policy holders – related parties (note 10)	46,311	22,847
Provision for doubtful debts	(22,653)	(22,653)
	<u>76,069</u>	<u>48,619</u>

Movements in allowance for doubtful premiums receivable were as follows:

	<i>30 September 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Balance at beginning of period / year	22,653	23,636
Release of provision during the period / year	-	(983)
Balance at the end of the period / year	<u>22,653</u>	<u>22,653</u>

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Nine-month period ended 30 September 2015 (Unaudited) SR'000</i>	<i>Year ended 31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	85,484	60,659
Changes in fair value of investments	744	3,452
Transfer during the period / year	1,762	3,000
Purchased during the period / year	40,285	25,000
Disposals during the period / year	(16,822)	(6,627)
Balance at the end of the period / year	111,453	85,484

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Nine-month period ended 30 September 2015 (Unaudited) SR'000</i>	<i>Year ended 31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	14,072	4,846
Purchases during the period / year	130,840	7,425
Changes in fair value of investments	66	1,801
Balance at the end of the period / year	144,978	14,072

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Nine-month period ended 30 September 2015 (Unaudited) SR'000</i>	<i>Year ended 31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	30,641	26,663
Purchases during the period / year	10,212	10,000
Transfer during the period / year	-	(3,000)
Matured during the period / year	-	(3,000)
Amortised during the period / year	(23)	(22)
Balance at the end of the period / year	40,830	30,641

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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>Nine-month period ended 30 September 2015 (Unaudited) SR'000</i>	<i>Year ended 31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	-	3,719
Purchases during the period / year	5,586	-
Matured during the period / year	-	(3,712)
Amortized during the period / year	(28)	(7)
Balance at the end of the period / year	5,558	-

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:

Nine-month period ended 30 September 2015 (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	1,923	-	1,923

Year ended 31 December 2014 (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	5,053	1,923	6,976
Disposed during the year	(5,497)	-	(5,497)
Changes in fair value of investments	444	-	444
Balance at the end of the year	-	1,923	1,923

- i. Unquoted available-for-sale investment, having a carrying value of SR 1,923 thousand (31 December 2014: 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 September 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Gross outstanding claims	15,994	17,690
Add: Incurred But Not Reported (IBNR) reserve	66,594	62,036
	82,588	79,726
Less: Reinsurance companies' share of outstanding claims	(8,898)	(6,082)
Net outstanding claims	73,690	73,644

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 nine-month period ended 30 September 2015 and for the year ended 31 December 2014 is as follows:

	<i>30 September 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	3,108	2,174
Charge for the period / year	900	934
Balance at the end of the period / year	4,008	3,108

Zakat status

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

The Department of Zakat and Income Tax (DZIT) raised assessment for the period from 16 May 2007 to 31 December 2008 and demanded additional Zakat liability of SR 619 thousand. The Company filed an objection against this demand and is confident of a favorable outcome. Zakat assessments for years ended 31 December 2009 through 2014 have not yet been raised. However during the year the DZIT issued initial assessment for the year 2011, disallowing investments and statutory deposit from Zakat base and requested additional Zakat of SR 1.3 million. The Company has filed an appeal against DZIT's initial assessment and confident of a favorable outcome.

9. SHARE CAPITAL

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

In the extra-ordinary general meeting held on 30 June 2015 corresponding to 13 Ramadan 1436H, the shareholders approved rights issue of SR 150 million. As approved by the regulators, 15 million ordinary shares were offered at an exercise price of SR 10 during the subscription period which was completed during August 2015. The legal formalities have been completed and the share capital has been increased from SR 100 Million to SR 250 Million. The Company incurred a sum of SR 6.97 million as issuance cost to raise additional capital of SR 150 million through rights issue which has been accounted through interim statement of changes in shareholders' equity.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u> <u>Nine-month period ended</u>		<u>Balance as</u> <u>at 30</u>	<u>Balance</u> <u>as at 31</u>
		<u>30 September</u> <u>2015</u>	<u>30 September</u> <u>2014</u>	<u>September</u> <u>2015</u>	<u>December</u> <u>2014</u>
		<u>(Unaudited)</u> <u>SR'000</u>	<u>(Unaudited)</u> <u>SR'000</u>	<u>(Unaudited)</u> <u>SR'000</u>	<u>(Audited)</u> <u>SR'000</u>
a) Insurance Operations					
<u>Major Shareholder</u>					
Islamic Arab Insurance Company (UAE)	Insurance premium	91	212	(91)	-
<u>Related Parties of key management personnel</u>					
Tajeer Co. (Affiliate)	Insurance policies written	125,074	102,091	45,883	22,847
Chairman of the Board	Insurance policies written	256	95	-	15
Rusd Global Company	Insurance policies written	561	567	278	28
Technology Establishment	Insurance policies written	277	246	142	6
Al Firdous Group Co.	Insurance policies written	1,286	1,011	8	-
Islamic Arab Insurance Company (B.S.C)	General and Administrative Expenses directly paid on behalf of the Company	-	-	6,759	6,759
<u>Key management personnel</u>	Long-term benefits	180	230	(1,443)	(1,263)
	Short term benefits	3,419	2,904	136	151
b) Shareholders' Operations					
Board of Directors	Remuneration	43	19	-	-
Board Committees	Remuneration	98	8	-	-

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

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11. SEGMENTAL INFORMATION

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

	<u>Medical</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
For the three-month period ended				
30 September 2015				
Gross premium written	3,765	76,814	4,221	84,800
Less: Reinsurance premiums ceded	-	-	(3,593)	(3,593)
Less: Excess of loss premiums	(390)	(1,204)	(266)	(1,860)
Net premium written	3,375	75,610	362	79,347
Changes in net unearned premiums	4,864	2,466	662	7,992
Net premiums earned	8,239	78,076	1,024	87,339
Net reinsurance commissions earned	-	-	1,006	1,006
Net revenue	8,239	78,076	2,030	88,345
Gross claims paid	4,637	65,676	750	71,063
Less: Reinsurers share	-	-	(379)	(379)
Net claims paid	4,637	65,676	371	70,684
Changes in outstanding claims	(17)	1,675	420	2,078
Net claims incurred	4,620	67,351	791	72,762
Policy acquisition costs	420	2,017	294	2,731
Other operating expenses	433	1,146	146	1,725
Net costs and expenses	5,473	70,514	1,231	77,218
Net results of insurance operations	2,766	7,562	799	11,127
Unallocated expenses				(10,137)
Investment income				783
Surplus from insurance operations				1,773

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11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u> SR'000	<u>Motor</u> SR'000	<u>Other</u> SR'000	<u>Total</u> SR'000
For the Nine-month period ended 30 September 2015				
Gross premium written	24,190	270,223	17,157	311,570
Less: Reinsurance premiums ceded	-	(74)	(12,502)	(12,576)
Less: Excess of loss premiums	(878)	(4,362)	(722)	(5,962)
Net premium written	23,312	265,787	3,933	293,032
Changes in net unearned premiums	2,486	(45,405)	415	(42,504)
Net premiums earned	25,798	220,382	4,348	250,528
Net reinsurance commissions earned	-	88	2,652	2,740
Net revenue	25,798	220,470	7,000	253,268
Gross claims paid	15,916	189,503	2,557	207,976
Less: Reinsurers share	51	-	(1,723)	(1,672)
Net claims paid	15,967	189,503	834	206,304
Changes in outstanding claims	(780)	435	391	46
Net claims incurred	15,187	189,938	1,225	206,350
Policy acquisition costs	1,303	6,165	858	8,326
Other operating expenses	1,957	3,815	231	6,003
Net costs and expenses	18,447	199,918	2,314	220,679
Net results of insurance operations	7,351	20,552	4,686	32,589
Unallocated expenses				(30,144)
Unallocated other income				483
Investment income				3,592
Surplus from insurance operations				6,520
	<u>Medical</u> SR'000	<u>Motor</u> SR'000	<u>Other</u> SR'000	<u>Total</u> SR'000
As at 30 September 2015				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	7,747	7,747
Reinsurer's share of outstanding claims	-	-	8,898	8,898
Deferred policy acquisition costs	675	4,407	682	5,764
Unallocated assets				298,021
Total insurance operations' assets				320,430
Insurance operations' liabilities				
Unearned premiums	12,958	165,549	10,188	188,695
Outstanding claims	5,671	64,625	12,292	82,588
Unearned commission income	-	-	2,153	2,153
Provision for premium deficiency	-	4,331	200	4,531
Unallocated liabilities and surplus				42,463
Total insurance operations' liabilities and surplus				320,430

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11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
For the three-month period ended	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
30 September 2014				
Gross premium written	7,183	64,434	3,223	74,840
Less: Reinsurance premiums ceded	-	(99)	(2,648)	(2,747)
Less: Excess of loss premiums	(548)	(759)	5	(1,302)
Net premium written	6,635	63,576	580	70,791
Changes in net unearned premiums	1,413	(3,215)	552	(1,250)
Net premiums earned	8,048	60,361	1,132	69,541
Net reinsurance commissions earned	-	16	988	1,004
Net revenue	8,048	60,377	2,120	70,545
Gross claims paid	5,620	48,800	106	54,526
Less: Reinsurers share	(51)	(4)	(79)	(134)
Net claims paid	5,569	48,796	27	54,392
Changes in outstanding claims	49	3,221	322	3,592
Net claims incurred	5,618	52,017	349	57,984
Policy acquisition costs	390	1,739	326	2,455
Other operating expenses	633	812	56	1,501
Net costs and expenses	6,641	54,568	731	61,940
Net results of insurance operations	1,407	5,809	1,389	8,605
Unallocated expenses				(9,336)
Unallocated other income				21
Investment income				468
Surplus from insurance operations				(242)

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11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
For the nine-month period ended 30 September 2014				
Gross premium written	29,003	211,207	16,625	256,835
Less: Reinsurance premiums ceded	-	(117)	(12,454)	(12,571)
Less: Excess of loss premiums	(848)	(3,054)	(1,007)	(4,909)
Net premium written	28,155	208,035	3,165	239,355
Changes in net unearned premiums	(4,839)	(49,556)	(679)	(55,074)
Net premiums earned	23,316	158,479	2,486	184,281
Net reinsurance commissions earned	-	25	2,585	2,611
Net revenue	23,316	158,504	5,071	186,892
Gross claims paid	15,298	149,046	7,758	172,102
Less: Reinsurers share	(401)	(5)	(6,215)	(6,621)
Net claims paid	14,897	149,041	1,543	165,481
Changes in outstanding claims	(550)	(14,449)	(966)	(15,966)
Net claims incurred	14,347	134,592	576	149,515
Provision for premium deficiency	-	-	-	-
Policy acquisition costs	971	4,051	868	5,890
Other operating expenses	2,255	2,776	135	5,166
Net costs and expenses	17,572	141,419	1,579	160,571
Net results of insurance operations	5,744	17,086	3,492	26,321
Unallocated expenses				(27,371)
Unallocated other income				108
Investment income				3,882
Surplus from insurance operations				2,940
As at 31 December 2014 (Audited)				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	5	6,974	6,979
Reinsurer's share of outstanding claims	506	921	11,484	12,911
Deferred policy acquisition costs	824	3,974	643	5,441
Unallocated assets				235,579
Total insurance operations' assets				260,910
Insurance operations' liabilities and surplus				
Unearned premium	16,313	133,169	9,069	158,550
Outstanding claims	9,537	32,623	16,029	58,189
Unearned commission income	-	1	1,899	1,900
Provision for premium deficiency	2,635	2,330	868	5,833
Unallocated liabilities and surplus				41,739
Total insurance operations' liabilities and surplus				260,910

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 September 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Financial assets held as FVIS - Insurance Operations	-	111,453	-	111,453
Financial assets held as FVIS - Shareholders' Operations	-	144,978	-	144,978
Balance at the end of the period	<u>-</u>	<u>256,431</u>	<u>-</u>	<u>256,431</u>

The table below presents the financial instruments at their fair values as at 31 December 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Financial assets held as FVIS - Insurance Operations	-	85,484	-	85,484
Financial assets held as FVIS - Shareholders' Operations	-	14,072	-	14,072
Balance at the end of the year	<u>-</u>	<u>99,556</u>	<u>-</u>	<u>99,556</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.

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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.

(a) The weighted average number of shares has been retrospectively adjusted for prior period to reflect the bonus element of right share issue as required by IAS 33 “Earnings per share” as follows:

	<i>Nine-month period ended 30 September 2015 (Unaudited)</i>	<i>Nine-month period ended 30 September 2014 (Unaudited)</i>
Issued ordinary shares as at 1 January ('000')	10,000	10,000
Effect of bonus element of right share issue ('000')	-	6,560
Effect of right share issue	7,673	-
Weighted average number of ordinary shares ('000')	17,673	16,560

The weighted average number of ordinary shares for prior period is computed using an adjustment factor of 1.656 which is a ratio of the theoretical ex-rights price of SR 17.77 per ordinary share and the closing price of SR 29.43 per ordinary share on the last day on which the shares were traded before the right issue.

(b) The basic and diluted earnings per share is calculated as follows:

	<i>Nine-month period ended 30 September 2015 (Unaudited)</i>	<i>Nine-month period ended 30 September 2014 (Unaudited)</i>
Net income for the period (SR '000')	5,087	4,196
Weighted average number of ordinary shares ('000')-(Note 13. a)	17,673	16,560
Basic and diluted earnings per share (SR) – restated	0.29	0.25

14. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 21 October 2015, corresponding to 8 Muharram 1437H.