

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED
31 DECEMBER 2015

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 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 31 December 2015, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income for the three-month and twelve-month periods then ended, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the twelve-month period then ended and notes 1 to 15 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required.

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

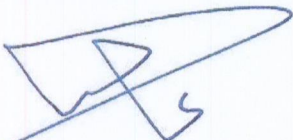
Conclusion

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

Emphasis of a matter

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

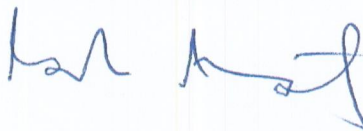
**for PKF Al-Bassam & Al-Nemer
Allied Accountants**



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



Jeddah, Kingdom of Saudi Arabia
20 January 2016
10 Rabi Al Thani 1437H

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Note</i>	<i>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	2,691	23,573
Term deposits	4	10,962	30,739
Premium receivables, net	5	59,772	48,619
Reinsurance receivables, net		1,553	3,023
Deferred policy acquisition costs		5,215	4,739
Prepayments and other receivables	4	14,922	15,276
Amount due from a related party	10	-	6,759
FVIS investments	6(a)	159,137	85,484
Reinsurers' share of unearned premiums		6,063	4,927
Reinsurers' share of outstanding claims	7	7,408	6,082
Held to maturity investments	6(b)	36,100	30,641
Furniture, fittings and office equipment		2,340	2,163
Due from Shareholders' Operations		1,991	1,287
Total Insurance Operations' assets		308,154	263,312
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	8	5,524
FVIS investments	6(a)	141,684	14,072
Available-for-sale investments	6(c)	1,923	1,923
Prepayments and other receivables		109	555
Held to maturity investments	6(b)	10,147	-
Statutory deposit		26,068	10,976
Total Shareholders' assets		179,939	33,050
TOTAL ASSETS		488,093	296,362

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2015

	<u>Note</u>	31 December 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		172,147	143,371
Outstanding claims	7	98,107	79,726
Unearned reinsurance commission		1,553	1,291
Other technical reserves		2,584	4,531
Policyholders' claims		5,061	5,359
Reinsurance payables		2,563	2,883
Accruals and other payables		16,252	17,186
Employees' end of service benefits		6,693	5,951
Total insurance operations' liabilities		304,960	260,298
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		3,194	3,014
Total Insurance Operations' liabilities and surplus		308,154	263,312
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables		1,768	1,676
Accrued Zakat	8	4,308	3,108
Due to Insurance Operations		1,991	1,287
Total Shareholders' liabilities		8,067	6,071
Shareholders' equity			
Share capital	9	250,000	100,000
Accumulated losses		(78,128)	(73,021)
Total Shareholders' equity		171,872	26,979
Total Shareholders' liabilities and equity		179,939	33,050
TOTAL LIABILITIES, SURPLUS AND EQUITY		488,093	296,362





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 AND ACCUMULATED SURPLUS
For the three-month and twelve-month periods ended 31 December 2015

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
<i>Note</i>	<i>2015 (Unaudited)</i>	<i>2014 (Unaudited)</i>	<i>2015 (Unaudited)</i>	<i>2014 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenues				
Gross premiums written	80,170	62,135	391,740	318,970
Less: Reinsurance premiums ceded	(1,749)	(1,737)	(14,325)	(14,308)
Less: Excess of loss premiums	(2,365)	(597)	(8,327)	(5,506)
Net premiums written	76,056	59,801	369,088	299,156
Changes in net unearned premiums	14,864	13,127	(27,640)	(41,947)
Net premiums earned	90,920	72,928	341,448	257,209
Net reinsurance commissions earned	1,027	1,022	3,767	3,633
Other Underwriting Income	1,362	-	1,362	-
Net revenue	93,309	73,950	346,577	260,842
Costs and expenses				
Gross claims paid	72,167	42,257	280,143	214,359
Less: Reinsurers' share	(3,894)	(1,075)	(5,566)	(7,696)
Net claims paid	68,273	41,182	274,577	206,663
Changes in net outstanding claims	17,009	28,367	17,055	12,401
Net claims incurred	85,282	69,549	291,632	219,064
Other technical reserves	(1,947)	(1,302)	(1,947)	(1,302)
Commission Expense	2,837	2,650	11,163	8,540
Other operating expenses	1,815	1,926	7,818	7,092
Net costs and expenses	87,987	72,823	308,666	233,394
Net results of insurance operations	5,322	1,127	37,911	27,448
General and administrative expenses	(11,138)	(8,551)	(41,282)	(35,831)
Release of provision for doubtful debts	112	983	112	892
Investment income	735	926	4,327	4,808
Other income	252	999	735	1,107
Surplus / (deficit) from Insurance Operations	(4,717)	(4,516)	1,803	(1,576)
Shareholders' share of insurance operations' (surplus) / deficit	2(a) 4,245	4,222	(1,623)	1,576
Surplus for the period	(472)	(294)	180	-
Accumulated surplus at the beginning of the period	3,666	3,308	3,014	3,014
Accumulated surplus at the end of the period	3,194	3,014	3,194	3,014





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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and twelve-month periods ended 31 December 2015

		Three-month period ended 30 December		Twelve-month period ended 30 December	
	<i>Note</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>(Audited)</i> SR'000
REVENUES					
Shareholders' share of Insurance Operations' surplus / (deficit)	2 (a)	(4,245)	(4,222)	1,623	(1,576)
Gain on available for sale Investments		-	2,497	-	2,497
Investment income		1,488	(858)	2,001	1,983
		<u>(2,757)</u>	<u>(2,583)</u>	<u>3,624</u>	<u>2,904</u>
EXPENSES					
General and administrative expenses		<u>(152)</u>	<u>350</u>	<u>(546)</u>	<u>(141)</u>
Net income for the period before Zakat		<u>(2,909)</u>	<u>(2,233)</u>	<u>3,078</u>	<u>2,763</u>
Zakat	8	<u>(300)</u>	<u>(134)</u>	<u>(1,200)</u>	<u>(934)</u>
Net income for the period		<u>(3,209)</u>	<u>(2,367)</u>	<u>1,878</u>	<u>1,829</u>
Earnings per share – (SR) - restated	13	<u>(0.16)</u>	<u>(0.14)</u>	<u>0.10</u>	<u>0.11</u>

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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 COMPREHENSIVE INCOME

For the three-month and twelve-month periods ended 31 December 2015

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</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>(Audited)</i> SR'000
Net income for the period	3,209	(2,367)	1,878	1,829
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))	-	(30)	-	444
Net change in available-for-sale investments reclassified to interim statement of shareholders' operations	-	(2,497)	-	(2,497)
Total comprehensive income / (loss) for the period	<u>3,209</u>	<u>(4,894)</u>	<u>1,878</u>	<u>(224)</u>

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve-month period ended 31 December 2015

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

<i>For the twelve-month period ended 31 December 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	-	-	1,829	1,829
<i>Other comprehensive income for the period:</i>				
Change in fair value of available-for-sale investments (note6 (c))	-	444	-	444
Net change in available for sale investment reclassified to statement of shareholders operations(Note 6 c (ii))	-	(2,497)	-	(2,497)
Balance at 31 December 2014 (Audited)	100,000	-	(73,021)	26,979





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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the twelve-month period ended 31 December 2015

	<i>Notes</i>	<i>Twelve-month period ended 31 December 2015 (Unaudited) SR'000</i>	<i>Twelve-month period ended 31 December 2014 (Audited) SR'000</i>
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		180	-
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(822)	(3,451)
Realized gain on FVIS investments		(2,142)	(1)
Reinsurers share of unearned premiums		(1,137)	(1,692)
Amortization related to held to maturity investments	6(b)	127	22
Provision for doubtful reinsurance receivables		92	91
Release of provision for doubtful premium receivables		(204)	(983)
Unearned premiums		28,777	43,638
Other technical reserves		(1,947)	(1,302)
Employees end of service benefits, net		743	615
Depreciation		1,251	1,608
		<u>24,918</u>	<u>38,545</u>
Changes in operating assets and liabilities:			
Premium receivables		(10,949)	(9,637)
Reinsurance receivables		1,378	1,636
Policy acquisition costs		(476)	(2,337)
Prepayments and other receivables		354	(4,492)
Amount due from a related party		6,759	-
Reinsurers share of outstanding claims		(1,326)	9,897
Unearned commission income		262	375
Outstanding claims		18,381	2,503
Policyholders' claims		(298)	(1,081)
Reinsurance payables		(321)	801
Accruals and other payables		(934)	2,860
Due from Shareholders' Operations		(704)	(5,852)
		<u>37,044</u>	<u>33,218</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(1,428)	(574)
Purchase of FVIS investments		(140,068)	(25,000)
Purchase of held to maturity investments	6 (b)	(5,586)	(10,000)
Term deposits		(477)	(20,163)
Proceeds from disposal of FVIS investments	6 (a)	69,379	6,627
Proceeds from term deposits		20,254	-
Proceeds from held to maturity investments		-	3,000
Net cash used in investing activities		<u>(57,926)</u>	<u>(46,110)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(20,882)	(12,892)
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	<u>2,691</u>	<u>23,573</u>





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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS

For the twelve-month period ended 31 December 2015

		<i>Twelve-month period ended 31 December 2015 (Unaudited) SR'000</i>	<i>Twelve-month period ended 31 December 2014 (Audited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income for the period before Zakat		3,078	2,763
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(1,486)	(1,801)
Realized gain on available-for-sale investments		-	(2,497)
Amortization of held to maturity investments	6(b)	64	7
		<u>1,656</u>	<u>(1,528)</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		446	(472)
Due to Insurance Operations		704	5,852
Statutory deposit		(15,092)	(90)
Accruals and other payables		92	(55)
		<u>(12,194)</u>	<u>3,707</u>
INVESTING ACTIVITIES			
Purchase of FVIS Investments	6(a)	(166,126)	(7,425)
Purchase of held to maturity Investments		(10,211)	-
Proceeds from disposal of FVIS Investments		40,000	-
Proceeds from disposal of available-for-sale investments		-	5,497
Proceeds from maturity of held to maturity investments	6(b)	-	3,712
		<u>(136,337)</u>	<u>1,784</u>
FINANCING ACTIVITIES			
Proceeds from right issue		150,000	-
Issuance cost		(6,985)	-
		<u>143,015</u>	<u>-</u>
Net cash from financing activities			
		<u>(5,516)</u>	<u>5,491</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>5,524</u>	<u>33</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD			
		<u>8</u>	<u>5,524</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3		
MAJOR NON-CASH TRANSACTIONS			
Change in the fair value of available-for-sale-investments	6(c)	-	474





The accompanying notes 1 to 15 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 TWELVE-MONTH PERIODS ENDED 31 DECEMBER 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 twelve-month periods ended 31 December 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.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of presentation (continued)

The Company follows a fiscal year ending 31 December 2015

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 TWELVE-MONTH PERIODS ENDED 31 DECEMBER 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 TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2015

3. CASH AND CASH EQUIVALENTS

	<i>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand and at banks	<u>2,691</u>	<u>23,573</u>
<i>Shareholders' Operations</i>		
Cash at banks	<u>8</u>	<u>5,524</u>

4. TERM DEPOSITS

	<i>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Term deposits	<u>10,962</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>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Due from policyholders	46,074	48,425
Due from policy holders – related parties (note 10)	32,707	22,847
Provision for doubtful debts	(19,009)	(22,653)
	<u>59,772</u>	<u>48,619</u>

Movements in allowance for doubtful premiums receivable were as follows:

	<i>31 December 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	(204)	(983)
Write off of bad debts	(3,440)	-
Balance at the end of the period / year	<u>19,009</u>	<u>22,653</u>

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6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Twelve-month period ended 31 December 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	2,964	3,452
Transfer during the period / year	-	3,000
Purchased during the period / year	140,068	25,000
Disposals during the period / year	(69,379)	(6,627)
Balance at the end of the period / year	<u>159,137</u>	<u>85,484</u>

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Twelve-month period ended 31 December 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	166,125	7,425
Disposals during the period / year	(40,000)	-
Changes in fair value of investments	1,487	1,801
Balance at the end of the period / year	<u>141,684</u>	<u>14,072</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Twelve-month period ended 31 December 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	5,586	10,000
Transfer during the period / year	-	(3,000)
Matured during the period / year	-	(3,000)
Amortized during the period / year	(127)	(22)
Balance at the end of the period / year	<u>36,100</u>	<u>30,641</u>

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6. INVESTMENTS (continued)

b) Held to maturity investments – (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Twelve-month period ended 31 December 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	10,211	-
Matured during the period / year	-	(3,712)
Amortized during the period / year	(64)	(7)
Balance at the end of the period / year	<u>10,147</u>	<u>-</u>

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

c) Available-for-sale investments

Shareholders' operations

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

Twelve-month period ended 31 December 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	<u>1,923</u>	<u>-</u>	<u>1,923</u>

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	<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 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>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Gross outstanding claims	13,766	17,690
Add: Incurred But Not Reported (IBNR) reserve	84,341	62,036
	<u>98,107</u>	<u>79,726</u>
Less: Reinsurance companies' share of outstanding claims	(7,408)	(6,082)
Net outstanding claims	<u>90,699</u>	<u>73,644</u>

8. ZAKAT

The Zakat payable by the Company has been calculated based on the best estimates of the management. Movement in Zakat payable during the twelve-month period ended 31 December 2015 and for the year ended 31 December 2014 is as follows:

	<i>31 December 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	1,200	934
Balance at the end of the period / year	<u>4,308</u>	<u>3,108</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 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 2013 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>Balance as at</u>	<u>Balance as</u>
		<u>Twelve-month period ended</u>		<u>31 December</u>	<u>at 31</u>
		<u>31 December</u> <u>2015</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>31 December</u> <u>2014</u> <u>(Audited)</u> <u>SR'000</u>	<u>2015</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>December</u> <u>2014</u> <u>(Audited)</u> <u>SR'000</u>
<i>a) Insurance Operations</i>					
<u>Major Shareholder</u>					
Islamic Arab Insurance Company (UAE)	Insurance premium	91	212	-	(212)
<u>Related Parties of key management personnel</u>					
Tajeer Co. (Affiliate)	Insurance policies written	160,813	125,382	32,707	22,847
Chairman of the Board	Insurance policies written	390	91	-	15
Rusd Global Company	Insurance policies written	564	571	-	28
Technology Establishment	Insurance policies written	278	248	-	6
Al Firdous Group Co.	Insurance policies written	1,407	1,019	82	10
Islamic Arab Insurance Company (B.S.C)	Write off of balance	6,759	-	-	6,759
<u>Key management personnel</u>					
	Long-term benefits	4,657	4,244	132	151
	Short term benefits	248	375	(1,511)	(1,263)
<i>b) Shareholders' Operations</i>					
Board of Directors	Remuneration	104	54	-	-
Board Committees	Remuneration	140	12	-	-

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>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 31 December 2015 – unaudited				
Gross premium written	5,498	72,510	2,162	80,170
Less: Reinsurance premiums ceded	-	-	(1,749)	(1,749)
Less: Excess of loss premiums	(990)	(793)	(582)	(2,365)
Net premium written	4,508	71,717	(169)	76,056
Changes in net unearned premiums	2,251	11,617	996	14,864
Net premiums earned	6,759	83,334	827	90,920
Net reinsurance commissions earned	-	-	1,027	1,027
Other Underwriting Income	-	1,362	-	1,362
Net revenue	6,759	84,696	1,854	93,309
Gross claims paid	4,340	65,239	2,588	72,167
Less: Reinsurers share	(1,352)	-	(2,542)	(3,894)
Net claims paid	2,988	65,239	46	68,273
Changes in outstanding claims	40	16,716	253	17,009
Net claims incurred	3,028	81,955	299	85,282
Other technical reserves	1,079	(2,853)	(173)	(1,947)
Commission expense	363	2,158	316	2,837
Other operating expenses	519	1,264	32	1,815
Net costs and expenses	4,989	82,524	474	87,987
Net results of insurance operations	1,770	2,172	1,380	5,322
General and Administrative expenses				(11,138)
Release of provision for doubtful debts				112
Investment income				735
Unallocated other Income				252
Deficit from insurance operations				(4,717)

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11. SEGMENTAL INFORMATION (continued)

	<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 twelve-month period ended 31 December 2015 – unaudited				
Gross premium written	29,688	342,733	19,319	391,740
Less: Reinsurance premiums ceded	-	(74)	(14,251)	(14,325)
Less: Excess of loss premiums	(1,868)	(5,155)	(1,304)	(8,327)
Net premium written	27,820	337,504	3,764	369,088
Changes in net unearned premiums	4,737	(33,788)	1,411	(27,640)
Net premiums earned	32,557	303,716	5,175	341,448
Net reinsurance commissions earned	-	88	3,679	3,767
Other underwriting Income	-	1,362	-	1,362
Net revenue	32,557	305,166	8,854	346,577
Gross claims paid	20,256	254,742	5,145	280,143
Less: Reinsurers share	(1,301)	-	(4,265)	(5,566)
Net claims paid	18,955	254,742	880	274,577
Changes in outstanding claims	(741)	17,150	646	17,055
Net claims incurred	18,214	271,892	1,526	291,632
Other technical reserves	1,079	(2,853)	(173)	(1,947)
Commission expense	1,666	8,323	1,174	11,163
Other operating expenses	2,476	5,079	263	7,818
Net costs and expenses	23,435	282,441	2,790	308,666
Net results of insurance operations	9,122	22,725	6,064	37,911
General and administrative expense				(41,282)
Release of provision for doubtful debts				112
Investment income				4,327
Unallocated other income				735
Surplus from insurance operations				<u>1,803</u>
As at 31 December 2015 - unaudited				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	6,063	6,063
Reinsurer's share of outstanding claims	-	-	7,408	7,408
Deferred policy acquisition costs	613	4,132	470	5,215
Unallocated assets				289,468
Total insurance operations' assets				<u>308,154</u>
Insurance operations' liabilities and surplus				
Unearned premium	10,707	153,932	7,508	172,147
Outstanding claims	5,711	81,341	11,055	98,107
Unearned commission income	-	-	1,553	1,553
Other technical reserves	1,079	1,478	27	2,584
Unallocated liabilities and surplus				33,763
Total insurance operations' liabilities and surplus				<u>308,154</u>

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11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
For the three-month period ended 31 December 2014 – unaudited	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross premium written	8,202	52,459	1,474	62,135
Less: Reinsurance premiums ceded	-	(701)	(1,036)	(1,737)
Less: Excess of loss premiums	209	(579)	(227)	(597)
Net premium written	8,411	51,179	211	59,801
Changes in net unearned premiums	869	13,020	(762)	13,127
Net premiums earned	9,280	64,199	(551)	72,928
Net reinsurance commissions earned	-	64	958	1,022
Net revenue	9,280	64,263	407	73,950
Gross claims paid	5,933	34,207	2,117	42,257
Less: Reinsurers share	(286)	-	(789)	(1,075)
Net claims paid	5,647	34,207	1,328	41,182
Changes in outstanding claims	(2,580)	32,488	(1,541)	28,367
Net claims incurred	3,067	66,695	(213)	69,549
Other technical reserves	(2,635)	2,001	(668)	(1,302)
Policy acquisition costs	428	1,912	310	2,650
Other operating expenses	707	1,211	8	1,926
Net costs and expenses	1,567	71,819	(563)	72,823
Net results of insurance operations	7,713	(7,556)	970	1,127
General and administrative expenses				(8,551)
Release of provision for doubtful debts				983
Investment income				926
Unallocated other income				999
Deficit from insurance operations				(4,516)

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11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
For the twelve-month period ended 31 December 2014 – audited	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross premium written	37,205	263,666	18,099	318,970
Less: Reinsurance premiums ceded	-	(818)	(13,490)	(14,308)
Less: Excess of loss premiums	(639)	(3,633)	(1,234)	(5,506)
Net premium written	36,566	259,215	3,375	299,156
Changes in net unearned premiums	(3,970)	(36,536)	(1,441)	(41,947)
Net premiums earned	32,596	222,679	1,934	257,209
Net reinsurance commissions earned	-	89	3,544	3,633
Net revenue	32,596	222,768	5,478	260,842
Gross claims paid	21,231	183,253	9,875	214,359
Less: Reinsurers share	(687)	(5)	(7,004)	(7,696)
Net claims paid	20,544	183,248	2,871	206,663
Changes in outstanding claims	(3,130)	18,039	(2,508)	12,401
Net claims incurred	17,414	201,287	363	219,064
Other technical reserves	(2,635)	2,001	(668)	(1,302)
Policy acquisition costs	1,399	5,963	1,178	8,540
Other operating expenses	2,962	3,987	143	7,092
Net costs and expenses	19,140	213,238	1,016	233,394
Net results of insurance operations	13,456	9,530	4,462	27,448
Unallocated expenses				(35,922)
Release of provision for doubtful debts				983
Investment income				4,808
Unallocated other income				1,107
Deficit from insurance operations				(1,576)
As at 31 December 2014 – audited	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	385	4,542	4,927
Reinsurer's share of outstanding claims	-	-	6,082	6,082
Deferred policy acquisition costs	890	3,448	401	4,739
Unallocated assets				247,564
Total insurance operations' assets				263,312
Insurance operations' liabilities and surplus				
Unearned premium	15,444	120,529	7,398	143,371
Outstanding claims	6,451	64,191	9,084	79,726
Unearned commission income	-	75	1,216	1,291
Other technical reserves	-	4,331	200	4,531
Unallocated liabilities and surplus				34,393
Total insurance operations' liabilities and surplus				263,312

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12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

The table below presents the financial instruments at their fair values as at 31 December 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets</i>				
Financial assets held as FVIS - Insurance Operations	-	159,137	-	159,137
Financial assets held as FVIS - Shareholders' Operations	-	141,684	-	141,684
Balance at the end of the period	<u>-</u>	<u>300,821</u>	<u>-</u>	<u>300,821</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>
<i>Financial assets</i>				
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>Twelve-month period ended 31 December 2015 (Unaudited)</i>	<i>Twelve-month period ended 31 December 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	9,520	-
Weighted average number of ordinary shares ('000')	<u>19,520</u>	<u>16,560</u>

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>Twelve-month period ended 30 December 2015 (Unaudited)</i>	<i>Twelve-month period ended 30 December 2014 (Unaudited)</i>
Net income for the period (SR '000')	1,878	1,829
Weighted average number of ordinary shares ('000')-(Note 13. a)	19,520	16,560
Basic and diluted earnings per share (SR) – restated	<u>0.10</u>	<u>0.11</u>

14. COMPARATIVE FIGURES

The figures of three-month period ended 31 December 2014 have been restated to reflect the adjustments made in 31 December 2014 year-end audited financial statements which were issued after interim condensed financial statements for the three-month and twelve month periods ended 31 December 2014.

15. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 17 January 2016, corresponding to 7 Rabi Al Thani 1437H.