

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2016**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2016**

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Dr. Mohamed Al-Amri & Co.  
Accountants & Consultants

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

**SCOPE OF REVIEW**

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

**CONCLUSION**

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

**EMPHASIS OF 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 the Standard on Interim Financial Reporting issued by SOCPA.

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**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**

	Notes	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
SR '000			
<b><u>ASSETS - INSURANCE OPERATIONS</u></b>			
Property and equipment, net		318,543	312,251
Investment property		9,861	9,861
Investments in associates		11,903	13,602
Available-for-sale investments	4(i)	2,931,983	3,212,756
Prepaid expenses and other assets		543,840	511,562
Deferred policy acquisition costs		241,640	209,244
Reinsurers' share of outstanding claims	5	1,546,746	1,495,909
Reinsurers' share of unearned premiums		601,014	629,974
Receivables, net	3	1,557,303	1,943,579
Due from Shareholders' operations		249,047	-
Cash and cash equivalents		969,607	761,868
<b>Total assets - Insurance operations</b>		<b>8,981,487</b>	<b>9,100,606</b>
<b><u>ASSETS - SHAREHOLDERS</u></b>			
Statutory deposit	8	100,000	100,000
Accrued income on statutory deposit		1,556	1,042
Investments in associates		80,333	80,402
Available-for-sale investments	4(ii)	2,338,759	2,163,964
Accrued investment income		15,679	14,959
Due from Insurance operations		-	46,326
Cash and cash equivalents		372,618	61,813
<b>Total assets - Shareholders</b>		<b>2,908,945</b>	<b>2,468,506</b>
<b>TOTAL ASSETS</b>		<b>11,890,432</b>	<b>11,569,112</b>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF FINANCIAL POSITION (continued)

	Notes	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
		SR '000	
<b><u>LIABILITIES AND SURPLUS - INSURANCE OPERATIONS</u></b>			
<b>Liabilities - Insurance operations:</b>			
Reserve for discontinued operations		1,621	11,211
Surplus distribution payable		53,281	100,176
Claims payable, accrued expenses and other liabilities		1,478,554	1,394,844
Reserve for takaful activities		13,385	13,467
Gross outstanding claims and reserves	5	2,958,863	2,850,367
Unearned commission income		53,818	51,024
Gross unearned premiums		4,168,994	4,233,561
Reinsurers' balances payable		292,012	502,579
Due to Shareholders' operations		-	46,326
<b>Total liabilities - Insurance operations</b>		<b>9,020,528</b>	<b>9,203,555</b>
<b>Surplus - Insurance operations:</b>			
Accumulated surplus		28,967	-
Fair value reserve for available-for-sale investments		(68,008)	(102,949)
<b>Total liabilities and surplus - Insurance operations</b>		<b>8,981,487</b>	<b>9,100,606</b>
<b><u>LIABILITIES AND EQUITY - SHAREHOLDERS</u></b>			
<b>Shareholders' liabilities:</b>			
Return payable on statutory deposit		1,556	1,042
Accrued expenses and other liabilities		287	647
Dividends payable		6,072	5,643
Zakat		161,652	152,106
Due to Insurance operations		249,047	-
<b>Total liabilities - Shareholders</b>		<b>418,614</b>	<b>159,438</b>
<b>Shareholders' equity:</b>			
Share capital	6	1,000,000	1,000,000
Legal reserve	9	883,465	883,465
Fair value reserve for available-for-sale investments		(51,923)	(56,861)
Retained earnings		658,789	482,464
<b>Total Shareholders' equity</b>		<b>2,490,331</b>	<b>2,309,068</b>
<b>Total Shareholders' liabilities and equity</b>		<b>2,908,945</b>	<b>2,468,506</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>11,890,432</b>	<b>11,569,112</b>

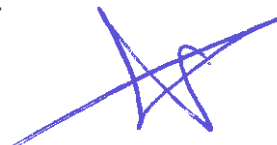
The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.




**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED**  
**SURPLUS**

	Three months ended June 30, 2016 (Unaudited)	Three months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, 2015 (Unaudited)
SR '000				
<b>REVENUES</b>				
Gross premiums written	2,135,499	1,802,264	3,836,841	3,307,768
Less: Reinsurance ceded	(410,872)	(365,485)	(531,186)	(623,519)
Net premiums written	1,724,627	1,436,779	3,305,655	2,684,249
Changes in unearned premiums	(5,895)	(85,923)	35,607	(47,920)
Net premiums earned	1,718,732	1,350,856	3,341,262	2,636,329
Reinsurance commissions	26,512	22,934	51,535	46,816
Other income, net	21,764	7,095	33,188	16,661
<b>Total revenues</b>	<b>1,767,008</b>	<b>1,380,885</b>	<b>3,425,985</b>	<b>2,699,806</b>
<b>COSTS AND EXPENSES</b>				
Gross claims paid	1,361,180	1,165,837	2,684,835	2,401,127
Less: Reinsurance share	(88,405)	(134,280)	(168,537)	(349,350)
Net claims paid	1,272,775	1,031,557	2,516,298	2,051,777
Changes in outstanding claims and reserves	33,550	(1,205)	57,659	(37,200)
Net claims incurred	1,306,325	1,030,352	2,573,957	2,014,577
Policy acquisition costs	123,452	105,720	248,120	205,895
Excess of loss expenses	10,006	6,355	16,337	13,667
Changes in Reserve for takaful activities	(78)	232	(82)	24
Other underwriting expenses	41,723	27,060	77,743	60,914
Manafeth insurance share distribution	27,454	7,132	50,468	15,412
Operating and selling expenses	92,394	105,499	187,553	215,347
Other general and administrative expenses	11,903	20,189	23,475	34,652
<b>Total costs and expenses</b>	<b>1,613,179</b>	<b>1,302,539</b>	<b>3,177,571</b>	<b>2,560,488</b>
<b>Operating surplus</b>	<b>153,829</b>	<b>78,346</b>	<b>248,414</b>	<b>139,318</b>
Investment income, net	67,242	49,068	91,289	75,838
Impairment of available-for-sale investments	-	-	(50,036)	-
<b>Surplus from Insurance operations</b>	<b>221,071</b>	<b>127,414</b>	<b>289,667</b>	<b>215,156</b>
Shareholders' appropriation from surplus	(198,964)	(114,673)	(260,700)	(193,640)
<b>Surplus from Insurance operations after</b> <b>Shareholders' appropriation</b>	<b>22,107</b>	<b>12,741</b>	<b>28,967</b>	<b>21,516</b>
Accumulated surplus, beginning of the period	6,860	8,775	-	-
<b>ACCUMULATED SURPLUS, END OF</b> <b>THE PERIOD</b>	<b>28,967</b>	<b>21,516</b>	<b>28,967</b>	<b>21,516</b>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS**

	Three months ended June 30, 2016 (Unaudited)	Three months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, 2015 (Unaudited)
	SR '000			
Surplus from Insurance operations after Shareholders' appropriation	22,107	12,741	28,967	21,516
<b>Other comprehensive income:</b>				
To be recycled back to statement of income in subsequent periods:				
Changes in fair value of available-for-sale investments	17,017	7,080	34,941	13,302
<b>Total comprehensive income for the period</b>	<u>39,124</u>	<u>19,821</u>	<u>63,908</u>	<u>34,818</u>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS**

	Three months ended June 30, 2016 (Unaudited)	Three months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, 2015 (Unaudited)
	SR '000			
Notes				
Appropriation of surplus from Insurance operations	198,964	114,673	260,700	193,640
Investment income, net	45,027	105,009	66,953	122,283
Impairment of available-for-sale investments	-	-	(22,034)	-
Other (expenses)/income, net	(100)	1	(200)	-
<b>Income from operations before Zakat</b>	<b>243,891</b>	<b>219,683</b>	<b>305,419</b>	<b>315,923</b>
Zakat	(14,774)	(15,033)	(29,094)	(23,487)
<b>Net income for the period</b>	<b>229,117</b>	<b>204,650</b>	<b>276,325</b>	<b>292,436</b>
<b>Other comprehensive income:</b>				
To be recycled back to statement of income in subsequent periods:				
Changes in fair value of available for sale investments	13,323	(49,625)	4,938	(58,839)
<b>Total comprehensive income for the period</b>	<b>242,440</b>	<b>155,025</b>	<b>281,263</b>	<b>233,597</b>
<b>Earnings per share:</b>				
Basic and diluted earnings per share (in SR)	14 <u>2.29</u>	<u>2.05</u>	<u>2.76</u>	<u>2.92</u>
Weighted average number of shares in issue	6 <u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.






**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Legal reserve	Fair value reserve for available-for-sale investments	Retained earnings	Total
	SR'000				
<b>Unaudited</b>					
Balance at January 1, 2015	1,000,000	763,779	163,874	148,722	2,076,375
<b>Comprehensive income:</b>					
Net income for the period	-	-	-	292,436	292,436
Changes in fair value of available-for-sale investments	-	-	(58,839)	-	(58,839)
<b>Total comprehensive income for the period</b>	-	-	(58,839)	292,436	233,597
Dividend distribution	-	-	-	(145,000)	(145,000)
<b>Balance at June 30, 2015</b>	<b>1,000,000</b>	<b>763,779</b>	<b>105,035</b>	<b>296,158</b>	<b>2,164,972</b>
<b>Unaudited</b>					
Balance at January 1, 2016	1,000,000	883,465	(56,861)	482,464	2,309,068
<b>Comprehensive income:</b>					
Net income for the period	-	-	-	276,325	276,325
Changes in fair value of available-for-sale investments	-	-	4,938	-	4,938
<b>Total comprehensive income for the period</b>	-	-	4,938	276,325	281,263
Dividend distribution	-	-	-	(100,000)	(100,000)
<b>Balance at June 30, 2016</b>	<b>1,000,000</b>	<b>883,465</b>	<b>(51,923)</b>	<b>658,789</b>	<b>2,490,331</b>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS**

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
	SR '000	
<b>Operating activities:</b>		
Surplus from Insurance operations after Shareholders' appropriation	28,967	21,516
<u>Adjustments to reconcile surplus from Insurance operations to net cash from/(used in) operating activities:</u>		
Shareholders' appropriation from surplus	260,700	193,640
Depreciation	7,212	6,332
Gain on sale of available-for-sale investments	(62,412)	(20,147)
Impairment on available-for-sale investments	50,036	-
Share from investments in associates, net	1,699	(2,914)
Operating surplus before changes in operating assets and liabilities	<u>286,202</u>	<u>198,427</u>
<u>Changes in operating assets and liabilities:</u>		
Prepaid expenses and other assets	(32,278)	22,246
Deferred policy acquisition costs	(32,396)	(33,524)
Reinsurers' share of outstanding claims	(50,837)	(715,302)
Reinsurers' share of unearned premiums	28,960	(173,871)
Receivables, net	386,276	264,833
Reinsurers' balances payable	(210,567)	(91,726)
Gross unearned premiums	(64,567)	221,791
Unearned commission income	2,794	13,522
Gross outstanding claims and reserves	108,496	678,102
Reserve for discontinued operations	(9,590)	(388)
Reserve for takaful activities	(82)	24
Claims payable, accrued expenses and other liabilities	83,710	(217,436)
Due from Shareholders' operations	(260,700)	(193,640)
Cash from/(used in) operating activities	<u>235,421</u>	<u>(26,942)</u>
Surplus paid to policyholders during the period	(46,895)	-
Net cash from/(used in) operating activities	<u>188,526</u>	<u>(26,942)</u>
<b>Investing activities:</b>		
Proceeds from sale of available-for-sale investments	1,897,880	1,783,008
Purchase of available-for-sale investments	(1,569,790)	(2,363,250)
Purchase of property and equipment	(13,504)	(29,475)
Net cash from/(used in) investing activities	<u>314,586</u>	<u>(609,717)</u>
<b>Financing activity:</b>		
Due from Shareholders' operations	(295,373)	314,262
Net cash (used in)/from financing activity	<u>(295,373)</u>	<u>314,262</u>
<b>Net change in cash and cash equivalents</b>	<b>207,739</b>	<b>(322,397)</b>
Cash and cash equivalents at the beginning of the period	<u>761,868</u>	<u>700,550</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>969,607</u></b>	<b><u>378,153</u></b>
<b>Non-cash supplemental information:</b>		
Changes in fair value of available-for-sale investments	<u>34,941</u>	<u>13,302</u>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS**

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
	SR '000	
<b>Operating activities:</b>		
Net income for the period before zakat	305,419	315,923
<u>Adjustments to reconcile net income before zakat to net cash from operating activities:</u>		
Appropriation of surplus from Insurance operations	(260,700)	(193,640)
Impairment of available-for-sale investments	22,034	-
Gain on sale of investments	(16,878)	(15,987)
Share of (profit)/loss from investments in associates, net	(6,144)	998
Operating profit before changes in operating assets and liabilities	43,731	107,294
<u>Changes in operating assets and liabilities:</u>		
Accrued investment income	(720)	1,431
Due from Insurance operations	260,700	193,640
Accrued expenses and other liabilities	(360)	127
Zakat	(19,548)	(15,295)
Net cash from operating activities	283,803	287,197
<b>Investing activities:</b>		
Proceeds from sale and maturity of available-for-sale investments	3,062,515	1,613,755
Purchase of available-for-sale investments	(3,237,528)	(1,434,891)
Dividends received from investment in associates	6,213	-
Net cash (used in)/from investing activities	(168,800)	178,864
<b>Financing activities:</b>		
Dividends paid	(99,571)	(144,362)
Due from Insurance operations	295,373	(314,262)
Net cash from/(used in) financing activities	195,802	(458,624)
<b>Net change in cash and cash equivalents</b>	<b>310,805</b>	<b>7,437</b>
Cash and cash equivalents at the beginning of the period	61,813	20,583
<b>Cash and cash equivalents at the end of the period</b>	<b>372,618</b>	<b>28,020</b>
<b>Non-cash supplemental information:</b>		
Changes in fair value of available-for-sale investments	4,938	(58,839)

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**JUNE 30, 2016**

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**1. GENERAL**

The Company for Cooperative Insurance (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986, corresponding to Jumad Awal 8, 1406H, under Commercial Registration No. 1010061695. The Company's Head Office is located on Thumamah Road (at Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003, corresponding to Jumad Thani 2, 1424H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004, corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Agency ("SAMA"), as the principal agency responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004, the Company amended its Articles of Association, giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the Shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the Policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the Shareholders' operations in full.

**2. BASIS OF PREPARATION**

**(a) Basis of presentation**

The interim condensed financial statements for the three and six months period ended June 30, 2016 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

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

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments. The Company presents its statement of financial position in order of liquidity.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**(continued)**  
**JUNE 30, 2016**

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**2. BASIS OF PREPARATION (continued)**

**(a) Basis of presentation (continued)**

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest thousand (SR '000).

In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

**(b) Critical accounting judgments, estimates and assumptions**

The preparation of the interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of 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 may ultimately differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015. Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

**Estimation of insurance contract reserves:**

Following are the critical areas of estimation and judgments for which the Company acquires the services of an independent actuary to determine such reserves.

*i) Incurred but not reported claims ("IBNR")*

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The claims reserves are sensitive to assumptions made about the number of months used to average the completion factors and the claims trend.

*ii) Premium deficiency reserve ("PDR")*

Estimation of the premium deficiency reserve for medical business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and premiums relationship which is expected to apply on a month to month basis.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**(continued)**  
**JUNE 30, 2016**

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**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies**

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2015, except for the adoption of the following amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company:

- Amendments to IAS 1 - "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to:
  - The materiality requirements in IAS 1;
  - That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements; and
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

- Amendments to IAS 16 - "Property, Plant and Equipment" and IAS 38 - "Intangible Assets", applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments are as follows:

- IFRS 5 - "Non-current Assets Held for Sale and Discontinued Operations", amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
- IFRS 7 - "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

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**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies (continued)**

- IAS 19 - "Employee Benefits" - amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 - "Interim Financial Reporting" - amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

**(d) Segmental reporting**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has four reportable segments as follows:

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Manafeth - third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.

Operating segments do not include Shareholders' operations of the Company. No inter-segment transactions occurred during the period. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the interim condensed financial statements of the Company.

**(e) Seasonality of operations**

There are no seasonal changes that may affect insurance operations of the Company.

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**3. RECEIVABLES, NET**

Receivables of insurance operations comprise balances from the following:

	<b>June 30, 2016 SR'000 (Unaudited)</b>	December 31, 2015 SR'000 (Audited)
Policyholders	1,395,783	1,425,578
Brokers and agents	255,907	293,446
Related parties (note 11)	15,943	171,996
	<b>1,667,633</b>	1,891,020
Receivables from reinsurers	18,022	202,269
Administrative service plan	21,843	18,436
	<b>1,707,498</b>	2,111,725
Provision for doubtful receivables	(150,195)	(168,146)
Receivables, net	<b>1,557,303</b>	1,943,579

**4. AVAILABLE-FOR-SALE INVESTMENTS**

**i) Insurance operations:**

Available-for-sale investments of insurance operations comprise the following:

	<b>June 30, 2016 SR'000 (Unaudited)</b>	December 31, 2015 SR'000 (Audited)
Local / regional money market and fixed income investments	1,986,513	2,251,025
Local / regional equity and equity funds	358,441	582,916
Foreign money market and fixed income investments	587,029	378,815
Total	<b>2,931,983</b>	3,212,756

**ii) Shareholders:**

Shareholders' available-for-sale investments comprise the following:

	<b>June 30, 2016 SR'000 (Unaudited)</b>	December 31, 2015 SR'000 (Audited)
Local / regional money market and fixed income investments	1,764,288	1,875,194
Local / regional equity and equity funds	285,345	246,636
Foreign money market and fixed income investments	193,511	-
Foreign equities and equity funds	95,615	42,134
Total	<b>2,338,759</b>	2,163,964



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**5. GROSS OUTSTANDING CLAIMS AND RESERVES, NET**

Gross outstanding claims and reserves, net comprise of the following:

	<b>June 30, 2016 (SR'000) (Unaudited)</b>	December 31, 2015 (SR'000) (Audited)
Gross outstanding claims	1,979,334	1,860,957
Less: Realizable value of salvage and subrogation	(110,786)	(88,643)
Add: Incurred but not reported claims	1,090,315	1,078,053
Gross outstanding claims and reserves	2,958,863	2,850,367
Less: Reinsurers' share of outstanding claims	(1,546,746)	(1,495,909)
Net outstanding claims and reserves	<u>1,412,117</u>	<u>1,354,458</u>

**6. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SR 1 billion at June 30, 2016 and December 31, 2015, consisting of 100 million shares of SR 10 each.

**7. CONTINGENT LIABILITIES**

As at June 30, 2016, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SR 180 million (December 31, 2015: SR 163 million) occurring in the normal course of business.

**8. STATUTORY DEPOSIT**

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company had deposited 10 percent of its share capital, amounting to SR 100 million, in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

**9. LEGAL RESERVE**

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the legal reserve until it equals the value of share capital. This transfer is only made at the year end. The legal reserve is not available for distribution to Shareholders until liquidation of the Company.

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**10. MANAFETH SHARED AGREEMENT**

On 13 January 2015 together with 25 related insurance companies, the Company signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from 1 January 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia.

The main terms of the above mentioned agreement are as follows:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is due to be shared equally by the Company and its related insurers.

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

The following are the details of the major related party transactions during the period and the related balances:

	Transactions for the period ended		Balance receivable / (payable) as at	
	June 30, 2016 (SR'000) (Unaudited)	June 30, 2015 (SR'000) (Unaudited)	June 30, 2016 (SR'000) (Unaudited)	December 31, 2015 (SR'000) (Audited)
<b><u>Major shareholders</u></b>				
Amount of claims paid to hospitals owned by major shareholders	19,001	18,246	(732)	(4,259)
Medical insurance premium written	(231)	4,270	2,410	3,277
<b><u>Associates</u></b>				
Rent expenses paid	1,081	551	-	-
Najm fees paid	11,187	5,854	23,318	4,252
United Insurance Company fees and claims, net	2,341	2,322	10,337	3,663
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>				
Medical insurance premium written	1,281	1,644	13,533	168,719

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration of up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

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**11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

The compensation of key management personnel during the period is as follows:

	<b>June 30, 2016</b> <b>(SR'000)</b> <b>(Unaudited)</b>	<b>June 30, 2015</b> <b>(SR'000)</b> <b>(Unaudited)</b>
Salaries and other allowances	<b>4,473</b>	3,574
End of service indemnities	<b>297</b>	245

**12. FAIR VALUES 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 in the principal market for that asset or liability, or in its absence, the most advantageous market to which the Company has access at that date. Consequently, differences can arise between the carrying values and fair value estimates.

The fair values of financial assets that are traded in an active market are based on quoted market prices or dealer price quotations. For all other financial instruments, the fair value is based on other valuation techniques.

**Determination of fair value and fair value hierarchy**

The Company uses the following hierarchy method for determining and disclosing the fair value of financial instruments at the reporting period end.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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**12. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

The table below analyses the financial instruments measured at fair value at the end of the reporting period June 30, 2016 and December 31, 2015 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	(SR'000)			
June 30, 2016 (Unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Insurance operations	1,581,377	-	1,350,606	2,931,983
- Shareholders	1,466,423	-	872,336	2,338,759
<b>Total</b>	<b>3,047,800</b>	-	<b>2,222,942</b>	<b>5,270,742</b>
December 31, 2015 (Audited)	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Insurance operations	1,655,211	-	1,557,545	3,212,756
- Shareholders	1,396,448	-	767,516	2,163,964
<b>Total</b>	<b>3,051,659</b>	-	<b>2,325,061</b>	<b>5,376,720</b>

There were no transfers between the levels of fair value hierarchies during the period.

Level 3 investments comprise investments in Private Equity Funds and debt instruments. The valuation technique used to measure Private Equity Funds is NAV (net assets value). The fair value of Private Equity Funds is based on the latest reported net assets value as at the financial position date. Further, the debt instruments are measured at the fair value based on the discounted cash flow technique, which, as per the management, is the best estimate of the exit price i.e. fair value.

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**13. OPERATING SEGMENTS**

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in this note is based on current reporting to the chief operating decision maker.

Segment assets do not include Insurance operations' property and equipment, net, prepayments and other assets, receivables, net and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include due to Shareholders' operations, reinsurance balances payable, claims payable, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums receivable and depreciation on the property and equipment) are not reported to the chief operating decision maker under related segments and are monitored on a centralized basis.

Operating Segments	For the three month period ended June 30, 2016 (Unaudited)				
	Medical	Motor	Manafeth SR' 000	Property & casualty	Total
Gross premiums written:					
Compulsory	1,076,958	-	-	-	-
Non - compulsory	175,606	-	-	-	-
Total gross premiums written	<u>1,252,564</u>	<u>381,549</u>	<u>65,275</u>	<u>436,111</u>	<u>2,135,499</u>
Net premiums written	<u>1,242,669</u>	<u>381,549</u>	<u>65,275</u>	<u>35,134</u>	<u>1,724,627</u>
Net premiums earned	1,265,295	360,255	59,061	34,121	1,718,732
Reinsurance commissions	3,036	5	-	23,471	26,512
Net claims incurred	(1,025,687)	(249,042)	(10,610)	(20,986)	(1,306,325)
Policy acquisition costs	(63,222)	(39,952)	(8,986)	(11,292)	(123,452)
Excess of loss expenses	-	(6,931)	(676)	(2,399)	(10,006)
Changes in reserve for takaful activities	78	-	-	-	78
Other underwriting expenses	(24,915)	(4,598)	(5,365)	(6,845)	(41,723)
<b>Income from Insurance operations</b>	<u>154,585</u>	<u>59,737</u>	<u>33,424</u>	<u>16,070</u>	<u>263,816</u>
General, administrative, operating and selling expenses					(104,297)
Investment income, net					67,242
Other income, net					21,764
Manafeth insurance share distribution					(27,454)
<b>Surplus from Insurance operations</b>					<u>221,071</u>

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13. OPERATING SEGMENTS (continued)

Operating Segments	For the three months ended June 30, 2015 (Unaudited)				Total
	Medical	Motor	Manafeth SR' 000	Property & casualty	
Gross premiums written:					
Compulsory	896,739	-	-	-	-
Non - compulsory	175,266	-	-	-	-
Total gross premiums written	1,072,005	287,953	48,155	394,151	1,802,264
Net premiums written	1,060,162	287,953	48,155	40,509	1,436,779
Net premiums earned	1,026,376	255,082	35,549	33,849	1,350,856
Reinsurance commissions	58	11	-	22,865	22,934
Net claims incurred	(827,888)	(174,964)	(16,542)	(10,958)	(1,030,352)
Policy acquisition costs	(56,908)	(33,178)	(5,935)	(9,699)	(105,720)
Excess of loss expenses	-	(2,799)	(582)	(2,974)	(6,355)
Changes in reserve for takaful activities	(232)	-	-	-	(232)
Other underwriting expenses	(18,245)	(2,799)	(1,550)	(4,466)	(27,060)
<b>Income from Insurance Operations</b>	<b>123,161</b>	<b>41,353</b>	<b>10,940</b>	<b>28,617</b>	<b>204,071</b>
General, administrative, operating and selling expenses					(125,688)
Investment income, net					49,068
Other income, net					7,095
Manafeth insurance share distribution					(7,132)
<b>Surplus from Insurance Operations</b>					<b>127,414</b>

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13. OPERATING SEGMENTS (continued)

Operating Segments	For the six month period ended June 30, 2016 (Unaudited)				
	Medical	Motor	Manafeth SR' 000	Property & casualty	Total
Gross premiums written:					
Compulsory	2,106,581	-	-	-	-
Non - compulsory	208,707	-	-	-	-
Total gross premiums written	2,315,288	813,568	121,348	586,637	3,836,841
Net premiums written	2,296,709	813,568	121,348	74,030	3,305,655
Net premiums earned	2,455,219	705,372	114,023	66,648	3,341,262
Reinsurance commissions	3,648	11	-	47,876	51,535
Net claims incurred	(2,040,457)	(483,165)	(22,431)	(27,904)	(2,573,957)
Policy acquisition costs	(123,324)	(83,431)	(17,683)	(23,682)	(248,120)
Excess of loss expenses	-	(9,646)	(1,895)	(4,796)	(16,337)
Changes in reserve for takaful activities	82	-	-	-	82
Other underwriting expenses	(46,082)	(9,457)	(9,869)	(12,335)	(77,743)
<b>Income from Insurance operations</b>	<b>249,086</b>	<b>119,684</b>	<b>62,145</b>	<b>45,807</b>	<b>476,722</b>
General, administrative, operating and selling expenses					(211,028)
Investment income, net					91,289
Impairment on available-for-sale investments					(50,036)
Other income, net					33,188
Manafeth insurance share distribution					(50,468)
<b>Surplus from Insurance operations</b>					<b>289,667</b>

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13. OPERATING SEGMENTS (continued)

For the six month ended June 30, 2015

(Unaudited)

Operating Segments	Medical	Motor	Manafeth	Property & casualty	Total
Gross premiums written:					
Compulsory	1,736,459				
Non - compulsory	199,037				
Total gross premiums written	<u>1,935,496</u>	<u>590,278</u>	<u>99,927</u>	<u>682,067</u>	<u>3,307,768</u>
Net premiums written	<u>1,922,474</u>	<u>590,278</u>	<u>99,927</u>	<u>71,570</u>	<u>2,684,249</u>
Net premiums earned	2,006,740	497,965	65,377	66,247	2,636,329
Reinsurance commissions	(152)	26		46,942	46,816
Net claims incurred	(1,622,003)	(346,845)	(24,317)	(21,412)	(2,014,577)
Policy acquisition costs	(108,714)	(64,706)	(12,971)	(19,504)	(205,895)
Excess of loss expenses		(7,183)	(1,165)	(5,319)	(13,667)
Changes in reserve for takaful	(24)				(24)
Other underwriting expenses	<u>(36,771)</u>	<u>(8,341)</u>	<u>(3,328)</u>	<u>(12,474)</u>	<u>(60,914)</u>
<b>Income from Insurance Operations</b>	<u>239,076</u>	<u>70,916</u>	<u>23,596</u>	<u>54,480</u>	<u>388,068</u>
General, administrative, operating and selling expenses					(249,999)
Investment income, net					75,838
Other income, net					16,661
Manafeth insurance share distribution					(15,412)
<b>Surplus from Insurance Operations</b>					<u>215,156</u>



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13. OPERATING SEGMENTS (continued)

Operating Segments	As at June 30, 2016 (Unaudited)				Total
	Medical	Motor	Manafeth	Property & casualty	
	SR' 000				
<b>Assets - Insurance operations</b>					
Reinsurer's share of unearned premiums	13,948	2,073	-	584,993	601,014
Reinsurer's share of outstanding claims	302	12,262	-	1,534,182	1,546,746
Deferred policy acquisition costs	134,163	83,447	2,057	21,973	241,640
Investments (including investment property)					2,953,747
Receivables, net					1,557,303
Unallocated assets					2,081,037
<b>Total assets</b>					<u>8,981,487</u>
<b>Liabilities and surplus - Insurance operations</b>					
Gross unearned premiums	2,626,222	794,522	45,127	703,123	4,168,994
Gross outstanding claims and reserves	934,554	289,437	25,046	1,709,826	2,958,863
Unearned commission income	6,514	13	-	47,291	53,818
Reserve for takaful activities	13,385	-	-	-	13,385
Unallocated liabilities and surplus					1,786,427
<b>Total liabilities and surplus</b>					<u>8,981,487</u>

Operating Segments	As at December 31, 2015 (Audited)				Total
	Medical	Motor	Manafeth	Property & casualty	
	SR' 000				
<b>Assets - Insurance operations</b>					
Reinsurer's share of unearned premiums	89,377	11,329	-	529,268	629,974
Reinsurer's share of outstanding claims	224	16,082	-	1,479,603	1,495,909
Deferred policy acquisition costs	120,725	64,964	1,600	21,955	209,244
Investments (including investment property)					3,236,219
Receivables, net					1,943,579
Unallocated assets					1,585,681
<b>Total assets</b>					<u>9,100,606</u>
<b>Liabilities and surplus - Insurance operations</b>					
Gross unearned premiums	2,860,161	695,582	37,802	640,016	4,233,561
Gross outstanding claims and reserves	906,262	278,952	24,542	1,640,611	2,850,367
Unearned commission income	6,241	24	-	44,759	51,024
Reserve for takaful activities	13,467	-	-	-	13,467
Unallocated liabilities and surplus					1,952,187
<b>Total liabilities and surplus</b>					<u>9,100,606</u>

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**14. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated by dividing the net income for the period ended June 30, 2016 and June 30, 2015 by 100 million shares.

**15. ZAKAT**

**Status of Assessment**

The Company had filed Zakat returns with the Department of Zakat and Income tax (DZIT) for the years from 2005 to 2015 but the final assessments have not been raised yet.

**Status of Appeal**

The Company had filed an appeal against the assessment of DZIT for the year 2005-2006 which is raised to Board of Grievances.

**16. RECLASSIFICATION OF COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial statements of the Company.

**17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Audit Committee on behalf of the Board of Directors, on Shawwal 13, 1437H, corresponding to July 18, 2016.