

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2016

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Scope of review

We have reviewed the accompanying interim statement of financial position of Salama Cooperative Insurance Company – a Saudi Joint Stock Company – (the "Company") as at 30 June 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income for the three-month and six-month periods then ended, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the six-month period then ended and notes 1 to 13 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required.

We conducted our 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 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

Ibrahim A. Al Bassam
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26 July 2016
21 Shawwal 1437H
Jeddah, Kingdom of Saudi Arabia

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Note</i>	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	39,299	2,691
Term deposits	4	14,471	10,962
Premium receivables, net	5	99,118	59,772
Reinsurance receivables, net		2,547	1,553
Deferred policy acquisition costs		8,641	5,215
Prepayments and other receivables		15,191	14,922
FVIS investments	6(a)	177,153	159,137
Reinsurers' share of unearned premiums		5,918	6,063
Reinsurers' share of outstanding claims	7	6,173	7,408
Held to maturity investments	6(b)	36,024	36,100
Furniture, fittings and office equipment		2,364	2,340
Due from Shareholders' Operations		-	1,991
Total Insurance Operations' assets		406,899	308,154
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	8	8
FVIS investments	6(a)	142,213	141,684
Available-for-sale investments	6(c)	1,923	1,923
Prepayments and other receivables		108	109
Held to maturity investments	6(b)	10,093	10,147
Statutory deposit		25,000	25,000
Return on statutory deposit		1,121	1,068
Due from policyholders' fund		3,064	-
Total Shareholders' assets		183,530	179,939
TOTAL ASSETS		590,429	488,093

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2016

	<u>Note</u>	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		247,075	172,147
Outstanding claims	7	114,766	98,107
Unearned reinsurance commission		1,627	1,553
Other technical reserves		2,584	2,584
Policyholders' claims		6,058	5,061
Reinsurance payables		1,975	2,563
Accruals and other payables		18,468	16,252
Employees' end of service benefits		7,500	6,693
Due to Shareholders' Operations		3,064	-
Total insurance operations' liabilities		403,117	304,960
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		3,782	3,194
Total Insurance Operations' liabilities and surplus		406,899	308,154
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables		700	700
Return on statutory deposit payable to SAMA		1,121	1,068
Accrued Zakat	8	6,808	4,308
Due to Insurance Operations		-	1,991
Total Shareholders' liabilities		8,629	8,067
Shareholders' equity			
Share capital		250,000	250,000
Accumulated losses		(75,099)	(78,128)
Total Shareholders' equity		174,901	171,872
Total Shareholders' liabilities and equity		183,530	179,939
TOTAL LIABILITIES, SURPLUS AND EQUITY		590,429	488,093





The accompanying notes 1 to 13 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 six-month periods ended 30 June 2016

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
<i>Note</i>	<i>2016 (Unaudited)</i>	<i>2015 (Unaudited)</i>	<i>2016 (Unaudited)</i>	<i>2015 (Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenues				
Gross premiums written	141,488	113,089	283,205	226,770
Less: Reinsurance premiums ceded	(1,922)	(3,457)	(6,951)	(8,983)
Less: Excess of loss premiums	(3,883)	(2,828)	(6,751)	(4,102)
Net premiums written	135,683	106,804	269,503	213,685
Changes in net unearned premiums	(36,102)	(23,860)	(75,073)	(50,496)
Net premiums earned	99,581	82,944	194,430	163,189
Net reinsurance commissions earned	795	1,050	1,730	1,734
Other underwriting income	-	-	601	-
Net revenue	100,376	83,994	196,761	164,923
Costs and expenses				
Gross claims paid	68,350	71,818	140,444	136,913
Less: Reinsurers' share	(1,398)	(276)	(2,723)	(1,293)
Net claims paid	66,952	71,542	137,721	135,620
Changes in net outstanding claims	12,858	(3,881)	17,894	(2,032)
Net claims incurred	79,810	67,661	155,615	133,588
Policy acquisition costs	3,623	2,838	6,748	5,595
Other operating expenses	2,310	2,390	4,949	4,278
Net costs and expenses	85,743	72,889	167,312	143,461
Net results of insurance operations	14,633	11,105	29,449	21,462
General and administrative expenses	(13,479)	(10,586)	(24,736)	(20,007)
Provision for doubtful debts	(1,156)	-	(1,631)	-
Other income	832	481	833	483
Investment income	999	1,047	1,965	2,809
Surplus from Insurance Operations	1,829	2,047	5,880	4,747
Shareholders' share of insurance operations' surplus	2(a) (1,646)	(1,842)	(5,292)	(4,272)
Surplus for the period	183	205	588	475
Accumulated surplus at the beginning of the period	3,599	3,284	3,194	3,014
Accumulated surplus at the end of the period	3,782	3,489	3,782	3,489

The accompanying notes 1 to 13 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 six-month periods ended 30 June 2016

		Three-month period ended 30 June		Six-month period ended 30 June	
	Note	2016 (Unaudited) SR'000	2015 (Unaudited) SR'000	2016 (Unaudited) SR'000	2015 (Unaudited) SR'000
REVENUES					
Shareholders' share of Insurance Operations' surplus	2 (a)	1,646	1,842	5,292	4,272
Investment income		1,490	235	670	648
		<u>3,136</u>	<u>2,077</u>	<u>5,962</u>	<u>4,920</u>
EXPENSES					
General and administrative expenses		<u>(105)</u>	<u>(90)</u>	<u>(433)</u>	<u>(376)</u>
Net income for the period before Zakat		3,031	1,987	5,529	4,544
Zakat	8	<u>(1,250)</u>	<u>(300)</u>	<u>(2,500)</u>	<u>(600)</u>
Net income for the period		<u>1,781</u>	<u>1,687</u>	<u>3,029</u>	<u>3,944</u>
Earnings per share – (SR) – restated	12	<u>0.07</u>	<u>0.10</u>	<u>0.12</u>	<u>0.24</u>

  

The accompanying notes 1 to 13 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 six-month periods ended 30 June 2016

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<u>2016</u> <i>(Unaudited)</i> SR'000	<u>2015</u> <i>(Unaudited)</i> SR'000	<u>2016</u> <i>(Unaudited)</i> SR'000	<u>2015</u> <i>(Unaudited)</i> SR'000
Net income for the period	1,781	1,687	3,029	3,944
Items that are or may be reclassified subsequently to statement of Shareholders' Operations:				
Change in fair value of available-for-sale-investments (note 6(c))	-	-	-	-
Total comprehensive income for the period	<u>1,781</u>	<u>1,687</u>	<u>3,029</u>	<u>3,944</u>

  

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month period ended 30 June 2016

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

	<i>For the six-month period ended 30 June 2015</i>			
	<i>Available-for-sale</i>			<i>Total</i>
	<i>Share capital</i>	<i>investments</i>	<i>Accumulated</i>	
		<i>reserve</i>	<i>losses</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
Net income for the period	-	-	3,944	3,944
Balance at 30 June 2015 (unaudited)	100,000	-	(69,077)	30,923



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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the six-month period ended 30 June 2016

		Six-month period ended 30 June 2016 (Unaudited) SR'000	Six-month period ended 30 June 2015 (Unaudited) SR'000
	<u>Notes</u>		
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		588	475
Adjustments for:			
Unrealized gain on FVIS investments	6 (a)	(941)	(400)
Realized gain on FVIS investments		(14)	(1,762)
Amortisation related to held to maturity investments	6 (b)	76	11
Depreciation		750	750
Employees end of service benefits, net		807	381
		1,266	(545)
Changes in operating assets and liabilities:			
Premium receivables		(39,346)	(32,899)
Reinsurance receivables		(994)	2,196
Deferred policy acquisition costs		(3,426)	(632)
Prepayments and other receivables		(269)	595
Reinsurers share of unearned premiums		145	(2,686)
Reinsurers share of outstanding claims		1,235	(1,590)
Unearned premiums		74,928	53,182
Unearned commission income		74	1,093
Outstanding claims		16,659	(443)
Policyholders' claims		997	(180)
Reinsurance payables		(588)	2,382
Accruals and other payables		2,216	1,077
Due to Shareholders' Operations		5,055	1,824
Net cash from operating activities		57,952	23,374
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(774)	(529)
Purchase of FVIS investments		(20,331)	(20,000)
Purchase of held to maturity investments	6 (b)	-	(10,212)
Term deposits		(14,471)	(20,386)
Proceeds from disposal of FVIS investments	6 (a)	3,270	16,822
Proceeds from term deposits		10,962	-
Net cash used in investing activities		(21,344)	(34,305)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		36,608	(10,931)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,691	23,573
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	39,299	12,642

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS

For the six-month period ended 30 June 2016

		Six-month period ended 30 June 2016 (Unaudited) SR'000	Six-month period ended 30 June 2015 (Unaudited) SR'000
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income for the period before Zakat		5,529	4,544
Adjustments for:			
Unrealized gain on FVIS investments	6 (a)	(529)	(581)
Amortization of held to maturity investments	6 (b)	54	28
		<u>5,054</u>	<u>3,991</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		1	(1,610)
Due from Insurance Operations		(5,055)	(1,824)
Statutory deposit		(53)	(33)
Accruals and other payables		53	34
Amount due to a related party		-	3
		<u>-</u>	<u>561</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Proceeds from maturity of held to maturity investments	6 (b)	-	(5,586)
		<u>-</u>	<u>(5,586)</u>
Net cash used in investing activities			
DECREASE IN CASH AND CASH EQUIVALENTS		-	(5,025)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		8	5,524
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	<u>8</u>	<u>499</u>



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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

The Registered Office address of the Company is:

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). The interim condensed financial statements for the six-month period ended 30 June 2016 (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 2015.

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 2015 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 2015.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of presentation (continued)

The Company follows a fiscal year ending 31 December.

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

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

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

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

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

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

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

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 2016:

<i>Standard</i>	<i>Description</i>
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27	Amendments to IAS 27 Equity Method in Separate Financial Statements
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 1	Amendments to IAS 1 Disclosure initiative
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants.
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception
IFRS 5, IFRS 7, IAS 19 and IAS 34	Annual Improvements to IFRS 2012-2014 cycle

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

- c) Standards issued but not yet effective

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

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective date</i>
IAS 12	Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised losses	1 January 2017
IAS 7	Amendments to IAS 7 Disclosure Initiative	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

3. CASH AND CASH EQUIVALENTS

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand and at banks	<u>39,299</u>	<u>2,691</u>
<i>Shareholders' Operations</i>		
Cash at banks	<u>8</u>	<u>8</u>

4. TERM DEPOSITS

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Term deposits	<u>14,471</u>	<u>10,962</u>

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

5. PREMIUM RECEIVABLES, NET

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Due from policyholders	72,139	42,900
Due from policy holders – related parties (note 9)	44,365	32,707
Provision for doubtful debts	(17,386)	(15,835)
	<u>99,118</u>	<u>59,772</u>

Movements in allowance for doubtful premiums receivable were as follows:

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at beginning of period / year	15,835	22,653
Provision during the period / year	1,551	-
Release of provision during the period / year	-	(6,963)
Write off of bad debts	-	(3,174)
Write back of previously written off balance during the year	-	3,319
Balance at the end of the period / year	<u>17,386</u>	<u>15,835</u>

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
 FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Six-month period ended 30 June 2016 (Unaudited) SR'000</i>	<i>Year ended 31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	159,137	85,484
Changes in fair value of investments	941	2,964
Purchased during the period / year	20,331	140,068
Disposals during the period / year	(3,256)	(69,379)
Balance at the end of the period / year	<u>177,153</u>	<u>159,137</u>

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Six-month period ended 30 June 2016 (Unaudited) SR'000</i>	<i>Year ended 31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	141,684	14,072
Purchases during the period / year	-	166,126
Disposals during the period / year	-	(40,000)
Changes in fair value of investments	529	1,486
Balance at the end of the period / year	<u>142,213</u>	<u>141,684</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Six-month period ended 30 June 2016 (Unaudited) SR'000</i>	<i>Year ended 31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	36,100	30,641
Purchases during the period / year	-	5,586
Amortised during the period / year	(76)	(127)
Balance at the end of the period / year	<u>36,024</u>	<u>36,100</u>

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
 FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

6. INVESTMENTS

b) Held to maturity investments

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Six-month period ended 30 June 2016 (Unaudited) SR'000</i>	<i>Year ended 31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	10,147	-
Purchases during the period / year	-	10,211
Amortized during the period / year	(54)	(64)
Balance at the end of the period / year	<u>10,093</u>	<u>10,147</u>

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

c) Available-for-sale investments

Shareholders' operations

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

Six-month period ended 30 June 2016 (Unaudited)

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

Year ended 31 December 2015 (Audited)

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

- i. Unquoted available-for-sale investment, having a carrying value of SR 1,923 thousand (31 December 2015: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

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7. OUTSTANDING CLAIMS - NET

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Gross outstanding claims	18,592	13,766
Add: Incurred But Not Reported (IBNR) reserve	96,174	84,341
	<u>114,766</u>	<u>98,107</u>
Less: Reinsurance companies' share of outstanding claims	(6,173)	(7,408)
Net outstanding claims	<u>108,593</u>	<u>90,699</u>

8. ZAKAT

The Zakat payable by the Company has been calculated based on the best estimates of the management. Movement in Zakat payable during the six-month period ended 30 June 2016 and for the year ended 31 December 2015 is as follows:

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	4,308	3,108
Charge for the period / year	2,500	1,200
Paid during the period / year		-
Balance at the end of the period / year	<u>6,808</u>	<u>4,308</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 Company has submitted its zakat declaration for the year ended 31 December 2015, awaiting for DZIT.

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 2013 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.

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9. 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>Six-month period ended</u>		<u>Balance as at</u> <u>30 June 2016</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>Balance as at</u> <u>December 2015</u> <u>(Audited)</u> <u>SR'000</u>
		<u>30 June</u> <u>2016</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>30 June</u> <u>2015</u> <u>(Unaudited)</u> <u>SR'000</u>		
<i>a) Insurance Operations</i>					
<u>Related Parties of key management personnel</u>					
Tajeer Co. (Affiliate)	Insurance policies written	62,007	89,613	44,365	32,707
Chairman of the Board	Insurance policies written	145	256	89	-
Rusd Global Company	Insurance policies written	608	561	608	-
Technology Establishment	Insurance policies written	-	277	-	-
Al Firdous Group Co.	Insurance policies written	1,755	1,246	513	82
<u>Key management personnel</u>					
	Long-term benefits	156	118	(1,522)	(1,511)
	Short term benefits	2,887	2,279	200	132
<i>b) Shareholders' Operations</i>					
Board of Directors	Remuneration	60	43	-	-
Board Committees	Remuneration	11	95	-	-

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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10. 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:

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

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

10. SEGMENTAL INFORMATION (continued)

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

10. SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
For the three-month period ended 30 June 2015				
Gross premium written	9,810	98,400	4,879	113,089
Less: Reinsurance premiums ceded	-	-	(3,457)	(3,457)
Less: Excess of loss premiums	-	(2,600)	(228)	(2,828)
Net premium written	9,810	95,800	1,194	106,804
Changes in net unearned premiums	(742)	(22,915)	(203)	(23,860)
Net premiums earned	9,068	72,885	991	82,944
Net reinsurance commissions earned	-	-	1,050	1,050
Net revenue	9,068	72,885	2,041	83,994
Gross claims paid	5,600	65,816	402	71,818
Less: Reinsurers share	-	-	(276)	(276)
Net claims paid	5,600	65,816	126	71,542
Changes in outstanding claims	(390)	(3,430)	(61)	(3,881)
Net claims incurred	5,210	62,386	65	67,661
Policy acquisition costs	435	2,060	343	2,838
Other operating expenses	814	1,531	45	2,390
Net costs and expenses	6,459	65,977	453	72,889
Net results of insurance operations	2,609	6,908	1,588	11,105
Unallocated expenses				(10,586)
Unallocated other income				481
Investment income				1,047
Surplus from insurance operations				2,047

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

10. SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
For the Six-month period ended 30 June 2015				
Gross premium written	20,426	193,409	12,935	226,770
Less: Reinsurance premiums ceded	-	(74)	(8,909)	(8,983)
Less: Excess of loss premiums	(488)	(3,158)	(456)	(4,102)
Net premium written	19,938	190,177	3,570	213,685
Changes in net unearned premiums	(2,378)	(47,871)	(247)	(50,496)
Net premiums earned	17,560	142,306	3,323	163,189
Net reinsurance commissions earned	-	88	1,646	1,734
Net revenue	17,560	142,394	4,969	164,923
Gross claims paid	11,279	123,827	1,807	136,913
Less: Reinsurers share	51	(1)	(1,343)	(1,293)
Net claims paid	11,330	123,826	464	135,620
Changes in outstanding claims	(763)	(1,240)	(29)	(2,032)
Net claims incurred	10,567	122,586	435	133,588
Policy acquisition costs	882	4,148	565	5,595
Other operating expenses	1,524	2,669	85	4,278
Net costs and expenses	12,973	129,403	1,085	143,461
Net results of insurance operations	4,587	12,991	3,884	21,462
Unallocated expenses				(20,007)
Unallocated other income				483
Investment income				2,809
Surplus from insurance operations				4,747
As at 31 December 2015 - audited	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	Total SR'000
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				308,154
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				308,154

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

The table below presents the financial instruments at their fair values as at 30 June 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets</i>				
Financial assets held as FVIS - Insurance Operations	-	177,153	-	177,153
Financial assets held as FVIS - Shareholders' Operations	-	142,213	-	142,213
Balance at the end of the period	<u>-</u>	<u>319,366</u>	<u>-</u>	<u>319,366</u>

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>
Financial assets				
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 year	<u>-</u>	<u>300,821</u>	<u>-</u>	<u>300,821</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.

12. 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.

13. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 21 July 2016, corresponding to 16 Shawaal 1437H.