

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2017

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(A SAUDI JOINT STOCK COMPANY)

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INDEPENDENT AUDITORS' REVIEW REPORT

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

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of **Salama Cooperative Insurance Company** (A Saudi Joint Stock Company) (the "Company") as at 31 March 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the three-month period then ended and the notes from 1 to 15 which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for Zakat and Tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

for PKF Al-Bassam & Al-Nemer
Allied Accountants

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

for Moore Stephens
El Sayed El Ayouuty & Co.

Mohamed El Ayouuty
Certified Public Accountant
Licence No. 211

Jeddah, Kingdom of Saudi Arabia
8 May 2017
12 Sha'baan 1438H



SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Note</i>	31 March 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	70,962	58,019
Term deposits	4	14,783	14,783
Premium receivables, net	5	115,612	99,109
Reinsurance receivables, net		766	509
Deferred policy acquisition costs		14,936	10,590
Prepayments and other receivables		21,992	21,407
FVIS investments	6(a)	301,297	254,516
Reinsurers' share of unearned premiums		7,927	4,752
Reinsurers' share of outstanding claims	7	5,522	6,376
Held to maturity investments	6(b)	35,947	35,947
Furniture, fittings and office equipment		3,217	2,607
Total Insurance Operations' assets		592,961	508,615
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	11	11
FVIS investments	6(a)	160,867	145,210
Available-for-sale investments	6(c)	1,923	1,923
Prepayments and other receivables		227	132
Held to maturity investments	6(b)	13,755	13,755
Statutory deposit		25,000	25,000
Return on statutory deposit		1,813	1,645
Due from insurance operations		19,624	21,199
Total Shareholders' assets		223,220	208,875
TOTAL ASSETS		816,181	717,490

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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 March 2017

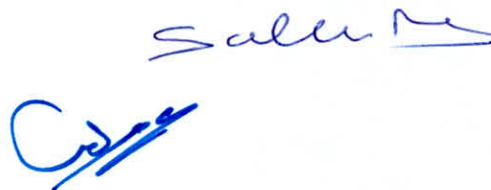
	<i>Note</i>	31 March 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		355,514	280,969
Outstanding claims	7	149,436	147,176
Unearned commission income		2,158	1,287
Other technical reserves		3,695	3,695
Policyholders' claims		8,732	7,572
Reinsurance payables		7,893	6,449
Accruals and other payables		29,396	25,715
Employees' end of service benefits		8,811	8,382
Due to shareholder operations		19,624	21,199
Total insurance operations' liabilities		585,259	502,444
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		7,702	6,171
Total Insurance Operations' liabilities and surplus		592,961	508,615
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Return on statutory deposit payable to SAMA		1,813	1,645
Accrued Zakat	8	15,304	14,054
Total Shareholders' liabilities		17,117	15,699
Shareholders' equity			
Share capital	9	250,000	250,000
Accumulated losses		(43,897)	(56,824)
Total Shareholders' equity		206,103	193,176
Total Shareholders' liabilities and equity		223,220	208,875
TOTAL LIABILITIES, SURPLUS AND EQUITY		816,181	717,490





SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the three-month period ended 31 March 2017

	<i>Three-month period ended 31 March</i>	
<i>Note</i>	<i>2017 (Unaudited)</i>	<i>2016 (Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Revenues		
Gross premiums written	227,878	141,717
Less: Reinsurance premiums ceded	(6,313)	(5,029)
Less: Excess of loss premiums	(3,808)	(2,868)
Net premiums written	217,757	133,820
Changes in net unearned premiums	(71,370)	(38,971)
Net premiums earned	146,387	94,849
Net reinsurance commissions earned	858	935
Other underwriting income	-	601
Net revenue	147,245	96,385
Costs and expenses		
Gross claims paid	103,286	72,094
Less: Reinsurers' share	(1,651)	(1,325)
Net claims paid	101,635	70,769
Changes in net outstanding claims	3,114	5,036
Net claims incurred	104,749	75,805
Policy acquisition costs	5,902	3,125
Other operating expenses	7,626	2,639
Net costs and expenses	118,277	81,569
Net results of insurance operations	28,968	14,816
General and administrative expenses	(15,603)	(11,257)
Provision for doubtful debts	(641)	(475)
Investment income	2,207	966
Other income	379	1
Surplus from Insurance Operations	15,310	4,051
Shareholders' share of insurance operations' surplus	2(a) (13,779)	(3,646)
Surplus for the period	1,531	405
Accumulated surplus at the beginning of the period	6,171	3,194
Accumulated surplus at the end of the period	7,702	3,599

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS**

For the three-month period ended 31 March 2017

		<i>Three-month period ended 31 March</i>	
	<i>Note</i>	<i><u>2017</u> (Unaudited) SR'000</i>	<i><u>2016</u> (Unaudited) SR'000</i>
REVENUES			
Shareholders' share of Insurance Operations' surplus	2 (a)	13,779	3,646
Unrealized gain / (loss) on FVIS Investments		649	(892)
Income from held to maturity investments		95	72
		<u>14,523</u>	<u>2,826</u>
EXPENSES			
General and administrative expenses		<u>(346)</u>	<u>(328)</u>
		<u>14,177</u>	<u>2,498</u>
Net income for the period			
		<u>14,177</u>	<u>2,498</u>
Earnings per share – (SR) – restated	13, 14	<u>0.57</u>	<u>0.10</u>



SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2017

	<i>Three-month period ended 31 March</i>	
	<u>2017</u> <i>(Unaudited)</i> SR'000	<u>2016</u> <i>(Unaudited)</i> SR'000
Net income for the period	14,177	2,498
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>14,177</u>	<u>2,498</u>

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SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2017

	<i>For the three-month period ended 31 March 2017</i>			
	<i>Available-for-sale</i>			<i>Total</i>
	<i>Share capital</i>	<i>investments</i>	<i>Accumulated</i>	
	<i>SR'000</i>	<i>reserve</i>	<i>losses</i>	<i>SR'000</i>
Balance as at 31 December 2016 (Audited)	250,000	-	(56,824)	193,176
Net income for the period	-	-	14,177	14,177
Zakat for the current period (note 8)	-	-	(1,250)	(1,250)
Balance at 31 March 2017 (Unaudited)	250,000	-	(43,897)	206,103

	<i>For the three-month period ended 31 March 2016</i>			
	<i>Available-for-sale</i>			<i>Total</i>
	<i>Share capital</i>	<i>investments</i>	<i>Accumulated</i>	
	<i>SR'000</i>	<i>reserve</i>	<i>losses</i>	<i>SR'000</i>
Balance as at 31 December 2015 (Audited)	250,000	-	(78,128)	171,872
Net income for the period before adjustment	-	-	1,248	1,248
Prior year adjustment (note 14)	-	-	1,250	1,250
Net income for the period after adjustment	-	-	2,498	2,498
Zakat for the period	-	-	(1,250)	(1,250)
Balance at 31 March 2016 (Unaudited)	250,000	-	(76,880)	173,120





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 three-month period ended 31 March 2017

	<i>Notes</i>	<i>Three-month period ended 31 March 2017 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2016 (Unaudited) SR'000</i>
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		1,531	405
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(1,789)	(156)
Realized gain on FVIS investments		-	(14)
Reinsurers share of unearned premiums		(3,175)	(1,544)
Amortization related to held to maturity investments	6(b)	-	12
Provision for doubtful insurance receivables		541	446
Provision for doubtful reinsurance receivables		100	29
Unearned premiums		74,545	40,515
Employees end of service benefits, net		429	371
Depreciation		375	375
		<u>72,557</u>	<u>40,439</u>
Changes in operating assets and liabilities:			
Premium receivables		(17,044)	(8,478)
Reinsurance receivables		(357)	(601)
Policy acquisition costs		(4,346)	(1,887)
Prepayments and other receivables		(585)	1,486
Reinsurers share of outstanding claims		854	(77)
Unearned commission income		871	442
Outstanding claims		2,260	5,113
Policyholders' claims		1,160	1,095
Reinsurance payables		1,444	(422)
Accruals and other payables		3,681	(407)
Due from shareholders' operations		(1,575)	3,319
		<u>58,920</u>	<u>40,022</u>
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(985)	(452)
Purchase of FVIS investments		(44,992)	(331)
Term deposits		-	(14,471)
Proceeds from disposal of FVIS investments	6 (a)	-	3,270
Proceeds from term deposits		-	10,962
Net cash used in investing activities		<u>(45,977)</u>	<u>(1,022)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		12,943	39,000
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		58,019	2,691
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u>70,962</u>	<u>41,691</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 three-month period ended 31 March 2017

		<i>Three-month period ended 31 March 2017 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2016 (Unaudited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income for the period		14,177	2,498
Adjustments for:			
Unrealized (gain) / loss on FVIS investments	6(a)	(649)	892
		<u>13,528</u>	<u>3,390</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		(95)	(71)
Due to insurance operations		1,575	(3,319)
Return on statutory deposit		168	53
Return on statutory deposit payable to SAMA		(168)	(53)
		<u>15,008</u>	<u>-</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of held to maturity Investments		(30,000)	-
Proceeds from disposal of FVIS Investments		14,992	-
		<u>(15,008)</u>	<u>-</u>
Net cash used in investing activities			
NET CHANGE IN CASH AND CASH EQUIVALENTS		-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		11	8
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	<u>11</u>	<u>8</u>





1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

The Registered Office address of the Company is:

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

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

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

• **Zakat**

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of presentation (continued)

The Company follows a fiscal year ending 31 December.

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

c) Standards issued but not yet effective

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

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

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

3. CASH AND CASH EQUIVALENTS

	<i>31 March 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand and at banks	<u>70,962</u>	<u>58,019</u>
<i>Shareholders' Operations</i>		
Cash at banks	<u>11</u>	<u>11</u>

4. TERM DEPOSITS

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

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

5. PREMIUM RECEIVABLES, NET

	<i>31 March 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Due from policyholders	105,707	83,755
Due from policy holders – related parties (note 10)	31,815	36,723
Allowance for doubtful premiums receivable (see below)	(21,910)	(21,369)
	<u>115,612</u>	<u>99,109</u>

Movements in allowance for doubtful premiums receivable were as follows:

	<i>31 March 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Balance at beginning of period / year	21,369	15,835
Provision during the period / year	<u>541</u>	<u>5,534</u>
Balance at the end of the period / year	<u>21,910</u>	<u>21,369</u>

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Three -month period ended 31 March 2017 (Unaudited) SR'000</i>	<i>Year ended 31 December 2016 (Audited) SR'000</i>
Balance at the beginning of the period / year	254,516	159,137
Purchased during the period / year	44,992	166,162
Disposals during the period / year	-	(74,412)
Changes in fair value of investments	1,789	3,629
Balance at the end of the period / year	<u>301,297</u>	<u>254,516</u>

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Three -month period ended 31 March 2017 (Unaudited) SR'000</i>	<i>Year ended 31 December 2016 (Audited) SR'000</i>
Balance at the beginning of the period / year	145,210	141,684
Purchases during the period / year	30,000	514
Disposals during the period / year	(14,992)	-
Changes in fair value of investments	649	3,012
Balance at the end of the period / year	<u>160,867</u>	<u>145,210</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

6. INVESTMENTS (continued)

b) Held to maturity investments – (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

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

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

c) Available-for-sale investments

Shareholders' operations

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

Three-month period ended 31 March 2017 (Unaudited)

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

Year ended 31 December 2016 (Audited)

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

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

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7. OUTSTANDING CLAIMS – NET

	<i>31 March 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Gross outstanding claims	25,622	23,179
Add: Incurred But Not Reported (IBNR) reserve	123,814	123,997
	<u>149,436</u>	<u>147,176</u>
Less: Reinsurance companies' share of outstanding claims	(5,522)	(6,376)
Net outstanding claims	<u>143,914</u>	<u>140,800</u>

8. ZAKAT

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

	<i>31 March 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Balance at the beginning of the period / year	14,054	5,008
Charge for the current period / year	1,250	5,000
Charge for the prior period / year	-	4,046
Balance at the end of the period / year	<u>15,304</u>	<u>14,054</u>

Zakat status

The Company has filed its zakat declarations for the period from 16 May 2007 to 31 December 2008 and for the years ended 31 December 2009 through 2015 and has obtained restricted zakat certificates.

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

9. SHARE CAPITAL

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

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10. RELATED PARTY TRANSACTIONS AND BALANCES

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

		<i>Amount of transaction Three-month period ended</i>		<i>Balance as at 31 March 2017 (Unaudited) SR'000</i>	<i>Balance as at 31 December 2016 (Audited) SR'000</i>
<u><i>Related party</i></u>	<u><i>Nature of transaction</i></u>	<i>31 March 2017 (Unaudited) SR'000</i>	<i>31 March 2016 (Unaudited) SR'000</i>		
<i>a) Insurance Operations</i>					
<u><i>Major Shareholder</i></u>					
Islamic Arab Insurance Company (UAE)	Insurance premium	-	-	-	-
<u><i>Related Parties of key management personnel</i></u>					
Tajeer Co. (Affiliate)	Insurance policies written	23,642	32,694	30,964	36,362
Chairman of the Board	Insurance policies written	-	7	-	144
Chief executive officer	Insurance policies written	-	4	-	-
Rusd Global Company	Insurance policies written	-	-	-	191
Al Firdous Group Co.	Insurance policies written	1,427	1,372	851	26
<u><i>Key management personnel</i></u>					
	Long-term benefits	73	70	(1,111)	(1,038)
	Short term benefits	951	1,257	87	146
<i>b) Shareholders' Operations</i>					
Board of Directors	Remuneration	18	23	-	-
Board Committees	Remuneration	28	4	-	-

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:

For the three-month period ended 31 March 2017 – unaudited	<u>Medical</u> SR'000	<u>Motor</u> SR'000	<u>Other</u> SR'000	<u>Total</u> SR'000
Gross premium written	26,246	193,061	8,571	227,878
Less: Reinsurance premiums ceded	-	-	(6,313)	(6,313)
Less: Excess of loss premiums	(450)	(3,137)	(221)	(3,808)
Net premium written	25,796	189,924	2,037	217,757
Changes in net unearned premiums	(16,856)	(53,375)	(1,139)	(71,370)
Net premiums earned	8,940	136,549	898	146,387
Net reinsurance commissions earned	-	-	858	858
Net revenue	8,940	136,549	1,756	147,245
Gross claims paid	4,152	97,506	1,628	103,286
Less: Reinsurers share	(550)	-	(1,101)	(1,651)
Net claims paid	3,602	97,506	527	101,635
Changes in outstanding claims	512	3,151	(549)	3,114
Net claims incurred	4,114	100,657	(22)	104,749
Commission expense	476	5,090	336	5,902
Other operating expenses	2,060	5,492	74	7,626
Net costs and expenses	6,650	111,239	388	118,277
Net results of insurance operations	2,290	25,310	1,368	28,968
General and administrative expenses				(15,603)
Provision for doubtful debts				(641)
Investment income				2,207
Unallocated other income				379
Surplus from insurance operations				15,310

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11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	SR'000
As at 31 March 2017 - unaudited				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	7,927	7,927
Reinsurer's share of outstanding claims	-	-	5,522	5,522
Deferred policy acquisition costs	1,649	12,289	998	14,936
Unallocated assets				564,576
				<u>592,961</u>
Total insurance operations' assets				
Insurance operations' liabilities and surplus				
Unearned premium	28,521	316,558	10,435	355,514
Outstanding claims	8,148	132,382	8,906	149,436
Unearned commission income	-	-	2,158	2,158
Other technical reserves	533	3,140	22	3,695
Unallocated liabilities and surplus				82,158
				<u>592,961</u>
Total insurance operations' liabilities and surplus				

11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Other</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
For the three-month period ended 31 March 2016 – unaudited				
Gross premium written	10,782	123,590	7,345	141,717
Less: Reinsurance premiums ceded	-	-	(5,029)	(5,029)
Less: Excess of loss premiums	(366)	(2,216)	(286)	(2,868)
Net premium written	10,416	121,374	2,030	133,820
Changes in net unearned premiums	(3,475)	(34,407)	(1,089)	(38,971)
Net premiums earned	6,941	86,967	941	94,849
Net reinsurance commissions earned	-	-	935	935
Other underwriting income	-	601	-	601
Net revenue	6,941	87,568	1,876	96,385
Gross claims paid	4,380	66,123	1,591	72,094
Less: Reinsurers share	-	-	(1,325)	(1,325)
Net claims paid	4,380	66,123	266	70,769
Changes in outstanding claims	904	3,314	818	5,036
Net claims incurred	5,284	69,437	1,084	75,805
Other technical reserves	-	-	-	-
Commission expense	343	2,470	312	3,125
Other operating expenses	734	1,809	96	2,639
Net costs and expenses	6,361	73,716	1,492	81,569
Net results of insurance operations	580	13,852	384	14,816
General and administrative expenses				(11,257)
Provision for doubtful debts				(475)
Investment income				966
Unallocated other Income				1
Surplus from insurance operations				4,051
As at 31 December 2016	Medical SR'000	Motor SR'000	Other SR'000	Total SR'000
Insurance operations' assets				
Reinsurers' share of unearned premiums	-	-	4,752	4,752
Reinsurers' share of outstanding claims	-	-	6,376	6,376
Deferred policy acquisition costs	674	9,475	441	10,590
Unallocated assets				486,897
Total insurance operations' assets				508,615
Insurance operations' liabilities and surplus				
Unearned premiums	11,665	263,183	6,121	280,969
Outstanding claims	7,636	129,231	10,309	147,176
Unearned commission income	-	-	1,287	1,287
Other technical reserves	533	3,140	22	3,695
Unallocated liabilities and surplus				75,488
Total insurance operations' liabilities and surplus				508,615

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 March 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets</i>				
Financial assets held as FVIS - Insurance Operations	-	301,297	-	301,297
Financial assets held as FVIS - Shareholders' Operations	-	160,867	-	160,867
Balance at the end of the period	-	462,164	-	462,164

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

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

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

13. EARNINGS PER SHARE

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

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14. PRIOR PERIOD RESTATEMENT

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

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

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

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

Interim Statement of Shareholders' Operations – (for the period ended 31 March 2016)

	<u>Before</u> <u>Adjustment</u> <u>SR'000</u>	<u>Adjustment</u> <u>SR'000</u>	<u>After</u> <u>Adjustment</u> <u>SR'000</u>
Net Income before Zakat for the period ended 31 March 2016	2,498	-	2,498
Zakat for the period ended 31 March 2016	(1,250)	1,250*	-
Net Income for the period ended 31 March 2016	1,248	1,250*	2,498
Total Comprehensive Income for the period ended 31 March 2016	1,248	1,250*	2,498
Basic and Diluted Earnings per Share for the period	0.05	0.05	0.10

*The above mentioned adjustment was carried out to the net income / comprehensive income for the period ended 31 March 2016 as a result of the Zakat restatement from income statement to the statement of shareholders' equity following the new accounting policy of Zakat and Income Tax as disclosed in Note 2.

15. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 20 April 2017, corresponding to 23 Rajab 1438H.