

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2017

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

INDEX	PAGE
Independent Auditors' Review Report	1
Interim Statement of Financial Position	2 – 3
Interim Statement of Insurance Operations and Accumulated Surplus	4
Interim Statement of Shareholders' Operations	5
Interim Statement of Comprehensive Income	6
Interim Statement of Changes in Shareholders' Equity	7
Interim Statement of Insurance Operations' Cash Flows	8
Interim Statement of Shareholders' Operations Cash Flows	9
Notes to the Interim Condensed Financial Statements	10 – 23



Al-Bassam & Al-Nemer
Allied Accountants

(Member firm of PKF International)
P.O. Box 15651
Jeddah – 21454

MOORE STEPHENS

EL SAYED EL AYOUTY & CO.
Certified Public Accountants

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 30 September 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income for the three-month and nine-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the nine-month period then ended and 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 Income 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" as endorsed in the Kingdom of Saudi Arabia. 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 as endorsed in the Kingdom of Saudi Arabia and consequently 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 Income 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 Ayouty & Co.

Mohamed El Ayouty
Certified Public Accountant
Licence No. 211



Jeddah, Kingdom of Saudi Arabia
29 October 2017
09 Safar 1439H

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	<i>Note</i>	30 September 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	7,384	58,019
Term deposits	4	14,783	14,783
Premium receivables, net	5	165,679	99,109
Reinsurance receivables, net		405	509
Deferred policy acquisition costs		17,099	10,590
Prepayments and other receivables		15,599	21,407
FVIS investments	6(a)	364,483	254,516
Reinsurers' share of unearned premiums		9,784	4,752
Reinsurers' share of outstanding claims	7	6,066	6,376
Held to maturity investments	6(b)	35,857	35,947
Furniture, fittings and office equipment		4,247	2,607
Total Insurance Operations' assets		641,386	508,615
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	11	11
FVIS investments	6(a)	208,765	145,210
Available-for-sale investments	6(c)	1,923	1,923
Prepayments and other receivables		216	132
Held to maturity investments	6(b)	13,699	13,755
Statutory deposit		25,000	25,000
Return on statutory deposit		2,055	1,645
Due from insurance operations		7,816	21,199
Total Shareholders' assets		259,485	208,875
TOTAL ASSETS		900,871	717,490

Salam

Alam

Alam

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 30 September 2017

	<u>Note</u>	30 September 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		351,740	280,969
Outstanding claims	7	183,342	147,176
Unearned commission income		2,500	1,287
Other technical reserves		3,695	3,695
Policyholders' claims		23,550	7,572
Reinsurance payable		10,974	6,449
Accruals and other payable		37,368	25,715
Employees' end of service benefits		8,687	8,382
Due to shareholders' operations		7,816	21,199
Total insurance operations' liabilities		629,672	502,444
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		11,714	6,171
Total Insurance Operations' liabilities and surplus		641,386	508,615
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Return on statutory deposit payable to SAMA		2,055	1,645
Accrued Zakat	8	15,640	14,054
Total Shareholders' liabilities		17,695	15,699
Shareholders' equity			
Share capital	9	250,000	250,000
Accumulated losses		(8,210)	(56,824)
Total Shareholders' equity		241,790	193,176
Total Shareholders' liabilities and equity		259,485	208,875
TOTAL LIABILITIES, SURPLUS AND EQUITY		900,871	717,490

Salma

Ali

Ali

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the three-month and nine-month periods ended 30 September 2017

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
	SR'000	SR'000	SR'000	SR'000
Revenues				
Gross premiums written	158,984	132,050	588,831	415,255
Less: Reinsurance premiums ceded	(5,824)	(4,406)	(16,130)	(11,357)
Less: Excess of loss premiums	(4,799)	(2,837)	(12,163)	(9,588)
Net premiums written	148,361	124,807	560,538	394,310
Changes in net unearned premiums	32,441	(12,039)	(65,739)	(87,112)
Net premiums earned	180,802	112,768	494,799	307,198
Net reinsurance commissions earned	1,063	1,065	3,111	2,795
Other underwriting income	-	-	4,267	601
Net revenue	181,865	113,833	502,177	310,594
Costs and expenses				
Gross claims paid	113,282	62,378	328,708	202,822
Less: Reinsurers' share	(2,008)	(363)	(4,026)	(3,086)
Net claims paid	111,274	62,015	324,682	199,736
Changes in net outstanding claims	16,434	20,848	36,476	38,742
Net claims incurred	127,708	82,863	361,158	238,478
Policy acquisition costs	8,577	4,042	21,775	10,790
Other operating expenses	2,598	2,486	13,760	7,435
Net costs and expenses	138,883	89,391	396,693	256,703
Net results of insurance operations	42,982	24,442	105,484	53,891
General and administrative expenses	(14,351)	(11,071)	(45,495)	(35,807)
Provision for doubtful debts	(7,445)	(3,890)	(11,575)	(5,521)
Investment income	2,026	1,421	5,986	3,386
Other income	650	-	1,029	833
Surplus from Insurance Operations	23,862	10,902	55,429	16,782
Shareholders' share of insurance operations' surplus	2(a) (21,475)	(9,812)	(49,886)	(15,104)
Surplus for the period	2,387	1,090	5,543	1,678
Accumulated surplus at the beginning of the period	9,327	3,782	6,171	3,194
Accumulated surplus at the end of the period	11,714	4,872	11,714	4,872

Salam

File

عبدالله

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and nine-month periods ended 30 September 2017

		Three-month period ended 30 September		Nine-month period ended 30 September	
	<u>Note</u>	<u>2017</u> (Unaudited) SR'000	<u>2016</u> (Unaudited) SR'000	<u>2017</u> (Unaudited) SR'000	<u>2016</u> (Unaudited) SR'000
REVENUES					
Shareholders' share of Insurance Operations' surplus	2 (a)	21,475	9,812	49,886	15,104
Unrealized gain / (loss) on FVIS Investments		706	(1,124)	3,547	(597)
Income from held to maturity investments		90	71	266	214
		<u>22,271</u>	<u>8,759</u>	<u>53,699</u>	<u>14,721</u>
EXPENSES					
General and administrative expenses		<u>(243)</u>	<u>(22)</u>	<u>(1,335)</u>	<u>(455)</u>
Net income for the period		<u>22,028</u>	<u>8,737</u>	<u>52,364</u>	<u>14,266</u>
Earnings per share – (SR) – restated	13, 14	<u>0.88</u>	<u>0.35</u>	<u>2.09</u>	<u>0.57</u>

Salam

Qlm

Qlm

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

For the three-month and nine-month periods ended 30 September 2017

	Three-month period ended 30 September		Nine-month period ended 30 September	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR'000	SR'000	SR'000	SR'000
Net income for the period	22,028	8,737	52,364	14,266
Items that 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>22,028</u>	<u>8,737</u>	<u>52,364</u>	<u>14,266</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 CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended 30 September 2017

	<i>For the nine-month period ended 30 September 2017</i>			
	<i>Available-for-sale</i>			<i>Total</i>
	<i>Share capital</i>	<i>investments reserve</i>	<i>Accumulated losses</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at 31 December 2016 (Audited)	250,000	-	(56,824)	193,176
Net income for the period	-	-	52,364	52,364
Zakat for the current period (note 8)	-	-	(3,750)	(3,750)
Balance at 30 September 2017 (Unaudited)	250,000	-	(8,210)	241,790

	<i>For the nine-month period ended 30 September 2016</i>			
	<i>Available-for-sale</i>			<i>Total</i>
	<i>Share capital</i>	<i>investments reserve</i>	<i>Accumulated 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 before adjustment	-	-	10,516	10,516
<i>Prior year adjustment (note 14)</i>	-	-	3,750	3,750
Net income for the period after adjustment	-	-	14,266	14,266
Zakat for the current period	-	-	(3,750)	(3,750)
Balance at 30 September 2016 (Unaudited)	250,000	-	(67,612)	182,388

Salam

[Signature]

[Signature]




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 nine-month period ended 30 September 2017

	<i>Notes</i>	Nine-month period ended 30 September 2017 (Unaudited) SR'000	Nine-month period ended 30 September 2016 (Unaudited) SR'000
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		5,543	1,678
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(4,675)	(2,055)
Realized gain on FVIS investments		-	(14)
Amortization related to held to maturity investments	6(b)	90	88
Provision for doubtful insurance receivables		11,475	5,426
Provision for doubtful reinsurance receivables		100	15
Unearned premiums		70,771	86,969
Employees end of service benefits, net		305	1,325
Depreciation		1,275	1,150
		<u>84,884</u>	<u>94,582</u>
Changes in operating assets and liabilities:			
Premium receivables		(78,045)	(51,996)
Reinsurance receivables		4	116
Policy acquisition costs		(6,509)	(4,238)
Prepayments and other receivables		5,808	3,038
Reinsurers share of unearned premiums		(5,032)	143
Reinsurers share of outstanding claims		310	255
Unearned commission income		1,213	36
Outstanding claims		36,166	38,487
Policyholders' claims		15,978	6,576
Reinsurance payables		4,525	399
Accruals and other payables		11,653	6,640
Due from shareholders' operations		(13,383)	14,845
		<u>57,572</u>	<u>108,883</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(2,915)	(895)
Purchase of FVIS investments	6 (a)	(105,292)	(89,020)
Term deposits		-	(29,108)
Proceeds from disposal of FVIS investments		-	3,270
Proceeds from term deposits		-	25,433
Net cash used in investing activities		<u>(108,207)</u>	<u>(90,320)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		(50,635)	18,563
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>7,384</u>	<u>21,254</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 nine-month period ended 30 September 2017

		Nine-month period ended 30 September 2017 (Unaudited) SR'000	Nine-month period ended 30 September 2016 (Unaudited) SR'000
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income for the period		52,364	14,266
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(3,547)	597
Amortization of held to maturity investments	6(b)	56	54
		<u>48,873</u>	<u>14,917</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		(84)	(69)
Due to insurance operations		13,383	(14,845)
Return on statutory deposit		(410)	(380)
Return on statutory deposit payable to SAMA		410	380
Zakat paid		(2,164)	-
		<u>60,008</u>	<u>3</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of FVIS Investments		(75,000)	-
Proceeds from disposal of FVIS Investments		14,992	-
		<u>(60,008)</u>	<u>-</u>
Net cash used in investing activities			
NET CHANGE IN CASH AND CASH EQUIVALENTS		-	3
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>11</u>







The accompanying notes 1 to 15 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) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for Zakat and Income Tax. The interim condensed financial statements for the nine-month period ended 30 September 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.

The Company received the approval letters from the Saudi Arabian Monetary Agency and Ministry of Commerce and Investment regarding the amendment of the Company's by-laws to be in accordance with the new companies' regulations.

Based on the above, the Company's general assembly was held on 5 June 2017 corresponding to 10 Ramadan 1438H and accordingly the new by-laws was approved.

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 2021
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 AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

3. CASH AND CASH EQUIVALENTS

	30 September 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
<i>Insurance Operations</i>		
Cash in hand and at banks	7,384	58,019
<i>Shareholders' Operations</i>		
Cash at banks	11	11

4. TERM DEPOSITS

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

The term deposits are held with commercial banks. These term deposits are denominated in Saudi Arabian Riyals and have 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 RECEIVABLE, NET

	30 September 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
Due from policyholders	146,976	83,755
Due from policy holders – related parties (note 10)	51,547	36,723
Allowance for doubtful premiums receivable (see below)	(32,844)	(21,369)
	165,679	99,109

Movements in allowance for doubtful premiums receivable were as follows:

	30 September 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
Balance at beginning of period / year	21,369	15,835
Provision during the period / year	11,475	5,534
Balance at the end of the period / year	32,844	21,369

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Nine-month period ended 30 September 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	105,292	166,162
Disposals during the period / year	-	(74,412)
Changes in fair value of investments	4,675	3,629
Balance at the end of the period / year	<u>364,483</u>	<u>254,516</u>

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Nine-month period ended 30 September 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	75,000	514
Disposals during the period / year	(14,992)	-
Changes in fair value of investments	3,547	3,012
Balance at the end of the period / year	<u>208,765</u>	<u>145,210</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Nine-month period ended 30 September 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	(90)	(153)
Balance at the end of the period / year	<u>35,857</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 AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

6. **INVESTMENTS** (continued)

b) Held to maturity investments – (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Nine-month period ended 30 September 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	(56)	(109)
Balance at the end of the period / year	<u>13,699</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:

Nine-month period ended 30 September 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.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

7. OUTSTANDING CLAIMS – NET

	<i>30 September 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Gross outstanding claims	40,061	23,179
Add: Incurred But Not Reported (IBNR) reserve	143,281	123,997
	<u>183,342</u>	<u>147,176</u>
Less: Reinsurers' share of outstanding claims	(5,275)	(5,544)
Less: Reinsurers' share of Incurred But Not Reported (IBNR) reserve	(791)	(832)
	<u>177,276</u>	<u>140,800</u>
Net outstanding claims	<u>177,276</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 nine-month period ended 30 September 2017 and for the year ended 31 December 2016 is as follows:

	<i>30 September 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	3,750	5,000
Payment made during the period / year	(2,164)	-
Charge for the prior period / year	-	4,046
Balance at the end of the period / year	<u>15,640</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 2016 and has obtained restricted zakat certificates.

During 2016, 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 the 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.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u> <u>Nine-month period ended</u>		<u>Balance as at</u>	<u>Balance as at</u>
		<u>30</u>	<u>30</u>	<u>30 September</u>	<u>31 December</u>
		<u>September</u>	<u>September</u>		
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
		<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
a) Insurance Operations					
<u>Related Parties of key management personnel</u>					
Tajeer Co. (Affiliate)	Insurance policies written	61,108	82,573	50,809	36,362
Chairman of the Board	Insurance policies written	124	145	50	144
Rusd Global Company	Insurance policies written	150	608	60	191
Al Firdous Group Co.	Insurance policies written	1,729	1,943	628	26
<u>Key management personnel</u>					
	Long-term benefits	174	211	(1,132)	(1,038)
	Short term benefits	3,729	3,835	120	146
b) Shareholders' Operations					
Board of Directors	Remuneration	726	81	-	-
Board Committees	Remuneration	254	11	-	-

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.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

11. SEGMENTAL INFORMATION

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

	<u>Medical</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Other</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
For the three-month period ended 30 September 2017 – unaudited				
Gross premium written	12,712	138,966	7,306	158,984
Less: Reinsurance premiums ceded	-	-	(5,824)	(5,824)
Less: Excess of loss premiums	(450)	(4,122)	(227)	(4,799)
Net premium written	12,262	134,844	1,255	148,361
Changes in net unearned premiums	4,501	28,055	(115)	32,441
Net premiums earned	16,763	162,899	1,140	180,802
Net reinsurance commissions earned	-	-	1,063	1,063
Net revenue	16,763	162,899	2,203	181,865
Gross claims paid	5,021	108,131	130	113,282
Less: Reinsurers share	25	(1,941)	(92)	(2,008)
Net claims paid	5,046	106,190	38	111,274
Changes in outstanding claims	864	15,047	523	16,434
Net claims incurred	5,910	121,237	561	127,708
Commission expense	1,005	7,035	537	8,577
Other operating expenses	1,050	1,502	46	2,598
Net costs and expenses	7,965	129,774	1,144	138,883
Net results of insurance operations	8,798	33,125	1,059	42,982
General and administrative expenses				(14,351)
Provision for doubtful debts				(7,445)
Investment income				2,026
Other income				650
Surplus from insurance operations				23,862

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i>	<i>Motor</i>	<i>Others</i>	<i>Total</i>
For the nine-month period ended 30 September 2017 – unaudited	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross premium written	62,025	505,197	21,609	588,831
Less: Reinsurance premiums ceded	-	-	(16,130)	(16,130)
Less: Excess of loss premiums	(900)	(10,596)	(667)	(12,163)
Net premium written	61,125	494,601	4,812	560,538
Changes in net unearned premiums	(21,079)	(42,927)	(1,733)	(65,739)
Net premiums earned	40,046	451,674	3,079	494,799
Net reinsurance commissions earned	-	-	3,111	3,111
Other underwriting income	-	4,267	-	4,267
Net revenue	40,046	455,941	6,190	502,177
Gross claims paid	13,231	313,214	2,263	328,708
Less: Reinsurers share	(525)	(1,941)	(1,560)	(4,026)
Net claims paid	12,706	311,273	703	324,682
Changes in outstanding claims	3,234	32,887	355	36,476
Net claims incurred	15,940	344,160	1,058	361,158
Commission expense	2,287	18,107	1,381	21,775
Other operating expenses	4,562	9,027	171	13,760
Net costs and expenses	22,789	371,294	2,610	396,693
Net results of insurance operations	17,257	84,647	3,580	105,484
General and administrative expenses				(45,495)
Provision for doubtful debts				(11,575)
Investment income				5,986
Unallocated other income				1,029
Surplus from insurance operations				55,429
As at 30 September 2017 – unaudited	<i>Medical</i>	<i>Motor</i>	<i>Others</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	9,784	9,784
Reinsurer's share of outstanding claims	-	-	6,066	6,066
Deferred policy acquisition costs	1,936	13,740	1,423	17,099
Unallocated assets				608,438
Total insurance operations' assets				641,387
Insurance operations' liabilities and surplus				
Unearned premiums	32,743	306,110	12,887	351,740
Outstanding claims	10,870	162,118	10,354	183,342
Unearned commission income	-	-	2,500	2,500
Other technical reserves	533	3,140	22	3,695
Unallocated liabilities and surplus				100,110
Total insurance operations' liabilities and surplus				641,387

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

11. SEGMENTAL INFORMATION (continued)

	<i>Medical</i>	<i>Motor</i>	<i>Others</i>	<i>Total</i>
For the three-month period ended	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
30 September 2016 – unaudited				
Gross premium written	4,078	123,455	4,517	132,050
Less: Reinsurance premiums ceded	-	(400)	(4,006)	(4,406)
Less: Excess of loss premiums	(366)	(2,250)	(221)	(2,837)
Net premium written	3,712	120,805	290	124,807
Changes in net unearned premiums	3,187	(15,903)	677	(12,039)
Net premiums earned	6,899	104,902	967	112,768
Net reinsurance commissions earned	-	70	995	1,065
Net revenue	6,899	104,972	1,962	113,833
Gross claims paid	4,001	57,860	517	62,378
Less: Reinsurers share	-	-	(363)	(363)
Net claims paid	4,001	57,860	154	62,015
Changes in outstanding claims	(95)	21,212	(269)	20,848
Net claims incurred	3,906	79,072	(115)	82,863
Commission expense	312	3,414	316	4,042
Other operating expenses	454	1,994	38	2,486
Net costs and expenses	4,672	84,480	239	89,391
Net results of insurance operations	2,227	20,492	1,723	24,442
General and administrative expenses				(11,071)
Provision for doubtful debts				(3,890)
Investment income				1,421
Unallocated other income				-
Surplus from insurance operations				10,902

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

11. SEGMENTAL INFORMATION (continued)

	<u>Medical</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Others</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
For the Nine-month period ended 30 September 2016 – unaudited				
Gross premium written	23,101	377,078	15,076	415,255
Less: Reinsurance premiums ceded	-	(400)	(10,957)	(11,357)
Less: Excess of loss premiums	(732)	(8,081)	(775)	(9,588)
Net premium written	22,369	368,597	3,344	394,310
Changes in net unearned premiums	(1,630)	(84,973)	(509)	(87,112)
Net premiums earned	20,739	283,624	2,835	307,198
Net reinsurance commissions earned	-	70	2,725	2,795
Other underwriting income	-	601	-	601
Net revenue	20,739	284,295	5,560	310,594
Gross claims paid	13,235	185,462	4,125	202,822
Less: Reinsurers share	-	-	(3,086)	(3,086)
Net claims paid	13,235	185,462	1,039	199,736
Changes in outstanding claims	383	38,677	(318)	38,742
Net claims incurred	13,618	224,139	721	238,478
Commission expense	978	8,835	977	10,790
Other operating expenses	1,760	5,483	192	7,435
Net costs and expenses	16,356	238,457	1,890	256,703
Net results of insurance operations	4,383	45,838	3,670	53,891
General and administrative expenses				(35,807)
Provision for doubtful debts				(5,521)
Investment income				3,386
Unallocated other income				833
Surplus from insurance operations				16,782
	<u>Medical</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Others</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
As at 31 December 2016 – audited				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	-	4,752	4,752
Reinsurer's 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 30 September 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	-	364,483	-	364,483
Financial assets held as FVIS - Shareholders' Operations	-	208,765	-	208,765
Balance at the end of the period	-	573,248	-	573,248

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. Earnings per share was restated for the comparative figure due to the new zakat accounting policy that was issued by SAMA. For further details, please refer to the note 14.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

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 30 September 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 30 September 2016	14,266	-	14,266
Zakat for the period ended 30 September 2016	(3,750)	3,750*	-
Net Income for the period ended 30 September 2016	10,516	3,750*	14,266
Total Comprehensive Income for the period ended 30 September 2016	10,516	3,750*	14,266
Basic and Diluted Earnings per Share for the period	0.42	0.15	0.57

*The above mentioned adjustment was carried out to the net income / comprehensive income for the period ended 30 September 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 interim condensed financial statements have been approved by the Board of Directors on 18 October 2017, corresponding to 28 Muharram 1439H.