

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Unaudited Interim Condensed Financial Statements
And Review Report

For the three-month and nine-month periods ended
30 September 2018

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2018

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018

	Notes	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
ASSETS			
Cash and cash equivalents	4	114,091	14,403
Short term deposits		215,292	15,292
Premiums and reinsurers' receivable – net	5	209,772	128,299
Reinsurers' share of unearned premiums	7	6,724	8,889
Reinsurers' share of outstanding claims	7	18,702	9,951
Reinsurers' share of claims Incurred but not reported	7	2,805	1,493
Deferred policy acquisition costs		15,247	14,516
Investments	6	310,046	622,709
Prepaid expenses and other assets		26,389	14,704
Property and equipment		11,797	4,931
Intangible assets		6,876	-
Statutory deposit	8	25,000	25,000
Accrued income on statutory deposit		2,527	2,164
TOTAL ASSETS		965,268	862,351
LIABILITIES			
Policyholders claims payable		14,041	11,512
Accrued and other liabilities		53,124	36,947
Reinsurers' balances payable		7,382	9,902
Unearned premiums	7	367,017	322,609
Unearned reinsurance commission		1,824	2,244
Outstanding claims	7	66,660	45,489
Claims incurred but not reported	7	134,393	132,287
Premium deficiency reserve		-	2,304
Other technical reserves		4,117	3,977
End-of-service indemnities		10,648	9,262
Surplus distribution payable		15,260	13,097
Zakat	13	18,261	18,189
Accrued commission income payable to SAMA		2,527	2,164
TOTAL LIABILITIES		695,254	609,983
SHAREHOLDERS' EQUITY			
Share capital	14	250,000	250,000
Statutory reserve		1,734	1,734
Retained earnings		18,280	634
TOTAL EQUITY		270,014	252,368
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		965,268	862,351
COMMITMENTS AND CONTINGENCIES	9	10,200	10,200

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME – (Unaudited)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000	30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000
REVENUES				
Gross premiums written	152,999	158,984	623,501	588,831
Reinsurance premiums ceded				
- Local	(154)	(164)	(766)	(763)
- Foreign	(2,817)	(5,660)	(12,055)	(15,367)
	(2,971)	(5,824)	(12,821)	(16,130)
Excess of loss expenses				
- Local	(68)	(63)	(315)	(369)
- Foreign	(5,329)	(4,736)	(17,536)	(11,794)
	(5,397)	(4,799)	(17,851)	(12,163)
Net premiums written	144,631	148,361	592,829	560,538
Changes in unearned premiums, net	44,808	32,441	(46,573)	(65,739)
Net premiums earned	189,439	180,802	546,256	494,799
Reinsurance commissions	1,658	1,063	4,017	3,111
Other underwriting income	1,292	-	4,625	4,267
TOTAL REVENUES	192,389	181,865	554,898	502,177
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	141,850	113,282	415,801	328,708
Reinsurers' share of claims paid	(3,566)	(2,008)	(7,330)	(4,026)
Net claims paid	138,284	111,274	408,471	324,682
Changes in outstanding claims, net	7,871	12,109	12,420	17,152
Changes in claims incurred but not reported, net	65	4,325	794	19,324
Net claims incurred	146,220	127,708	421,685	361,158
Change Premium deficiency reserve	-	-	(2,164)	-
Policy acquisition costs	8,574	8,577	25,119	21,775
Other underwriting expenses	6,095	2,598	20,619	13,760
TOTAL UNDERWRITING COSTS AND EXPENSES	160,889	138,883	465,259	396,693
NET UNDERWRITING INCOME	31,500	42,982	89,639	105,484

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF INCOME – (Unaudited) – (continued)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

	Notes	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
		30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000	30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
Allowance for doubtful debts		(1,702)	(7,445)	(6,601)	(11,575)
General and administrative expenses		(24,911)	(14,594)	(68,153)	(46,830)
Investment income		2,078	2,116	6,806	6,252
Unrealized gain on investments		(299)	1,356	2,615	3,547
Other income		3	-	3	1,029
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(24,831)</u>	<u>(18,567)</u>	<u>(65,330)</u>	<u>(47,577)</u>
Net income for the period		6,669	24,415	24,309	57,907
Net income attributed to the insurance operations	17	(842)	(2,387)	(2,163)	(5,543)
Net income for the period attributable to the shareholders		5,827	22,028	22,146	52,364
Earnings per share (Expressed in SAR per share)					
Weighted average number of shares (in thousands)		25,000	25,000	25,000	25,000
Basic and diluted earnings per share	16	0.23	0.88	0.89	2.09

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – (Unaudited)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
<i>Notes</i>	<i>September</i>	<i>September</i>	<i>September</i>	<i>September</i>
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	6,669	24,415	24,309	57,907
<i>Other comprehensive income</i>				
<i>Items that are or may be reclassified to interim statements of income in subsequent periods</i>				
<i>- Available for sale investments:</i>				
- Net change in fair value	-	-	-	-
- Net amounts transferred to statement of income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,669	24,415	24,309	57,907
Total comprehensive income attributed to the insurance operations	(842)	(2,387)	(2,163)	(5,543)
Total comprehensive income for the period attributable to the shareholders	5,827	22,028	22,146	52,364

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

<u>2018</u>	Notes	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Fair value reserve (loss) / gain on investments SR'000	Total Equity SR'000
Balance as at 31 December 2017 (audited)		250,000	1,734	634	-	252,368
<i>Total comprehensive income for the period</i>						
Net income for the period – Attributable to shareholders		-	-	22,146	-	22,146
Other comprehensive income		-	-	-	-	-
Zakat for the period	13	-	-	(4,500)	-	(4,500)
Balance as at 30 September 2018 (unaudited)		250,000	1,734	18,280	-	270,014

<u>2017</u>	Notes	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Fair value reserve (loss) / gain on investments SR'000	Total Equity SR'000
Balance as at 31 December 2016 (audited)		250,000	-	(56,824)	-	193,176
<i>Total comprehensive income for the period</i>						
Net income for the period – Attributable to shareholders		-	-	52,364	-	52,364
Other comprehensive income		-	-	-	-	-
Zakat for the period	13	-	-	(3,750)	-	(3,750)
Balance as at 30 September 2017 (unaudited)		250,000	-	(8,210)	-	241,790




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SALAMA COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF CASHFLOWS – (Unaudited)
FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

	Notes	30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		24,309	57,907
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment		2,002	1,275
Amortization of intangible assets		458	-
Amortization Held to maturity investments		151	146
Allowance for doubtful debts		6,601	11,575
Unrealized gain on investments		(4,254)	(4,675)
Provision for end-of-service indemnities, net		1,386	(3,242)
		<u>30,653</u>	<u>62,986</u>
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurers' receivable		(88,074)	(78,041)
Reinsurers' share of unearned premiums		2,165	(5,032)
Reinsurers' share of outstanding claims		(8,751)	269
Reinsurers' share of claims Incurred but not reported		(1,312)	41
Deferred policy acquisition costs		(731)	(6,509)
Prepaid expenses and other assets		(11,685)	5,724
Accrued income on statutory deposit		(363)	(410)
Policyholders and accounts payables		2,529	15,978
Accrued and other liabilities		16,177	11,653
Reinsurers' balances payable		(2,520)	4,525
Unearned premiums		44,408	70,771
Unearned reinsurance commission		(420)	1,213
Outstanding claims		21,171	16,883
Claims incurred but not reported		2,106	19,283
Premium deficiency reserve		(2,304)	-
Other technical reserve		140	-
Accrued commission income payable to SAMA		363	410
		<u>3,552</u>	<u>119,744</u>
Zakat and income tax paid		(4,428)	(2,164)
Net cash flows (used in) / from operating activities		<u>(876)</u>	<u>117,580</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments		(200,000)	(180,292)
Proceeds from sale of investments	6	316,766	14,992
Purchase of property and equipment		(8,868)	(2,915)
Purchase of intangible assets		(7,334)	-
Net cash flows from / (used in) investing activities		<u>100,564</u>	<u>(168,215)</u>
Net change in cash and cash equivalents		99,688	(50,635)
Cash and cash equivalents, beginning of the period		14,403	58,030
Cash and cash equivalents, end of the period		<u>114,091</u>	<u>7,395</u>

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

1. GENERAL

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-Awwal 1428H (corresponding to 23 May 2007).

The Registered Office address of the Company is:

Salama Tower;
Al Madinah Road
P.O. Box 4020;
Jeddah 21491;
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.

The Company received the approval letters from the Saudi Arabian Monetary Authority (SAMA) and Ministry of Commerce and Investment regarding the amendment of the Company’s by-laws to be in accordance with the new companies’ regulations. The Company’s general assembly was held on 6 June 2017 corresponding to 11 Ramadan 1438H and accordingly the new by-laws was approved.

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial information of the Company has been prepared in accordance with ‘International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) as modified by SAMA for the accounting of zakat and income tax’, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board (“IASB”) except for the application of International Accounting Standard (IAS) 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA Circular”), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value. The Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, End-of-service indemnities, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. Similarly, in the past, the Company's interim condensed and annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 27 to 33 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and recognized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed statements of financial position, statement of income, statement of comprehensive income, statement of cash flows as well as certain relevant notes to the financial statements represents additional supplementary information required as required by the implementing regulations.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2017.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

2. BASIS OF PREPARATION – (continued)

b. Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2017.

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

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) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2017 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim condensed statement of changes in shareholders' equity for the period.

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

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard/

Amendments

Description

IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 15	Revenue from Contracts with Customers (refer below)
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. However, IFRS 15 does not apply to "revenue from insurance contracts". However, entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts). Therefore, insurance entities will need to carefully evaluate the scope of this standard.

IFRS 15 established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring of goods or services to a customer.

Though there are changes in accounting policy, however, management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	Refer below
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts (note below)	1 January 2021

IFRS 9 and IFRS 17

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss (ECL) impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well we finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2021.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Bank balances and cash	109,014	14,392
	109,014	14,392
	Shareholders' operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Bank balances	5,077	11
	5,077	11

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Policyholders	200,824	129,760
Related parties (note 12)	45,279	30,448
Receivables from reinsurers	4,508	2,329
	250,611	162,537
Provision for doubtful receivables	(40,839)	(34,238)
Premiums and reinsurers' receivable – net	209,772	128,299

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

6. INVESTMENTS

Investment are classified as follows:

	Insurance operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
- Held as FVSI	168,434	354,374
- Held to maturity	35,696	35,790
<i>Total</i>	204,130	390,164
	Shareholders' operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
- Held as FVSI	90,408	216,980
- Available for sale	1,923	1,923
- Held to maturity	13,585	13,642
<i>Total</i>	105,916	232,545

Movement in held as FVSI investment balance is as follows:

	Insurance operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance period / year	354,374	254,516
Purchases during the period / year	-	114,667
Disposals during the period / year	(186,846)	(20,500)
	167,528	348,683
Changes in fair value of investments	906	5,691
<i>Closing balance period / year</i>	168,434	354,374
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Units in local money market funds	NAV** 25,410	211,656
Units in local equity funds	NAV** 3,254	3,664
Local DPM money market securities	NAV** 139,770	139,054
	168,434	354,374

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

6. INVESTMENTS – (continued)

Movement in held as FVSI investment balance is as follows:

	Shareholders' operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance period / year	216,980	145,210
Purchases during the period / year	-	82,500
Disposals during the period / year	(129,920)	(14,992)
	87,060	212,718
Changes in fair value of investments	3,348	4,262
<i>Closing balance period / year</i>	90,408	216,980

	<i>Source of Fair Value</i>	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Units in local money market funds	NAV**	-	84,756
Units in local equity funds	NAV**	2,027	6,588
Units in local real estate funds	NAV**	9,010	10,149
Local "DPM* money market securities	NAV**	19,730	59,401
Local "DPM* equity securities	Quoted	19,739	17,125
Foreign "DPM* equity securities	Quoted	17,913	16,623
Foreign bonds and sukuk	Quoted	21,989	22,338
		90,408	216,980

Movement in available-for-sale investment balance is as follows:

	Shareholders' operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance	1,923	1,923
<i>Closing balance</i>	1,923	1,923

- (i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (2017: 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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6. INVESTMENTS – (continued)

Movement in held to maturity investment balance is as follows:

	Insurance operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance	35,790	35,947
Amortization of held to maturity investments	(94)	(157)
<i>Closing balance</i>	<u>35,696</u>	<u>35,790</u>

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Opening balance	13,642	13,755
Amortization of held to maturity investments	(57)	(113)
<i>Closing balance</i>	<u>13,585</u>	<u>13,642</u>

* *Managed at the discretion of a local regulated financial institution ("DPM").*

** *NAV: Net Asset Value as announced by asset manager.*

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Outstanding claims	66,660	45,489
Claims incurred but not reported	<u>134,393</u>	<u>132,287</u>
	201,053	177,776
Less:		
- Reinsurers' share of outstanding claims	(18,702)	(9,951)
- Reinsurers' share of claims incurred but not reported	(2,805)	(1,493)
	<u>(21,507)</u>	<u>(11,444)</u>
Net outstanding claims and reserves	<u>179,546</u>	<u>166,332</u>

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7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Nine-month ended 30 September 2018		
	(Unaudited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the period	322,609	(8,889)	313,720
Premium written during the period	623,502	(12,821)	610,681
Premium earned during the period	(579,094)	14,986	(564,108)
Balance as at the end of the period	367,017	(6,724)	360,293
	Year ended 31 December 2017		
	(Audited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	280,969	(4,752)	276,217
Premium written during the year	750,691	(19,641)	731,050
Premium earned during the year	(709,051)	15,504	(693,547)
Balance as at the end of the year	322,609	(8,889)	313,720

8. STATUTORY DEPOSIT

	30 September	31 December
	2018	2017
	(Unaudited)	(Audited)
	SR'000	SR'000
Statutory deposit	25,000	25,000
	25,000	25,000

As required by Saudi Arabian Insurance Regulations, the Company has deposited 10% of its paid up capital, amounting to SR 25 million (2017: SR 25 million) in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA.

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9. COMMITMENTS AND CONTINGENCIES

a. The Company's commitments and contingencies are as follows:

	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Letters of guarantee in favour of non-government customers	700	700
Letters of guarantee in favour of GAZT	9,500	9,500
	10,200	10,200

b. The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at 31 December 2017.

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed (consolidated) financial information.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar 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.

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

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10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			

30 September 2018 (Unaudited)

Financial assets measured at fair value

- Investments held as FVSI	-	168,434	-	168,434
	-	168,434	-	168,434

Financial assets not measured at fair value

- Held to maturity investments	-	35,696	-	35,696
	-	35,696	-	35,696

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			

31 December 2017 (Audited)

Financial assets measured at fair value

- Investments held as FVSI	-	354,373	-	354,373
	-	354,373	-	354,373

Financial assets not measured at fair value

- Held to maturity investments	-	35,790	-	35,790
	-	35,790	-	35,790

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10. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			

30 September 2018 (Unaudited)

Financial assets measured at fair value

- Investments held as FVSI	-	90,408	-	90,408
	-	90,408	-	90,408

Financial assets not measured at fair value

- Held to maturity investments	-	13,585	-	13,585
	-	13,585	-	13,585

Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			

31 December 2017 (Audited)

Financial assets measured at fair value

- Investments held as FVSI	-	216,980	-	216,980
	-	216,980	-	216,980

Financial assets not measured at fair value

- Held to maturity investments	-	13,642	-	13,642
	-	13,642	-	13,642

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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11. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2017.

Segment assets do not include cash and cash equivalents, short term deposits, net premiums and reinsurers' receivable, net, prepayments and other receivables, amount due from a related party, investments, furniture, fittings and office equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables and employees' end of service indemnities. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 30 September 2018 and 31 December 2017, its total revenues, expenses, and net income for the three-month period then ended, are as follows:

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11. OPERATING SEGMENTS – (continued)

	As at 30 September 2018					Total
	(Unaudited)					
	Insurance operations			Total – Insurance operations	Shareholders ' operations	
Medical	Motor	Property & casualty				
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	-	6,724	6,724	-	6,724
Reinsurers' share of outstanding claims	-	-	18,702	18,702	-	18,702
Reinsurers' share of claims Incurred but not reported	-	-	2,805	2,805	-	2,805
Deferred policy acquisition costs	3,174	6,550	5,523	15,247	-	15,247
Unallocated assets				682,565	239,225	921,790
Total assets				726,043	239,225	965,268
Unearned premiums	58,272	299,324	9,421	367,017	-	367,017
Unearned reinsurance commission	-	-	1,824	1,824	-	1,824
Outstanding claims	19,689	23,049	23,922	66,660	-	66,660
Claims incurred but not reported	4,885	125,754	3,754	134,393	-	134,393
Other technical reserves	1,729	2,388	-	4,117	-	4,117
Unallocated liabilities and surplus				100,455	20,788	121,243
				674,466	20,788	695,254
Shareholders' Equity						
Share capital				-	250,000	250,000
Statutory reserve				-	1,734	1,734
Retained earnings				-	18,280	18,280
Total Equity				-	270,014	270,014
Total liabilities and Shareholders' Equity				674,466	290,802	965,268

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11. OPERATING SEGMENTS – (continued)

	As at 31 December 2017 (Audited)					
	Insurance operations			Total –	Shareholders	Total
	Medical	Motor	Property & casualty	Insurance operations	' operations	
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	-	8,889	8,889	-	8,889
Reinsurers' share of outstanding claims	-	-	9,951	9,951	-	9,951
Reinsurers' share of claims incurred but not reported	-	-	1,493	1,493	-	1,493
Deferred policy acquisition costs	1,926	11,281	1,309	14,516	-	14,516
Unallocated assets				567,659	259,843	827,502
Total assets				<u>602,508</u>	<u>259,843</u>	<u>862,351</u>
Liabilities						
Unearned premiums	29,529	281,214	11,866	322,609	-	322,609
Unearned reinsurance commission	-	-	2,244	2,244	-	2,244
Outstanding claims	6,985	24,738	13,766	45,489	-	45,489
Claims incurred but not reported	6,162	123,954	2,171	132,287	-	132,287
Premium deficiency reserve	-	2,304	-	2,304	-	2,304
Other technical reserves	1,729	2,248	-	3,977	-	3,977
Unallocated liabilities and surplus				80,720	20,353	101,073
				<u>589,630</u>	<u>20,353</u>	<u>609,983</u>
Shareholders' Equity						
Share capital				-	250,000	250,000
Statutory reserve				-	1,734	1,734
Retained earnings				-	634	634
Total Equity				-	<u>252,368</u>	<u>252,368</u>
Total liabilities and Shareholders' Equity				<u>589,630</u>	<u>272,721</u>	<u>862,351</u>

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11. OPERATING SEGMENTS – (continued)

	For the three-month period ended 30 September 2018 (Unaudited)			
	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Property &</i> <i>casualty</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
REVENUES				
Gross premiums written	50,616	98,480	3,903	152,999
Reinsurance premiums ceded				
- Local	-	-	(154)	(154)
- Foreign	-	-	(2,817)	(2,817)
	-	-	(2,971)	(2,971)
Excess of loss expenses				
- Local	-	(68)	-	(68)
- Foreign	(500)	(4,454)	(375)	(5,329)
	(500)	(4,522)	(375)	(5,397)
Net premiums written	50,116	93,958	557	144,631
Changes in unearned premiums, net	(26,449)	70,148	1,109	44,808
Net premiums earned	23,667	164,106	1,666	189,439
Reinsurance commissions	-	-	1,658	1,658
Other underwriting income	-	1,292	-	1,292
TOTAL REVENUES	23,667	165,398	3,324	192,389
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	12,504	128,035	1,311	141,850
Reinsurers' share of claims paid	-	(2,646)	(920)	(3,566)
Net claims paid	12,504	125,389	391	138,284
Changes in outstanding claims, net	6,686	839	346	7,871
Changes in claims incurred but not reported, net	-	-	65	65
Net claims incurred	19,190	126,228	802	146,220
Policy acquisition costs	1,434	6,171	969	8,574
Other underwriting expenses	2,009	3,982	104	6,095
TOTAL UNDERWRITING COSTS AND EXPENSES	22,633	136,381	1,875	160,889
NET UNDERWRITING INCOME	1,034	29,017	1,449	31,500
OTHER OPERATING (EXPENSES) / INCOME				
General and administrative expenses				(24,911)
Allowance for doubtful debts				(1,702)
Investment income				2,078
Unrealized loss on investments				(299)
Other income				3
TOTAL OTHER OPERATING EXPENSES				(24,831)
NET INCOME FOR THE PERIOD				6,669
Net income for the period attributable to insurance operations				(842)
Net income for the period attributable to the shareholders'				5,827

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11. OPERATING SEGMENTS – (continued)

	<u>For the Nine-month period ended 30 September 2018 (Unaudited)</u>			
	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Property & casualty</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<u>REVENUES</u>				
Gross premiums written	90,187	515,574	17,740	623,501
Reinsurance premiums ceded				
- Local	-	-	(766)	(766)
- Foreign	-	-	(12,055)	(12,055)
	-	-	(12,821)	(12,821)
Excess of loss expenses				
- Local	-	(258)	(57)	(315)
- Foreign	(1,000)	(15,708)	(828)	(17,536)
	(1,000)	(15,966)	(885)	(17,851)
Net premiums written	89,187	499,608	4,034	592,829
Changes in unearned premiums, net	(28,743)	(18,110)	280	(46,573)
Net premiums earned	60,444	481,498	4,314	546,256
Reinsurance commissions	-	-	4,017	4,017
Other underwriting income	-	4,625	-	4,625
<u>TOTAL REVENUES</u>	60,444	486,123	8,331	554,898
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	32,469	381,324	2,008	415,801
Reinsurers' share of claims paid	-	(6,069)	(1,261)	(7,330)
Net claims paid	32,469	375,255	747	408,471
Changes in outstanding claims, net	12,703	(1,689)	1,406	12,420
Changes in claims incurred but not reported, net	(1,277)	1,799	272	794
Net claims incurred	43,895	375,365	2,425	421,685
Change premium deficiency reserves	-	(2,164)	-	(2,164)
Policy acquisition costs	3,710	19,225	2,184	25,119
Other underwriting expenses	4,399	15,981	239	20,619
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	52,004	408,407	4,848	465,259
NET UNDERWRITING INCOME	8,440	77,716	3,483	89,639
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
General and administrative expenses				(68,153)
Allowance for doubtful debts				(6,601)
Investment income				6,806
Unrealized gain on investments				2,615
Other income				3
<u>TOTAL OTHER OPERATING EXPENSES</u>				(65,330)
<u>NET INCOME FOR THE PERIOD</u>				24,309
Net income for the period attributable to insurance operations				(2,163)
Net income for the period attributable to the shareholders'				22,146

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11. OPERATING SEGMENTS – (continued)

	For the Three-month period ended 30 September 2017 (Unaudited)			
	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Property &</i> <i>casualty</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
REVENUES				
Gross premiums written	12,712	138,966	7,306	158,984
Reinsurance premiums ceded				
- Local	-	-	(164)	(164)
- Foreign	-	-	(5,660)	(5,660)
	-	-	(5,824)	(5,824)
Excess of loss expenses				
- Local	-	(61)	-	(61)
- Foreign	(450)	(4,061)	(227)	(4,738)
	(450)	(4,122)	(227)	(4,799)
Net premiums written	12,262	134,844	1,255	148,361
Changes in unearned premiums, net	4,501	28,055	(115)	32,441
Net premiums earned	16,763	162,899	1,140	180,802
Reinsurance commissions	-	-	1,063	1,063
Other underwriting income	-	-	-	-
TOTAL REVENUES	16,763	162,899	2,203	181,865
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	5,021	108,131	130	113,282
Reinsurers' share of claims paid	25	(1,941)	(92)	(2,008)
Net claims paid	5,046	106,190	38	111,274
Changes in outstanding claims, net	864	10,797	447	12,108
Changes in claims incurred but not reported, net	-	4,250	76	4,326
Net claims incurred	5,910	121,237	561	127,708
Policy acquisition costs	1,005	7,035	537	8,577
Other underwriting expenses	1,050	1,502	46	2,598
TOTAL UNDERWRITING COSTS AND EXPENSES	7,965	129,774	1,144	138,883
NET UNDERWRITING INCOME	8,798	33,125	1,059	42,982
OTHER OPERATING (EXPENSES) / INCOME				
General and administrative expenses				(14,594)
Allowance for doubtful debts				(7,445)
Investment income				2,116
Unrealized gain on investments				1,356
TOTAL OTHER OPERATING EXPENSES				(18,567)
NET INCOME FOR THE PERIOD				24,415
Net income for the period attributable to insurance operations				(2,387)
Net income for the period attributable to the shareholders'				22,028

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11. OPERATING SEGMENTS – (continued)

	For the nine-month period ended 30 September 2017 (Unaudited)			
	<i>Medical</i>	<i>Motor</i>	<i>Property & casualty</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>REVENUES</u>				
Gross premiums written	62,025	505,197	21,609	588,831
Reinsurance premiums ceded				
- Local	-	-	(763)	(763)
- Foreign	-	-	(15,367)	(15,367)
	-	-	(16,130)	(16,130)
Excess of loss expenses				
- Local	-	(369)	-	(369)
- Foreign	(900)	(10,227)	(667)	(11,794)
	(900)	(10,596)	(667)	(12,163)
Net premiums written	61,125	494,601	4,812	560,538
Changes in unearned premiums, net	(21,079)	(42,927)	(1,733)	(65,739)
Net premiums earned	40,046	451,674	3,079	494,799
Reinsurance commissions	-	-	3,111	3,111
Other underwriting income	-	4,267	-	4,267
<u>TOTAL REVENUES</u>	<u>40,046</u>	<u>455,941</u>	<u>6,190</u>	<u>502,177</u>
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	13,231	313,214	2,263	328,708
Reinsurers' share of claims paid	(1,941)	(525)	(1,560)	(4,026)
Net claims paid	11,290	312,689	703	324,682
Changes in outstanding claims, net	3,234	13,637	281	17,152
Changes in claims incurred but not reported, net	-	19,250	74	19,324
Net claims incurred	14,524	345,576	1,058	361,158
Policy acquisition costs	2,287	18,107	1,381	21,775
Other underwriting expenses	4,562	9,027	171	13,760
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	<u>21,373</u>	<u>372,710</u>	<u>2,610</u>	<u>396,693</u>
<u>NET UNDERWRITING INCOME</u>	<u>18,673</u>	<u>83,231</u>	<u>3,580</u>	<u>105,484</u>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
General and administrative expenses				(46,830)
Allowance for doubtful debts				(11,575)
Investment income				6,252
Unrealized gain on investments				3,547
Other income				1,029
<u>TOTAL OTHER OPERATING EXPENSES</u>				<u>(47,577)</u>
<u>NET INCOME FOR THE PERIOD</u>				<u>57,907</u>
Net income for the period attributable to insurance operations				(5,543)
Net income for the period attributable to the shareholders'				<u>52,364</u>

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12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

	Nature of transactions	Amount of transactions Nine-month period ended		Balance receivable/(payable) as at	
		30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Tajeer Co. (affiliate)	Premium written	50,114	61,108		
	Payments and claims paid	(36,533)	(24,746)	43,931	30,350
Chairman of the Board	Premium written	141	124		
	Payments and claims paid	(15)	(218)	197	71
	Rent paid	3,025			
Rusd Global Company	Premium written	142	150		
	Payments and claims paid	(68)	(281)	74	-
Al Firdous Group Co.	Premium written	1,542	1,729		
	Payments and claims paid	(492)	(1,127)	1,077	27
Jabal Edsas Est.	Commission paid	111	-		
Tajeer International Co.	Services received	3,918	-	(109)	-
Concord Insurance and Reinsurance Brokerage	Insurance commission	1,831	-	(1,005)	-
Kwader Pro	Services received	244	-		-
Alawwal Capital Co.	Investments in DPM and mutual funds	-	-	155,854	-
Rusd Capital	Investments in mutual funds	-	-	7,512	-

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

	30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000
Salaries and other allowances	4,227	3,729
End of service indemnities	301	174
	4,528	3,903
Remuneration to those charged with governance – Board of Directors	2,816	726
Remuneration to those charged with governance – Board Committees	-	254
	2,816	980

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13. ZAKAT

a. Charge for the period / year

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the period / year	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Balance at the beginning of the period / year	18,189	14,054
Charge for the period / year	4,500	6,300
Paid during the period / year	(4,428)	(2,165)
Balance at the end of the period / year	18,261	18,189

b. Status of zakat assessments

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 2017 which are still under review by the GAZT and no assessments has been finalized.

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 income and SR 4 million for zakat for prior years in 2016.

14. 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.

15. CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

16. 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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17. SUPPLEMENTARY INFORMATION

a) Interim statement of financial position

	30 September 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
ASSETS						
Cash and cash equivalents	109,014	5,077	114,091	14,392	11	14,403
Short term deposits	115,292	100,000	215,292	15,292	-	15,292
Premiums and reinsurers' receivable – net	209,772	-	209,772	128,299	-	128,299
Reinsurers' share of unearned premiums	6,724	-	6,724	8,889	-	8,889
Reinsurers' share of outstanding claims	18,702	-	18,702	9,951	-	9,951
Reinsurers' share of claims Incurred but not reported	2,805	-	2,805	1,493	-	1,493
Deferred policy acquisition costs	15,247	-	15,247	14,516	-	14,516
Investments	204,130	105,916	310,046	390,164	232,545	622,709
Due from insurance operations	-	51,577	51,577	-	12,878	12,878
Prepaid expenses and other assets	25,684	705	26,389	14,581	123	14,704
Property and equipment	11,797	-	11,797	4,931	-	4,931
Intangible assets	6,876	-	6,876	-	-	-
Statutory deposit	-	25,000	25,000	-	25,000	25,000
Accrued income on statutory deposit	-	2,527	2,527	-	2,164	2,164
	726,043	290,802	1,016,845	602,508	272,721	875,229
Less: Inter-operations eliminations	-	(51,577)	(51,577)	-	(12,878)	(12,878)
TOTAL ASSETS	726,043	239,225	965,268	602,508	259,843	862,351

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17. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – (continued)

	30 September 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
LIABILITIES						
Policyholders claims payable	14,041	-	14,041	11,512	-	11,512
Accrued and other liabilities	53,124	-	53,124	36,947	-	36,947
Reinsurers' balances payable	7,382	-	7,382	9,902	-	9,902
Unearned premiums	367,017	-	367,017	322,609	-	322,609
Unearned reinsurance commission	1,824	-	1,824	2,244	-	2,244
Outstanding claims	66,660	-	66,660	45,489	-	45,489
Claims incurred but not reported	134,393	-	134,393	132,287	-	132,287
Premium deficiency reserves	-	-	-	2,304	-	2,304
Other technical reserves	4,117	-	4,117	3,977	-	3,977
Due to shareholders' operations	51,577	-	51,577	12,878	-	12,878
End-of-service indemnities	10,648	-	10,648	9,262	-	9,262
Insurance operations' surplus	15,260	-	15,260	13,097	-	13,097
Zakat	-	18,261	18,261	-	18,189	18,189
Accrued commission income payable to SAMA	-	2,527	2,527	-	2,164	2,164
	726,043	20,788	746,831	602,508	20,353	622,861
Less: Inter-operations eliminations	(51,577)	-	(51,577)	(12,878)	-	(12,878)
TOTAL LIABILITIES	674,466	20,788	695,254	589,630	20,353	609,983
SHAREHOLDERS' EQUITY						
Share capital	-	250,000	250,000	-	250,000	250,000
Statutory reserve	-	1,734	1,734	-	1,734	1,734
Retained earnings	-	18,280	18,280	-	634	634
TOTAL EQUITY	-	270,014	270,014	-	252,368	252,368
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	674,466	290,802	965,268	589,630	272,721	862,351
COMMITMENTS AND CONTINGENCIES	10,200	-	10,200	10,200	-	10,200

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17. SUPPLEMENTARY INFORMATION – (continued)

b) Interim statement of income

	Three-month period ended					
	30 September 2018 (Unaudited)			30 September 2017 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
REVENUES						
Gross premiums written	152,999	-	152,999	158,984	-	158,984
Reinsurance premiums ceded	152,999	-	152,999	158,984	-	158,984
- Local	(154)	-	(154)	(164)	-	(164)
- Foreign	(2,817)	-	(2,817)	(5,660)	-	(5,660)
	(2,971)	-	(2,971)	(5,824)	-	(5,824)
Excess of loss expenses						
- Local	(68)	-	(68)	(63)	-	(63)
- Foreign	(5,329)	-	(5,329)	(4,736)	-	(4,736)
	(5,397)	-	(5,397)	(4,799)	-	(4,799)
Net premiums written	144,631	-	144,631	148,361	-	148,361
Changes in unearned premiums, net	44,808	-	44,808	32,441	-	32,441
Net premiums earned	189,439	-	189,439	180,802	-	180,802
Reinsurance commissions	1,658	-	1,658	1,063	-	1,063
Other underwriting income	1,292	-	1,292	-	-	-
TOTAL REVENUES	192,389	-	192,389	181,865	-	181,865
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	141,850	-	141,850	113,282	-	113,282
Reinsurers' share of claims paid	(3,566)	-	(3,566)	(2,008)	-	(2,008)
Net claims and other benefits paid	138,284	-	138,284	111,274	-	111,274
Changes in outstanding claims, net	7,871	-	7,871	12,109	-	12,109
Changes in claims incurred but not reported, net	65	-	65	4,325	-	4,325
Net claims and other benefits incurred	146,220	-	146,220	127,708	-	127,708
Policy acquisition costs	8,574	-	8,574	8,577	-	8,577
Other underwriting expenses	6,095	-	6,095	2,598	-	2,598
TOTAL UNDERWRITING COSTS AND EXPENSES	160,889	-	160,889	138,883	-	138,883
NET UNDERWRITING INCOME	31,500	-	31,500	42,982	-	42,982

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

17. SUPPLEMENTARY INFORMATION – (continued)

b) *Interim statement of income – (continued)*

	Three-month period ended					
	30 September 2018 (Unaudited)			30 September 2017 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(1,702)	-	(1,702)	(7,445)	-	(7,445)
General and administrative expenses	(22,215)	(2,696)	(24,911)	(14,351)	(243)	(14,594)
Investment income	831	1,247	2,078	2,026	90	2,116
Unrealized (loss) / gain on investments	-	(299)	(299)	650	706	1,356
Other income	3	-	3	-	-	-
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(23,083)	(1,748)	(24,831)	(19,120)	553	(18,567)
<u>NET SURPLUS FROM INSURANCE OPERATIONS</u>	8,417	(1,748)	6,669	23,862	553	24,415
Surplus transferred to Shareholders	(7,575)	1,748	(5,827)	(21,475)	(553)	(22,028)
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	842	-	842	2,387	-	2,387
Earnings per share (Expressed in SAR per share)						
Weighted average number of shares (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted earnings per share	-	0.23	0.23	-	0.88	0.88

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

17. SUPPLEMENTARY INFORMATION – (continued)

c) *Interim statement of comprehensive income*

	Three-month period ended					
	30 September 2018 (Unaudited)			30 September 2017 (Unaudited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
Net income for the period	842	5,827	6,669	2,387	22,028	24,415
Other comprehensive income						
<i>Items that are or may be reclassified to consolidated statement of income in subsequent periods</i>						
- Available for sale investments:	-	-	-	-	-	-
- Net change in fair value	-	-	-	-	-	-
- Net amounts transferred to statement of income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	842	5,827	6,669	2,387	22,028	24,415

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17. SUPPLEMENTARY INFORMATION – (continued)

d) *Interim statement of income*

	Nine-month period ended					
	30 September 2018			30 September 2017		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUES						
Gross premiums written	623,501	-	623,501	588,831	-	588,831
	623,501	-	623,501	588,831	-	588,831
Reinsurance premiums ceded						
- Local	(766)	-	(766)	(763)	-	(763)
- Foreign	(12,055)	-	(12,055)	(15,367)	-	(15,367)
	(12,821)	-	(12,821)	(16,130)	-	(16,130)
Excess of loss expenses						
- Local	(315)	-	(315)	(369)	-	(369)
- Foreign	(17,536)	-	(17,536)	(11,794)	-	(11,794)
	(17,851)	-	(17,851)	(12,163)	-	(12,163)
Net premiums written	592,829	-	592,829	560,538	-	560,538
Changes in unearned premiums, net	(46,573)	-	(46,573)	(65,739)	-	(65,739)
Net premiums earned	546,256	-	546,256	494,799	-	494,799
Reinsurance commissions	4,017	-	4,017	3,111	-	3,111
Other underwriting income	4,625	-	4,625	4,267	-	4,267
TOTAL REVENUES	554,898	-	554,898	502,177	-	502,177
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	415,801	-	415,801	328,708	-	328,708
Reinsurers' share of claims paid	(7,330)	-	(7,330)	(4,026)	-	(4,026)
Net claims and other benefits paid	408,471	-	408,471	324,682	-	324,682
Changes in outstanding claims, net	12,420	-	12,420	17,152	-	17,152
Changes in claims incurred but not reported, net	794	-	794	19,324	-	19,324
Net claims and other benefits incurred	421,685	-	421,685	361,158	-	361,158
Change premium deficiency reserves	(2,164)	-	(2,164)	-	-	-
Policy acquisition costs	25,119	-	25,119	21,775	-	21,775
Other underwriting expenses	20,619	-	20,619	13,760	-	13,760
TOTAL UNDERWRITING COSTS AND EXPENSES	465,259	-	465,259	396,693	-	396,693
NET UNDERWRITING INCOME	89,639	-	89,639	105,484	-	105,484

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

17. SUPPLEMENTARY INFORMATION – (continued)

d) *Interim statement of income – (continued)*

	Nine-month period ended					
	30 September 2018			30 September 2017		
	(Unaudited)			(Unaudited)		
Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total	
SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	
<u>OTHER OPERATING (EXPENSES)/INCOME</u>						
Allowance for doubtful debts	(6,601)	-	(6,601)	(11,575)	-	(11,575)
General and administrative expenses	(64,965)	(3,188)	(68,153)	(45,495)	(1,335)	(46,830)
Investment income	3,556	3,250	6,806	5,986	266	6,252
Unrealized gain on investments	-	2,615	2,615	-	3,547	3,547
Other income	3	-	3	1,029	-	1,029
<u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u>	(68,007)	2,677	(65,330)	(50,055)	2,478	(47,577)
<u>NET SURPLUS FROM INSURANCE OPERATIONS</u>	21,632	2,677	24,309	55,429	2,478	57,907
Surplus transferred to Shareholders	(19,469)	(2,677)	(22,146)	(49,886)	(2,478)	(52,364)
<u>NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</u>	2,163	-	2,163	5,543	-	5,543
Earnings per share (Expressed in SAR per share)						
Weighted average number of shares (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted earnings per share	-	0.89	0.89	-	2.09	2.09

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

17. SUPPLEMENTARY INFORMATION – (continued)

e) Interim statement of comprehensive income

	Nine-month period ended					
	30 September 2018			30 September 2017		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Net income for the period	2,163	22,146	24,309	5,543	52,364	57,907
Other comprehensive income						
<i>Items that are or may be reclassified to consolidated statement of income in subsequent periods</i>						
- Available for sale investments:	-	-	-	-	-	-
- Net change in fair value	-	-	-	-	-	-
- Net amounts transferred to statement of income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,163	22,146	24,309	5,543	52,364	57,907

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

17. SUPPLEMENTARY INFORMATION – (continued)

f) Interim statement of cash flows

Note	Nine-month period ended			Nine-month period ended		
	30 September 2018			30 September 2017		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period	2,163	22,146	24,309	5,543	52,364	57,907
Adjustments for non-cash items:						
Depreciation of property and equipment	2,002	-	2,002	1,275	-	1,275
Amortization of intangible assets	458	-	458	-	-	-
Amortization related to HTM investments	94	57	151	90	56	146
Allowance for doubtful debts	6,601	-	6,601	11,575	-	11,575
Unrealized gain on investments	(906)	(3,348)	(4,254)	(4,675)	(3,547)	(8,222)
Provision for end-of-service indemnities	1,386	-	1,386	305	-	305
	11,798	18,855	30,653	14,113	48,873	62,986
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(88,074)	-	(88,074)	(78,041)	-	(78,041)
Reinsurers' share of unearned premiums	2,165	-	2,165	(5,032)	-	(5,032)
Reinsurers' share of outstanding claims	(8,751)	-	(8,751)	269	-	269
Reinsurers' share of claims Incurred but not reported	(1,312)	-	(1,312)	41	-	41
Deferred policy acquisition costs	(731)	-	(731)	(6,509)	-	(6,509)
Prepaid expenses and other assets	(11,103)	(582)	(11,685)	5,808	(84)	5,724
Accrued income on statutory deposit	-	(363)	(363)	-	(410)	(410)
Policyholders and accounts payables	2,529	-	2,529	15,978	-	15,978
Accrued and other liabilities	16,177	-	16,177	11,653	-	11,653
Reinsurers' balances payable	(2,520)	-	(2,520)	4,525	-	4,525
Unearned premiums	44,408	-	44,408	70,771	-	70,771
Unearned reinsurance commission	(420)	-	(420)	1,213	-	1,213
Outstanding claims	21,171	-	21,171	16,883	-	16,883
Claims incurred but not reported	2,106	-	2,106	19,283	-	19,283
Additional premium reserves	(2,304)	-	(2,304)	-	-	-
Other technical reserve	140	-	140	-	-	-
Accrued commission income payable to SAMA	-	363	363	-	410	410
	(14,721)	18,273	3,552	70,955	48,789	119,744
Zakat and income tax paid	-	(4,428)	(4,428)	-	(2,164)	(2,164)
Net cash flows (used in) / from operating activities	(14,721)	13,845	(876)	70,955	46,625	117,580

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17. SUPPLEMENTARY INFORMATION – (continued)

d) Interim statement of cash flows – (continued)

Note	Nine-month period ended			Nine-month period ended		
	30 September 2018			30 September 2017		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(100,000)	(100,000)	(200,000)	(105,292)	(75,000)	(180,292)
Proceeds from sale of investments	186,846	129,920	316,766	-	14,992	14,992
Purchase of property and equipment	(8,868)	-	(8,868)	(2,915)	-	(2,915)
Purchase of intangible assets	(7,334)	-	(7,334)	-	-	-
Net cash flows from / (used in) investing activities	70,644	29,920	100,564	(108,207)	(60,008)	(168,215)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to shareholders' operations	38,699	(38,699)	-	(13,383)	13,383	-
Net cash flows from / (used in) from financing activities	38,699	(38,699)	-	(13,383)	13,383	-
Net change in cash and cash equivalents	94,622	5,066	99,688	(50,635)	-	(50,635)
Cash and cash equivalents, beginning of the period	14,392	11	14,403	58,019	11	58,030
Cash and cash equivalents, end of the period	109,014	5,077	114,091	7,384	11	7,395

18. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current period presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these interim condensed financial statements, previously interim statement of financial position, statement of income, and statement of cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level interim statement of financial position, statement of income and statement of cash flows.
- The amounts "due to / from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 16 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in interim statement of income (refer note 16 (b)).

19. COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform to current period presentation.

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 20 Safar 1440H, corresponding to 29 October 2018.