

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED  
31 MARCH 2015**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015**

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**INDEPENDENT AUDITORS' REVIEW REPORT**

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

**Scope of review**

We have reviewed the accompanying interim statement of financial position of Salama Cooperative Insurance Company – a Saudi Joint Stock Company – (the “Company”) as at 31 March 2015, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations, comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ operations cash flows for the three-month period then ended and notes 1 to 15 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on Review of Interim Financial Statements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of analytical procedures applied to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Conclusion**

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

**Emphasis of matters**

1. We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with Standard on Interim Financial Information issued by SOCPA.
2. We draw attention to note 3 that the Company’s ability to continue as a going concern is dependent upon future profitable operations and continued financial support from shareholders in order to enable it to cover its losses and settle its liabilities. The accompanying financial statements have been prepared on the assumption that the Company will continue in business as a going concern, and do not include any adjustments that might result from the outcome of this uncertainty.

for PKF Al-Bassam & Al-Nemer  
Allied Accountants

Abdul Mohsen M. Al Nemer  
Certified Public Accountant  
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Deloitte & Touche  
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20 April 2015  
1 Rajab 1436H  
Jeddah, Kingdom of Saudi Arabia

**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 March 2015

	<i>Note</i>	<i>31 March 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	36,278	23,573
Term deposits	5	31,125	30,739
Premium receivables, net	6	69,054	48,619
Reinsurance receivables, net		1,785	3,023
Deferred policy acquisition costs		5,293	4,739
Prepayments and other receivables		14,919	15,276
Amounts due from a related party	10	6,759	6,759
FVIS investments	7(a)	85,423	85,484
Reinsurers' share of unearned premiums		8,008	4,927
Reinsurers' share of outstanding claims	8	7,585	6,082
Held to maturity investments	7(b)	30,641	30,641
Furniture, fittings and office equipment		2,063	2,163
Due from Shareholders' Operations		614	1,287
<b>Total Insurance Operations' assets</b>		<b>299,547</b>	<b>263,312</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	500	5,524
FVIS investments	7(a)	14,485	14,072
Available-for-sale investments	7(c)	1,923	1,923
Prepayments and other receivables		1,389	555
Held to maturity investments	7(b)	5,665	-
Statutory deposit		10,976	10,976
<b>Total Shareholders' assets</b>		<b>34,938</b>	<b>33,050</b>
<b>TOTAL ASSETS</b>		<b>334,485</b>	<b>296,362</b>

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



**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**

**INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

As at 31 March 2015

	<i>Note</i>	<b>31 March 2015 (Unaudited) SR'000</b>	<b>31 December 2014 (Audited) SR'000</b>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance Operations' liabilities</b>			
Unearned premiums		173,087	143,371
Premium deficiency reserve		4,531	4,531
Unearned commission income		2,331	1,291
Outstanding claims	8	83,077	79,726
Policyholders' claims		5,001	5,359
Reinsurance payables		2,316	2,883
Accruals and other payables		19,777	17,186
Employees' end of service benefits		6,143	5,951
		<b>296,263</b>	<b>260,298</b>
<b>Insurance Operations' surplus</b>			
Accumulated surplus from Insurance Operations		3,284	3,014
<b>Total Insurance Operations' liabilities and surplus</b>		<b>299,547</b>	<b>263,312</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accruals and other payables		1,676	1,676
Accrued Zakat	9	3,408	3,108
Amount due to a related party	10	3	-
Due to Insurance Operations		614	1,287
<b>Total Shareholders' liabilities</b>		<b>5,701</b>	<b>6,071</b>
<b>Shareholders' equity</b>			
Share capital		100,000	100,000
Accumulated losses		(70,763)	(73,021)
<b>Total Shareholders' equity</b>		<b>29,237</b>	<b>26,979</b>
<b>Total Shareholders' liabilities and equity</b>		<b>34,938</b>	<b>33,050</b>
<b>TOTAL LIABILITIES, SURPLUS AND EQUITY</b>		<b>334,485</b>	<b>296,362</b>

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 period ended 31 March 2015

	<i>Three-month period ended 31 March</i>	
	<i>Note</i>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>SR'000</b>	<b>SR'000</b>
<b>Revenues</b>		
Gross premiums written	113,681	87,999
Less: Reinsurance premiums ceded	(5,526)	(4,683)
Excess of loss premiums	(1,274)	(1,491)
Net premiums written	106,881	81,825
Changes in net unearned premiums	(26,636)	(28,155)
Net premiums earned	80,245	53,670
Net reinsurance commissions earned	684	805
Net revenue	80,929	54,475
<b>Costs and expenses</b>		
Gross claims paid	65,095	47,790
Less: Reinsurers' share	(1,017)	(326)
Net claims paid	64,078	47,464
Changes in net outstanding claims	1,849	(2,847)
Net claims incurred	65,927	44,617
Policy acquisition costs	2,757	1,498
Other operating expenses	1,888	1,981
Net costs and expenses	70,572	48,096
Net results of insurance operations	10,357	6,379
General and administrative expenses	(9,421)	(8,746)
Investment income	1,762	2,437
Other income	2	-
<b>Surplus from Insurance Operations</b>	<b>2,700</b>	<b>70</b>
Shareholders' share of insurance operations' surplus	2(a) (2,430)	(63)
<b>Surplus for the period</b>	<b>270</b>	<b>7</b>
<b>Accumulated surplus at the beginning of the period</b>	<b>3,014</b>	<b>3,014</b>
<b>Accumulated surplus at the end of the period</b>	<b>3,284</b>	<b>3,021</b>

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 period ended 31 March 2015

		<i>Three-month period ended 31 March</i>	
	<i>Note</i>	<u>2015</u> <i>(Unaudited)</i> SR'000	<u>2014</u> <i>(Unaudited)</i> SR'000
<b>REVENUES</b>			
Shareholders' share of Insurance Operations' surplus	2 (a)	2,430	63
Investment income		413	760
		<u>2,843</u>	<u>823</u>
<b>EXPENSES</b>			
General and administrative expenses		<u>(285)</u>	<u>(26)</u>
<b>Net income for the period before Zakat</b>		<b>2,558</b>	<b>797</b>
Zakat	9	<u>(300)</u>	<u>(200)</u>
<b>Net income for the period</b>		<b>2,258</b>	<b>597</b>
<b>Earnings per share – (SR)</b>	14	<b>0.23</b>	<b>0.06</b>

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 period ended 31 March 2015

	<i>Three-month period ended 31 March</i>	
	<u>2015</u>	<u>2014</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	2,258	597
<b>Items that are or may be reclassified subsequently to statement of Shareholders' Operations:</b>		
Change in fair value of available-for-sale-investments (note 7(c))	-	342
<b>Total comprehensive income for the period</b>	<u>2,258</u>	<u>939</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 three-month period ended 31 March 2015

<i>For the three-month period ended 31 March 2015</i>				
	<i>Share capital</i>	<i>Available-for-sale investments reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at 31 December 2014 (Audited)	100,000	-	(73,021)	26,979
Net income for the period	-	-	2,258	2,258
<b>Balance at 31 March 2015 (Unaudited)</b>	<b>100,000</b>	<b>-</b>	<b>(70,763)</b>	<b>29,237</b>

<i>For the three-month period ended 31 March 2014</i>				
	<i>Share capital</i>	<i>Available-for-sale investments reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at 31 December 2013 (Audited)	100,000	2,053	(74,850)	27,203
Net income for the period	-	-	597	597
<i>Other comprehensive income for the period:</i> Change in fair value of available-for-sale investments (note 7 (c))	-	342	-	342
<b>Balance at 31 March 2014 (unaudited)</b>	<b>100,000</b>	<b>2,395</b>	<b>(74,253)</b>	<b>28,142</b>

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

**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**

**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**

For the three-month period ended 31 March 2015

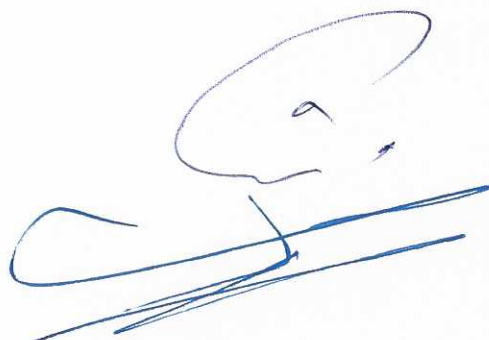
	<i>Notes</i>	<i>Three-month period ended 31 March 2015 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2014 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Surplus for the period from the insurance operations		270	7
Adjustments for:			
Unrealized gain on FVIS investments	7(a)	(1,762)	(2,181)
Realized gain on FVIS investments		-	(1)
Amortisation related to held to maturity investments	7(b)	-	11
Depreciation		375	435
Employees end of service benefits, net		192	161
		(925)	(1,568)
Changes in operating assets and liabilities:			
Premium receivables, net		(20,435)	(14,343)
Reinsurance receivables		1,238	2,817
Deferred policy acquisition costs		(554)	(1,382)
Prepayments and other receivables		357	2,663
Reinsurers share of unearned premiums		(3,081)	(1,931)
Reinsurers share of outstanding claims		(1,503)	(2,428)
Unearned premiums		29,716	30,086
Unearned commission income		1,040	644
Outstanding claims		3,351	(417)
Policyholders' claims		(358)	190
Reinsurance payables		(567)	1,998
Accruals and other payables		2,591	844
Due to / (from) Shareholders' Operations		673	(632)
Net cash flows from operating activities		11,543	16,541
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture, fittings and office equipment		(275)	(234)
Purchase of FVIS investments		(15,000)	(15,000)
Purchase of held to maturity investments	7 (b)	-	(5,000)
Term deposits		(386)	(20,000)
Proceeds from disposal of FVIS investments	7 (a)	16,823	627
Net cash flows from / (used in) investing activities		1,162	(39,607)
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>12,705</b>	<b>(23,066)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>23,573</b>	<b>36,465</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4	<b>36,278</b>	<b>13,399</b>

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

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

For the three-month period ended 31 March 2015

		<i>Three-month period ended 31 March 2015 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2014 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Net income for the period before Zakat		2,558	797
Adjustments for:			
Unrealized gain on FVIS investments	7(a)	(413)	(703)
		<u>2,145</u>	<u>94</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		(834)	(57)
Due (to) / from Insurance Operations		(673)	632
Accruals and other payables		-	(33)
Amount due to a related party		3	-
		<u>641</u>	<u>636</u>
Net cash flows from operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of held to maturity investments	7(b)	(5,665)	-
		<u>(5,665)</u>	<u>-</u>
Net cash flows used in investing activities			
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(5,024)</b>	<b>636</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>5,524</b>	<b>33</b>
		<u>500</u>	<u>669</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	4		
<b>MAJOR NON-CASH TRANSACTIONS</b>			
Change in the fair value of available-for-sale-investments	7(c)	-	342



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

**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015**

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

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

The Registered Office address of the Company is:

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

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

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of presentation**

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). The interim condensed financial statements for the three-month period ended 31 March 2015 (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 2014.

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 2014 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 2014.

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.

**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015**

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**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The Company follows a fiscal year ending 31 December.

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

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

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

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

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

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

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



**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) with a date of initial application of 1 January 2015:

<u>Standard/ Interpretation</u>	<u>Description</u>
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employees Contributions

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.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Inventor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
IFRS 10 and IFRS 12	Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the consolidated exception	1 January 2016
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 1	Amendments to IAS 1 – disclosure initiative	1 January 2016
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27	Amendment to IAS 27 Equity Method in Separate Financial Statements	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	1 January 2016

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

**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015**

**3. GOING CONCERN**

The accumulated losses of the Company amounted to SR 70.763 million as at 31 March 2015 (31 December 2014: SR 73.021 million). The Company's ability to continue as a going concern is dependent upon future profitable operations and continued financial support from shareholders in order to enable it to cover its losses and settle its liabilities. Further, as at 31 March 2015, the Company is not in full compliance with Article 66 of SAMA Insurance Implementing Regulations in relation to its solvency requirements (refer note 13).

The above mentioned conditions indicate the existence of uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. However, whilst approving these interim condensed financial statements on 20 April 2015, the Board of Directors reconsidered the financial position and the matters disclosed in the preceding paragraphs and continue to believe that the going concern basis of preparation of the interim condensed financial statements is appropriate.

Accordingly, these interim condensed financial statements have been prepared on the assumption that the Company will continue in business as a going concern, and do not include any adjustments that might result from the outcome of uncertainties from above mentioned conditions.

Further, during 2014, the Board of directors has recommended an increase in the Company's capital through offering a rights issue with a total value of SR 150 million.

On 25 September 2014 (corresponding to 1 Dhul Hijjah 1435H), the Company received an approval from SAMA for increasing its ordinary share capital by SAR 150 million, by way of issuance of right shares to its existing shareholders. The Company has submitted required information and documents to Capital Market Authority (CMA) in order to obtain approval from the Capital Market Authority (CMA). As a result of this rights issue, the share capital of the Company will increase to SR 250 million comprising of 25 million shares of SR 10 each in issued and fully paid up shares.

**4. CASH AND CASH EQUIVALENTS**

	<i><b>31 March 2015 (Unaudited) SR'000</b></i>	<i><b>31 December 2014 (Audited) SR'000</b></i>
<i><b>Insurance Operations</b></i>		
Cash in hand and at banks	<u><b>36,278</b></u>	<u>23,573</u>
<i><b>Shareholders' Operations</b></i>		
Cash at banks	<u><b>500</b></u>	<u>5,524</u>

**5. TERM DEPOSITS**

	<i><b>31 March 2015 (Unaudited) SR'000</b></i>	<i><b>31 December 2014 (Audited) SR'000</b></i>
<i><b>Insurance Operations</b></i>		
Term deposits	<u><b>31,125</b></u>	<u>30,739</u>

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

**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015**

**6. PREMIUM RECEIVABLES, NET**

	<i>31 March 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Due from policyholders	60,225	48,425
Due from policy holders – related parties (note 10)	31,482	22,847
Allowance for doubtful premiums receivable	(22,653)	(22,653)
	<u>69,054</u>	<u>48,619</u>

Movements in allowance for doubtful premiums receivable were as follows:

	<i>31 March 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Balance at beginning of period / year	22,653	23,636
Release of provision during the period / year	-	(983)
Balance at the end of the period / year	<u>22,653</u>	<u>22,653</u>

**7. INVESTMENTS**

**a) FVIS investments**

***Insurance operations***

Movement in FVIS investments is as follows:

	<i>Three-month period ended 31 March 2015 (Unaudited) SR'000</i>	<i>Year ended 31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	85,484	60,659
Purchased during the period / year	15,000	25,000
Transfer during the period / year	-	3,000
Changes in fair value during the period / year	1,762	3,452
Disposals during the period / year	(16,823)	(6,627)
Balance at the end of the period / year	<u>85,423</u>	<u>85,484</u>

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**7. INVESTMENTS (continued)**

**a) FVIS investments**

*Shareholders' operations*

Movement in FVIS investments is as follows:

	<i>Three-month period ended 31 March 2015 (Unaudited) SR'000</i>	<i>Year ended 31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	14,072	4,846
Purchases during the period / year	-	7,425
Changes in fair value during the period / year	413	1,801
Balance at the end of the period / year	<u>14,485</u>	<u>14,072</u>

**b) Held to maturity investments**

*Insurance operations*

Movement in investments held to maturity is as follows:

	<i>Three-month period ended 31 March 2015 (Unaudited) SR'000</i>	<i>Year ended 31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	30,641	26,663
Purchases during the period / year	-	10,000
Matured during the period / year	-	(3,000)
Transfer during the period / year	-	(3,000)
Amortised during the period / year	-	(22)
Balance at the end of the period / year	<u>30,641</u>	<u>30,641</u>

*Shareholders' operations*

Movement in investments held to maturity is as follows:

	<i>Three-month period ended 31 March 2015 (Unaudited) SR'000</i>	<i>Year ended 31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	-	3,719
Purchases during the period / year	5,665	-
Matured during the period / year	-	(3,712)
Amortized during the period / year	-	(7)
Balance at the end of the period / year	<u>5,665</u>	<u>-</u>

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

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**7. INVESTMENTS (continued)**

**c) Available-for-sale investments**

*Shareholders' operations*

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

*Three-month period ended 31 March 2015 (Unaudited)*

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

*Year ended 31 December 2014 (Audited)*

	<i><u>Quoted securities</u></i> <i>SR'000</i>	<i><u>Unquoted securities</u></i> <i>SR'000</i>	<i><u>Total</u></i> <i>SR'000</i>
Balance at the beginning of the year	5,053	1,923	6,976
Disposed during the year	(5,497)	-	(5,497)
Changes in fair value during the year	444	-	444
Balance at the end of the year	-	1,923	1,923

- i. Unquoted available-for-sale investment, having a carrying value of SR 1,923 thousand ( 31 December 2014: 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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**8. OUTSTANDING CLAIMS - NET**

	<i><b>31 March 2015 (Unaudited) SR'000</b></i>	<i><b>31 December 2014 (Audited) SR'000</b></i>
Gross outstanding claims	<b>21,687</b>	17,690
Add: Incurred But Not Reported (IBNR) reserve	<b>61,390</b>	62,036
	<hr/> <b>83,077</b>	<hr/> 79,726
Less: Reinsurance companies' share of outstanding claims	<b>(7,585)</b>	(6,082)
Net outstanding claims	<hr/> <b>75,492</b> <hr/>	<hr/> 73,644 <hr/>

**9. ZAKAT**

The Zakat payable by the Company has been calculated based on the best estimates of the management. Movement in Zakat payable during the three-month period ended 31 March 2015 and for the year ended 31 December 2014 is as follows:

	<i><b>31 March 2015 (Unaudited) SR'000</b></i>	<i><b>31 December 2014 (Audited) SR'000</b></i>
Balance at the beginning of the period / year	<b>3,108</b>	2,174
Charge for the period / year	<b>300</b>	934
Balance at the end of the period / year	<hr/> <b>3,408</b> <hr/>	<hr/> 3,108 <hr/>

**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 2013 and obtained restricted zakat certificates.

The Department of Zakat and Income Tax (DZIT) raised assessment for the period from 16 May 2007 to 31 December 2008 and demanded additional Zakat liability of SR 619 thousand. The Company filed an objection against this demand and is confident of a favorable outcome. Zakat assessments for years ended 31 December 2009 through 2013 have not yet been raised. However during the year the DZIT issued initial assessment for the year 2011, disallowing investments and statutory deposit from Zakat base and requested additional Zakat of SR 1.3 million. The Company has filed an appeal against DZIT's initial assessment and confident of a favorable outcome.

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**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 transaction</u> <u>Three-month period ended</u>		<u>Balance</u> <u>as at 31</u>	<u>Balance</u> <u>as at 31</u>
		<u>31 March</u>	<u>31 March</u>	<u>March</u>	<u>December</u>
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</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>
<b>a) Insurance Operations</b>					
<b><u>Related Parties of key management personnel</u></b>					
Islamic Arab Insurance Company (B.S.C)	General and Administrative Expenses directly paid on behalf of the Company	-	-	<b>6,759</b>	6,759
Tajeer Co. (Affiliate)	Insurance policies written	<b>44,721</b>	32,863	<b>33,911</b>	22,847
Chairman of the Board	Insurance policies written	<b>188</b>	36	<b>51</b>	15
Rusd Global Company	Insurance policies written	-	-	-	28
Technology Establishment	Insurance policies written	<b>(2)</b>	-	<b>4</b>	6
Al Firdous Group Co.	Insurance policies written	<b>997</b>	921	<b>556</b>	-
<b><u>Key management personnel</u></b>	Long-term benefits	<b>57</b>	41	<b>(1,326)</b>	(1,263)
	Short term benefits	<b>1,140</b>	959	<b>(74)</b>	(151)
<b>b) Shareholders' Operations</b>					
Board of Directors	Short term benefits	<b>20</b>	27	-	-
Board Committees	Short term benefits	<b>86</b>	8	-	-
<b><u>Major Shareholder</u></b>					
Islamic Arab Insurance Company (UAE)	Insurance premium	<b>3</b>	-	<b>(3)</b>	(212)

Terms of transactions with related parties are approved by the management of the Company. The period end balances of transactions with related parties are disclosed in the interim statement of financial position.

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**11. SEGMENTAL INFORMATION**

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

	<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>
<b>For the three-month period ended</b>				
<b>31 March 2015</b>				
Gross premium written	10,616	95,009	8,056	<b>113,681</b>
Less: Reinsurance premiums ceded	-	(74)	(5,452)	<b>(5,526)</b>
Excess of loss premiums	(488)	(559)	(227)	<b>(1,274)</b>
Net premium written	10,128	94,376	2,377	<b>106,881</b>
Changes in net unearned premiums	(1,636)	(24,956)	(44)	<b>(26,636)</b>
Net premiums earned	8,492	69,420	2,333	<b>80,245</b>
Net reinsurance commissions earned	-	88	596	<b>684</b>
Net revenue	8,492	69,508	2,929	<b>80,929</b>
Gross claims paid	5,678	58,011	1,406	<b>65,095</b>
Less: Reinsurers share	51	-	(1,068)	<b>(1,017)</b>
Net claims paid	5,729	58,011	338	<b>64,078</b>
Changes in outstanding claims	(373)	2,190	32	<b>1,849</b>
Net claims incurred	5,356	60,201	370	<b>65,927</b>
Policy acquisition costs	447	2,088	222	<b>2,757</b>
Other operating expenses	710	1,138	40	<b>1,888</b>
Net costs and expenses	6,513	63,427	632	<b>70,572</b>
Net results of insurance operations	1,979	6,081	2,297	<b>10,357</b>
Unallocated expenses				<b>(9,421)</b>
Investment income				<b>1,762</b>
Unallocated other income				<b>2</b>
Surplus from insurance operations				<b>2,700</b>
	<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>
<b>As at 31 March 2015</b>				
<b>Insurance operations' assets</b>				
Reinsurer's share of unearned premiums	-	-	8,008	<b>8,008</b>
Reinsurer's share of outstanding claims	-	-	7,585	<b>7,585</b>
Deferred policy acquisition costs	893	3,600	800	<b>5,293</b>
Unallocated assets				<b>278,661</b>
<b>Total insurance operations' assets</b>				<b>299,547</b>
<b>Insurance operations' liabilities</b>				
Unearned premiums	17,080	145,100	10,907	<b>173,087</b>
Outstanding claims	6,078	66,380	10,619	<b>83,077</b>
Unearned commission income	-	-	2,331	<b>2,331</b>
Provision for premium deficiency	-	4,331	200	<b>4,531</b>
Unallocated liabilities and surplus				<b>36,521</b>
<b>Total insurance operations' liabilities and surplus</b>				<b>299,547</b>

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**11. SEGMENTAL INFORMATION (continued)**

	<u>Medical</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Other</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
For the three-month period ended 31 March 2014				
Gross premium written	11,560	70,071	6,368	87,999
Less: Reinsurance premiums ceded	-	(18)	(4,665)	(4,683)
Excess of loss premiums	(300)	(760)	(431)	(1,491)
Net premium written	11,260	69,293	1,272	81,825
Changes in net unearned premiums	(4,398)	(23,230)	(527)	(28,155)
Net premiums earned	6,862	46,063	745	53,670
Net reinsurance commissions earned	-	6	799	805
Net revenue	6,862	46,069	1,544	54,475
Gross claims paid	4,624	42,997	169	47,790
Less: Reinsurers share	(256)	-	(70)	(326)
Net claims paid	4,368	42,997	99	47,464
Changes in outstanding claims	(710)	(3,748)	1,611	(2,847)
Net claims incurred	3,658	39,249	1,710	44,617
Policy acquisition costs	246	980	272	1,498
Other operating expenses	915	1,024	42	1,981
Net costs and expenses	4,819	41,253	2,024	48,096
Net results of insurance operations	2,043	4,816	(480)	6,379
Unallocated expenses				(8,746)
Investment income				2,437
Surplus from insurance operations				70
As at 31 December 2014				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	385	4,542	4,927
Reinsurer's share of outstanding claims	-	-	6,082	6,082
Deferred policy acquisition costs	890	3,448	401	4,739
Unallocated assets				247,564
Total insurance operations' assets				263,312
Insurance operations' liabilities				
Unearned premiums	15,444	120,529	7,398	143,371
Outstanding claims	6,451	64,191	9,084	79,726
Unearned commission income	-	75	1,216	1,291
Provision for premium deficiency	-	4,331	200	4,531
Unallocated liabilities and surplus				34,393
Total insurance operations' liabilities and surplus				263,312

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**12. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

*Determination of fair value and fair value hierarchy*

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

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

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

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

The table below presents the financial instruments at their fair values as at 31 March 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets</b>				
Financial assets held as FVIS - Insurance Operations	-	85,423	-	85,423
Financial assets held as FVIS - Shareholders' Operations	-	14,485	-	14,485
Balance at the end of the period	<u>-</u>	<u>99,908</u>	<u>-</u>	<u>99,908</u>

The table below presents the financial instruments at their fair values as at 31 December 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets</b>				
Financial assets held as FVIS - Insurance Operations	-	85,484	-	85,484
Financial assets held as FVIS - Shareholders' Operations	-	14,072	-	14,072
Balance at the end of the year	<u>-</u>	<u>99,556</u>	<u>-</u>	<u>99,556</u>

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

**13. REGULATORY REQUIREMENT**

As required by Saudi Arabian Insurance Regulations (Article 66 of Implementation Regulations issued by SAMA), the Company is required to maintain minimum Solvency Margin equivalent to the highest of minimum capital requirement, premium solvency margin or claims solvency margin. As at 31 March 2015, the Company's solvency level is less than the minimum solvency margin required by the Implementation Regulations and is in the purview of the above-mentioned article of the Implementation Regulations. The Company has submitted its action plan to SAMA to achieve the solvency margin.



**14. EARNINGS PER SHARE**

Earnings per share for the period have been calculated by dividing the net income for the period by the weighted average number of issued and outstanding shares (10 million shares) as at 31 March 2015 (31 December 2014: 10 million shares). Diluted earnings per share is not applicable for the Company.

**15. BOARD OF DIRECTORS' APPROVAL**

These financial statements have been approved by the Board of Directors on 20 April 2015, corresponding to 1 Rajab 1436H.