

**SALAMA COOPERATIVE INSURANCE COMPANY  
(FORMERLY 'SAUDI IAIC COOPERATIVE INSURANCE COMPANY')  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013**

**SALAMA COOPERATIVE INSURANCE COMPANY  
(FORMERLY 'SAUDI IAIC COOPERATIVE INSURANCE COMPANY')  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
31 MARCH 2013**

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**LIMITED REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY (FORMERLY 'SAUDI IAIC 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 (Formerly 'Saudi IAIC Cooperative Insurance Company') – a Saudi Joint Stock Company – (the "Company") as at 31 March 2013, 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' cash flows for the three-month period then ended. 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 limited review in accordance with the Standard on review of interim financial statements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited 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 limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

**Emphasis of matter**

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with Standard on Interim Financial Information issued by SOCPA.

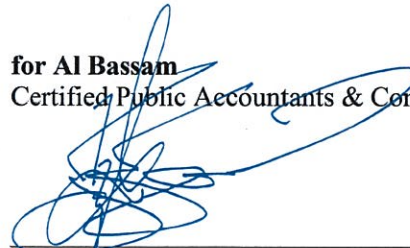
**for Ernst & Young**



Husam Faisal Bawared  
Certified Public Accountant  
Licence No. 393

**for Al Bassam**

Certified Public Accountants & Consultants



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



11 Jumaada Al-Thaani 1434H  
21 April 2013

Jeddah, Saudi Arabia




**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company**

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 March 2013

	<i>Notes</i>	<i>31 March 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	40,529	37,289
Term deposits	3	20,648	20,648
Premium receivables, net	4	44,708	34,339
Reinsurance receivables		8,583	12,328
Deferred policy acquisition costs		2,567	2,046
Prepayments and other receivables		11,340	11,363
Amounts due from a related party	7	6,759	6,759
FVIS investments	5 (a)	3,135	3,131
Reinsurers' share of unearned premiums		7,912	9,306
Reinsurers' share of outstanding claims		10,521	14,193
Held to maturity investments	5 (b)	16,674	13,685
Furniture, fittings and office equipment		3,991	4,172
<b>Total insurance operations' assets</b>		<b>177,367</b>	<b>169,259</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	13,395	13,371
Term deposits	3	10,000	20,000
FVIS investments	5 (a)	14,975	13,874
Available for sale investments	5 (c)	6,539	8,582
Prepayments and other receivables		369	482
Due from insurance operations		13,270	4,531
Held to maturity investments	5 (b)	3,731	3,731
Statutory deposit		10,808	10,771
<b>Total shareholders' assets</b>		<b>73,087</b>	<b>75,342</b>
<b>TOTAL ASSETS</b>		<b>250,454</b>	<b>244,601</b>



Chief Financial Officer



Chief Executive Officer



Chairman

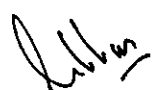
The accompanying notes 1 to 10 form part of these interim condensed financial statements.

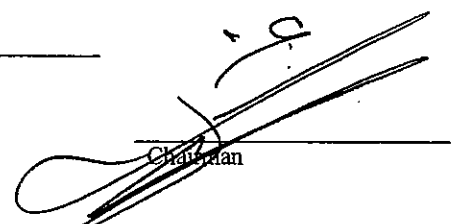
**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company**


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

As at 31 March 2013

	<i>Notes</i>	<i>31 March 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance operations' liabilities</b>			
Unearned premiums		89,483	81,302
Provision for premium deficiency		221	221
Unearned commission income		1,650	1,174
Outstanding claims		42,083	50,236
Policyholders' claims		6,418	7,726
Reinsurance payables		3,350	3,470
Accruals and other payables		12,333	11,105
Due to shareholders' operations		13,270	4,531
Employees' terminal benefits		5,545	6,480
		<u>174,353</u>	<u>166,245</u>
<b>Insurance operations' surplus</b>			
Accumulated surplus from insurance operations		3,014	3,014
		<u>177,367</u>	<u>169,259</u>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accruals and other payables		1,651	1,606
Zakat provision	6	3,206	2,756
Amount due to a related party - other	7	2,026	2,026
		<u>6,883</u>	<u>6,388</u>
<b>Shareholders' equity</b>			
Share capital		100,000	100,000
Accumulated losses		(35,412)	(32,705)
Available for sale investments reserve		1,616	1,659
		<u>66,204</u>	<u>68,954</u>
<b>Total shareholders' equity</b>		<u>66,204</u>	<u>68,954</u>
<b>Total shareholders' liabilities and equity</b>		<u>73,087</u>	<u>75,342</u>
<b>TOTAL LIABILITIES, SURPLUS AND EQUITY</b>		<u>250,454</u>	<u>244,601</u>

  
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Chief Financial Officer

  
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Chairman

  
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Chief Executive Officer

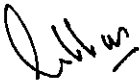
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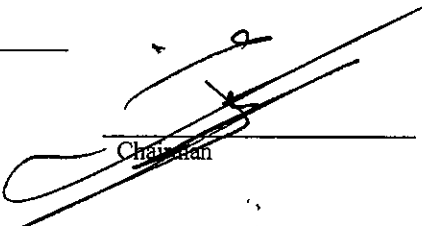
Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company


INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the three-month period ended 31 March 2013

	Note	Three-month period ended 31 March	
		2013 (Unaudited) SR'000	2012 (Unaudited) SR'000
<b>Revenue</b>			
Gross premiums written		60,459	79,074
Less: Reinsurance premiums ceded		(5,077)	(9,190)
Less: Excess of loss premiums		(696)	(700)
Net premiums written		54,686	69,184
Changes in net unearned premiums		(9,574)	(20,064)
Net premiums earned		45,112	49,120
Reinsurance commissions earned		930	816
Net revenue		46,042	49,936
<b>Costs and expenses</b>			
Gross claims paid		51,563	48,682
Less: Reinsurers' share		(5,190)	(6,720)
Net claims paid		46,373	41,962
Changes in net outstanding claims		(4,481)	(4,156)
Net claims incurred		41,892	37,806
Policy acquisition costs		1,468	5,108
Other operating expenses		954	1,796
Net costs and expenses		44,314	44,710
Net results of insurance operations		1,728	5,226
General and administrative expenses		(7,984)	(9,330)
Other income		-	210
Investment income		334	318
<b>Deficit from insurance operations</b>		<b>(5,922)</b>	<b>(3,576)</b>
Shareholders' share of insurance operations' deficit	2	5,922	3,576
<b>Surplus for the period</b>		<b>-</b>	<b>-</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>3,014</b>	<b>3,014</b>

  
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Chief Financial Officer

  
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Chairman

  
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Chief Executive Officer

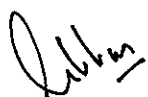
The accompanying notes 1 to 10 form part of these interim condensed financial statements.

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month period ended 31 March 2013

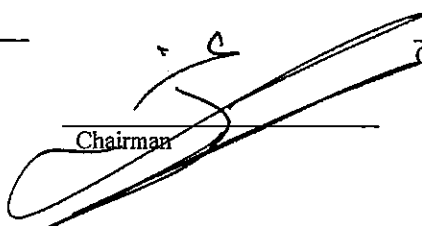
	Notes	Three-month period ended 31 March	
		2013 (Unaudited) SR'000	2012 (Unaudited) SR'000
<b>REVENUE</b>			
Shareholders' share of insurance operations' deficit	2	(5,922)	(3,576)
Investment income		3,538	812
Gain on available for sale investments	5(c)	170	-
Total revenue		(2,214)	(2,764)
<b>EXPENSES</b>			
General and administration		(43)	(40)
Net loss for the period before Zakat		(2,257)	(2,804)
Zakat	6	(450)	(450)
Net loss for the period		(2,707)	(3,254)
<b>Weighted average number of ordinary shares outstanding (in thousands)</b>			
		10,000	10,000
<b>Basic and diluted loss per share - SR</b>			
		(0.27)	(0.33)



Chief Financial Officer



Chief Executive Officer



Chairman

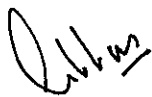
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Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2013


	<i>Three-month period ended 31 March</i>	
	<i>2013 (Unaudited) SR'000</i>	<i>2012 (Unaudited) SR'000</i>
Net loss for the period	(2,707)	(3,254)
Change in fair value of available for sale investments	127	2,441
<b>Total comprehensive loss for the period</b>	<b>(2,580)</b>	<b>(813)</b>



Chief Financial Officer



Chairman



Chief Executive Officer

The accompanying notes 1 to 10 form part of these interim condensed financial statements.



Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company

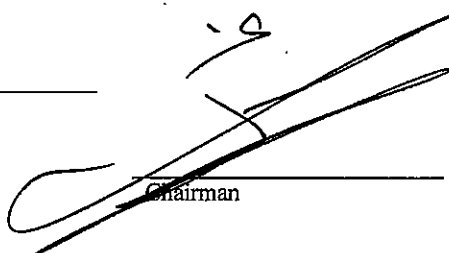
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2013

	<i>For the three-month period ended 31 March 2013</i>			
	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Available for sale investments reserve SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2012 (audited)	100,000	(32,705)	1,659	68,954
Net loss for the period	-	(2,707)	-	(2,707)
Other comprehensive income for the period	-	-	127	127
Transfer to statement of shareholders' operations (note 5c (ii))	-	-	(170)	(170)
<b>Balance at 31 March 2013 (unaudited)</b>	<b>100,000</b>	<b>(35,412)</b>	<b>1,616</b>	<b>66,204</b>

	<i>For the three-month period ended 31 March 2012</i>			
	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Available for sale investments reserve SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2011 (audited)	100,000	(19,748)	4,739	84,991
Net loss for the period	-	(3,254)	-	(3,254)
Other comprehensive income for the period	-	-	2,441	2,441
<b>Balance at 31 March 2012 (unaudited)</b>	<b>100,000</b>	<b>(23,002)</b>	<b>7,180</b>	<b>84,178</b>

  
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Chief Financial Officer

  
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Chairman

  
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Chief Executive Officer

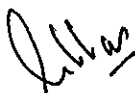
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**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company**

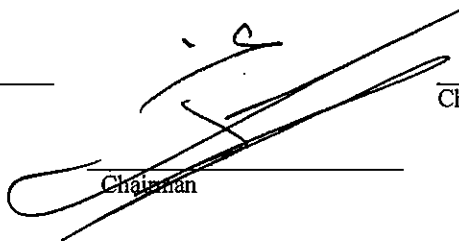
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**

For the three-month period ended 31 March 2013

	<i>Notes</i>	<i>Three-month period ended 31 March 2013 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2012 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Surplus for the period from the insurance operations		-	-
Adjustments for:			
Deferred policy acquisition costs		(521)	1,538
Unrealized gain on FVIS investments	5(a)	(4)	(12)
Amortization of held to maturity investments	5(b)	11	-
Reinsurers share of unearned premiums		1,394	(814)
Unearned premiums		8,181	20,878
Unearned commission income		476	187
Depreciation		510	662
Employees end of service benefits, net		(935)	(173)
		<u>9,112</u>	<u>22,266</u>
Changes in operating assets and liabilities:			
Premium receivables, net		(10,369)	(15,279)
Reinsurance receivables		3,745	(860)
Prepayments and other receivables		23	(3,159)
Reinsurers share of outstanding claims		3,672	737
Outstanding claims		(8,153)	(4,893)
Policyholders' claims		(1,308)	1,424
Reinsurance payables		(120)	(981)
Other payables		1,228	6,774
Due to shareholders' operations		8,739	(3,615)
		<u>6,569</u>	<u>2,414</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of held to maturity investments	5 (b)	(3,000)	(1,998)
Purchase of furniture, fittings and office equipment		(329)	(476)
		<u>(3,329)</u>	<u>(2,474)</u>
Cash used in investing activities			
		<u>(3,329)</u>	<u>(2,474)</u>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>3,240</u>	<u>(60)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<u>37,289</u>	<u>43,560</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u>40,529</u>	<u>43,500</u>



Chief Financial Officer



Chairman



Chief Executive Officer

The accompanying notes 1 to 10 form part of these interim condensed financial statements.

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company

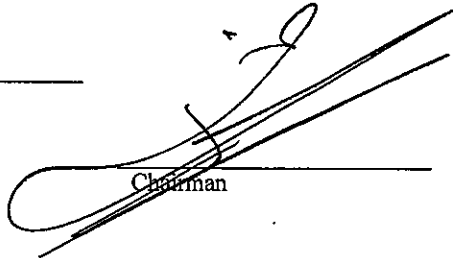
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three-month period ended 31 March 2013

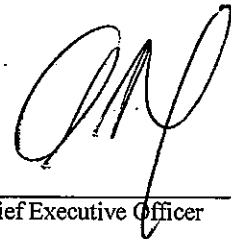
	<i>Notes</i>	<i>Three-month period ended 31 March 2013 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2012 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Net loss for the period before Zakat		(2,257)	(2,804)
Adjustments for:			
Unrealized gain on FVIS investments		(1,101)	(521)
Gain on sale of available for sale investments		(170)	-
		<u>(3,528)</u>	<u>(3,325)</u>
Changes in operating assets and liabilities:			
Term deposits		10,000	-
Prepayment and other receivables		113	(146)
Due from insurance operations		(8,739)	3,615
Statutory deposit		(37)	(23)
Accruals and other payables		45	24
		<u>(2,146)</u>	<u>145</u>
<b>INVESTING ACTIVITY</b>			
Proceeds from disposal of available for sale investments	5(c)	2,170	-
		<u>2,170</u>	<u>-</u>
Cash from investing activity		<u>2,170</u>	<u>-</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>24</b>	<b>145</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>13,371</b>	<b>29,373</b>
		<u>13,371</u>	<u>29,373</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>13,395</b>	<b>29,518</b>
		<u>13,395</u>	<u>29,518</u>
<b>MAJOR NON-CASH TRANSACTIONS</b>			
Change in fair value of available for sale investments	5(c)	127	2,441
		<u>127</u>	<u>2,441</u>



Chief Financial Officer



Chairman



Chief Executive Officer

The accompanying notes 1 to 10 form part of these interim condensed financial statements.

# Salama Cooperative Insurance Company (Formerly ‘Saudi IAIC Cooperative Insurance Company’) – A Saudi Joint Stock Company

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2013

### 1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Salama Cooperative Insurance Company (Formerly ‘Saudi IAIC 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 112/K dated 29 Rabi Al-Thani (corresponding to 16 May 2007). During the previous year, as per the shareholders’ resolution dated 23 June 2012, the name of the Company was changed from Saudi IAIC Cooperative Insurance Company to Salama Cooperative Insurance Company. Legal formalities to change the name of the Company were completed during 2012.

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 market 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

#### 2a Basis of presentation

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are consistent with those used for the preparation of annual financial statements.

These interim condensed financial statements for the three-month period ended 31 March 2013 (the “period”) should be read in conjunction with the Company’s audited financial statements as at 31 December 2012. 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.

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.

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards (“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.

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/> <hr/>

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

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

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

Salama Cooperative Insurance Company (Formerly ‘Saudi IAIC Cooperative Insurance Company’) – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

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

**2b 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):

<i>Standard/ Interpretation</i>	<i>Description</i>
IFRS 7	Amendments to IFRS 7 Disclosure – offsetting financial assets and financial liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair Value Measurement
IAS 1	Amendments to IAS 1 Presentation of items of Other Comprehensive Income
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in associates & joint ventures
IAS 32	Amendment to IAS 32 Tax effects of distributions to holders of equity instruments
IAS 34	Amendment to IAS 34 Interim financial reporting and segment information for total assets and liabilities

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.

**2c 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.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments – Classification & Measurement	1 January 2015
IFRS 10, IFRS 12 & IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities	1 January 2014
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

**3 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS**

	<i>31 March 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<b>a) Cash and cash equivalents</b>		
<i>Insurance Operations</i>		
Cash on hand and at banks	<u>40,529</u>	<u>37,289</u>
<i>Shareholders' Operations</i>		
Cash at banks	12,773	12,749
Money market funds	622	622
	<u>13,395</u>	<u>13,371</u>
<b>b) Term deposits</b>		
<i>Insurance Operations</i>		
Term deposits	<u>20,648</u>	<u>20,648</u>
<i>Shareholders' Operations</i>		
Term deposits	<u>10,000</u>	<u>20,000</u>

**4 PREMIUM RECEIVABLES, NET**

	<i>31 March 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Due from policyholders	55,002	54,574
Due from policy holders -- related parties	12,327	6,797
Allowance for doubtful debts	<u>(22,621)</u>	<u>(27,032)</u>
	<u>44,708</u>	<u>34,339</u>

Movements in allowance of doubtful premiums receivable were as follows:

	<i>31 March 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Balance at the beginning of the period/year	27,032	21,674
Additional allowance during the period/year	-	5,358
Written-off during the period/year	<u>(4,411)</u>	<u>-</u>
Balance at the end of the period/year	<u>22,621</u>	<u>27,032</u>

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

**5 INVESTMENTS**

**a) FVIS investments**

*Insurance operations*

Movement in FVIS investments is as follows:

	<i>Three-month period ended 31 March 2013 (Unaudited) SR'000</i>	<i>Year ended 31 December 2012 (Audited) SR'000</i>
Balance at the beginning of the period/year	3,131	3,077
Changes in fair value of investments	4	54
Balance at the end of the period/year	<u>3,135</u>	<u>3,131</u>

*Shareholders' operations*

Movement in FVIS investments is as follows:

	<i>Three-month period ended 31 March 2013 (Unaudited) SR'000</i>	<i>Year ended 31 December 2012 (Audited) SR'000</i>
Balance at the beginning of the period/year	13,874	3,269
Purchase during the period/year	-	10,000
Changes in fair value of investments	1,101	605
Balance at the end of the period/year	<u>14,975</u>	<u>13,874</u>

**b) Held to maturity investments**

*Insurance operations*

Movement in investments held to maturity is as follows:

	<i>Three-month period ended 31 March 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2012 (Audited) SR'000</i>
Balance at the beginning of the period/year	13,685	13,697
Purchases during the period/year	3,000	-
Amortised during the period/year	(11)	(12)
Balance at the end of the period/year	<u>16,674</u>	<u>13,685</u>

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

5 INVESTMENTS (continued)

b) Held to maturity investments (continued)

*Shareholders' operations*

Movement in investments held to maturity is as follows:

	<i>Three-month period ended 31 March 2013 (Unaudited) SR'000</i>	<i>Year ended 31 December 2012 (Audited) SR'000</i>
Balance at the beginning of the period/year	3,731	8,722
Matured during the period/year	-	(4,980)
Amortized during the period/year	-	(11)
Balance at the end of the period/year	<u>3,731</u>	<u>3,731</u>

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

c) Available for sale investments

*Shareholders' operations*

Movement in available for sale investments are as follows:

	<i>Quoted securities SR'000</i>	<i>Unquoted securities SR'000</i>	<i>Total SR'000</i>
<i>Three-month period ended 31 March 2013 (Unaudited)</i>			
Balance at the beginning of the period	6,659	1,923	8,582
Disposed during the period (see note (ii) below)	(2,170)	-	(2,170)
Changes in fair value of investments	127	-	127
Balance at the end of the period	<u>4,616</u>	<u>1,923</u>	<u>6,539</u>
<i>Year ended 31 December 2012 (Audited)</i>			
Balance at the beginning of the year	18,462	1,923	20,385
Disposed during the year (see note (ii) below)	(12,325)	-	(12,325)
Changes in fair value of investments	522	-	522
Balance at the end of the year	<u>6,659</u>	<u>1,923</u>	<u>8,582</u>

- (i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (31 December 2012: 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.
- (ii) During the three-month period ended 31 March 2013, the Company sold investment with a cost price of SR 2,000 thousand for SR 2,170 thousand. The realised gain of SR 170 thousand has been transferred from available for sale investment reserve to interim statement of shareholders' operations.



**Salama Cooperative Insurance Company (Formerly ‘Saudi IAIC Cooperative Insurance Company’) – A Saudi Joint Stock Company**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

At 31 March 2013

**6 ZAKAT**

The Zakat payable by the Company has been calculated based on the best estimates of the management.

Movements in Zakat payable during the three-month period ended 31 March 2013 and for the year ended 31 December 2012 are as follows:

	<i>31 March 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Balance at the beginning of the period/year	2,756	2,211
Charge for the period/year	450	1,800
Paid during the period/year	-	(1,255)
Balance at the end of the period/year	<u>3,206</u>	<u>2,756</u>

**Zakat status**

The Company has filed its zakat declarations for the period from 16 May 2007 to 31 December 2008 and for the years ended 31 December 2009 through 2011 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 thousands. The Company filed an objection against this demand and is confident of a favorable outcome. Zakat assessments for years ended 31 December 2009 through 2011 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.

**7 RELATED PARTY TRANSACTIONS AND BALANCES**

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

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>Three-month period ended 31 March 2013 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2012 (Unaudited) SR'000</i>
<i>a) Shareholders</i>			
Senior executives	Remunerations	450	457
Board of directors	Remunerations	26	20
Audit committee	Remunerations	16	20

Terms of transactions with related parties are approved by the management of the Company.

The period end balances of transactions with related parties are disclosed in the interim statement of financial position.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – A Saudi Joint Stock Company**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

At 31 March 2013

**8 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 two 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, reinsurance receivable, prepayments and other receivables, amount due from a related party, investments and furniture, fittings and office equipment.

Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables, employees' terminal benefits and due to shareholders' fund.

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:

<b>For the three-month period ended 31 March 2013</b>	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Gross premium written	6,232	47,529	6,698	<b>60,459</b>
Less: Reinsurance premiums ceded	(109)	-	(4,968)	<b>(5,077)</b>
Less: Excess of loss premiums	(195)	(310)	(191)	<b>(696)</b>
Net premium written	5,928	47,219	1,539	<b>54,686</b>
Changes in net unearned premiums	(379)	(9,263)	68	<b>(9,574)</b>
Net premiums earned	5,549	37,956	1,607	<b>45,112</b>
Reinsurance commissions earned	-	-	930	<b>930</b>
Net revenue	5,549	37,956	2,537	<b>46,042</b>
Gross claims paid	9,821	39,232	2,510	<b>51,563</b>
Less: Reinsurers share	(4,907)	-	(283)	<b>(5,190)</b>
Net claims paid	4,914	39,232	2,227	<b>46,373</b>
Changes in outstanding claims	(744)	(579)	(3,158)	<b>(4,481)</b>
Net claims incurred	4,170	38,653	(931)	<b>41,892</b>
Policy acquisition costs	359	832	277	<b>1,468</b>
Other operating expenses	527	364	63	<b>954</b>
Net costs and expenses	5,056	39,849	(591)	<b>44,314</b>
Net results of insurance operations	493	(1,893)	3,128	<b>1,728</b>
Unallocated expenses				<b>(7,984)</b>
Investment income				<b>334</b>
Deficit from insurance operations				<b>(5,922)</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

8 SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<b>As at 31 March 2013</b>				
<b>Insurance operations' assets</b>				
Reinsurer's share of unearned premiums	2,066	-	5,846	7,912
Reinsurer's share of outstanding claims	5,418	-	5,103	10,521
Deferred policy acquisition costs	533	1,478	556	2,567
Unallocated assets	-	-	-	156,367
<b>Total insurance operations' assets</b>				<b>177,367</b>
<b>Insurance operations' liabilities</b>				
Unearned premium	10,258	71,599	7,626	89,483
Outstanding claims	11,523	22,952	7,608	42,083
Unearned commission income	-	-	1,650	1,650
Provision for premium deficiency	158	-	63	221
Unallocated liabilities and surplus	-	-	-	43,930
<b>Total insurance operations' liabilities and surplus</b>				<b>177,367</b>
<b>For the three-month period ended 31 March 2012</b>				
Gross premium written	14,469	60,107	4,498	79,074
Less: Reinsurance premiums ceded	(5,780)	-	(3,410)	(9,190)
Less: Excess of loss premiums	-	(347)	(353)	(700)
Net premium written	8,689	59,760	735	69,184
Changes in net unearned premiums	291	(20,303)	(52)	(20,064)
Net premiums earned	8,980	39,457	683	49,120
Reinsurance commissions earned	-	-	816	816
Net revenue	8,980	39,457	1,499	49,936
Gross claims paid	12,803	35,080	799	48,682
Less: Reinsurers share	(6,408)	(57)	(255)	(6,720)
Net claims paid	6,395	35,023	544	41,962
Changes in outstanding claims	69	(3,797)	(428)	(4,156)
Net claims incurred	6,464	31,226	116	37,806
Policy acquisition costs	889	3,994	225	5,108
Other operating expenses	1,111	599	86	1,796
Net costs and expenses	8,464	35,819	427	44,710
Net results of insurance operations	516	3,638	1,072	5,226
Unallocated expenses				(9,330)
Unallocated other income				210
Investment income				318
Deficit from insurance operations				(3,576)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

8 SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
As at 31 December 2012				
<b>Insurance operations' assets</b>				
Reinsurer's share of unearned premiums	4,942	-	4,364	9,306
Reinsurer's share of outstanding claims	6,849	-	7,344	14,193
Deferred policy acquisition costs	658	1,060	328	2,046
Unallocated assets	-	-	-	143,714
<b>Total insurance operations' assets</b>				<u>169,259</u>
<b>Insurance operations' liabilities</b>				
Unearned premium	12,755	62,336	6,211	81,302
Outstanding claims	13,697	23,532	13,007	50,236
Unearned commission income	-	-	1,174	1,174
Provision for premium deficiency	158	-	63	221
Unallocated liabilities and surplus	-	-	-	36,326
<b>Total insurance operations' liabilities and surplus</b>				<u>169,259</u>

9 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 2013

	31 March 2013 (SR'000)			
	Level 1	Level 2	Level 3	<i>Total</i>
<b>Financial assets</b>				
Financial assets held as FVIS – policyholders' assets	3,135	-	-	3,135
Financial assets held as FVIS – shareholders' assets	14,975	-	-	14,975
Financial investments available for sale – shareholders' assets	4,616	-	1,923	6,539
<b>Total</b>	<u>22,726</u>	<u>-</u>	<u>1,923</u>	<u>24,649</u>

There is no movement in Level 3 investments from the year ended 31 December 2012.

10 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 21 April 2013.