

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2013**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2013**

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

THE SHAREHOLDERS

**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 30 September 2013, and the related interim statements of insurance operations and accumulated surplus, shareholders' operation, comprehensive income for the three-month and nine-month periods then ended, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine-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 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.

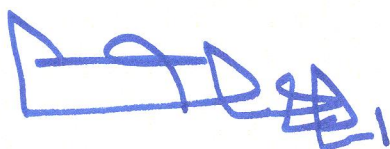
Conclusion

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 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.

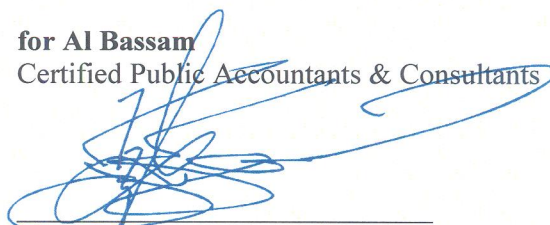
for KPMG Al Fozan & Al Sadhan



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	<i>Notes</i>	30 September 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	16,386	37,289
Term deposits	4	20,648	20,648
Premium receivables, net	5	45,001	34,339
Reinsurance receivables		8,130	12,328
Deferred policy acquisition costs		2,561	2,046
Prepayments and other receivables		8,369	11,363
Amounts due from a related party	8	6,759	6,759
FVIS investments	6(a)	46,591	3,131
Reinsurers' share of unearned premiums		4,850	9,306
Reinsurers' share of outstanding claims		19,215	14,193
Held to maturity investments	6(b)	16,663	13,685
Furniture, fittings and office equipment		3,449	4,172
Total insurance operations' assets		198,622	169,259
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	674	13,371
Term deposits	4	10,301	20,000
FVIS investments	6(a)	19,831	13,874
Available for sale investments	6(c)	6,927	8,582
Prepayments and other receivables		171	482
Due from insurance operations		3,064	4,531
Held to maturity investments	6(b)	3,725	3,731
Statutory deposit		10,857	10,771
Total shareholders' assets		55,550	75,342
TOTAL ASSETS		254,172	244,601

The accompanying notes 1 to 12 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 30 September 2013

	<u>Notes</u>	30 September 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		105,312	81,302
Provision for premium deficiency		221	221
Unearned commission income		1,285	1,174
Outstanding claims		57,619	50,236
Policyholders' claims		6,628	7,726
Reinsurance payables		3,001	3,470
Accruals and other payables		13,106	11,105
Due to shareholders' operations		3,064	4,531
Employees' end of service benefits		5,372	6,480
		195,608	166,245
Insurance operations' surplus			
Accumulated surplus from insurance operations		3,014	3,014
		198,622	169,259
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables		1,699	1,606
Accrued Zakat	7	2,924	2,756
Amount due to a related party	8	--	2,026
		4,623	6,388
Shareholders' equity			
Share capital		100,000	100,000
Cumulative changes in fair value of AFS investments		2,004	1,659
Accumulated losses		(51,077)	(32,705)
		50,927	68,954
		55,550	75,342
TOTAL LIABILITIES, SURPLUS AND EQUITY			
		254,172	244,601





**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 and nine-month periods ended 30 September 2013

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
<i>Note</i>	<i>2013 (Unaudited)</i>	<i>2012 (Unaudited)</i>	<i>2013 (Unaudited)</i>	<i>2012 (Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenues				
Gross premiums written	48,413	40,431	172,338	171,738
Less: Reinsurance premiums ceded	(1,630)	(4,987)	(10,520)	(21,348)
Less: Excess of loss premiums	(1,665)	(501)	(2,862)	(1,752)
Net premiums written	45,118	34,943	158,956	148,638
Changes in net unearned premiums	(963)	13,095	(28,465)	(433)
Net premiums earned	44,155	48,038	130,491	148,205
Net reinsurance commissions earned	978	2,873	2,812	4,448
Net revenue	45,133	50,911	133,303	152,653
Costs and expenses				
Gross claims paid	38,542	41,387	133,584	138,828
Less: Reinsurers' share	(2,238)	(7,223)	(11,629)	(23,159)
Net claims paid	36,304	34,164	121,955	115,669
Changes in net outstanding claims	5,057	2,547	2,361	(1,040)
Net claims incurred	41,361	36,711	124,316	114,629
Policy acquisition costs	1,324	3,026	4,144	12,524
Other operating expenses	1,156	794	3,416	3,934
Net costs and expenses	43,841	40,531	131,876	131,087
Net results of insurance operations	1,292	10,380	1,427	21,566
General and administrative expenses	(9,585)	(10,335)	(25,365)	(31,957)
Other income	--	--	13	210
Investment income	402	309	947	924
(Deficit)/surplus from Insurance Operations	(7,891)	354	(22,978)	(9,257)
Shareholders' share of insurance operations' deficit/(surplus)	2(a) 7,891	(354)	22,978	9,257
Surplus for the period	--	--	--	--
Accumulated surplus at the beginning of the period	3,014	3,014	3,014	3,014
Accumulated surplus at the end of the period	3,014	3,014	3,014	3,014





The accompanying notes 1 to 12 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 and nine-month periods ended 30 September 2013

		Three-month period ended 30 September		Nine-month period ended 30 September	
	Notes	2013 (Unaudited) SR'000	2012 (Unaudited) SR'000	2013 (Unaudited) SR'000	2012 (Unaudited) SR'000
REVENUES					
Shareholders' share of insurance operations' (deficit)/surplus	2 (a)	(7,891)	354	(22,978)	(9,257)
Investment income		1,432	356	5,908	1,029
Gain on sale of available for sale investments		--	--	170	3,602
Other income		--	66	--	66
		(6,459)	776	(16,900)	(4,560)
EXPENSES					
General and administrative		--	(112)	(122)	(309)
Net (loss)/income for the period before Zakat		(6,459)	664	(17,022)	(4,869)
Zakat	7	(450)	(450)	(1,350)	(1,350)
Net (loss)/income for the period		(6,909)	214	(18,372)	(6,219)
Weighted average number of ordinary shares outstanding (in thousands)		10,000	10,000	10,000	10,000
Basic and diluted (loss) / earnings per share - (SR)	11	(0.69)	0.02	(1.84)	(0.62)

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2013

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<u>2013</u> <i>(Unaudited)</i> SR'000	<u>2012</u> <i>(Unaudited)</i> SR'000	<u>2013</u> <i>(Unaudited)</i> SR'000	<u>2012</u> <i>(Unaudited)</i> SR'000
Net (loss)/income for the period	(6,909)	214	(18,372)	(6,219)
Items that are or may be reclassified subsequently to profit or loss:				
Change in fair value of available for sale investments (Note 6 (c))	107	92	515	315
Net change in available for sale investments reclassified to interim statement of shareholders' operations (Note 6c (ii))	--	--	(170)	(3,602)
Total comprehensive (loss)/income for the period	<u>(6,802)</u>	<u>306</u>	<u>(18,027)</u>	<u>(9,506)</u>





The accompanying notes 1 to 12 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 nine-month period ended 30 September 2013

<i>For the nine-month period ended 30 September 2013</i>				
	<i>Share capital SR'000</i>	<i>Cumulative change in fair value of AFS investments SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2012 (audited)	100,000	1,659	(32,705)	68,954
Net loss for the period	--	--	(18,372)	(18,372)
Other comprehensive income for the period	--	345	--	345
Balance at 30 September 2013 (unaudited)	100,000	2,004	(51,077)	50,927

<i>For the nine-month period ended 30 September 2012</i>				
	<i>Share capital SR'000</i>	<i>Cumulative changes in fair value of AFS investments SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2011 (audited)	100,000	4,739	(19,748)	84,991
Net loss for the period	-	-	(6,219)	(6,219)
Other comprehensive income for the period	-	(3,287)	-	(3,287)
Balance at 30 September 2012 (unaudited)	100,000	1,452	(25,967)	75,485





The accompanying notes 1 to 12 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 INSURANCE OPERATIONS' CASH FLOWS

For the nine-month period ended 30 September 2013

	<i>Notes</i>	<i>Nine-month period ended 30 September 2013 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		--	--
Adjustments for:			
Policy acquisition costs		(515)	7,186
Unrealized gain on FVIS investments	6(a)	(4)	(21)
Amortisation related to held to maturity investments	6(b)	22	12
Reinsurers share of unearned premiums		4,456	2,005
Unearned premiums		24,010	(1,570)
Unearned commission income		111	129
Depreciation		1,492	1,934
Employees end of service benefits, net		(1,108)	417
		28,464	10,092
Changes in operating assets and liabilities:			
Premium receivables, net		(10,662)	(2,141)
Reinsurance receivables		4,198	(4,864)
Prepayments and other receivables		2,994	(4,122)
Reinsurers share of outstanding claims		(5,022)	1,462
Outstanding claims		7,383	(2,502)
Policyholders' claims		(1,098)	(934)
Reinsurance payables		(469)	571
Accruals and other payables		2,001	6,129
Due to shareholders' operations		(1,467)	(5,597)
Net cash flows from/(used in) operating activities		26,322	(1,906)
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(769)	(1,926)
Purchase of FVIS investments	6 (a)	(46,591)	--
Purchase of held to maturity investments	6 (b)	(3,000)	--
Proceeds from disposal of FVIS investments	6 (a)	3,135	--
Disposal of term deposits		--	3,750
Net cash flows (used in)/from investing activities		(47,225)	1,824
DECREASE IN CASH AND CASH EQUIVALENTS		(20,903)	(82)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		37,289	43,560
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	16,386	43,478

The accompanying notes 1 to 12 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 nine-month period ended 30 September 2013

		<i>Nine-month period ended 30 September 2013 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net loss for the period before Zakat		(17,022)	(4,869)
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(5,507)	(237)
Gain on disposal of available for sale investments	6(c)	(170)	(3,602)
Amortisation of held to maturity investments	6(b)	6	5
		<u>(22,693)</u>	<u>(8,703)</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		311	(355)
Due from insurance operations		1,467	5,597
Statutory deposit		(86)	(89)
Accruals and other payables		93	(579)
Amount due to a related party		(2,026)	33
Zakat paid	7	(1,182)	(1,255)
		<u>(24,116)</u>	<u>(5,351)</u>
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Proceeds from term deposits		10,000	(10,000)
Investment in term deposits		(301)	--
Purchase of FVIS Investments	6(a)	(4,700)	(10,000)
Proceeds from disposal of FVIS Investments	6(a)	4,250	1,980
Proceeds from disposal of available for sale investments	6(c)	2,170	12,325
		<u>11,419</u>	<u>(5,695)</u>
Net cash flows from / (used in) investing activities			
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(12,697)</u>	<u>(11,046)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>13,371</u>	<u>29,373</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	<u>674</u>	<u>18,327</u>
MAJOR NON-CASH TRANSACTIONS			
Change in the fair value of available for sale investments	6(c)	<u>515</u>	<u>315</u>





The accompanying notes 1 to 12 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 (UNAUDITED)

At 30 September 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 1121K 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 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 and nine-month periods ended 30 September 2013 (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 2012.

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 annual financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

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.

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, available for sale investments and statutory deposit 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 (UNAUDITED)

At 30 September 2013

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):

<i><u>Standard/ Interpretation</u></i>	<i><u>Description</u></i>
IFRS 1	Amendment to IFRS 1 - Government loans
IFRS 7	Amendment to IFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements: Investments in Associates & Joint ventures
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair value Measurement
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine.
IAS 1	Presentation of Financial Statements
IAS 16	Property, Plant and Equipments - Classification of Servicing Equipment
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investment in Associates and Joint Ventures
IAS 32	Financial Instruments - Tax Effect of Distribution to Holders of Equity Instruments
IAS 34	Interim Financial Reporting

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.

b) Standards issued but not yet effective

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

<i><u>Standard/ Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective date</u></i>
IFRS 9	Financial Instruments - Classification & Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Interest in Other Parties	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 32	Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Amendment to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets	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 (UNAUDITED)

At 30 September 2013

3. CASH AND CASH EQUIVALENTS

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash on hand	41	20
Cash at banks	16,345	37,269
	<u>16,386</u>	<u>37,289</u>
<i>Shareholders' Operations</i>		
Cash at banks	50	12,749
Money market funds	624	622
	<u>674</u>	<u>13,371</u>

4. TERM DEPOSITS

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Term deposits	20,648	20,648
	<u>20,648</u>	<u>20,648</u>
<i>Shareholders' Operations</i>		
Term deposits	10,301	20,000
	<u>10,301</u>	<u>20,000</u>

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

5. PREMIUM RECEIVABLES, NET

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Due from policyholders	53,946	54,574
Due from policy holders – related parties (note 8)	14,687	6,797
Provision for doubtful debts	(23,632)	(27,032)
	<u>45,001</u>	<u>34,339</u>

Movements in provision for doubtful debts receivable were as follows:

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Balance at beginning of the period/year	27,032	21,674
Additional allowance during the period/year	1,011	5,358
Written-off during the period/year	(4,411)	--
Balance at the end of the period/year	<u>23,632</u>	<u>27,032</u>

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Nine-month period ended 30 September 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
Purchased during the period / year	46,591	--
Disposals during the period/year	(3,135)	--
Balance at the end of the period/year	<u>46,591</u>	<u>3,131</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

6. INVESTMENTS (continued)

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Nine-month period ended 30 September 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
Purchases during the period/ year	4,700	10,000
Disposals during the period/year	(4,250)	--
Changes in fair value of investments	5,507	605
Balance at the end of the period/year	<u>19,831</u>	<u>13,874</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Nine-month period ended 30 September 2013 (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	(22)	(12)
Balance at the end of the period/year	<u>16,663</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 (UNAUDITED)

At 30 September 2013

6. INVESTMENTS (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Nine-month period ended 30 September 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	(6)	(11)
Balance at the end of the period/year	<u>3,725</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 is as follows:

Nine-month period ended 30 September 2013 (Unaudited)

	<i>Quoted securities SR'000</i>	<i>Unquoted securities SR'000</i>	<i>Total SR'000</i>
Balance at the beginning of the period	6,659	1,923	8,582
Disposed during the period (see note (ii) below)	(2,170)	--	(2,170)
Changes in fair value of investments	515	--	515
Balance at the end of the period	<u>5,004</u>	<u>1,923</u>	<u>6,927</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
At 30 September 2013

6. INVESTMENTS (continued)

Year ended 31 December 2012 (Audited)

	<i>Quoted securities SR'000</i>	<i>Unquoted securities SR'000</i>	<i>Total SR'000</i>
Balance at the beginning of the year	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 nine-month period 30 September 2013, the Company sold its investment with a cost price of SR 2,000 (30 September 2012: SR 8,723) for SR 2,170 thousand (30 September 2012: SR 12,325 thousand). The realized gain of SR 170 thousand (30 September 2012: 3,602 thousand) has been transferred from available for sale investment reserve to interim statement of shareholders' operations.

7. ZAKAT

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

Movements in Zakat payable during the nine-month period ended 30 September 2013 and for the year ended 31 December 2012 are as follows:

	<i>30 September 2013 (Unaudited) SR'000 SR'000</i>	<i>31 December 2012 (Audited) SR'000 SR'000</i>
Balance at the beginning of the period/year	2,756	2,211
Charge for the period/year	1,350	1,800
Zakat paid during the period/year	(1,182)	(1,255)
Balance at the end of the period/year	<u>2,924</u>	<u>2,756</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

7. ZAKAT (continued)

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 2012 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 2012 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 are confident of a favorable outcome.

8. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>	
		<u>30 September</u> <u>2013</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>30 September</u> <u>2012</u> <u>(Unaudited)</u> <u>SR'000</u>
a) Insurance Operations			
Tajeer Co. (Affiliate)	Insurance policies written	79,294	69,241
Senior executives	Remunerations	746	891
Board of directors	Remunerations	--	30
Audit committee	Remunerations	--	81
Key management personnel	Long-term benefits	99	79

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 (UNAUDITED)

At 30 September 2013

9. 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, other income and investment income.

Segment assets do not include cash and cash equivalents, term deposits, premium receivables, net, reinsurance receivables, 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, employees' end of service benefits and due to Shareholders' Operations.

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:

	<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>
For the three-month period ended 30 September 2013				
Gross premium written	5,080	41,403	1,930	48,413
Less: Reinsurance premiums ceded	(35)	(78)	(1,517)	(1,630)
Less: Excess of loss premiums	(195)	(1,264)	(206)	(1,665)
Net premium written	4,850	40,061	207	45,118
Changes in net unearned premiums	220	(2,067)	884	(963)
Net premiums earned	5,070	37,994	1,091	44,155
Net reinsurance commissions earned	--	4	974	978
Net revenue	5,070	37,998	2,065	45,133
Gross claims paid	5,949	31,852	741	38,542
Less: Reinsurers share	(1,814)	--	(424)	(2,238)
Net claims paid	4,135	31,852	317	36,304
Changes in outstanding claims	67	4,436	554	5,057
Net claims incurred	4,202	36,288	871	41,361
Policy acquisition costs	230	805	289	1,324
Other operating expenses	417	700	39	1,156
Net costs and expenses	4,849	37,793	1,199	43,841
Net results of insurance operations	221	205	866	1,292
Unallocated expenses				(9,585)
Investment income				402
Deficit from insurance operations				(7,891)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

9. SEGMENTAL INFORMATION (continued)

For the nine-month period ended 30 September 2013	<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	18,275	139,016	15,047	172,338
Less: Reinsurance premiums ceded	(281)	(78)	(10,161)	(10,520)
Less: Excess of loss premiums	(390)	(1,884)	(588)	(2,862)
Net premium written	17,604	137,054	4,298	158,956
Changes in net unearned premiums	(2,572)	(25,456)	(437)	(28,465)
Net premiums earned	15,032	111,598	3,861	130,491
Net reinsurance commissions earned	--	4	2,808	2,812
Net revenue	15,032	111,602	6,669	133,303
Gross claims paid	23,052	106,175	4,357	133,584
Less: Reinsurers share	(10,124)	--	(1,505)	(11,629)
Net claims paid	12,928	106,175	2,852	121,955
Changes in outstanding claims	(351)	4,916	(2,204)	2,361
Net claims incurred	12,577	111,091	648	124,316
Policy acquisition costs	949	2,355	840	4,144
Other operating expenses	1,474	1,794	148	3,416
Net costs and expenses	15,000	115,240	1,636	131,876
Net results of insurance operations	32	(3,638)	5,033	1,427
Unallocated expenses				(25,365)
Unallocated other income				13
Investment income				947
Deficit from insurance operations				(22,978)

**SALAMA COOPERATIVE INSURANCE COMPANY (FORMERLY 'SAUDI IAIC
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

9. 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>
As at 30 September 2013				
Insurance operations' assets				
Reinsurer's share of unearned premiums	173	59	4,618	4,850
Reinsurer's share of outstanding claims	5,369	--	13,846	19,215
Deferred policy acquisition costs	306	1,800	455	2,561
Unallocated assets				171,996
Total insurance operations' assets				198,622
Insurance operations' liabilities				
Unearned premium	10,559	87,852	6,901	105,312
Outstanding claims	11,206	28,659	17,754	57,619
Unearned commission income	--	14	1,271	1,285
Provision for premium deficiency	158	--	63	221
Unallocated liabilities and surplus				34,185
Total insurance operations' liabilities and surplus				198,622

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

9. SEGMENTAL INFORMATION (continued)

For the three-month period ended 30 September 2012	<i><u>Medical</u></i> <i>SR '000</i>	<i><u>Motor</u></i> <i>SR '000</i>	<i><u>Other</u></i> <i>SR '000</i>	<i><u>Total</u></i> <i>SR '000</i>
Gross premium written	4,422	31,719	4,290	40,431
Less: Reinsurance premiums ceded	(1,765)	-	(3,222)	(4,987)
Less: Excess of loss premiums	-	(310)	(191)	(501)
Net premium written	2,657	31,409	877	34,943
Changes in net unearned premiums	4,116	9,115	(136)	13,095
Net premiums earned	6,773	40,524	741	48,038
Net reinsurance commissions earned	2,146	-	727	2,873
Net revenue	8,919	40,524	1,468	50,911
Gross claims paid	14,051	27,105	231	41,387
Less: Reinsurers share	(7,027)	-	(196)	(7,223)
Net claims paid	7,024	27,105	35	34,164
Changes in outstanding claims	(263)	1,770	1,040	2,547
Net claims incurred	6,761	28,875	1,075	36,711
Policy acquisition costs	524	2,302	200	3,026
Other operating expenses	517	224	53	794
Net costs and expenses	7,802	31,401	1,328	40,531
Net results of insurance operations	1,117	9,123	140	10,380
Unallocated expenses				(10,335)
Investment income				309
Surplus from insurance operations				354

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

9. SEGMENTAL INFORMATION (continued)

For the nine-month period ended 30 September 2012	<i>Medical</i> SR'000	<i>Motor</i> SR'000	<i>Other</i> SR'000	<i>Total</i> SR'000
Gross premium written	30,100	129,196	12,442	171,738
Less: Reinsurance premiums ceded	(12,061)	-	(9,287)	(21,348)
Less: Excess of loss premiums	-	(1,004)	(748)	(1,752)
Net premium written	18,039	128,192	2,407	148,638
Changes in net unearned premiums	5,911	(6,027)	(317)	(433)
Net premiums earned	23,950	122,165	2,090	148,205
Net reinsurance commissions earned	2,146	-	2,302	4,448
Net revenue	26,096	122,165	4,392	152,653
Gross claims paid	44,742	92,668	1,418	138,828
Less: Reinsurers share	(22,382)	(57)	(720)	(23,159)
Net claims paid	22,360	92,611	698	115,669
Changes in outstanding claims	(1,134)	(959)	1,053	(1,040)
Net claims incurred	21,226	91,652	1,751	114,629
Policy acquisition costs	2,136	9,770	618	12,524
Other operating expenses	2,598	1,138	198	3,934
Net costs and expenses	25,960	102,560	2,567	131,087
Net results of insurance operations	136	19,605	1,825	21,566
Unallocated expenses				(31,957)
Unallocated other income				210
Investment income				924
Deficit from insurance operations				(9,257)

SALAMA COOPERATIVE INSURANCE COMPANY (FORMERLY ‘SAUDI IAIC COOPERATIVE INSURANCE COMPANY’) - A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

9. SEGMENTAL INFORMATION (continued)

As at 31 December 2012	<i><u>Medical</u></i> <i>SR'000</i>	<i><u>Motor</u></i> <i>SR'000</i>	<i><u>Other</u></i> <i>SR'000</i>	<i><u>Total</u></i> <i>SR'000</i>
Insurance operations' assets				
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
Total insurance operations' assets				169,259
Insurance operations' liabilities and surplus				
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
Total insurance operations' liabilities and surplus				169,259

10. 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2013

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The table below presents the financial instruments at their fair values as at 30 September 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
<i>Financial assets held as FVIS -insurance operations</i>	46,591	--	--	46,591
<i>Financial assets held as FVIS-shareholders' operations</i>	19,831	--	--	19,831
<i>Financial investments available for sale-shareholders' operations</i>	5,004	--	--	5,004
Balance at the end of the period	<u>71,426</u>	<u>--</u>	<u>--</u>	<u>71,426</u>

The table below presents the financial instruments at their fair values as at 31 December 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
<i>Financial assets held as FVIS -insurance operations</i>	3,131	--	--	3,131
<i>Financial assets held as FVIS-shareholders' operations</i>	13,874	--	--	13,874
<i>Financial investments available for sale-shareholders' operations</i>	6,659	--	--	6,659
Balance at the end of the period	<u>23,664</u>	<u>--</u>	<u>--</u>	<u>23,664</u>

11. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

Earnings/(loss) per share for the period have been calculated by dividing the net (loss)/income for the period by the weighted average number of issued and outstanding shares for the period. Diluted (loss) / earnings per share is not applicable for the Company.

12. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 21 October 2013, corresponding to 16 Dhul Hijjah 1434H.