

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED  
30 JUNE 2014**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014**

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**REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**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 30 June 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operation, comprehensive income for the three-month and six-month periods then ended, and the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ operations cash flows for the six-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 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.

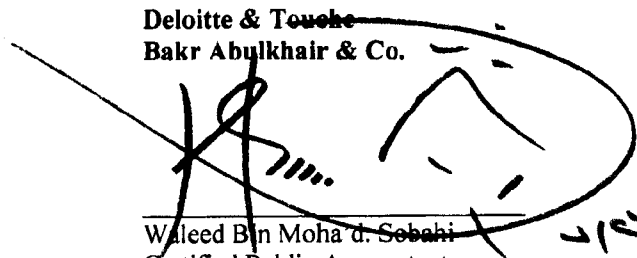
We further draw attention to note 3 to the accompanying interim condensed financial statements, which refers to the Company’s accumulated losses at 30 June 2014, amounting to SR 71.117 million at that date (31 December 2013: SR 74.850 million). The Company’s ability to continue as a going concern is dependent upon future profitable operations and continued financial support from shareholders in order to enable it to cover its losses and settle its liabilities. The accompanying 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 this uncertainty.

for Allied Accountants  
 Al-Bassam & Al-Nemer CPAs

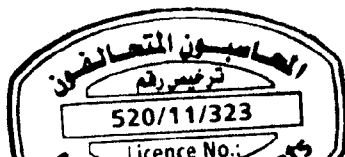


Abdul Mohsen M. Al Nemer  
 Certified Public Accountant  
 Licence No. 399

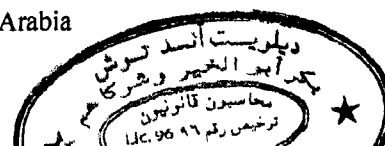
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Waleed Bin Moha. d. Sobahi  
 Certified Public Accountant  
 Licence No. 378



Jeddah, Kingdom of Saudi Arabia  
 21 July 2014  
 23 Ramadan 1435H



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

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 30 June 2014

	<i>Notes</i>	<b>30 June 2014 (Unaudited) SR'000</b>	<b>31 December 2013 (Audited) SR'000</b>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	7,729	36,465
Term deposits	5	30,626	10,576
Premium receivables, net	6	64,156	37,998
Reinsurance receivables, net		1,290	4,750
Deferred policy acquisition costs		5,294	2,402
Prepayments and other receivables		9,555	10,783
Amounts due from a related party	10	6,759	6,759
FVIS investments	7(a)	74,818	60,659
Reinsurers' share of unearned premiums		7,647	3,235
Reinsurers' share of outstanding claims	8	11,581	15,980
Held to maturity investments	7(b)	33,652	26,663
Furniture, fittings and office equipment		2,709	3,197
Due from Shareholders' Operations		143	-
<b>Total Insurance Operations' assets</b>		<b>255,959</b>	<b>219,467</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	24	33
FVIS investments	7(a)	13,931	4,846
Available-for-sale investments	7(c)	7,329	6,976
Prepayments and other receivables		83	82
Due from Insurance Operations		-	4,565
Held to maturity investments	7(b)	3,712	3,719
Statutory deposit		10,941	10,886
<b>Total Shareholders' assets</b>		<b>36,020</b>	<b>31,107</b>
<b>TOTAL ASSETS</b>		<b>291,979</b>	<b>250,574</b>

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

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

As at 30 June 2014

	<i>Notes</i>	<b>30 June 2014 (Unaudited) SR'000</b>	<b>31 December 2013 (Audited) SR'000</b>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance Operations' liabilities</b>			
Unearned premiums		157,968	99,732
Provision for premium deficiency		5,833	5,833
Unearned commission income		2,395	916
Outstanding claims	8	53,266	77,221
Policyholders' claims		5,957	6,441
Reinsurance payables		3,073	2,083
Accruals and other payables		18,771	14,326
Due to Shareholders' Operations		-	4,565
Employees' end of service benefits		5,364	5,336
		<b>252,627</b>	<b>216,453</b>
<b>Insurance Operations' surplus</b>			
Accumulated surplus from Insurance Operations		3,332	3,014
		<b>255,959</b>	<b>219,467</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accruals and other payables		1,702	1,730
Accrued Zakat	9	2,674	2,174
Amount due to a related party	10	212	-
Due to Insurance Operations		143	-
		<b>4,731</b>	<b>3,904</b>
<b>Shareholders' equity</b>			
Share capital		100,000	100,000
Available-for-sale investments reserve		2,406	2,053
Accumulated losses		(71,117)	(74,850)
		<b>31,289</b>	<b>27,203</b>
<b>Total Shareholders' equity</b>		<b>31,289</b>	<b>27,203</b>
<b>Total Shareholders' liabilities and equity</b>		<b>36,020</b>	<b>31,107</b>
<b>TOTAL LIABILITIES, SURPLUS AND EQUITY</b>		<b>291,979</b>	<b>250,574</b>

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**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**  
**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS**  
For the three-month and six-month periods ended 30 June 2014

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>		
	<i>Note</i>	<u>2014</u> <i>(Unaudited)</i> SR'000	<u>2013</u> <i>(Unaudited)</i> SR'000	<u>2014</u> <i>(Unaudited)</i> SR'000	<u>2013</u> <i>(Unaudited)</i> SR'000
<b>Revenues</b>					
Gross premiums written		93,996	63,466	181,995	123,925
Less: Reinsurance premiums ceded		(5,141)	(3,813)	(9,824)	(8,890)
Less: Excess of loss premiums		(2,116)	(501)	(3,607)	(1,197)
Net premiums written		86,739	59,152	168,564	113,838
Changes in net unearned premiums		(25,669)	(17,928)	(53,824)	(27,502)
Net premiums earned		61,070	41,224	114,740	86,336
Net reinsurance commissions earned		801	903	1,606	1,833
Net revenue		61,871	42,127	116,346	88,169
<b>Costs and expenses</b>					
Gross claims paid		69,786	43,479	117,576	95,042
Less: Reinsurers' share		(6,161)	(4,202)	(6,487)	(9,392)
Net claims paid		63,625	39,277	111,089	85,650
Changes in net outstanding claims		(16,711)	1,786	(19,558)	(2,695)
Net claims incurred		46,914	41,063	91,531	82,955
Policy acquisition costs		1,937	1,352	3,435	2,820
Other operating expenses		1,683	1,306	3,664	2,260
Net costs and expenses		50,534	43,721	98,630	88,035
Net results of insurance operations		11,337	(1,594)	17,716	134
General and administrative expenses		(9,289)	(7,794)	(18,035)	(15,779)
Other income		87	13	87	13
Investment income		977	210	3,414	544
<b>Surplus / (deficit) from Insurance Operations</b>		3,112	(9,165)	3,182	(15,088)
Shareholders' share of insurance operations' (surplus) / deficit	2(a)	(2,801)	9,165	(2,864)	15,088
<b>Surplus for the period</b>		311	-	318	-
<b>Accumulated surplus at the beginning of the period</b>		3,021	3,014	3,014	3,014
<b>Accumulated surplus at the end of the period</b>		3,332	3,014	3,332	3,014

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

For the three-month and six-month periods ended 30 June 2014

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
<i>Note</i>	<u>2014</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>2013</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>2014</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>2013</u> <i>(Unaudited)</i> <i>SR'000</i>
<b>REVENUES</b>				
Shareholders' share of Insurance				
Operations' surplus / (deficit)	2 (a) <b>2,801</b>	(9,165)	<b>2,864</b>	(15,088)
Investment income/(loss)	<b>1,012</b>	940	<b>1,772</b>	4,478
Gain on sale of available for sale Investments	-	-	-	170
	<u><b>3,813</b></u>	<u>(8,225)</u>	<u><b>4,636</b></u>	<u>(10,440)</u>
<b>EXPENSES</b>				
General and administrative expenses	<u>(377)</u>	<u>(81)</u>	<u>(403)</u>	<u>(124)</u>
<b>Net income / (loss) for the period before Zakat</b>	<b>3,436</b>	(8,306)	<b>4,233</b>	(10,564)
Zakat	9 <u>(300)</u>	<u>(450)</u>	<u>(500)</u>	<u>(900)</u>
<b>Net income / (loss) for the period</b>	<u><b>3,136</b></u>	<u>(8,756)</u>	<u><b>3,733</b></u>	<u>(11,464)</u>
<b>Earnings / (loss) per share – (SR)</b>	14 <u><b>0.31</b></u>	<u>(0.876)</u>	<u><b>0.37</b></u>	<u>(1.146)</u>



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

**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

For the three-month and six-month periods ended 30 June 2014

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<u>2014</u> <i>(Unaudited)</i> SR'000	<u>2013</u> <i>(Unaudited)</i> SR'000	<u>2014</u> <i>(Unaudited)</i> SR'000	<u>2013</u> <i>(Unaudited)</i> SR'000
Net income / (loss) for the period	3,136	(8,756)	3,733	(11,464)
<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))	11	281	353	408
Net change in available-for-sale investments reclassified to interim statement of Shareholders' Operations (note 7 (c) (ii))	-	-	-	(170)
<b>Total comprehensive income / (loss) for the period</b>	<u>3,147</u>	<u>(8,475)</u>	<u>4,086</u>	<u>(11,226)</u>

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

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the six-month period ended 30 June 2014

	<i>For the six-month period ended 30 June 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	-	-	3,733	3,733
<i>Other comprehensive income for the period:</i>				
Change in fair value of available-for-sale investments (note 7 (c))	-	353	-	353
<b>Balance at 30 June 2014 (Unaudited)</b>	<b>100,000</b>	<b>2,406</b>	<b>(71,117)</b>	<b>31,289</b>

	<i>For the six-month period ended 30 June 2013</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 2012 (Audited)	100,000	1,659	(32,705)	68,954
Net loss for the period	-	-	(11,464)	(11,464)
<i>Other comprehensive income for the period:</i>				
Change in fair value of available-for-sale investments (note 7 (c))	-	408	-	408
Net change in available-for-sale investments reclassified to interim statement of Shareholders' Operations (note 7 (c) (ii))	-	(170)	-	(170)
	-	238	-	238
<b>Balance at 30 June 2013 (Unaudited)</b>	<b>100,000</b>	<b>1,897</b>	<b>(44,169)</b>	<b>57,728</b>

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

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

For the six-month period ended 30 June 2014

	<i>Notes</i>	<i>Six-month period ended 30 June 2014 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2013 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Surplus for the period from the insurance operations		318	-
Adjustments for:			
Unrealized gain on FVIS investments	7(a)	(2,785)	(4)
Realized gain on FVIS investments		(1)	-
Amortisation related to held to maturity investments	7(b)	11	11
Depreciation		887	1,006
Employees end of service benefits, net		28	(696)
		<u>(1,542)</u>	<u>317</u>
Changes in operating assets and liabilities:			
Premium receivables, net		(26,158)	(21,427)
Reinsurance receivables		3,460	5,528
Deferred policy acquisition costs		(2,892)	(912)
Prepayments and other receivables		1,229	663
Reinsurers share of unearned premiums		(4,412)	2,094
Reinsurers share of outstanding claims		4,399	1,202
Unearned premiums		58,236	25,409
Unearned commission income		1,479	584
Outstanding claims		(23,957)	(3,898)
Policyholders' claims		(484)	(2,095)
Reinsurance payables		991	1,218
Accruals and other payables		4,446	1,548
Due to/(from) Shareholders' Operations		(4,708)	6,499
		<u>10,087</u>	<u>16,730</u>
Net cash from/(used in) operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture, fittings and office equipment		(400)	(544)
Purchase of FVIS investments		(15,000)	-
Purchase of held to maturity investments	7 (b)	(10,000)	(3,000)
Term deposits		(20,050)	-
Proceeds from disposal of FVIS investments	7 (a)	6,627	3,135
		<u>(38,823)</u>	<u>(409)</u>
Net cash flows used in investing activities			
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(28,736)</b>	<b>16,321</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>36,465</b>	<b>37,289</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4</b>	<b><u>7,729</u></b>	<b><u>53,610</u></b>

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**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**  
**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS**  
For the six-month period ended 30 June 2014

		<i>Six-month period ended 30 June 2014 (Unaudited) SR'000</i>	<i>Six-month Period ended 30 June 2013 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Net income / (loss) for the period before Zakat		4,233	(10,564)
Adjustments for:			
Unrealized gain on FVIS investments	7(a)	(1,660)	(4,088)
Gain on disposal of available-for-sale investments	7(c)	-	(170)
Amortisation of held to maturity investments	7(b)	7	6
		<hr/>	<hr/>
		2,580	(14,816)
Changes in operating assets and liabilities:			
Prepayment and other receivables		1	97
Due (to)/from Insurance Operations		4,708	(6,499)
Statutory deposit		(55)	(63)
Accruals and other payables		(29)	72
Amount due to a related party		212	(2,026)
Zakat paid	7	-	(1,182)
		<hr/>	<hr/>
Net cash flows from / (used in) operating activities		7,416	(24,417)
<b>INVESTING ACTIVITIES</b>			
Proceeds from term deposits		-	10,000
Purchase of FVIS Investments	7(a)	(7,425)	(2,000)
Proceeds from disposal of FVIS Investments	7(a)	-	4,250
Proceeds from disposal of available-for-sale investments	7(c)	-	2,170
		<hr/>	<hr/>
Net cash flows (used in) / from investing activities		(7,425)	14,420
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		(9)	(9,997)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		33	13,371
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	4	<hr/>	<hr/>
		24	3,374
<b>MAJOR NON-CASH TRANSACTIONS</b>			
Change in the fair value of available-for-sale-investments		<hr/>	<hr/>
		353	408

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**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014**

**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 and six-month periods ended 30 June 2014 (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 2013.

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 2013 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 2013.

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 AND SIX-MONTH PERIODS ENDED 30 JUNE 2014**

**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%
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	100%
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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 are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

**SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014**

**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 2014:

<u>Standard/ Interpretation</u>	<u>Description</u>
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 and Joint Ventures
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRS 1	Amendments to IFRS 1 Government Loans
IFRS 7	Amendments IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 21	Levies

**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 – Classification & Measurement	1 January 2018
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 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014

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**3. GOING CONCERN**

The accumulated losses of the Company amounted to SR 71.117 million as at 30 June 2014 (31 December 2013: SR 74.850 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 30 June 2014, 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 21 July 2014, 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 the three-month period ended 30 June 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 subject to obtaining the approval from regulatory authorities.

**4. CASH AND CASH EQUIVALENTS**

	<i>30 June</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
<i>Insurance Operations</i>		
Cash in hand and at banks	<u>7,729</u>	<u>36,465</u>
<i>Shareholders' Operations</i>		
Cash at banks	<u>24</u>	<u>33</u>

**5. TERM DEPOSITS**

	<i>30 June</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
<i>Insurance Operations</i>		
Term deposits	<u>30,626</u>	<u>10,576</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.

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**6. PREMIUM RECEIVABLES, NET**

	<i>30 June</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
Due from policyholders	59,440	44,701
Due from policy holders – related parties (note 10)	28,352	17,563
Provision for doubtful debts	(23,636)	(23,636)
	<u>64,156</u>	<u>37,998</u>

Movements in allowance for doubtful premiums receivable were as follows:

	<i>30 June</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
Balance at beginning of period / year	23,636	27,032
Additional allowance during the period / year	-	1,015
Allowance utilised during the period / year	-	(4,411)
Balance at the end of the period / year	<u>23,636</u>	<u>23,636</u>

**7. INVESTMENTS**

**a) FVIS investments**

***Insurance operations***

Movement in FVIS investments is as follows:

	<i>Six-month period</i> <i>ended 30 June</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>Year ended</i> <i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
Balance at the beginning of the period / year	60,659	3,131
Changes in fair value of investments	2,785	98
Transfer of FVIS investments form Shareholders' Operations	-	13,974
Transfer of HTM investments	3,000	-
Purchased during the period / year	15,000	46,591
Disposals during the period / year	(6,627)	(3,135)
Balance at the end of the period / year	<u>74,818</u>	<u>60,659</u>

During the year ended 31 December 2013, the management of the Company transferred certain FVIS investments from Shareholders' Operations to Insurance Operations.



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**7. INVESTMENTS (continued)**

**a) FVIS investments**

*Shareholders' operations*

Movement in FVIS investments is as follows:

	<i>Six-month period ended 30 June 2014 (Unaudited) SR'000</i>	<i>Year ended 31 December 2013 (Audited) SR'000</i>
Balance at the beginning of the period / year	4,846	14,496
Purchases during the period / year	7,425	4,702
Transfer of FVIS investments to Insurance Operations (refer note 7(a) – Insurance Operations)	-	(13,974)
Disposals during the period / year	-	(6,962)
Changes in fair value of investments	1,660	6,584
Balance at the end of the period / year	<u>13,931</u>	<u>4,846</u>

**b) Held to maturity investments**

*Insurance operations*

Movement in investments held to maturity is as follows:

	<i>Six-month period ended 30 June 2014 (Unaudited) SR'000</i>	<i>Year ended 31 December 2013 (Audited) SR'000</i>
Balance at the beginning of the period / year	26,663	13,685
Purchases during the period / year	10,000	20,000
Transfer to FVIS investments	(3,000)	-
Matured during the period / year	-	(7,000)
Amortised during the period / year	(11)	(22)
Balance at the end of the period / year	<u>33,652</u>	<u>26,663</u>

*Shareholders' operations*

Movement in investments held to maturity is as follows:

	<i>Six-month period ended 30 June 2014 (Unaudited) SR'000</i>	<i>Year ended 31 December 2013 (Audited) SR'000</i>
Balance at the beginning of the period / year	3,719	3,731
Amortized during the period / year	(7)	(12)
Balance at the end of the period / year	<u>3,712</u>	<u>3,719</u>

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

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**7. INVESTMENTS (continued)**

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

***Shareholders' operations***

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

***Six-month period ended 30 June 2014 (Unaudited)***

	<u>Quoted securities</u> SR'000	<u>Unquoted securities</u> SR'000	<u>Total</u> SR'000
Balance at the beginning of the period	5,053	1,923	6,976
Changes in fair value of investments	353	--	353
Balance at the end of the period	<u>5,406</u>	<u>1,923</u>	<u>7,329</u>

***Year ended 31 December 2013 (Audited)***

	<u>Quoted securities</u> SR'000	<u>Unquoted securities</u> SR'000	<u>Total</u> SR'000
Balance at the beginning of the year	6,659	1,923	8,582
Disposed during the year (see note (ii) below)	(2,170)	--	(2,170)
Changes in fair value of investments	564	--	564
Balance at the end of the year	<u>5,053</u>	<u>1,923</u>	<u>6,976</u>

- i. Unquoted available-for-sale investment, having a carrying value of SR 1,923 thousand ( 31 December 2013: 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 2013, the Company sold its investment with a cost price of SR 2,000 thousand for SR 2,170 thousand. The realized gain of SR 170 thousand was transferred from available-for-sale investment reserve to statement of Shareholders' Operations.

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**8. OUTSTANDING CLAIMS - NET**

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Gross outstanding claims	18,245	42,229
Add: Incurred But Not Reported (IBNR) reserve	35,021	34,992
	<u>53,266</u>	<u>77,221</u>
Less: Reinsurance companies' share of outstanding claims	(11,581)	(15,980)
Net outstanding claims	<u>41,685</u>	<u>61,241</u>

**9. ZAKAT**

The Zakat payable by the Company has been calculated based on the best estimates of the management. Movements in Zakat payable during the six-month period ended 30 June 2014 and for the year ended 31 December 2013 are as follows:

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance at the beginning of the period / year	2,174	2,756
Charge for the period / year	500	600
Zakat paid during the period / year	-	(1,182)
Balance at the end of the period / year	<u>2,674</u>	<u>2,174</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 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>Balance as</u>	<u>Balance as</u>
		<u>30 June</u> <u>2014</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>30 June</u> <u>2013</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>at 30 June</u> <u>2014</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>at 31</u> <u>December</u> <u>2013</u> <u>(Audited)</u> <u>SR'000</u>
<b>a) Insurance Operations</b>					
<b><u>Major Shareholder</u></b>					
Islamic Arab Insurance Company (B.S.C)	General and Administrative Expenses directly paid on behalf of the Company	-	-	6,759	6,759
<b><u>Related Parties of key management personnel</u></b>					
Tajeer Co. (Affiliate)	Insurance policies written	70,484	53,600	28,352	17,563
Chairman of the Board	Insurance policies written	94	83	18	133
Rusd Global Company	Insurance policies written	544	509	271	38
Technology Establishment	Insurance policies written	246	186	125	16
Al Awwal Financial Services	Insurance policies written	-	-	-	(20)
Al Shaer Company	Insurance policies written	-	-	159	159
<b><u>Key management personnel</u></b>					
	Long-term benefits	160	131	1,048	1,257
	Short term benefits	1,861	1,321	322	33
<b>b) Shareholders' Operations</b>					
Board of Directors	Remuneration	19	26	-	-
Board Committees	Remuneration	8	16	-	-
<b><u>Related Party of key management personnel</u></b>					
Islamic Arab Insurance Company (UAE)	General and Administrative Expenses paid by on behalf of the Company	212	-	(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, 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:

<b>For the three-month period ended 30 June 2014</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	10,260	76,701	7,035	<b>93,996</b>
Less: Reinsurance premiums ceded	-	-	(5,141)	(5,141)
Less: Excess of loss premiums	-	(1,535)	(581)	(2,116)
Net premium written	<u>10,260</u>	<u>75,166</u>	<u>1,313</u>	<b>86,739</b>
Changes in net unearned premiums	<u>(1,854)</u>	<u>(23,112)</u>	<u>(703)</u>	<b>(25,669)</b>
Net premiums earned	8,406	52,054	610	<b>61,070</b>
Net reinsurance commissions earned	-	4	797	<b>801</b>
Net revenue	<u>8,406</u>	<u>52,058</u>	<u>1,407</u>	<b>61,871</b>
Gross claims paid	5,054	57,249	7,483	<b>69,786</b>
Less: Reinsurers share	(95)	(1)	(6,065)	(6,161)
Net claims paid	<u>4,959</u>	<u>57,248</u>	<u>1,418</u>	<b>63,625</b>
Changes in outstanding claims	<u>110</u>	<u>(13,923)</u>	<u>(2,898)</u>	<b>(16,711)</b>
Net claims incurred	5,069	43,325	(1,480)	<b>46,914</b>
Policy acquisition costs	335	1,331	271	<b>1,937</b>
Other operating expenses	<u>707</u>	<u>941</u>	<u>35</u>	<b>1,683</b>
Net costs and expenses	<u>6,111</u>	<u>45,597</u>	<u>(1,174)</u>	<b>50,534</b>
Net results of insurance operations	2,295	6,461	2,581	<b>11,337</b>
Unallocated expenses				<b>(9,289)</b>
Unallocated other income				<b>87</b>
Investment income				<b>977</b>
Surplus from insurance operations				<u><b>3,112</b></u>

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**11. SEGMENTAL INFORMATION (continued)**

<b>For the six-month period ended 30 June 2014</b>	<u>Medical</u> SR'000	<u>Motor</u> SR'000	<u>Other</u> SR'000	<u>Total</u> SR'000
Gross premium written	21,820	146,773	13,402	181,995
Less: Reinsurance premiums ceded	-	(18)	(9,806)	(9,824)
Less: Excess of loss premiums	(300)	(2,296)	(1,011)	(3,607)
Net premium written	21,520	144,459	2,585	168,564
Changes in net unearned premiums	(6,252)	(46,341)	(1,231)	(53,824)
Net premiums earned	15,268	98,118	1,354	114,740
Net reinsurance commissions earned	-	10	1,596	1,606
Net revenue	15,268	98,128	2,950	116,346
Gross claims paid	9,678	100,246	7,652	117,576
Less: Reinsurers share	(351)	(1)	(6,135)	(6,487)
Net claims paid	9,327	100,245	1,517	111,089
Changes in outstanding claims	(599)	(17,670)	(1,289)	(19,558)
Net claims incurred	8,728	82,575	228	91,531
Policy acquisition costs	581	2,312	542	3,435
Other operating expenses	1,622	1,964	78	3,664
Net costs and expenses	10,931	86,851	848	98,630
Net results of insurance operations	4,337	11,277	2,102	17,716
Unallocated expenses				(18,035)
Unallocated other income				87
Investment income				3,414
Surplus from insurance operations				3,182
	<u>Medical</u> SR'000	<u>Motor</u> SR'000	<u>Other</u> SR'000	<u>Total</u> SR'000
<b>As at 30 June 2014</b>				
<b>Insurance operations' assets</b>				
Reinsurer's share of unearned premiums	-	12	7,635	7,647
Reinsurer's share of outstanding claims	506	921	10,154	11,581
Deferred policy acquisition costs	845	3,580	869	5,294
Unallocated assets				231,437
<b>Total insurance operations' assets</b>				<u>255,959</u>
<b>Insurance operations' liabilities</b>				
Unearned premiums	17,726	129,961	10,281	157,968
Outstanding claims	9,488	29,402	14,376	53,266
Unearned commission income	-	2	2,393	2,395
Provision for premium deficiency	2,635	2,330	868	5,833
Unallocated liabilities and surplus				36,497
<b>Total insurance operations' liabilities and surplus</b>				<u>255,959</u>

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**11. SEGMENTAL INFORMATION (continued)**

For the three-month period ended 30 June 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	6,964	50,083	6,419	63,466
Less: Reinsurance premiums ceded	(136)	--	(3,677)	(3,813)
Less: Excess of loss premiums	--	(310)	(191)	(501)
Net premium written	<u>6,828</u>	<u>49,773</u>	<u>2,551</u>	<u>59,152</u>
Changes in net unearned premiums	(2,414)	(14,126)	(1,388)	(17,928)
Net premiums earned	<u>4,414</u>	<u>35,647</u>	<u>1,163</u>	<u>41,224</u>
Net reinsurance commissions earned	--	--	903	903
Net revenue	<u>4,414</u>	<u>35,647</u>	<u>2,066</u>	<u>42,127</u>
Gross claims paid	7,282	35,091	1,106	43,479
Less: Reinsurers share	(3,403)	--	(799)	(4,202)
Net claims paid	<u>3,879</u>	<u>35,091</u>	<u>307</u>	<u>39,277</u>
Changes in outstanding claims	373	1,059	354	1,786
Net claims incurred	<u>4,252</u>	<u>36,150</u>	<u>661</u>	<u>41,063</u>
Policy acquisition costs	360	719	273	1,352
Other operating expenses	<u>530</u>	<u>730</u>	<u>46</u>	<u>1,306</u>
Net costs and expenses	<u>5,142</u>	<u>37,599</u>	<u>980</u>	<u>43,721</u>
Net results of insurance operations	(728)	(1,952)	1,086	(1,594)
Unallocated expenses				(7,794)
Unallocated other income				13
Investment income				210
Deficit from insurance operations				<u>(9,165)</u>

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**11. SEGMENTAL INFORMATION (continued)**

	<u>Medical</u> SR'000	<u>Motor</u> SR'000	<u>Other</u> SR'000	<u>Total</u> SR'000
For the six-month period ended 30 June 2013				
Gross premium written	13,195	97,613	13,117	123,925
Less: Reinsurance premiums ceded	(245)	--	(8,645)	(8,890)
Less: Excess of loss premiums	(195)	(620)	(382)	(1,197)
Net premium written	12,755	96,993	4,090	113,838
Changes in net unearned premiums	(2,793)	(23,389)	(1,320)	(27,502)
Net premiums earned	9,962	73,604	2,770	86,336
Net reinsurance commissions earned	--	--	1,833	1,833
Net revenue	9,962	73,604	4,603	88,169
Gross claims paid	17,103	74,323	3,616	95,042
Less: Reinsurers share	(8,310)	--	(1,082)	(9,392)
Net claims paid	8,793	74,323	2,534	85,650
Changes in outstanding claims	(371)	479	(2,803)	(2,695)
Net claims incurred	8,422	74,802	(269)	82,955
Policy acquisition costs	719	1,551	550	2,820
Other operating expenses	1,058	1,094	108	2,260
Net costs and expenses	10,199	77,447	389	88,035
Net results of insurance operations	(237)	(3,843)	4,214	134
Unallocated expenses				(15,779)
Unallocated other income				13
Investment income				544
Deficit from insurance operations				(15,088)
As at 31 December 2013 – audited	<u>Medical</u> SR'000	<u>Motor</u> SR'000	<u>Other</u> SR'000	<u>Total</u> SR'000
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	37	3,198	3,235
Reinsurer's share of outstanding claims	881	921	14,178	15,980
Deferred policy acquisition costs	454	1,670	278	2,402
Unallocated assets	-	-	-	197,850
Total insurance operations' assets				219,467
Insurance operations' liabilities and surplus				
Unearned premium	11,474	83,645	4,613	99,732
Outstanding claims	10,462	47,071	19,688	77,221
Unearned commission income	-	8	908	916
Provision for premium deficiency	2,635	2,330	868	5,833
Unallocated liabilities and surplus	-	-	-	35,765
Total insurance operations' liabilities and surplus				219,467



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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 30 June 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	-	74,818	-	74,818
Financial assets held as FVIS - Shareholders' Operations	-	13,931	-	13,931
Financial investments held as available-for-sale - Shareholders' Operations	-	5,406	-	5,406
Balance at the end of the period	-	94,155	-	94,155

The table below presents the financial instruments at their fair values as at 31 December 2013.

	<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	-	60,659	-	60,659
Financial assets held as FVIS - Shareholders' Operations	-	4,846	-	4,846
Financial investments held as available-for-sale - Shareholders' Operations	-	5,053	-	5,053
Balance at the end of the year	-	70,558	-	70,558

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.

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**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 30 June 2014, 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 / (LOSS) PER SHARE**

Earnings / (loss) per share for the period have been calculated by dividing the net income / (loss) for the period by the weighted average number of issued and outstanding shares (10 million shares) as at 30 June 2014 (30 June 2013: 10 million shares). Diluted income / loss 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 21 July 2014, corresponding to 23 Ramadan 1435H.