

**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 SIX-MONTH PERIODS ENDED
30 JUNE 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 SIX-MONTH PERIODS ENDED 30 JUNE 2013**

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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 June 2013, 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' cash flows for the six-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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Certified Public Accountant
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for Al Bassam

Certified Public Accountants & Consultants

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Licence No. 337



Jeddah, Kingdom of Saudi Arabia
21 July 2013
13 Ramadan 1434H



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<u>Notes</u>	<u>30 June</u> <u>2013</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>31 December</u> <u>2012</u> <u>(Audited)</u> <u>SR'000</u>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	53,610	37,289
Term deposits	4	20,648	20,648
Premium receivables, net	5	55,766	34,339
Reinsurance receivables		6,800	12,328
Deferred policy acquisition costs		2,958	2,046
Prepayments and other receivables		10,700	11,363
Amounts due from a related party	8	6,759	6,759
FVIS investments	6(a)	--	3,131
Reinsurers' share of unearned premiums		7,212	9,306
Reinsurers' share of outstanding claims		12,991	14,193
Held to maturity investments	6(b)	16,674	13,685
Furniture, fittings and office equipment		3,710	4,172
Total insurance operations' assets		197,828	169,259
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	3,374	13,371
Term deposits	4	10,000	20,000
FVIS investments	6(a)	15,712	13,874
Available for sale investments	6(c)	6,820	8,582
Prepayments and other receivables		385	482
Due from Insurance Operations		11,030	4,531
Held to maturity investments	6(b)	3,725	3,731
Statutory deposit		10,834	10,771
Total shareholders' assets		61,880	75,342
TOTAL ASSETS		259,708	244,601


Chief Financial Officer


Chief Executive Officer


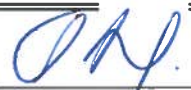


Chairman

The accompanying notes 1 to 11 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 June 2013

	<i>Notes</i>	30 June 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		106,711	81,302
Provision for premium deficiency		221	221
Unearned commission income		1,758	1,174
Outstanding claims		46,338	50,236
Policyholders' claims		5,631	7,726
Reinsurance payables		4,688	3,470
Accruals and other payables		12,653	11,105
Due to Shareholders' Operations		11,030	4,531
Employees' end of service benefits		5,784	6,480
		194,814	166,245
Insurance operations' surplus			
Accumulated surplus from insurance operations		3,014	3,014
Total insurance operations' liabilities and surplus		197,828	169,259
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables		1,678	1,606
Accrued Zakat	7	2,474	2,756
Amount due to a related party	8	--	2,026
Total shareholders' liabilities		4,152	6,388
Shareholders' equity			
Share capital		100,000	100,000
Accumulated losses		(44,169)	(32,705)
Cumulative changes in fair value of AFS investments		1,897	1,659
Total shareholders' equity		57,728	68,954
Total shareholders' liabilities and equity		61,880	75,342
TOTAL LIABILITIES, SURPLUS AND EQUITY		259,708	244,601
 Chief Financial Officer		 Chief Executive Officer	
 Chairman			

The accompanying notes 1 to 11 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 AND ACCUMULATED SURPLUS
For the three-month and six-month periods ended 30 June 2013

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</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	63,466	52,233	123,925	131,307
Less: Reinsurance premiums ceded	(3,813)	(7,171)	(8,890)	(16,361)
Less: Excess of loss premiums	(501)	(551)	(1,197)	(1,251)
Net premiums written	59,152	44,511	113,838	113,695
Changes in net unearned premiums	(17,928)	6,536	(27,502)	(13,528)
Net premiums earned	41,224	51,047	86,336	100,167
Net reinsurance commissions earned	903	759	1,833	1,575
Net revenue	42,127	51,806	88,169	101,742
Costs and expenses				
Gross claims paid	43,479	48,759	95,042	97,441
Less: Reinsurers' share	(4,202)	(9,216)	(9,392)	(15,936)
Net claims paid	39,277	39,543	85,650	81,505
Changes in net outstanding claims	1,786	569	(2,695)	(3,587)
Net claims incurred	41,063	40,112	82,955	77,918
Policy acquisition costs	1,352	4,390	2,820	9,498
Other operating expenses	1,306	1,344	2,260	3,140
Net costs and expenses	43,721	45,846	88,035	90,556
Net results of insurance operations	(1,594)	5,960	134	11,186
General and administrative expenses	(7,794)	(12,292)	(15,779)	(21,622)
Other income	13	--	13	210
Investment income	210	297	544	615
Deficit from Insurance Operations	(9,165)	(6,035)	(15,088)	(9,611)
Shareholders' share of insurance operations' deficit	2(a) 9,165	6,035	15,088	9,611
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


Chief Financial Officer


Chief Executive Officer


Chairman

The accompanying notes 1 to 11 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 six-month periods ended 30 June 2013

		Three-month period ended 30 June		Six-month period ended 30 June	
	Note	2013 (Unaudited) SR'000	2012 (Unaudited) SR'000	2013 (Unaudited) SR'000	2012 (Unaudited) SR'000
REVENUES					
Shareholders' share of Insurance Operations' deficit	2 (a)	(9,165)	(6,035)	(15,088)	(9,611)
Investment income/(loss)		940	(139)	4,478	673
Gain on sale of available for sale Investments		--	3,602	170	3,602
		<u>(8,225)</u>	<u>(2,572)</u>	<u>(10,440)</u>	<u>(5,336)</u>
EXPENSES					
General and administration		<u>(81)</u>	<u>(157)</u>	<u>(124)</u>	<u>(197)</u>
Net loss for the period before Zakat		<u>(8,306)</u>	<u>(2,729)</u>	<u>(10,564)</u>	<u>(5,533)</u>
Zakat	7	<u>(450)</u>	<u>(450)</u>	<u>(900)</u>	<u>(900)</u>
Net loss for the period		<u><u>(8,756)</u></u>	<u><u>(3,179)</u></u>	<u><u>(11,464)</u></u>	<u><u>(6,433)</u></u>
Weighted average number of ordinary shares outstanding (in thousands)		<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Basic and diluted loss per share - (SR)		<u><u>(0.876)</u></u>	<u><u>(0.318)</u></u>	<u><u>(1.150)</u></u>	<u><u>(0.643)</u></u>



Chief Financial Officer



Chief Executive Officer



Chairman

The accompanying notes 1 to 11 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 COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 June 2013

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</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 for the period	(8,756)	(3,179)	(11,464)	(6,433)
Change in fair value of available for sale investments	281	(2,218)	408	223
Total comprehensive loss for the period	<u><u>(8,475)</u></u>	<u><u>(5,397)</u></u>	<u><u>(11,056)</u></u>	<u><u>(6,210)</u></u>



Chief Financial Officer



Chief Executive Officer



Chairman

The accompanying notes 1 to 11 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 six-month period ended 30 June 2013

<i>For the six-month period ended 30 June 2013</i>				
	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Cumulative change in fair value of AFS investments</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	(32,705)	1,659	68,954
Net loss for the period	--	(11,464)	--	(11,464)
Other comprehensive income for the period	--	--	408	408
Transfer to interim statement of shareholders' operations (Note 6c (ii))	--	--	(170)	(170)
Balance at 30 June 2013 (unaudited)	100,000	(44,169)	1,897	57,728

<i>For the six-month period ended 30 June 2012</i>				
	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Cumulative changes in fair value of AFS investments</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 2011 (audited)	100,000	(19,748)	4,739	84,991
Net loss for the period	-	(6,433)	-	(6,433)
Other comprehensive income for the period	-	-	223	223
Transfer to interim statement of shareholders' operations	-	-	(3,602)	(3,602)
Balance at 30 June 2012 (unaudited)	100,000	(26,181)	1,360	75,179


Chief Financial Officer


Chief Executive Officer





Chairman

The accompanying notes 1 to 11 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 six-month period ended 30 June 2013

	<i>Notes</i>	<i>Six-month period ended 30 June 2013 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2012 (Unaudited) SR'000</i>
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		-	-
Adjustments for:			
Policy acquisition costs		(912)	4,919
Unrealized gain on FVIS investments	6(a)	(4)	(21)
Amortisation related to held to maturity investments	6(b)	11	2
Reinsurers share of unearned premiums		2,094	(149)
Unearned premiums		25,409	13,678
Unearned commission income		584	23
Depreciation		1,006	1,291
Employees end of service benefits, net		(696)	(2)
		<u>27,492</u>	<u>19,741</u>
Changes in operating assets and liabilities:			
Premium receivables, net		(21,427)	(17,687)
Reinsurance receivables		5,528	(876)
Prepayments and other receivables		663	(4,454)
Reinsurers share of outstanding claims		1,202	1,388
Outstanding claims		(3,898)	(4,975)
Policyholders' claims		(2,095)	745
Reinsurance payables		1,218	745
Accruals and other payables		1,548	2,734
Due to/(from) Shareholders' Operations		6,499	(9,710)
		<u>16,730</u>	<u>(12,349)</u>
Net cash from/(used in) operating activities			
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(544)	(1,031)
Purchase of held to maturity investments	6 (b)	(3,000)	--
Proceeds from disposal of FVIS investments	6 (a)	3,135	--
		<u>(409)</u>	<u>(1,031)</u>
Cash used in investing activities			
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>16,321</u>	<u>(13,380)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>37,289</u>	<u>43,560</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u>53,610</u>	<u>30,180</u>
			
Chief Financial Officer		Chief Executive Officer	
			
Chairman			

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the six-month period ended 30 June 2013

		<i>Six-month period ended 30 June 2013 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2012 (Unaudited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net loss for the period before Zakat		(10,564)	(5,533)
Adjustments for:			
Unrealized gain on FVIS investments	6(a)	(4,088)	(139)
Gain on disposal of available for sale investments	6(c)	(170)	(3,602)
Amortisation of held to maturity investments	6(b)	6	5
		<u>(14,816)</u>	<u>(9,269)</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		97	(147)
Due (to)/from Insurance Operations		(6,499)	9,710
Statutory deposit		(63)	(55)
Accruals and other payables		72	71
Amount due to a related party		(2,026)	33
Zakat paid	7	(1,182)	(1,255)
		<u>(24,417)</u>	<u>(912)</u>
Net cash used in operating activities			
INVESTING ACTIVITIES			
Proceeds from term deposits		10,000	(10,000)
Purchase of FVIS Investments	6(a)	(2,000)	--
Proceeds from disposal of FVIS Investments	6(a)	4,250	--
Proceeds from disposal of available for sale investments	6(c)	2,170	12,325
		<u>14,420</u>	<u>2,325</u>
Net cash from investing activities			
(DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>(9,997)</u>	<u>1,413</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><u>3,374</u></u>	<u><u>30,786</u></u>
MAJOR NON-CASH TRANSACTIONS			
Change in the fair value of available for sale investments		<u>408</u>	<u>223</u>


Chief Financial Officer


Chief Executive Officer


Chairman

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 June 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 six-month periods ended 30 June 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 June 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 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 June 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 June 2013

3. CASH AND CASH EQUIVALENTS

	<i>30 June 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash on hand	57	20
Cash at banks	53,553	37,269
	<u>53,610</u>	<u>37,289</u>
<i>Shareholders' Operations</i>		
Cash at banks	2,750	12,749
Money market funds	624	622
	<u>3,374</u>	<u>13,371</u>

4. TERM DEPOSITS

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

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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2013

5. PREMIUM RECEIVABLES, NET

	30 June 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
Due from policyholders	59,503	54,574
Due from policy holders – related parties (note 8)	18,884	6,797
Provision for doubtful debts	(22,621)	(27,032)
	<u>55,766</u>	<u>34,339</u>

Movements in allowance for doubtful premiums receivable were as follows:

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

6. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	Six-month period ended 30 June 2013 (Unaudited) SR'000	Year ended 31 December 2012 (Audited) SR'000
Balance at the beginning of the period/year	3,131	3,077
Changes in fair value of investments	4	54
Disposals during the period/year	(3,135)	--
	<u>--</u>	<u>3,131</u>

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At 30 June 2013

6. INVESTMENTS (continued)

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Six-month period ended 30 June 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	2,000	10,000
Disposals during the period/year	(4,250)	--
Changes in fair value of investments	4,088	605
Balance at the end of the period/year	<u>15,712</u>	<u>13,874</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Six-month period ended 30 June 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	(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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At 30 June 2013

6. INVESTMENTS (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Six-month period ended 30 June 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
Purchases during the period/ year	--	--
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:

Six-month period ended 30 June 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	408	--	408
Balance at the end of the period	<u>4,897</u>	<u>1,923</u>	<u>6,820</u>

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At 30 June 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 six-month period 30 June 2013, the Company sold its investment with a cost price of SR 2,000 for SR 2,170 thousand. The realized gain of SR 170 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 six-month period ended 30 June 2013 and for the year ended 31 December 2012 are as follows:

	<i>30 June 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	900	1,800
Zakat paid during the period/year	(1,182)	(1,255)
Balance at the end of the period/year	<u>2,474</u>	<u>2,756</u>

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At 30 June 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 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 June</u> <u>2013</u> (Unaudited) SR'000	<u>30 June</u> <u>2012</u> (Unaudited) SR'000
<i>a) Insurance Operations</i>			
Tajeer Co	Insurance policies written	27,837	25,093
Senior executives	Remunerations	494	891
Board of directors	Remunerations	--	38
Audit committee	Remunerations	--	31
Key management personnel	Long-term benefits	59	42

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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 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 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, 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:

For the three-month period ended 30 June 2013	<i>Medical</i> SR'000	<i>Motor</i> SR'000	<i>Other</i> SR'000	<i>Total</i> SR'000
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	6,828	49,773	2,551	59,152
Changes in net unearned premiums	(2,414)	(14,126)	(1,388)	(17,928)
Net premiums earned	4,414	35,647	1,163	41,224
Net reinsurance commissions earned	--	--	903	903
Net revenue	4,414	35,647	2,066	42,127
Gross claims paid	7,282	35,091	1,106	43,479
Less: Reinsurers share	(3,403)	--	(799)	(4,202)
Net claims paid	3,879	35,091	307	39,277
Changes in outstanding claims	373	1,059	354	1,786
Net claims incurred	4,252	36,150	661	41,063
Policy acquisition costs	360	719	273	1,352
Other operating expenses	530	730	46	1,306
Net costs and expenses	5,142	37,599	980	43,721
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				(9,165)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2013

9. SEGMENTAL INFORMATION (continued)

For the six-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	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)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 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 June 2013				
Insurance operations' assets				
Reinsurer's share of unearned premiums	828	--	6,384	7,212
Reinsurer's share of outstanding claims	6,478	--	6,513	12,991
Deferred policy acquisition costs	357	1,969	632	2,958
Unallocated assets				174,667
Total insurance operations' assets				197,828
Insurance operations' liabilities				
Unearned premium	11,433	85,725	9,553	106,711
Outstanding claims	24,011	12,956	9,371	46,338
Unearned commission income	--	--	1,758	1,758
Provision for premium deficiency	158	--	63	221
Unallocated liabilities and surplus				42,800
Total insurance operations' liabilities and surplus				197,828

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

At 30 June 2013

9. SEGMENTAL INFORMATION (continued)

For the three-month period ended 30 June 2012	<i>Medical</i> SR'000	<i>Motor</i> SR'000	<i>Other</i> SR'000	<i>Total</i> SR'000
Gross premium written	11,209	37,370	3,654	52,233
Less: Reinsurance premiums ceded	(4,516)	--	(2,655)	(7,171)
Less: Excess of loss premiums	--	(347)	(204)	(551)
Net premium written	6,693	37,023	795	44,511
Changes in net unearned premiums	1,504	5,161	(129)	6,536
Net premiums earned	8,197	42,184	666	51,047
Net reinsurance commissions earned	--	--	759	759
Net revenue	8,197	42,184	1,425	51,806
Gross claims paid	17,888	30,483	388	48,759
Less: Reinsurers share	(8,947)		(269)	(9,216)
Net claims paid	8,941	30,483	119	39,543
Changes in outstanding claims	(940)	1,068	441	569
Net claims incurred	8,001	31,551	560	40,112
Policy acquisition costs	723	3,474	193	4,390
Other operating expenses	970	315	59	1,344
Net costs and expenses	9,694	35,340	812	45,846
Net results of insurance operations	(1,497)	6,844	613	5,960
Unallocated expenses				(12,292)
Investment income				297
Deficit from insurance operations				(6,035)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2013

9. SEGMENTAL INFORMATION (continued)

For the six-month period ended 30 June 2012	<i>Medical</i> SR'000	<i>Motor</i> SR'000	<i>Other</i> SR'000	<i>Total</i> SR'000
Gross premium written	25,678	97,477	8,152	131,307
Less: Reinsurance premiums ceded	(10,296)	--	(6,065)	(16,361)
Less: Excess of loss premiums	--	(694)	(557)	(1,251)
Net premium written	15,382	96,783	1,530	113,695
Changes in net unearned premiums	1,795	(15,142)	(181)	(13,528)
Net premiums earned	17,177	81,641	1,349	100,167
Net reinsurance commissions earned	--	--	1,575	1,575
Net revenue	17,177	81,641	2,924	101,742
Gross claims paid	30,691	65,563	1,187	97,441
Less: Reinsurers share	(15,355)	(57)	(524)	(15,936)
Net claims paid	15,336	65,506	663	81,505
Changes in outstanding claims	(871)	(2,729)	13	(3,587)
Net claims incurred	14,465	62,777	676	77,918
Policy acquisition costs	1,612	7,468	418	9,498
Other operating expenses	2,081	914	145	3,140
Net costs and expenses	18,158	71,159	1,239	90,556
Net results of insurance operations	(981)	10,482	1,685	11,186
Unallocated expenses				(21,622)
Unallocated other income				210
Investment income				615
Deficit from insurance operations				(9,611)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2013

9. SEGMENTAL INFORMATION (continued)

As at 31 December 2012	<i>Medical</i> SR'000	<i>Motor</i> SR'000	<i>Other</i> SR'000	<i>Total</i> SR'000
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 June 2013

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The table below presents the financial instruments at their fair values as at 30 June 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>	--	--	--	--
<i>Financial assets held as FVIS-shareholders' operations</i>	15,712	--	--	15,712
<i>Financial investments available for sale-shareholders' operations</i>	4,897	--	1,923	6,820
Balance at the end of the period	<u>20,609</u>	<u>--</u>	<u>1,923</u>	<u>22,532</u>

11. BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 21 July 2013, corresponding to 13 Ramadan 1434H.