

Salama Cooperative Insurance Company is a Saudi joint stock company, established in accordance with the Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) and the Ministerial Resolution No. 233, dated 16/09/1427H (corresponding to 09/10/2006G), with Commercial Registration No. 4030169661, issued from Riyadh, dated 06/05/1428H (corresponding to 23/05/2007G) and it was registered in Jeddah.

Offering of fifteen million (15,000,000) Ordinary Shares through a rights issue at a nominal value of ten Saudi Riyals (SAR 10) per Share, representing an increase of 150% of the Company's current Share Capital, bringing the Company's Share Capital to two hundred and fifty million Saudi Riyals (SAR 250,000,000).

First Offering Period: From 19/09/1436H (corresponding to 06/07/2015G) to 28/09/1436H (corresponding to 15/07/2015G)

Second Offering Period: From 10/10/1436H (corresponding to 26/07/2015G) to 12/10/1436H (corresponding to 28/07/2015G)

Salama Cooperative Insurance Company (the "Company" or "SALAMA") is a Saudi joint stock company established in accordance with the Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) and the Ministerial Resolution No. 233, dated 16/09/1427H (corresponding to 09/10/2006G) and the license of the General Investment Authority No. 870/1, dated 13/09/1427H (corresponding to 15/10/2005G), with Commercial Registration No. 4030169661, issued from Riyadh, dated 06/05/1428H (corresponding to 23/05/2007G) and it was registered in Jeddah. The current Share Capital of the Company is one hundred million Saudi Riyals (SAR 100,000,000) consisting of ten million (10,000,000) Ordinary Shares with a nominal value of ten Saudi Riyals (SAR 10) each (the "Existing Shares" with each is an "Existing Share"). As at the date of this Prospectus ("the Prospectus"), there are no Substantial Shareholders of the Company, which hold 5% or more of the Company's Shares, except Islamic Arab Insurance Company, which owns 30% of the Company's Shares.

The Board of Directors recommended in its meeting convened on 14/08/1435H (corresponding to 12/06/2014G) to increase the Company's Share Capital from one hundred million Saudi Riyals (SAR 100,000,000) to two hundred fifty million Saudi Riyals (SAR 250,000,000) after obtaining the necessary regulatory approvals. The Company received the Final approval of SAMA to increase its Share Capital in SAMA's letter No. 351000147528, dated 01/012/1435H (corresponding to 25/09/2014G).

The Company's Extraordinary General Meeting held on 13/09/1436H (corresponding to 30/06/2015G), has approved the increase of Share Capital through rights issue ("Rights Issue"). The rights issue consists of the issuance of fifteen million (15,000,000) Ordinary New Shares (the "New Shares" or "Rights Issue Shares") at an Offer Price of ten Saudi Riyals (SAR 10) per share ("Offering Price") to increase the Company's Share Capital from one hundred million Saudi Riyals (SAR 100,000,000) to two hundred fifty million Saudi Riyals (SAR 250,000,000), divided into twenty five million (25,000,000) Ordinary Shares at a nominal value of ten Saudi Riyals (SAR 10) per share.

The Rights will be issued as tradable securities (referred to collectively as the "Rights" and each a "Right") to Shareholders registered in the Company's Shareholders Register as at the close of trading on the date of the EGM being 13/09/1436H (corresponding to 30/06/2015G), (the "Eligibility Date"). Each Shareholder is referred to as ("Registered Shareholder") and collectively as ("Registered Shareholders"), provided that such Rights are deposited in the Registered Shareholders' accounts within two (2) days of the Eligibility Date in the ratio of (1.5) Rights for every one share held as of the Eligibility Date. Each Right grants its holder the eligibility to subscribe for one New Shares at the Offer Price.

Registered Shareholders and other investors (institutional and individuals) may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from Monday, 19/09/1436H (corresponding to 06/07/2015G), until the close of trading on Wednesday, 28/09/1436H (corresponding to 15/07/2015G), (the "Trading Period").

The subscription for the New Shares will be in two phases:

- (a) First Offering Period (Phase 1): From Monday, 19/09/1436H (corresponding to 06/07/2015G), until the end of Wednesday on 28/09/1436H (corresponding to 15/07/2015G), (the "First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.

- (b) Second Offering Period (Phase 2): From Sunday, 10/10/1436H (corresponding to 26/07/2015G), until the end of Tuesday on 12/10/1436H (corresponding to 28/07/2015G), (the "Second Offering Period"), during which all Right holders whether Registered Shareholders or other investors (institutional and individuals) who purchase the Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. The Rights may not be traded during this period.

Subscription Application Forms will be available during both the First Offering Period and Second Offering Period at any of the branches of the Receiving Agents (the "Receiving Agents") listed in page (viii) of this Prospectus.

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Rump Shares"), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday, 17/10/1436H (corresponding to 02/08/2015G), until the following day at 10:00 AM on 18/10/1436H (corresponding to 03/08/2015G). This offering will be referred to as the ("Rump Offering"). The Rump Shares will be allocated to Institutional Investors giving priority to the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally allocated among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess of the paid Offer Price (in excess of Offer Price) shall be distributed to the Eligible Persons no later than 01/11/1436H (corresponding to 16/08/2015G).

In the event that any Rump Shares are not purchased by the Institutional Investors, such shares will be allocated to the Underwriter, who will purchase the same at the Offer Price (please see section 17 "Subscription Terms and Conditions". All of the Offer Shares have been covered by the Underwriter, NCB Capital (Please refer to section 16 "the Underwriting"). After the completion of the Offering, the Company's Share Capital will become two hundred fifty million Saudi Riyals (SAR 250,000,000). The net proceeds of the Offering will be mainly utilized to meet the company's financial solvency requirements (Please see section 11 "Use of Proceeds"). The final allocation will be announced no later than Tuesday 19/10/1436H (corresponding to 04/08/2015G) ("Allocation Date") (Please see section 17 "Subscription Terms and Conditions").

The Company has only one class of shares and no shareholder will have any preferential voting rights. The New Shares will be fully paid and rank identically with the existing Shares. Each Share entitles its holder to one vote and each shareholder ("the Shareholder") with at least twenty (20) Shares has the right to attend and vote at the general assembly meetings (each a "General Assembly Meeting") of the Company. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, after they are issued and in respect of subsequent financial years (Please see section 8 "Dividend Policy" and section 2 "Risk Factors"). The Company listed four million (4,000,000) shares on 07/05/1428H (corresponding to 23/05/2007G) on Tadawul. The Founding Shareholder subscribed for 60% of the Company's Share Capital while the remaining 40% had been offered to the Public in an IPO. Currently, the Company's Existing Shares are traded on Tadawul. The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia ("CMA") for the admission and listing of the New Shares and all requirements have been fulfilled. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares and refund of excess monies (please see Section "Key Dates for Subscribers"). Following the commencement of trading in the Shares, Saudi nationals and residents, GCC nationals, Saudi companies, banks and funds, GCC companies and establishments and foreign investors from outside the Kingdom (through swap agreements) will be allowed to trade in the New Shares after admission and listing on the Exchange. This Prospectus should be read in full and the «Important Notice» section as well as section 2 «Risk Factors» of this Prospectus should be analysed carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby.

Financial Advisor, Lead Manager and Lead Underwriter



Receiving Agents



This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority ("CMA") in the Kingdom of Saudi Arabia. The Directors, whose names appear on page (v) jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The CMA and the Saudi Stock Exchange Company (Tadawul) take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 13/09/1436H (corresponding to 30/06/2015G)

This Prospectus is an English translation of the official Arabic Prospectus. In case of any differences between the two, the Arabic version shall prevail.



Important Notice

This Prospectus provides details of information relating to the Company and the offered Rights. When applying for the New Shares, Subscribers will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the head office of the Company, lead manager or Receiving Agents, or by visiting the Company's website (www.salama.com.sa), the Capital Market Authority's website (www.cma.org.sa), or NCB Capital's website (www.ncbc.com).

The Company has appointed NCB Capital to act as the Financial Advisor ("Financial Advisor"), Lead Manager ("Lead Manager") and Underwriter ("Underwriter") in relation to the Rights Offering to increase the company's capital under this Prospectus.

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority ("CMA") under resolution No 3-11-2004 on 20/08/1425H (corresponding to 04/10/2004), revised by the CMA's Board resolution No. 1-36-2012 on 11/01/1434H (corresponding to 25/11/2012G) ("Listing Rules"). The Directors, whose names appear on page (v), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein has been derived from external sources, and while none of the Company, its Directors, Financial Advisor, or the Company's advisors ("Advisors"), whose names appear on pages (vi) and (vii) of this Prospectus have any reason to believe that any of the market and industry information is materially inaccurate. Such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economic and political factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company or any of its Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on their own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The Offering is directed at the Registered Shareholders and other investors (institutional and individuals) during the period from 19/09/1436H (corresponding to 06/07/2015G), until the end of trading on the day of 12/10/1436H (corresponding to 28/07/2015G) provided that the subscription in the New Shares shall be carried out through two phases:

- a) **First Offering Period (Phase 1):** From 19/09/1436H (corresponding to 06/07/2015G), until the end of the day on 28/09/1436H (corresponding to 15/07/2015G), (the "First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.
- b) **Second Offering Period (Phase 2):** From 10/10/1436H (corresponding to 26/07/2015G), until the end of the day on 12/10/1436H (corresponding to 28/07/2015G), (the "Second Offering Period"), during which all Rights' holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. No trading of Rights shall take place in this period.

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Rump Shares") (if any), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on 17/10/1436H (corresponding to 02/08/2015G), until the following day at 10:00 AM on 18/10/1436H (corresponding to 03/08/2015G). This offering will be referred to as (the "Rump Offering"). The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Subscription to the new shares that have not been subscribed for during this period will be in the Offering

Price at minimum. If the unsubscribed shares are sold at a higher price than the offering price, the difference (if any) will be distributed as compensation to the Rights holders who have not subscribe for their Rights pro rata with the percentage of Rights they hold. These funds will be distributed to the beneficiaries according to their entitlements no later than on 01/11/1436H (corresponding to 16/08/2015G),

The Extra-Ordinary General Meeting shall be valid only if attended by shareholders representing at least one-half (50%) of the Share Capital. In case this quorum is not attained at the first meeting, a notice shall be made for a second meeting to be held within thirty days after the preceding meeting. The second meeting shall be valid if attended by shareholders representing at least one-fourth of the Share Capital. Votes in the Extraordinary General Assembly are calculated on the basis of one vote per share. In order for the EGM to issue a decision to increase the Company's capital, there should be a vote of at least three-fourth (3/4) majority of the shares represented the meeting.

A call was published on 17/08/1436H (corresponding to 04/06/2015G) to convene the EGM to approve the rights issue to increase the Company's capital in accordance with regulations issued by the Ministry of Commerce and Industry in this regard. It should be noted that if the EGM has not approved the offering of Rights, this Offering will stop, and shareholders will be notified accordingly.

Industry and Market Data

In this Prospectus, information and data regarding Saudi economy and insurance industry has been obtained from reliable sources. However, the Company, its Directors, NCB Capital or any of its advisors whose names appear in pages (vi-vii) of this Prospectus have not verified such information independently and hence no representation is made with respect to the accuracy or completeness of any of this information. The sources of market and industry information mainly include:

1. Saudi Arabian Monetary Agency
P.O. Box 2992, Riyadh 11169
Saudi Arabia
Tel: +966 11 4633000
Fax: +966 11 4663966
Website: www.sama.gov.sa



SAMA, the central bank of the Kingdom of Saudi Arabia, was established in 1372H (1952G).

The main Functions of SAMA include:

- Issuing the national currency, the Saudi Riyal;
- Acting as a banker to the government;
- Overseeing commercial banks;
- Managing the Kingdom's foreign currency reserves;
- Conducting monetary policy to promoting price and exchange rate stability;
- Promoting growth and ensuring the soundness of the financial system.
- Supervising commercial banks and insurance companies.

2. Ministry of Finance,
Kingdom of Saudi Arabia, Riyadh 11177
Phone No. +966 11 405 0000
Website: www.mof.gov.sa



Ministry of Finance is the second ministry that was established in the Kingdom in 1351H. It performs the following tasks and responsibilities:

- Supervising implementation of the government's fiscal policy and monitoring its implementation by the relevant agencies.
- Preparing the government's budget, discussing it with government agencies, and monitoring its implementation.
- Controlling the current accounts between the Ministry of Finance and all other government agencies.
- Monitoring the pre-disbursement phase of budgetary funds for all government agencies.
- Supervising government revenue collection activities and ensuring that they comply with the relevant rules and regulations.
- Supervising the annual closing of the government's accounts and expenditures.
- Supervising and protecting government's properties.
- Representing the government in international and regional economic and financial institutions, monitoring international financial and economic developments, and preparing the necessary studies and reports.
- Implementing the government's resolutions with respect to external assistance.
- Monitoring implementation of the government's policy for providing loans to individuals and national corporations for various developmental activities through its banks and funds, including the Agricultural Bank, the Credit Bank, the Industrial Development Fund, the Real Estate Development Fund, and the Public Investment Fund.

1. Swiss Reinsurance Company (Swiss Re)
P.O. Box 8002
Zurich
Switzerland
Tel: +966 41 2852121
Fax: +966 41 2852999
Website: www.swissre.com



An international pioneer company in reinsurance founded in 1863G in Zurich, Switzerland with operations in more than 25 countries around the world. Swiss Re issues reports on insurance sector all over the world and these reports are available for public on the internet. The information obtained from Swiss Re is publicly available and obtainable from the web; therefore no consent has been pursued to use such information.

Financial Information

The audited financial statements for the financial years 2011G, 2012G and 2013G and the reviewed financial statements for the third quarter of 2014G and the notes thereto included in this Prospectus have been prepared in conformity with the standards issued by the International Financial Reporting Standards (IFRS) and in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). Audit of financial statements has been conducted by Ernst & Young and Al-Bassam Chartered Accountants and Consultants for the years 2011 and 2012G, and by KPMG/Al-Sadhan and Al-Fozan and Al-Bassam Chartered Accountants and Consultants for the year 2013G and by Deloitte & Touche Bakr Abulhair & Co. and Al-Bassam Chartered Accountants and Consultants for the reviewed financial statements for the first, second, third and fourth quarters of 2014G. The Company publishes its financial statements in Saudi Arabian Riyals ("SAR").

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of information provided by the Company based on its market experience as well as from general and public market information. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that the statements made in this Prospectus are based on due care.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", or "are expected", "would be", "anticipates" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to "Risk Factors" section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission and listing of its shares in the Exchange (Tadawul), the Company becomes aware that: (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Members of the Board of Directors

S/N	Name	Role	Nationality	Classification	Representation/ Representative Name	Held shares	
						Directly	Indirectly
1	Dr. Saleh Jameel Malaikah	Chairman	KSA	Non-Executive/ Non-Independent	-	200.000	-
2	Rashid Abdullah Al Suwaiket	Member	KSA	Non-Executive/ Independent	-	200.000	-
3	Hussein Hassan Biyri	Member	KSA	Non-Executive/ Independent	-	200.000	-
4	AbdulAziz Abdullatif Jazar	Member	KSA	Non-Executive/ Independent	-	1.000	-
5	Tarek Abdullah Garawi	Member	KSA	Non-Executive/ Independent	-	1.000	-
6	Luai Hamza Basrawi ***	Member	KSA	Non-Executive/ Independent	-	-	-
7	Marwan Ahmed AlGhrai***	Member	UAE	Non-Executive/ Independent	-	-	-

* Abdulraouf Sulaiman Banajah tendered his resignation with effect from 19/08/2013G

** Faisal Mustafa Al-Kurdi tendered his resignation with effect from 08/09/2014G

*** The Company obtained SAMA approval (letter No. 36100051772) dated 07/04/1436H (27/01/2015G) to appoint each of Mr. Marwan Ahmed Al-Ghrai and Mr. Luai Hamza Basrawi directors of the Board, and such appointment has been announced on Tadawul website. The Board passed its resolution by circulation No. TM2015/1 dated 07/04/1436H (27/01/2015G) appointing them directors of the Board. The Board's approval is not final, and this appointment will be presented to the first General Meeting for their endorsement by 30/06/2015).

Company Address

Salama Cooperative Insurance Company
Jeddah, bin Hamran Complex - Tahlia Street
P.O. Box 122392 , Postal Code 21322
Kingdom of Saudi Arabia
Tel: +966 12 6647877
Fax: +966 12 6647387
Website: www.salama.com.sa
E-mail: info@salama.com.sa



Company Representative	Board Secretary
<p>Mesha'al Ibrahim Al Shayeh' Chief Executive Officer (CEO) Salama Cooperative Insurance Company Jeddah, bin Hamran Complex - Tahlia Street P.O. Box 122392 , Postal Code 21322 Kingdom of Saudi Arabia Tel: +966 12 6647877 Fax: +966 12 6647387 Website: www.salama.com.sa E-mail: m.shayea@salama.com.sa</p>	<p>Hassan Ahmed Shebaily Salama Cooperative Insurance Company Jeddah, bin Hamran Complex - Tahlia Street P.O. Box 122392, Postal Code 21322 Kingdom of Saudi Arabia Tel: +966 12 6647877 Fax: +966 12 6647387 Website: www.salama.com.sa E-mail: hasan.shebaily@salama.com.sa</p>

Shares Registrar

Saudi Stock Exchange (Tadawul)
Abraj Atta'awuneya North Tower - 700 King Fahad Road
P.O. Box 60612 Riyadh 11555
Kingdom of Saudi Arabia
Tel: +966 11 218 1200
Fax: +966 11 218 1220
Website: www.tadawul.com.sa
E-mail: webinfo@tadawul.com.sa



Advisors

Financial Advisor and Lead Manager

NCB Capital Company
Riyadh, Alma'ather Building, Tower B, Floor 6
Alma'ather Street
P.O. Box 22216 Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966 11 8747106
Fax: +966 11 4060049
Website: www.ncbc.com
E-mail: w.alkhatib@ncbc.com



Underwriter

NCB Capital Company
Riyadh, Alma'ather Building, Tower B, Floor 6
Alma'ather Street
P.O. Box 22216 Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966 11 8747106
Fax: +966 11 4060049
Website: www.ncbc.com
E-mail: w.alkhatib@ncbc.com



Legal Advisor

Legal Advisor Abdulaziz Alassaf & Partners Law Firm
Kingdom Tower, Floor 24 King Fahd Road
P.O. Box 90217 Riyadh 11613
Kingdom of Saudi Arabia
Tel: +966 11 2112000
Fax: +966 11 2112727
Website: www.aaafirm.com
E-mail: aalmasoud@aaafirm.com



Legal Accountants

Deloitte & Touche Bakr Abulkhair & Co
P.O. Box 213 Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 11 8400282
Fax: +966 11 2828428
E-mail: info@deloitte.com
Website: www.deloitte.com



Legal Accountants

Al-Bassam Chartered Accountants and Consultants
Riyadh, King Abdullah Road, Building 17, Office 7
P.O. Box 28355 Riyadh 11482
Kingdom of Saudi Arabia
Tel: +966 11 2395353
Fax: +966 11 2395454
E-mail: ibrahim.albassam@abc-albassam.com
Website: www.aacpa-sa.com



Financial Due Diligence Advisor

Ernst & Young
P.O. Box 2732 Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966 11 2159847
Fax: +966 11 2734730
E-mail: riyadh@sa.ey.com
Website: www.ey.com/me



Actuarial

Manar Sigma Financial Consulting.Co
P.O. Box 341905 Riyadh 11333
Kingdom of Saudi Arabia
Tel: +966 559444777
Fax: +966 11 2112423
Website: www.manarsigma.com



Note: All of the aforementioned Advisors/consultants have given and not withdrawn their written consent for the appearance of their names and logos and inclusion of their statements in the form and context set out in this Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company as at the date of this Prospectus.

Receiving Agents

The National Commercial Bank
King Abdul Aziz Road - Jeddah
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 12 6493333
Fax: +966 12 6437426
Website: www.alahli.com
E-mail: contactus@alahli.com



Samba Financial Group
Riyadh - King Abdul Aziz Road
P.O. Box 883, Riyadh 11421
Saudi Arabia
Tel: +966 11 477 4770
Fax: +966 11 479 9402
E-Mail: customercare@samba.com
Website: www.samba.com



Al Rajhi Bank
Riyadh – Olaya Street
P.O. Box 28, Riyadh 11411
Saudi Arabia
Tel: +966 11 462 9922
Fax: +966 11 462 4311
E-Mail: contactcenter@alrajhibank.com.sa
Website: www.alrajhibank.com.sa



Riyad Bank
Riyadh – King Abdul Aziz Road
P.O. Box 22622, Riyadh 11416
Saudi Arabia
Tel: +966 11 401 3030
Fax: +966 11 404 2618
E-Mail: customercare@riyadbank.com
Website: www.riyadbank.com



Banque Saudi Fransi
Riyadh – Al Mather Road
P.O. Box 56006, Riyadh 11554
Saudi Arabia
Tel: +966 11 404 2222
Fax: +966 11 404 2311
E-Mail: communications@alfransi.com.sa
Website: www.alfransi.com.sa



The Company's main banks

Samba Financial Group
King Abdul Aziz Road - Riyadh
P.O. Box 883, Riyadh 11421
Saudi Arabia
Tel: +966 11 477 4770
Fax: +966 11 479 9402
Website: www.samba.com
E-Mail: customercare@samba.com

samba سامبا 

The National Commercial Bank
King Abdul Aziz Road
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 12 649 3333
Fax: +966 12 6437426
E-mail: contactus@alahli.com
Website: www.alahli.com

NCB الأهلي 

Al Rajhi Bank
Olaya Road - Riyadh
P.O. Box 28, Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 11 4629922
Fax: +966 11 4624311
E-mail: contactcenter@alrajhibank.com.sa
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مصرف الإنماء
alinma bank 

Summary of the Offering

Recipients of this Prospectus must read it completely before they take their decision to invest in the offered shares hereunder.

The Company	Salama Cooperative Insurance Company is a Saudi joint stock company established in accordance with Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) and the Ministerial Resolution No. 233, dated 16/09/1427H (corresponding to 09/10/2006G) and the license of the General Investment Authority No. 870/1, dated 13/09/1427H (corresponding to 15/10/2005G), with Commercial Registration No. 4030169661, issued from Riyadh, dated 06/05/1428H (corresponding to 23/05/2007G) and it was registered in Jeddah Register.			
Summary of Company Activities	The Company is practicing, in compliance with the provisions of the Cooperative Insurance Companies Control Law, Implementing Regulations and all applicable laws and regulations in the Kingdom of Saudi Arabia, cooperative insurance activities for all insurance businesses and related services including reinsurance, agencies, representation, corresponding or brokerage. The Company may exercise all related activities necessary to achieve insurance and investment businesses objectives. The Company may also, solely or jointly with others, own and trade in fixed or current assets, sale or lease same directly or indirectly through its wholly owned subsidiaries or associated entities.			
Substantial Shareholders	Substantial Shareholders are shareholders who own 5% or more of the Company's Share Capital. The following table depicts the only substantial shareholder of the Company:			
	Shareholder	% before Offering	No. of Shares	Capital (SAR)
	Islamic Arab Insurance Company	30.0%	3,000,000	30,000,000
Nature of Offering	Increasing Capital through issuance of new shares (Rights Issue)			
Offer Price	SAR 10 (ten Saudi Riyals) per Share, representing the price of subscription for the new share.			
Adjusted Price	The Company's share value in Tadawul has been adjusted to SAR (17.77) per share at the close of trading on the day of the EGM and after shareholders' approval of Capital increase. This represents a reduction of SAR (11.63) in the share value.			
Nominal Value	SAR 10 per share			
Total number of Existing issued Shares prior to the Offering	10,000,000 Ordinary Shares			
SAMA's approval	SAMA's final approval in its letter No. 351000147528, dated 01/012/1435H (corresponding to 25/09/2014G) to increase its Share Capital by one hundred and fifty million Saudi Riyals (SAR 150,000,000) through Rights Issue Offering.			
Company's capital prior to the Offering	SAR 100,000,000			
Total number of offered shares	Fifteen million (15,000,000) Ordinary Shares			
Total number of Shares after Offering	Twenty five million (25,000,000) Ordinary Shares			
Capital after increase	Two hundred and fifty million Saudi Riyals (SAR 250,000,000)			
Percentage of increase in Share Capital	150%			
Total Offering value	SAR 150,000,000			
Offering costs	SAR 8,000,000			
Net Proceeds after deduction of Offering costs	SAR 142,000,000			
Number of Underwritten Shares	15,000,000 Ordinary Shares			
Total Underwritten Amount	SAR 150,000,000			
Eligibility Date	Close of trading on the day of the EGM voting on the increase in the Company's capital according to the Board recommendation on Tuesday 13/09/1436H (corresponding to 30/06/2015G).			
Allocation Date	Shares will be allocated on Tuesday 19/01/1436H (corresponding to 04/08/2015G).			
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM.			

Rights	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares, upon approval of the capital increase. All shareholders registered in the Company's Register at the end of the day of the EGM will be entitled to receive Rights. Each Right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights will be deposited within two days after the date of the EGM. The rights will appear in the accounts of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be informed of the deposit of the Rights in their accounts.
New Shares	The Shares offered for subscription by Registered Shareholders resulting from the Capital increase of the issuing Company.
Rights Issue Ratio	1.50 Rights for every 1 existing Share owned by a Registered Shareholder. This ratio is the outcome of dividing the number of New Shares by the number of the Company's existing shares
Number of Issued Rights	15,000,000 Rights
First Offering Period	From 19/09/1436H (corresponding to 06/07/2015G), until the end of the day on 28/09/1436H (corresponding to 15/07/2015G), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights.
Trading Period in Rights	Will commence on Monday 19/09/1435H (corresponding to 06/07/2015G) and will last up to and including Wednesday 28/09/1436H (corresponding to 15/07/2015G). Registered Shareholders and other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights during this period.
Second Offering Period	From Sunday 17/10/1436H (corresponding to 02/08/2015G), until the end of the day on 18/10/1436H (corresponding to 03/08/2015G), during which all Rights holders whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their Rights to subscribe. Rights may not be traded during the Second Offering Period.
Subscription Procedure	Eligible shareholders who have interest to subscribe to the new offered shares shall complete the subscription application forms and submit them to the branches of the Receiving Agents during business hours during the Subscription Period. Subscription. The subscription amount must be paid in full upon submitting the subscription application by authorizing the Receiving Agent to deduct the required amount from the subscriber's account with the Receiving Agent, or by a certified check drawn on a local bank and registered in the name of «The account of the Salama Cooperative Insurance Company - Rights Issue Shares» without the need for a Subscriber «Eligible Person» to have an account with the Receiving Agent. Subscription may be made through Internet, banking phone or ATMs to the receiving banks that provide any of such services provided that the Eligible Shareholders should have a valid banking account with a Receiving Agent that provide this service and no amendment has been introduced to data related to the subscriber (his data are up to date).
Rump Shares	The remaining Shares which were not subscribed for during the First Offering Period and the Second Offering Period.
Rump Offering	Rump Shares will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday 17/10/1435H (corresponding to 02/08/2015G), until the following day at 10:00 AM on 18/10/1435H (corresponding to 03/08/2015G). This offering will be referred to as ("Rump Offering"). The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated (provided that the offered price shall not be less than the Offer Price), with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights during the trading period.
Categories of Targeted investors	Right holders of Registered Shareholders who have purchased the Rights during the Trading Period or from Institutional Investors.

Listing of/Trading in the Rights Issue	<p>“Tadawul” is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to the Company’s Rights Issue (separate from the Company’s trading symbol for the existing Shares on the Tadawul screen). Registered Shareholders shall have the following options during the offering and trading period of the Rights:</p> <ol style="list-style-type: none"> 1. Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe for the New Shares. 2. Selling the Rights or a part thereof through the Exchange. 3. Purchasing additional Rights through the Exchange. 4. Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe for the same. The Rump Shares resulting from not exercising the Rights or selling the same will be offered in the Rump Offering. <p>Other investors (institutional and individuals) may, during the Trading Period, purchase and sell Rights through the Exchange and (provided the Rights are held until the end of the First Offering Period) may exercise such Rights to subscribe for New Shares, only during the Second Offering Period. The “Tadawul” system will cancel the Company’s Rights Issue symbol on the Tadawul screen after the end of the Trading Period. Therefore, the Rights trading will end with the end of the Trading Period.</p>
Indicative Value of the Right	<p>The indicative value of a Right reflects the difference between the Company’s share market value during the Trading Period and the Offer Price.</p> <p>Tadawul will continuously calculate and publish the indicative value of a Right during the First Offering Period on its website with 5 minutes delay. The market information service providers will also publish this information. This will allow investors to be informed of the indicative value of a Right when entering the orders.</p>
Right Trading Price	<p>The price at which the Right is traded. This price is set through the market offer and demand mechanism; therefore, it may differ from the Indicative Value of the Right.</p>
Exercising the Issued Rights	<p>Eligible Persons subscribe for New Shares by completing a Subscription Application Form and paying the relevant fee at the Receiving Agents’ branches or by subscribing electronically through the Receiving Agents offering such services to Applicants. Eligible Persons may exercise their Rights as follows:</p> <ol style="list-style-type: none"> 1. During the First Offering Period, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the Number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered and unregistered Shareholders may trade in the Rights. 2. During the Second Offering Period, all Rights’ holders, whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their right to subscribe. <p>In the event that Rights have not been exercised by Eligible Persons before the end of the Second Offering Period, the Rump Shares resulting from the unexercised Rights or failure to sell the Rights will be offered in the Rump Offering.</p>
Public	<p>In the Listing Rules, it means the persons other than the following:</p> <ol style="list-style-type: none"> 1. affiliates of the issuer; 2. substantial shareholders of the issuer; 3. directors and senior executives of the issuer; 4. directors and senior executives of affiliates of the issuer; 5. directors and senior executives of substantial shareholders of the issuer; 6. any relative of persons described at (1), (2), (3), (4) or (5) above; 7. any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or 8. persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.
Shares Allocation	<p>New Shares will be allocated to each investor according to the number of Rights subscribed for in a complete and correct manner. Fractional Shares will be collected and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed to the Eligible Persons no later than Sunday 01/11/1436H (corresponding to 16/08/2015G). (Please see Section 19 “Subscription Terms and Conditions”).</p>
Payment of Compensation Amounts (if any)	<p>Cash compensation amounts will be paid to Eligible Persons who did not subscribe wholly or partially for the New Shares, as well as to the holders of fractional Shares on Sunday 01/11/1436H (corresponding to 16/08/2015G) at the latest. (Please see section 19 “Subscription Terms and Conditions”). Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and fractional Shares (in excess of the Offer Price).</p>
Eligibility for Dividends	<p>The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, after they are issued and in respect of subsequent financial years.</p>

Use of the Offering Proceeds	<p>Net Offering Proceeds is expected to stand at one hundred forty two million Saudi Riyals (SAR 142,000,000). The Company intends to use the Net Offering Proceeds mainly for the Company's business along with maintaining the required solvency margin and minimum level of capital according to the requirements of the Insurance Companies Control Law. Founding Shareholder will not receive any amounts of the Offering Proceeds (please refer to section 11 "Use of the Offering Proceeds"). The expected total costs will be covered by subscription for the Rights under this Prospectus.</p> <p>All insurance companies operating in the Kingdom of Saudi Arabia practice their business according to the and its Implementing Regulation and the subsequent amendments issued by the Saudi Arabian Monetary Agency from time to time.</p> <p>The above referenced Law stipulates that insurance companies shall maintain a Minimum Solvency Margin that is no less than the following three amounts:</p> <ul style="list-style-type: none"> • Minimum Capital Requirements. • Solvency Margin as per the premiums method. • Solvency Margin as per the claims method. <p>Insurance companies need to maintain their Net Admissible Assets at a minimum of the above mentioned solvency margin. This requirement is translated into the need for maintaining a minimum Solvency Margin Cover of (100%) (Net Admissible Assets divided by the Minimum Margin of Solvency).</p>
Voting Rights	<p>The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the right to attend and vote at the General Assembly meeting.</p>
Shares trading	<p>Trading in the Rights on Tadawul is anticipated to start immediately after final allocation of shares and completion of all related formalities.</p>
Risk Factors	<p>There are certain risks relating to investment in the Offering. These risks can be generally categorized into (a) risks related to the Company business and operations; (b) risks related to the market and regulatory environment; and (c) risks related to the Shares. These risks have been presented in section 2 of this Prospectus entitled ("Risk Factors") in this Prospectus.</p>
Previously listed shares by the Issuer	<p>The Company listed ten million (10,000,000) shares on the Saudi Stock Exchange (Tadawul) on 06/05/1428H (corresponding to 23/05/2007G). The Founding Shareholder subscribed for (60%) of the Company's capital and the remaining portion of the capital (40%) has been offered through an IPO. The Number of free shares as at the date of this Prospectus is million (7,000,000) shares. The Company is committed to announce any change in the ownership percentage of the Founding Shareholder.</p>
Strategic Partners	<p>A Strategic Partner is a Company (or group of companies) that has (have) technical, technological, and management experience as well as marketing activity, financial capabilities, and added value of all aspects for becoming a partner in a business, activity, or industry so it develops it, provides solutions to the problems facing this activity and then play a large and active role in its management. These descriptions are representative in the Islamic Arab Insurance Company (a UAE joint stock company) that owns 30% of the Company shares.</p>
Restrictions to shares	<p>The Company's shares have been listed on Tadawul on 07/05/1428H (corresponding to 23/05/2007G). Therefore, the restriction period on disposition of shares had expired since 2010G. Hence, all shares are tradable according to the rules, regulations and directives issued by the CMA. However, Founding Shareholder and the Strategic Partner must obtain SAMA and then CMA approvals before disposing of their shares.</p>
Restriction on the Rights	<p>There are no any restrictions on the Founding Shareholder to subscribe for the New Rights, except the requirement for obtaining SAMA's approval by the Strategic Shareholders for trading of Rights. Notably, Islamic Arab Insurance Company (IAIC) committed to participate in the capital increase through issue of rights. IAIC confirmed to the Company and SAMA its commitment to exercise all the Rights allocated to it and subscribe for the New Shares. However, there are restrictions on IAIC with regard the trading in the Rights without obtaining SAMA approval. For more details on IAIC, please refer to section 4-7 of this Prospectus entitled (substantial Shareholders).</p>
Terms of subscription for the Rights	<p>Subscription to the Rights shall be limited to the Registered Shareholders in the Company's register at the closing time of trading on the day of convening the EGM on 13/09/1436H (corresponding to 30/06/2015G). The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the Subscription terms or requirements. Subscription Application Forms must be completed in accordance with the instructions mentioned in section 19 "Subscription Terms and Conditions" of this Prospectus. No amendment or withdrawal can be made to the Subscription Application Form after submission. Once accepted by the Company, a Subscription Application Form shall represent a legally binding agreement between the Company and the Subscriber. (Please see section 19 "Subscription Terms and Conditions" of this Prospectus).</p>

The "Important Notice" and "Risk Factors" sections of this Prospectus should be considered carefully prior to making any investment decision to subscribe for the offered shares.

Key Dates for Subscribers

Milestone	Date
EGM, setting the Eligibility Date and Eligible Shareholders	on Tuesday 13/09/1436H (corresponding to 30/06/2015G)
First Offering Period Date and Trading in Rights	From Monday 19/09/1436H (corresponding to 06/07/2015G) until Wednesday 28/09/1435H (corresponding to 15/07/2015G)
Second Offering Period Date	From Sunday 10/10/1436H (corresponding to 26/07/2015G) until Tuesday 12/10/1435H (corresponding to 28/07/2015G)
Offering Period End Date and deadline for submitting Subscription Applications Forms	on 12/10/1436H (corresponding to 28/07/2015G)
Rump Offering Period Date	From Sunday 17/10/1436H (corresponding to 02/08/2015G) until Monday 18/10/1435H (corresponding to 03/08/2015G)
Final Allocation Notification for all subscribers	on 19/10/1436H (corresponding to 04/08/2015G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions	Payment of Compensation Amounts (if any) will be paid on later than Sunday 01/11/1436H (corresponding to 16/08/2015G)
Date for the commencement of trading in Offer Shares	Trading in Offer Shares will commence after completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website

Key Announcement Dates

Announcement	Announcer	Announcement Date
Announcement regarding the EGM (Eligibility Date)	Company	on Tuesday 13/09/1436H (corresponding to 30/06/2015G)
Announcement regarding the EGM outcome, including the approval of the Company's Capital increase	Company	on Wednesday 14/09/1436H (corresponding to 01/07/2015G)
Announcement regarding the change in Company's share price, shares' deposit and announcement regarding the Indicative Value of the Right	Tadawul	on Wednesday 14/09/1436H (corresponding to 01/07/2015G)
Announcement regarding the New Shares subscription periods and rights trading	Company	on Wednesday 14/09/1436H (corresponding to 01/07/2015G)
Reminder Announcement regarding the First Offering Period and the Rights Trading Period	Company	on Sunday 18/09/1436H (corresponding to 05/07/2015G)
Reminder announcement of the last Trading day for the Rights Issue and the importance of selling Rights for those not willing to exercise such Rights	Tadawul	on Tuesday 27/09/1436H (corresponding to 14/07/2015G)
Announcement regarding the commencement of the Second Offering Period	Company	on Sunday 10/10/1436H (corresponding to 26/07/2015G)
Reminder about the last Trading day for submitting Subscription Application Forms for the Second Offering Period	Company	on Tuesday 12/10/1436H (corresponding to 28/07/2015G)
Announcement regarding: Outcome of the First and Second Offering Periods, Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering.	Company	on Sunday 17/10/1436H (corresponding to 02/08/2015G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	Company	on Tuesday 19/10/1436H (corresponding to 04/08/2015G)
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	on Tuesday 26/10/1436H (corresponding to 11/08/2015G)
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	Company	on 01/11/1436H (corresponding to 16/08/2015G)

The above timetables and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul's website www.tadawul.com.sa.

How to Apply

Subscribing for the New Shares shall be limited to Eligible Persons. In the event that Eligible Persons do not subscribe for the New Shares, the unsubscribed shares shall be offered to Institutional Investors through the Rump Offering. Eligible Persons wishing to subscribe for the New Shares shall fill the Subscription Application Forms available during the First Offering Period and the Second Offering Period (as applicable) at the Receiving Agents' branches then deliver the same to any of these Receiving Agents before the end of the Second Offering Period, even though they do not have an account with the receiving agent. Subscription may be made through the Internet, banking phone or ATMs to the Receiving Agents that provide any of such services to the Eligible Persons, under two conditions: (1) The Eligible Shareholders should have a valid banking account with a Receiving Agent that provide this service, and (2) no amendment has been introduced to the data relating to the Eligible Person since his/her subscription in a recent offering unless such amendments have been communicated to the Receiving Agent and adopted by it.

Subscription Application Forms must be completed in accordance with the instructions mentioned under section (19) "Subscription Terms and Conditions" of this Prospectus. Every subscriber must fill in, accept and complete all relevant items in the Subscription Application Form. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the Subscription terms or requirements. No amendment or withdrawal can be made to the Subscription Application Form after submission to the Receiving Agents. Once accepted by the Company, a Subscription Application Form shall represent a legally binding contract between the Company and the Eligible Person (Please see section 19 "Subscription Terms and Conditions" of this Prospectus).

FAQs about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights deposited?

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period.

How are Registered Shareholders notified of the Rights being deposited in their accounts?

The Registered Shareholders are notified through an announcement on the Tadawul website.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder as at the close of trading on the date of the EGM.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the date of the EGM. If a company, for example, has issued 1,000 shares and increases its capital by offering 500 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 2 (one new share for every two existing shares).

Is the Right's trading name and symbol will be different than the Company's name and symbol?

Yes, the Rights will be deposited in Shareholders' portfolios under a new symbol.

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), then the opening price of the Rights will be SAR 25 (twenty-five Saudi Riyals), (i.e. the difference between the above mentioned prices).

Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. These Rights can be exercised to subscribe for the new additional shares only during the Second Offering Period.

How does the Offering take place?

The Offering will take place by the submitting Subscription Application Forms at any of the Receiving Agents' branches (mentioned previously in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, this will happen only after depositing their certificates in investment accounts through the Receiving Agents or the Tadawul's Depository Center and submitting the requisite documents

What will happen in case of subscribing for the New Shares and sell the Rights after that?

If a Registered Shareholder subscribes for the New Shares and then sells the Rights and has not purchased a number of Rights equivalent to the Rights he/she subscribed for before expiry of the trading period, the subscription application will be rejected totally if he/she sold all of the Rights, or partially if he/she sold only part of such Rights. The Registered Shareholder will be notified accordingly, and the rejected subscription amount will be refunded to him/her through the Receiving Agent.

Are additional Rights purchasers entitled to trade them once again?

They may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

The investor may sell a part of these Rights and subscribe for the remaining part.

Is it possible to subscribe during the weekend between the First and Second Offering Periods?

No, that is not possible

When the subscriber can subscribe for the Rights he purchased during trading period?

During the second phase only after completion of the trading period in the Rights.

Can the Eligible Person sell the Right after expiry of the Trading Period?

That is not possible. After expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What will happen to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?

The Rump Shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

Will there be any additional fees for the trading in Rights?

The same commissions applying to the shares will also apply, but without a minimum commission being imposed.

Can Shareholders subscribe more than once through more than one receiving bank?

Yes, they are allowed to subscribe. However, the quantity of subscribed shares should not exceed the number of rights acquired upon the end of rights trading period. Any excess in the shares subscribed over the number of rights acquired at the end of rights trading period will result in the cancellation of subscription application.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company relating to the Rights are deposited. Example: If a shareholders holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited will be (100) Rights as each share is eligible for (1) Rights. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

In case of subscription through more than one portfolio, where will the new shares be deposited after allocation?

According to the rules of the Securities Repository Center, securities will be added to the newest open investment portfolio of the securities holder except for depositing of securities owned under certificates.

Summary of Key Information

This summary is a brief overview of the information contained in this Prospectus and does not contain all of the information that may be important to Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the new Shares. All terms contained in this Prospectus have been defined in section 1 "Definitions and Abbreviations" of this Prospectus and in other sections in the Prospectus.

Company Overview

The Company was incorporated as a Saudi joint stock Company in accordance with the Royal Decree No. M/60, dated 18/9/1427H (corresponding to 11/10/2006G), Council of Ministers Resolution No. 233 dated 16/9/1427H (corresponding to 09/10/2006G) and the Ministerial Resolution announcing incorporation of the Company No. (112/Q), dated 29/04/1428H, (corresponding to 16/05/2007G). The capital of the Company is (SAR 100,000,000) one hundred million Saudi Riyals fully paid divided into (10,000,000) ten million ordinary shares, with a nominal value of (SAR 10) ten Saudi Riyals per share. The Company's head office is in Jeddah, bin Himran Complex – Prince Mohammed Bin Abdulaziz Street, Al Tahliya Alnaqd, registered under Commercial Registration No. (4030169661) issued from Riyadh, dated 06/05/1428H, (corresponding to 23/05/2007G). It was also registered in the registry of the city of Jeddah. The Company has been licensed by the Saudi Arabian General Investment Authority under license No. (870/1), dated 13/09/1426H (corresponding to 15/10/2005G), authorized to practice insurance business by the Saudi Arabian Monetary Authority under license No. TMN/4/20079, dated 29/8/1428H corresponding to 11/09/2007G. Accordingly, Salama has been licensed to conduct insurance activity, which includes the following main insurance services practiced by the Company in Saudi Arabia: (1) General Insurance, and (2) health insurance. The Company practiced its activities in accordance with the Insurance Law, its Implementing Regulations and other applicable instructions in KSA under supervision of SAMA.

The Company practices its activities in Saudi Arabia through its licensed branches at Jeddah, Riyadh, Dammam and Buraidah cities, in addition to a number of sale points distributed across most of the cities & regions.

On 03/08/1433H (corresponding to 23/06/2012), the Company name was adjusted during the Extraordinary General Assembly to become "Salama Cooperative Insurance Company" after adjustment.

On 14/8/1435H (corresponding to 12/6/2014G), the Board recommended to increase the Company capital from (SAR 100,000,000) one hundred million Saudi Riyals to (SAR 250,000,000) two hundred and fifty million Saudi Riyals via the offering of Right Issues to be able to maintain the required solvency margin. Vide SAMA letter No. (351000147528), dated 01/12/1435H (corresponding to 25/09/2014), the Company obtained the final approval of the Saudi Arabian Monetary Agency (SAMA) to increase its capital. On 13/9/1436H (corresponding to 30/6/2015G, the Extraordinary General Meeting approved the Board's recommendation to increase the Company's capital.

Company Business

The Company has been licensed to practice the following insurance activities: (1): General Insurance and (2) Health Insurance. So far, the Company has obtained final and temporary approvals to practice the following types of insurance:

Final Approvals:

1. Profit loss policy resulting from machinery malfunctioning.
2. Contractors All Risks Insurance
3. Installation All-Risk Policy
4. Contractors Machinery and Equipment Insurance
5. Machinery Malfunctioning Insurance
6. Electronic Devices Insurance
7. Fidelity Insurance
8. Land Transportation (All Risk) Insurance
9. Land Transportation (Specified Risk) Insurance
10. Marine All Risk Insurance
11. Marine Specific Risk Insurance
12. Hull and Machinery Insurance
13. Cash Insurance
14. Fire Insurance
15. Property All Risk Insurance
16. Public Liability Insurance
17. Workers Compensation Insurance

Temporary Approvals:

1. Motor Comprehensive Insurance
2. Motor Mandatory Insurance

Policies still under consideration by SAMA

1. Marine Cargo Insurance

Each document of the abovementioned insurance products requires the Company to distribute at least 10% of the annual net surplus resulting from the insurance businesses, if any, on the policyholders after deducting the Company's administrative expenses, liabilities and reserves. Such distribution will be made either directly or by deducting it from the subscription value on the insurance policies for the next year. The distribution amount, timing, method & mechanism will be determined in accordance with the provisions of Article (70) of the Implementing Regulations issued by SAMA. Exceptions, conditions, subscription amounts and cancellation processes vary in accordance with each policy of the product to be covered.

Company Incorporation Milestone

The Founding Shareholder obtained incorporation license pursuant to the Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) and Council of Ministers Resolution No. (233), dated 16/09/1427H (corresponding to 09/10/2006G). The Company commenced its business on the date of the Ministerial Resolution announcing its incorporation No. (112/Q), dated 29/04/1429H (corresponding to 16/5/2007G). The Company shares were listed on the Saudi Stock Exchange (Tadawul) on 07/05/1428H, (corresponding to 23/05/2007G).

The Company confirms that it has not since foundation and until the date of this Prospectus increase its capital through Rights Issue.

Substantial Shareholders

Until 08/12/2014G, the only shareholder who owns more than 5% in the Company's Share Capital is the Islamic Arab Insurance Company "IAIC", which owns 30% of Salama shares.

Shareholder	Number of Shares	Pre-Offering Ownership percentage	Amount (SAR)
Islamic Arab Insurance Company (IAIC)	3,000,000	30%	30,000,000

Company Vision

To be the provider of optimal insurance solutions. The level of the Company's success will be measured through customers' selection of the Company and their trust in its ability to excel by providing services, experiences, prices and values to their expectations.

Company Mission

The Company seeks to meet individuals and companies needs in order to assist them in managing daily risks, compensate them on unforeseen incidents and achieve their aspirations.

This will be achieved by engaging in long term relations that enable the Company to understand the needs of its customers, move proactively to meet them, provide high profile insurance solutions and high level services that exceed their expectations.

Company Values

1. Honest relations and trustworthy management
2. Systematic and distinct Dynamic performance
3. Transparency and commitment to responsibilities
4. Exceeding customer expectations
5. Providing good returns

Company Strategy

Salama aims to be a leading provider of Takaful insurance products that comply with Islamic Shariah (Law) in the Kingdom of Saudi Arabia thru the provision of competitively priced high quality services. The Company provides a number of products designed to meet the needs of its individual and Company's clients, individuals and corporations. The Company intends to avail the strength points of its Founding Shareholder and their experience, expertise and administrative proficiency. The Company goals are derived from its primary concentration on clients' satisfaction, operational efficiency, personnel and profitability. The Company aims to:

- Target different client segments to design and offer distinct and high quality/price services designed specifically to meet the needs of every segment.
- Provide Company clients with high quality services and process claims with maximum speed and efficiency.
- Establish, enhance and maintain special relations thru a high-level system for client relation management (CRM); utilize extensively the Information Technology to build and consolidate high service standards. Our clients' loyalty is reflected via the clients' high retention rate and their repeated dealings with the Company.
- Work and coordinate closely with our partners in distribution channels to understand clients diversified needs. We work with these partners to design insurance solutions that satisfy the requirements of our institutional and individual customers.

Strengths and Competitive Advantages

- Qualified Management staff with long experience in the insurance market in Saudi Arabia.
- Strong IT infrastructure that meets the information needs of Salama's operations for the long-term.
- Multiple distribution channels including brokers, agents and sales specialists.
- Reinsurance agreements with major internationally recognized reinsurers.
- Benefit from the development of the mandatory insurance lines mandated by regulators and the huge insurance activity of individuals market in Saudi Arabia.

Overview on the Insurance Sector in Saudi Arabia

The information included in this Prospectus in connection with the insurance sector and other information relating to the market where the Company is operating has been collected from different sources. To ascertain validity of such sources, the Company conducted reasonable verifications. Even though there is no reason for the Company or any of its advisors whose names appear on pages (vi) & (vii) to believe that false information is incorporated in those sources & estimation, no statement or assurance is available as to its accuracy or perfection. Those sources include the following:

- The Company's estimations and projections;
- Information & analyses pertinent to insurance industry which have been secured from sources and materials issued by other parties and available to the public;

The insurance market in Saudi Arabia has just emerged recently with the insurance industry tended in 1970s to cover only the export and oil markets. In the past, the insurance market experienced various obstacles due to the lack of regulating codes. At the time, there have been more than 100 registered companies as external units operating from overseas as international insurance brokers or private insurers' agents providing insurance services in Saudi Arabia. Those companies were registered in Bahrain, which is geographically close to Saudi Arabia. With the absence of a regulating framework, policyholders suffered from the lack of an official market that would protect consumer interests from fraud or illegitimate acts. This gave rise to creation of reforms and insurance market restructuring in Saudi Arabia. The step was followed by the resolution of the Senior Scholars Commission in Saudi Arabia No. 51 dated 4/4/1397H (corresponding to 23/3/1977G) by which the cooperative insurance was deemed a form of donation contract, thus it is acceptable by Shariah. On 1406H (1986G), the government established the first cooperative insurance company of its kind, which was the Saudi National Insurance Company "Tawuniya" for the purpose of meeting the local insurance requirements and satisfying the government ambition for instituting an insurance sector under its control. Up to 31st March 2014, there have been 35 insurance & reinsurance companies operating in Saudi Arabia along with 76 brokers & 76 agents.

The Saudi Arabian Monetary Agency (SAMA) is tasked with regulating & overseeing the insurance sector as well as preparing and enforcing the license standards for the insurance companies. The new regulation requires all insurance companies to be listed and licensed in Saudi Arabia as joint stock companies so that they can exercise their insurance business in KSA. The new regulation is not only applicable to the insurance companies, but also to the reinsurers, reinsurer brokers, agents and loss settlement offices.

The local insurance sector has witnessed a transitional phase when the existing companies then were allowed to conduct business within a grace period that elapsed on 09/04/2008G after which either they obtain SAMA license to do business in KSA as per the Cooperative Insurance Companies Control Law of 2003G, or exit the market. SAMA allowed those companies, which completed studies of their files or those for which incorporation royal decrees had been issued but their incorporation procedures had not completed, to renew their customers' insurance policies within a period that expired on 17/02/2010G.

The structural reforms implemented by the government have resulted during the past few years in the growth of the insurance sector at high rates, where the insurance industry has grown from US\$ 2.9 billion in 2008 to US\$ 6.7 billion in 2013 with a CAGR of 18%.

In 2013, Motor Insurance accounted for 49% of the total written insurance premiums, while the Health Insurance accounted for 33%. The health insurance is compulsory to all expatriates and to the nationals in the private sector. Motor Insurance is also part of the regulatory requirements.

Summary of the Company's Financial Information

The summary of the Company's financial statements and table of key indicators listed below should be read alongside the audited financial statements for the fiscal years ended 31 December 2011, 2012, 2013G, and the reviewed financial statements for the period ended 30/9/2014G including the accompanying notes included in other sections of this Prospectus.

Currency (SAR'000)	December 2011G	December 2012G	December 2013G	9 months 2014G
Balance sheet				
Shareholders' Operations Total Assets	187,994	169,259	219,467	260,910
Total Shareholders' assets	96,429	75,342	31,107	37,214
Total Assets	284,423	244,601	250,574	298,124
Total Insurance Operations' Liabilities	187,994	169,259	219,467	260,910
Total Shareholders' Liabilities	11,438	6,388	3,904	5,341
Total Shareholders' Equity	84,991	68,954	27,203	31,873
Total shareholders' liabilities and equity	96,429	75,342	31,107	37,214
Total liabilities and equity surplus	284,423	244,601	250,574	298,124

Currency (SAR'000)	2011G	2012G	2013G	9 months 2014G
Results of operations				
Gross written premium	218,663	204,258	218,299	256,835
Total costs	102,578	173,441	196,150	160,571
Surplus (deficit) from insurance operations	4,911	(16,022)	(48,627)	2,940
Shareholders share in the surplus/(deficit) from insurance operations	4,420	(16,022)	(48,627)	(2,646)
Processing Shareholders' Operations				
Shareholders share in the surplus/(deficit) from insurance operations	4,420	(16,022)	(48,627)	(2,646)
Investment income	537	5,264	7,234	2,841
Other revenues	20	66	-	-
General and administrative expenses	(906)	(465)	(152)	(491)
zakat	(1,800)	(1,800)	(600)	(800)
Net profit (loss)	2,271	(12,957)	(42,145)	4,196
Outstanding Shares	100,000	100,000	100,000	100,000
Profit (loss) per share	0.02	(0.13)	(0.42)	0.04

Currency (SAR'000)	2011G	2012G	2013G	9 months 2014G
Statement of cash flows of Insurance operations				
Net cash flows / (used in) operating activities	10,606	(4,312)	60,524	25,855
Net cash flows / (used in) investment activities	(4,735)	1,959	(61,348)	(35,946)
Cash and cash equivalents at the end of the year	43,560	37,289	36,465	26,374
Statement of cash flows for the shareholders operations				
Net cash used in operating activities	(9,420)	(23,307)	(51,120)	7,419
Net cash used in investing activities	(3,742)	7,305	38,404	(7,425)
Cash and cash equivalents at the end of the year:	29,373	13,371	33	27

Major Indicators

Analysis of key ratios Currency (SAR'000)	December 2011G	December 2012G	December 2013G	9 months 2014G
Average growth of Gross Written Premiums	N/A	(6.6%)	6.9%	49.0%
Net written premiums as a percentage of gross written premiums	82.5%	86.3%	92.9%	93.2%
Commission paid as a percentage of gross written premiums	9.2%	3.1%	2.7%	3.5%
Commission received as a percentage of gross written premiums	9.4%	18.3%	21.8%	20.6%
Net loss rate	61.6%	78.0%	99.1%	80.0%
Expenditure rate	13.8%	9.7%	8.7%	5.9%
Total net loss rate and expenditure rate	75.4%	87.7%	107.8%	85.9%
Net income as a percentage of the total insurance premiums	2.9%	(7.1%)	(24.3%)	1.5%
Number of policies	3,498.0	1,904.0	1,383.0	818.0
Average gross premiums written for policy	62.5	107.3	157.8	314.0
Number of claims				
Motor	307.0	411.0	426.0	371.0
Medical Insurance	N/A	N/A	293.0	57.0
General accident	39.0	27.0	30.0	18.0
Average amount for each claim				
Motor	262.9	297.9	318.2	401.7
Medical Insurance	-	-	94.4	268.4
General accident	403.1	70.5	165.0	431.0

Summary of Risk Factors

Three main risk groups are associated with the Right Issues, summarized as follows:

- Risks relating to the Company activities and operations;
- Risks associated with the market and regulatory environment;
- Risks relating to the offer shares.

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1. Definitions and Abbreviations

The following table includes a list of definitions and terms for the expressions included in the Prospectus:

Table (1-1): definitions and terms

Defined term or expression	Definitions
International Financial Reporting Standards (IFRS)	A set of accounting standard and interpretations issue by the Council of International Accounting Standards
MENA (Middle East and North Africa)	In includes all countries of the Middle East and North Africa: i.e. Iraq, Jordan, UAE, Bahrain, Algeria, Saudi Arabia, Sudan, Kuwait, Morocco, Yamen, Tunisia, Oman, Syria, Palestine, Qatar, Lebanon, Libya, Egypt, Mauritania, Turkey, and Iran.
Salama or the Company	Salama Cooperative Insurance Company, a Saudi joint stock company
Management or Senior Management	Salama Cooperative Insurance Company's Management team
Senior Executives	Executive Officers of the Company whose names are included in Section 4-5 "Senior Management" of this Prospectus
Subscribe for the Shares	Offering of 15,000,000 ordinary shares of the Rights to the Company Shareholders as of the Eligibility Date
Offer Shares	15,000,000 Ordinary Share of Salama Cooperative Insurance Company
Eligibility Right	The date of convening the EGM to approve the Capital Increase
SAMA License	The license given to the Company by SAMA
SAR or SR	Saudi Riyal, the local currency of Saudi Arabia
First Offering Period	From Monday 19/09/1436H (corresponding to 06/07/2015G), until the end of the day on Wednesday 28/09/1436H (corresponding to 15/07/2015G) ("First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights.
Trading Period	Trading Period will start during the first Offering Period on Monday 19/09/1436H (corresponding to 06/07/2015G)
Second Offering Period	From Sunday 10/10/1436H (corresponding to 26/07/2015G), until the end of the day on 12/10/1436H (corresponding to 28/07/2015G), during which all Right holders whether Registered Shareholders or purchasers of Rights during the Trading Period (collectively as "Eligible Persons" and severally as "Eligible Person" may exercise their Rights to subscribe. Rights may not be traded during the Second Offering Period.
Rump Shares	The remaining shares that have not been subscribed for during the first and second offering periods
SAGIA	General Investment Authority in Saudi Arabia
Rump Offering	Offering of any Rump Shares unsubscribed for by the Eligible Persons to Institutional Investors ("Institutional Investors") during the Rump Offering Period.
Rump Offering Period	Rump Offering Period starts from Sunday 17/10/1436H (corresponding to 02/08/2015G) at 10:00 a.m. up to 10:00 a.m. of the following day which Monday 18/10/1436H (corresponding to 03/08/2015G)
Eligible Person(s)	Registered Subscriber(s) who purchased Rights during the trading period
Trading of Rights	Eligible Persons may trade in (Buy and Sell) the Rights of (3) rights for each (2) of the Company's shares in Tadawul.
Exercising of Rights	Application for subscription to the New Shares by the Eligible Persons

Defined term or expression	Definitions
Institutional Investors	<ol style="list-style-type: none"> Publicly offered investment funds established in the Kingdom that invest in securities listed on the Exchange, provided that the fund's terms and conditions permit such investment, and provided that the terms and conditions of the Investment Funds Regulations are observed; Persons authorized to deal in securities as principal, provided that financial adequacy requirements are observed; Companies listed on the Saudi Stock Exchange through their portfolios managed by authorized persons, banks and insurance companies listed in Tadawul, according to the regulations issued by the CMA, provided that the Company's involvement does not lead to a conflict of interests.
Underwriting Agreement	The Underwriting Agreement concluded between the Underwriter and the Company
Receiving Agents	The National Commercial Bank, Samba Financial Group, Al Rajhi Bank, Riyadh Bank and Banque Saudi Fransi
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia.
Shareholders Meeting	Shareholders meeting of the Company's shareholders
The Government	The Government of Saudi Arabia
Offer Price	SAR 10 per Offer Share
Subscription Period	From Monday 19/09/1436H (corresponding to 06/07/2015G), until Tuesday 12/10/1436H (corresponding to 28/07/2015G),
Share	A Share of the Company, fully paid, with a nominal value of ten Saudi Riyals (SAR) each
Nominal Value	Ten Saudi Riyals (SAR 10) per share
Saudization	Labor regulations of the Kingdom imposing upon the companies operating in Saudi Arabia to employ a certain percentage of Saudi nationals
The Exchange (Tadawul)	A Saudi Automated stock Exchange to trade in shares
Person	Any natural or judicial person acknowledged as such by the Kingdom's laws
Related Party	<p>They are meant to be in the Listing Rules:</p> <ol style="list-style-type: none"> The issuer's affiliates The issuer's substantial shareholders. The issuer's Directors and senior executives. The issuer's affiliates' directors and senior executives. The issuer's substantial shareholders' directors and senior executives. The issuer's Legal Advisor and Financial Advisor. Any relatives of persons described at (1, 2, 3, 4 or 5) above. Any Company controlled by any person described at (1, 2, 3, 4, 5, 6 or 7) above
Control	<p>The ability to influence the actions or decisions of another person, directly or indirectly, alone or in combination with a relative or affiliate, through any of the following:</p> <ul style="list-style-type: none"> Possession of a ratio equals to 30% or more of the voting rights in the Company; and The right to appoint 30% or more of the members of the management team. <p>The term "Control" shall be interpreted accordingly.</p>
Financial Statements	The Company's audited financial statements for the years ended on 31 December 2011, 2012 and 2013G and the reviewed financial statements for the period ended on 30 September.
Listing Rules	The Listing Rules issued by the CMA under Article 6 of the Capital Market Law issued by the Royal Decree M/30 on 02/06/1424H (corresponding to 31/07/2003G)
Financial or Fiscal Year	The year ending on 31 December of every Gregorian year

Defined term or expression	Definitions
Offering Proceeds	Total Value of subscribed shares
Net Offering Proceeds	Net Offering Proceeds net of Offering Expenses
Financial Advisor and Lead Manager	NCB Capital Company that has been appointed by the Company as a Financial Advisor and Lead Manager
Underwriter	NCB Capital Company that has been appointed by the Company as an Underwriter
Board or Board of Directors	Board of Directors the Company
Shareholders	Holders of Shares at any time
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the date of the EGM.
Substantial Shareholder	A person who owns 5% or more of the Company's Share Capital
Founding Shareholder	As per the Company's Article of Association, the Founding Shareholders are: <ol style="list-style-type: none"> 1. Islamic Arab Insurance Company (IAIC). 2. Bin Dawood Commercial Markets. 3. Al-Malaz Group Company. 4. Joint works Company. 5. United Developers Company. 6. Al-Shair Group Company. 7. Dr. Saleh Jameel Malaikah. 8. Mr. Rashid Abdullah Al-Suwiaket. 9. Mr. Ayman Ismael Abu Dawood. 10. Mr. Hussein Hassan Bayari.
GDP	Gross Domestic Product of K.S.A
Voting Rights	The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the right to attend and vote at the General Assembly meeting.
Advisors	Parties that provide services relating to the Offering, whose names appear on pages (vi-vii) of this Prospectus
Actuary	A person who applies various statistical and probability theories to determine the pricing of insurance products assess the liabilities and calculate provisions.
Gross Written Premium	Gross written premium of insurance policies within certain timeframe without deducting the premiums ceded to reinsurance companies.
Net Written Premiums	Net Written Premiums are calculated after deducting the reinsurance
Subscriber	Every Eligible Shareholder who applies for subscription to the Offer Shares according to the issue terms and conditions
KSA, Saudi Arabia, or the Kingdom	The Kingdom of Saudi Arabia
CMA or the Authority	Capital Market Authority of Saudi Arabia
Substantial Shareholders	Those are the Shareholders who own 5% or more of the total Company Shares, viz. Islamic Arab Insurance Company (IAIC) (a USE joint stock Company).
Strategic Shareholder	Islamic Arab Insurance Company (A UAE joint stock Company) that owns 30% of the Company Shares.
Tadawul or the Exchange	An automatic system for trading of Saudi shares
SAMA	Saudi Arabian Monetary Agency
IMF, or International Monetary Fund	A Specialize agency of Bretton Woods System, a United Nation Affiliate, established pursuant to an international pact in 1945 to act upon bolstering world economy with its head office in Washington D.C, managed by its members including nearly most world countries.
By-Laws	The Company's By-Laws

Defined term or expression	Definitions
Companies Regulations	The Companies Regulations issued by Royal Decree No. M/6, dated 22/3/1385H (corresponding to 22/07/1965G), as amended.
Ministry	Ministry of Commerce and Industry in the Kingdom of Saudi Arabia
Cooperative Health Insurance Council (CHIC)	Cooperative Health Insurance Council established pursuant to the Cooperative Health Insurance Law promulgated by Royal Decree No. M/10, dated 05/1420H (corresponding to 13/05/1999G) and the amendments thereto.
Beneficiary	A natural or judicial person benefiting from the returns that include an insurance policy as a result of being exposed to some covered risks.
Facultative Reinsurance	An optional case-by-case method of reinsurance. The reinsurer has the option to accept or reject the offered risks.
Insurance Broker	A judicial person who undertakes against a commission to represent the existing or potential insured to attract insurance contracts and negotiate them.
Insurance Agency	A judicial person who undertakes against a specific fee to represent the insured to attract insurance contracts and negotiate on them and enter into such contracts.
Reinsurance	The process by which an insurer or reinsurer insures or reinsures another insurer or reinsurer (the ceding company) against all or a portion of the insurance or reinsurance risks
Reinsurer	A reinsurance company that accepts insurance contracts from another insurer for some or all the risks it has assumed
GCC	Gulf Cooperation Council
Risk	An event that includes or may not include a loss, but does not include any gain.
Technical Provisions	The value set aside to cover expected losses arising on a book of insurance policies and its financial obligations
Solvency Margin	The extent of increasing the Company assets convertible to cash over its liabilities.
Insurer	An insurance company that accepts directly insurance contracts from the Insured and undertakes compensation against loss incurred by the insured.
Insured	A natural person or legal person, which has entered into an Insurance Policy.
Policyholders	Persons holding insurance policies issued from and onsurance company.
Insurance Policy	A legal document or a contract issued to the insured by the Company setting out the terms of the contract to indemnify the insured for loss and damages against a premium paid by the insured
Insurance Company	An insurance Company reporting to SAMA
Marine Insurance	A policy that covers what happens during the marine trip that carries goods owned by the purchaser including any damages, losses or missing whether during the shipment of goods or during transport and unload it from the exporting country to the importing country to the limit of coverage specified in the policy and according to its conditions.
Loss Increase Agreement	A reinsurance policy according to which the reinsurer incurs any loss sustained by the insured in excess of the amount incrded by the insurer mentioned in the policy signed by both of them.
Surplus Distribution	Method by which profits of insurance and reinsurance companies are distributed among Policyholders.
Insurance	A contracting mechanism by which the risk burdens are evaluated and transferred through classification and compounding.
Outstanding Claims	Claims and accidents about which the insurer reported to the Company, and wglich is still under research and have not been settled or paid yet. It is equivalent to the amount of loss claimed by the insured based on the insurance amount in the policy.

Defined term or expression	Definitions
Implementing Regulations	The Implementing Regulations for Law on Supervision of Cooperative Insurance Companies promulgated by the ministerial order No. 1/596 dated 1/3/1425H (corresponding to 21/4/2004G)
Insurance Law	Law on Supervision of Cooperative Insurance Companies promulgated by Royal Decree No. M/32 dated 2/6/1424H (corresponding to 31/7/2003G)
Premium	An amount paid by the insured to the insurer against the acceptance of the insurer to indemnify the insured against losses and damages arising directly from a covered risk.
Subscription Application Form	The application form to purchase the offered shares
Prospectus	This document prepared by the Company in relation to the Offering
Risk Factor	A group of potential impacts that must be known and hedged against before taking a decision to invest.
The Products	The products and services provided by the Company
Corporate Governance Regulations	The corporate governance regulations in KSA issued by the Capital Market Authority under resolution No 2006/212/1 dated 21/10/1427H (corresponding to 13/11/2006G) and subsequent amendments.
Working Day	A working day for the Receiving Agents, other than Fridays, Saturdays and official holidays.
Credit Rating	An opinion in the creditworthiness of an agency or creditworthiness of a security by using codes or numbers or any other form.
BBB	A credit rating from S&P
S&P	Standard and Poor's, an American company specialized in rating and development of rating indicators for the financial markets performance in different world markets in addition to providing analysis and studies to more than 2000 internationally listed companies in world markets
AA-	A credit rating from S&P

2. Risk Factors

In addition to the information contained in this Prospectus, prospective investors should carefully consider all the risk factors described below before deciding whether to purchase the Offer Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to or considered immaterial by the Company, which may preclude its operations. The Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected if any of the following risks, actually occur or become material.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section.

An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss, which might result from such an investment. Prospective investors who have doubts about which actions to take should refer to a Financial Adviser licensed by the CMA for advice about investing in the shares of this Offering.

In the event that any of the risks that the Company currently believes to be material do occur, or if any other risks that the Company does not currently consider to be material do occur, the value of the Offer Shares will decrease and prospective investors will lose all or part of their investment in the Offer Shares.

The risks and uncertainties described below are presented in an order that does not reflect their importance. Additional unknown risks and uncertainties or those deemed immaterial now, may have the impacts shown in this prospectus.

2-1 Risks relating to the Company's activities and operations

2-1-1 Failure to obtain and renew necessary licenses, permits and certificates

The Company shall obtain and maintain the regulatory necessary permits, licenses and approvals related to its activities. Such licenses include, but not limited to, the following: licenses for products obtained by the Company from SAMA, licenses issued by the Ministry of Municipal and Rural Affairs for opening stores, certificates of registration of the Company and its branches issued by the Ministry of Commerce and Industry, certificates of Chambers of Commerce, trademark registration certificates, Saudization certificates, Zakat and Income Tax (DZIT) certificates and General Organization of Social Security (GOSI) certificates.

All companies, licensed by the General Investment Authority (SAGIA), shall apply for revision of their licenses according to any modification in their data, such as capital increase, modification of trade name, or opening of branches.

The foreign investment license of the company issued by SAGIA under number (870/1) dated 13/09/1426H (corresponding to 15/10/2005G) has not been modified as for some basic data such as amendment of the Company's name from (IAIC Saudi Arabia for Cooperative Insurance) to (Salama Cooperative Insurance Co.) and all branch commercial registrations belonging to the head office, for Company's branches in Jeddah, Riyadh, Dammam and Buraidah as well as all points of sale (POSS) which have been issued commercial registrations should be mentioned in the license.

Upon review of the Foreign Investment Regulations, and pursuant to the requirements of SAGIA for capital increase, the companies are required by regulations to apply for adjustment of their licenses after (1) issuance of final approval of SAMA for capital increase (2) completion of all formalities before the Authority (3) approval of the Extraordinary General Assembly of the shareholders on the capital increase.

The Company has not updated the data of the license issued by SAGIA, and has not renewed such a license and obtained necessary approvals for any changes in its capital, trade name or activity. This will lead to the cessation of the Company's transactions with government agencies such as the Labor Office, Passports Department, and Department of Zakat and Income (DZIT), which would have negative impact on the Company's business and results of operations.

The presence of Islamic Arab Insurance Company (IAIC) (a UAE joint stock company) within the Founding Shareholder of the Company, resulted in considering the Company as foreign capital company, and therefore the Company will remain obliged to comply with regulations and instructions of SAGIA as long as the substantial shareholder still has shares in the Company, and the Company has not been converted from a foreign capital company to Gulf capital company or national company.

On 08/08/1434H (corresponding to 17/06/2013G) members of the Board of Directors for the third session were elected without modifying the commercial registration data with regard to names of newly elected members of the current session, which is in contrary to the regulation of the commercial registry. This will expose the Company to the fine provided for in Article 15 of this regulation, not to exceed Fifty Thousand Saudi Riyals (SR 50,000).

The Company obtained the approval of SAMA pursuant to letter No. (MT/ 1775) dated 01/09/1432H (corresponding to 31/07/2011G) to open (six) branches in Jeddah, Riyadh, Dammam, Buraidah, Makkah and Medina. Until the date of this prospectus, it has opened (4) four branches in Jeddah, Riyadh, Dammam and Buraidah. As for the points of sale (POSS), the Company has been licensed to open (50) POSS as per the approval of SAMA under letter No. (MT/1924) dated 12/10/1432H

(corresponding to 10/09/2011G) and letter number (341000089070) dated 18/07/1434H (corresponding to 27/05/2013G). The Company has opened (34) thirty-four POSs until the date of this prospectus.

The Company obtained four (4) commercial registers for branches and (18) eighteen commercial registers for point of sale. This will expose the Company to the fine provided for in Article 15 of the Commercial Registration regulation, not to exceed Fifty Thousand Saudi Riyals (SR 50,000).

The Company has also obtained municipality license for one branch out of (4) four branches opened, and (21) twenty-one municipality licenses out of (34) thirty four points of sale. It has not completed the necessary legal procedures for opening (2) two branches and (16) sixteen points of sale , which will expose the Company to penalties set forth in Commercial Registry Law and regulations for fines and penalties for municipal violations (issued by the Council of Ministers resolution No. 218 dated 06/08/1428H), which set fines ranging from one thousand Saudi Riyals as a minimum to five thousand Saudi Riyals as a maximum , and may reach closure of the site, which would have a negative impact on the Company's business, results of operations and financial position (Please refer to section 15.3 " Municipality licenses issued for points-of-sale and branches").

In addition, the Company has not obtained the certificates of the Chamber of Commerce and Industry membership for Commercial Registrations of some branches and POSs, which will expose the Company to the fine provided for in Article 15 of Commercial Registration Law, not to exceed (SR 50,000) Fifty Thousand Saudi Riyals.

If the Company fails to renew current licenses or obtain necessary licenses for its work, or if such licenses are suspended, expired or renewed under inappropriate terms for the Company, or in case of the Company's inability to obtain additional licenses that might be required in future, it would be exposed to interruption of business, such as closure of some branches and POSs. This will result in disruption of the Company's operations and incurrence of additional costs, which will adversely affect the results of operations and financial conditions.

2-1-2 Shortage and difficulty of obtaining adequate financing

Should the Company need additional funding for expansion of its activities or products, or to improve its financial solvency in future, it might encounter difficulty in securing sources of funding at suitable cost. The Company's ability to obtain financing depends on several factors, including those related to the Company's ability to obtain regulatory approvals, as well as the company's results and cash flows. If it is necessary for the Company to increase its capital to obtain additional financing, this may lead to reduction of the equity of the existing shareholders. The difficulty of obtaining adequate financing in the future will have negative impact on the Company, its financial performance and business plan.

2-1-3 Dependence on key personnel and ability to appoint qualified staff

The Company relies on the capabilities and expertise of the leading staff, and therefore the Company's success may depend on its ability to ensure the continuity of keeping these competencies, and to find replacements for them if they leave the Company. The Company relies on its success in maintaining relationship with brokers through retention and continuity of the staff. The Company's success depends on its ability to attract new qualified personnel and ensure their continuity.

There can be no assurance that the Company will be able to ensure continuity of its staff services or raise the level of their skills, despite the provision of encouraging wages, remunerations and training programs. The Company may also need to increase salaries in order to ensure availability of its employees and attraction of new staff with appropriate qualifications. The Company's loss of services of one or more of the staff of its senior management, divisions and departments, may obstruct the application of its business strategy, which will have adverse impact on its business, financial condition and results of operation.

2-1-4 Dependence on Taajeer Company for Machinery, Real Estate and Car Trading and Rental ("Taajeer Company") as a major customers

The Company depends mainly on Taajeer Company as a major customer. The Company's revenues from Taajeer Company posted 30.7%, 41.4% and 45.8% of its gross written premiums in motor insurance during the years 2011G, 2012G and 2013G respectively. The non-renewal of policies or increase of total insurance premiums from Taajeer Company will lead to lower sales and profits of the Company, resulting in decrease and fluctuation of the Company's profit margins, which in turn will have a negative and material impact on the Company's future activities, financial results, prospects, financial condition and share price.

2-1-5 Risks related to Employees Behavior and Misconduct

The Company has Work Organization Bylaws approved by Ministry of Labor as per the resolution of the Deputy Minister of Labor No. (1/1/3595) dated 26/07/1434H (corresponding to 05/06/2013G). The Company has policies, controls and internal regulations, however, the Company cannot guarantee that it can deter employee's misconduct, mistakes, intentional errors, embezzlement, fraud, theft, forgery, misuse of properties and act on its behalf without obtaining the due administrative authorizations. Accordingly, such acts may have consequences and liabilities incurred by the Company, regulatory sanctions, or financial responsibility, which would adversely affect the Company's reputation. Therefore, the Company cannot guarantee that the misconduct of its employees will not substantially harm its financial condition or results of operations.

2-1-6 Credit Risk Relating to Customers

As per Article 6 of the Unified Mandatory Motor Insurance Policy issued by SAMA, insurance companies will be obliged to compensate party/parties (non-insured) for consequences of accidents covered under third party insurance policy. Insurance company has right to charge the insured, driver or the party held accountable for the accident to recover the amounts paid to other parties «if the charge is justified». Therefore, when charging the insured, the driver or the party responsible for the incident to refund the amount paid by the Company, they may procrastinate or discharge their obligation of payment, resulting in high risks, which will negatively affect the Company's financial condition and results of operations.

2-1-7 Contracts with Related Parties

The Company has entered into a number of insurance contracts with related parties, including some of its Board of Directors, Founding Shareholder, and companies belonging to members of the Board of Directors, for a total value of (SAR 133,106,965) One hundred thirty three million one hundred and six thousand nine hundred and sixty five Saudi Riyals as at 31/12/2014G. Please refer to Section 15-7-4 "Contracts and Transactions with Related Parties".

The Company has also entered into a health insurance contract of Family Takaful (life insurance) with the Substantial Shareholder, the Islamic Arab Insurance Company (UAE joint stock company), to cover its employees in the Kingdom. However, sale and marketing of insurance products by the Substantial Shareholder in the Kingdom without obtaining necessary licenses would put it and the Company accountable in front of the regulators in the Kingdom and would result in a fine of up to (SR 1,000,000) One million Saudi Riyals. In addition, the Company's commercial registration could be cancelled in accordance with the cover-up combat regulation issued by the Royal Decree No. (M/22) dated 04/05/1425H (21/6/2004G).

There is no assurance of renewal of the contracts with related parties in future at the end of their terms. It is possible that the Company's board or the General Assembly may not agree to renew these contracts, or the related parties may not agree to renew them under terms of insurance policies set by the Company. As such, non-renewal of these contracts will have negative and material impact on the profitability of the Company, its business, prospects, financial condition and results of operations.

2-1-8 Contracts with Other Parties

The Company has entered into contracts and agreements with other parties working in the field of insurance, such as contracts for settlement of insurance claims, insurance agencies and reinsurance agreements, as well as other service contracts such as information technology contracts and staff training contracts. The Company depends on these third parties' ability to meet their obligations under the terms and conditions of these contracts and agreements. No assurance can be given that these parties will meet their obligations to the levels expected by the Company. In case of inability of the Company or the contracted parties to abide by the terms of these contracts and agreements or in the event that any future disputes or issues occur and the Company lose such disputes, the Company's financial position, cash flows, results of operations and future prospects would be adversely affected (For more details see Section 15 "Legal information" - "Service Providers Contracts")

2-1-9 Insufficient Capital and Minimum Requirements

The Company may need in the future to increase its capital to expand its business and comply with the requirements of sufficient capital and solvency margins to maintain its competitive position. The capital increase in future is subject to approvals of regulators, such as SAMA and CMA. Failure of the Company to get such approvals would hinder the Company ability to keep pace with growth and commitment to regulatory requirements mentioned above, and as such would adversely and materially affect its business and financial results.

2-1-10 Investment Risks

The operating results of the Company will partially depend on the performance of its investment portfolio. Investment results are subject to a number of investment risks, including risks associated with general economic conditions, level of volatility in the market, fluctuation of interest rates, liquidity and credit risks, as well as political situations. The Company's inability to balance its investment portfolio and solvency with its liabilities, would force it to liquidate its investments at inappropriate times and prices. The investment portfolio is also subject to regulatory restrictions and unavailability of certain financial products, such as high risk-return financial derivatives, which may reduce the diversification of asset classes leading to reduction in returns on investment. The management of such investments needs an effective management system and a high degree of capability to select good quality and variety of investments. Failure of the Company in doing that could lead to a decline in returns from investments and thus would adversely and materially affect the Company's financial position and results of operations.

2-1-11 Inadequacy of Provisions (Reserves)

As per the Article 69 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company shall maintain adequate provisions to meet and cover financial obligations as below:

- Unearned Premium Reserves
- Unpaid Claims Reserves
- Claim Expense Reserves
- Incurred but not Reported (“IBNR”) Claims Reserves
- Unexpired Risk Reserves
- Disasters Risk Reserves
- General Expenses Reserves

The size of reserve is estimated based on expected trends in volume of claims and their frequency according to the data available at the time. The process of putting appropriate level of claim reserves is inherently uncertain due to the difficulty and complexity of making necessary assumptions.

The size of reserves depends on future estimates and it might prove to be inadequate in any period. In case the actual claims exceed the claims reserve, the Company would have to increase its reserves. Consequently, it might be proved that reserves allocated to meet insurance policy claims are inadequate, and as such the Company might need to increase its reserves, which would have a material negative impact on the Company’s business, financial condition and results of operations.

2-1-12 Risks relating to acquisition of insurance portfolio

In the context of the Company’s acquisition of the insurance operations portfolio, the process of acquisition evaluation would be subject to review by an independent commission assigned by SAMA to make sure that the legal and actuarial accountant follows standards set by SAMA regarding the evaluation of insurance portfolios to be acquired. To complete the acquisition process, SAMA’s final approval on the terms and conditions of the insurance portfolio sale and transfer agreement should be obtained. As of the date of this prospectus, Salama has acquired one insurance portfolio belonging to the Islamic Arab Insurance Company “IAIC” (Bahraini closed joint stock company). The (second) Ordinary General Assembly held on 17/7/1431H (29/6/2010G) approved the purchase of the portfolio after the issuance of SAMA’s letter (IS/453) dated 27/02/2010G pertaining to the requirements of the insurance portfolio transfer, provided that the purchase should be retroactive to 30/09/2009G. The acquisition agreement was signed on 16/10/2010G, but no subsequent and final approval has been issued by SAMA to confirm the completion of the regulatory procedures for the transfer and approval of the terms and conditions of this agreement, especially with regard to the value of acquisition. As stipulated in the agreement, Salama is committed to pay “goodwill” amounted to (SAR 7,140,000) Seven million one hundred and forty thousand Saudi Riyals according to the mechanism specified by SAMA (for more details on the insurance portfolio acquisition agreement, see section 15-7-4 “Legal Information”). Although the financial statements of the Company have been restated to show the insurance operations accounts and results after taking into account the transfer of the insurance portfolio of the Islamic Arab Insurance Company (IAIC Bahrain) to Salama Company and the initial approval of SAMA on the transfer under letter No. (24602/IS/876) dated 12/5/1431H (29/4/2010G), it does not necessarily mean that the Company has obtained the final approval of SAMA of the terms of the acquisition agreement and completion of all necessary regulatory procedures for transfer of the portfolio. Non-compliance of the Company with the requirements of the insurance law and its Implementing Regulations and instructions of SAMA relating to the procedures for acquisition of insurance portfolios will make the Company unable to protest by the legal consequences of this agreement against third parties because the final regulatory approval has not been obtained. This will make the Company accountable to SAMA pursuant to the provisions of Article (19) of the Cooperative Insurance Companies Control Law which allows SAMA to take some action against the Company by preventing or restricting it from accepting new subscribers, investors or shareholders in any insurance activities, as well as obliging the Company to take any other steps deemed necessary by SAMA. In addition, in accordance with Article (21) of the Cooperative Insurance Companies Control Law, SAMA may impose a fine of not more than (SAR 1,000,000) one million Saudi Riyals due to the violation of this law by the Company.

Failure to complete the process of transfer of the insurance portfolio would adversely affect the Company’s business operation, financial conditions, and performance. In case of completion of the insurance portfolio transfer, the Company has to reissue its financial statements for all or some of the previous years to complete the acquisition. There is no assurance that the reissuance of financial statements would not have negative impact on the Company’s share price.

If the Company wishes to acquire another insurance portfolio in future, it will have to get final approval from SAMA on the terms and conditions of the insurance portfolio’s sale and transfer agreement. In addition, the Company may have to pay more money than the carrying value and as such will affect its profitability.

2-1-13 Risks of Business Concentration

Insurance business undertaken by the Company concentrates on medical insurance, accident insurance and motor insurance, which account for more than 90% of the net written premiums as of 31/12/2013G and the nine months of 2014G. These are highly competitive sectors, and in case of the Company’s inability to expand its customer base in such activities, or diversify products in future, its financial position and operating results would be adversely affected.

2-1-14 Reinsurance Risks

The insurance companies, in their normal course of business, need to have re-insurance of their insurance portfolios to minimize insurance risks in the Company records. The reinsurance activity is a specialized business, where usually reinsurance companies charge premiums to provide reinsurance coverage, and in case of a global or regional incidents affecting insurance, premiums go up and that could lead to a negative impact on the profitability of the Company. In addition, it should be noted that even though the Company obtains re-insurance, it remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet its obligations. Therefore, failure of the reinsurers to meet their financial obligations could have a material negative impact on the Company's operations.

In addition, there is a risk that the Company may not be able to obtain reinsurance services in the market in the future, especially with companies operating outside the Kingdom, in case a disruption occurs in the reinsurance markets for any reason, which will materially and adversely affect the Company's business. Also, insolvency of any reinsurers with whom the Company is dealing now or will contract with them in future, or their lack of ability or willingness to pay the due amounts in a timely manner or failure to comply with the provisions of reinsurance agreements with such parties would materially and adversely affect the Company's financial condition and results of operations.

In order to adhere to Cooperative Insurance Companies Control Law and its Implementing Regulations, the Company is requested to re-insure as a minimum 30% of reinsurance premiums within the Kingdom of Saudi Arabia, which may be difficult to achieve or continue to adhere to because there is only one reinsurance Company specialized in this field in the Kingdom, in addition to the reluctance of other local insurance companies to accept the ceding processes, either because of their cancellation of reinsurance activity or due to their weak financial performance. This may force the Company to assign premiums of insurance operations to re-insurance companies outside of the Kingdom, and not to meet the required percentage, which will have a negative material impact on the Company's business, financial condition, operating results and future prospects in the event of any additional claims in future. In addition, the Company might be exposed to financial penalty as a result of violating the Implementing Regulations of Cooperative Insurance Companies Control Law, which might reach up to SAR 1,000,000 as per Article (21) of the Cooperative Insurance Companies Control Law.

It should be noted that some of the re-insurance contracts are governed by laws other than Kingdom's laws, and in the event of a lawsuit of dispute, the reinsurer may select foreign courts or arbitrators outside the Kingdom, the merits of which will be unknown to the Company, and therefore the Company would not be able to implement the awards, judicial orders, arbitrators' judgments or documented minutes issued in a foreign country. Such ruling may not be in compliance with Islamic Law (Shariah) provisions; or the foreign country, in which the judgments were issued, do not deal similarly with the Kingdom. The Company will also bear financial burdens, additional costs and expenses in the context of following up the proceedings outside the Kingdom and that will affect the Company's financial results. Consequently, the Company will have to change the terms of these contracts upon renewal so that they become subject to laws of the Kingdom of Saudi Arabia.

2-1-15 Risks related to reinsurance concentration

The Company deals with a small number of reinsurers to insure its insurance portfolio, which could expose it to the risk of other party's failure. In the event of a reinsurer's insolvency, bankruptcy or any other distress, the Company's financial situation and operational activities will be adversely affected.

2-1-16 Poor assessment of risks

The Company studies potential risks before issuing insurance policies to the applicants based on the actuary reports. However, if the Company underestimates the potential risks upon issuance of insurance policies, it will suffer financial losses, and its performance will be adversely affected in the future.

2-1-17 Risk of cancellation or non-renewal by policyholders

The Company operates in a competitive insurance market. As the duration of insurance policies issued by the Company are generally short in their term, the Company may not be able to continue renewing insurance policies issued or to be issued in the future as expected. In case of non-renewal or cancellation of policies by policyholders, the level of written premiums for the Company in the coming years would be negatively and materially affected, which would affect the Company's results.

2-1-18 Risks relating to Translation of Policies and Authentic Language

Some of the Company's insurance policies are written in Arabic and translated from English, but the translation of some items of the insurance policies offered by the Company are not accurate in clarifying some of the terms contained in the policy, which will lead to a dispute between the parties over the interpretation of the meaning of the policy. Courts in the Kingdom of Saudi Arabia relies on the Arabic text in the event of any dispute arises between the Company and one of its clients, which may expose the Company to enter into disputes with customers, and as such would adversely affect its business and financial results. The Company also adopted the English text of some insurance policies without being translated into Arabic and this violates Article (52) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which necessitated that the insurance policy must be written clearly using a language that easily understood by the public. This will lead to preventing the Company from accepting new shareholders, subscribers or investors in any of the insurance line items or reducing that, or compel the Company to take any other steps deemed necessary by SAMA, in accordance with Article 19 of the Cooperative Insurance Companies Control Law.

In addition, Courts in the Kingdom of Saudi Arabia relies on the Arabic text in the event of any dispute arises between the Company and a customer.

2-1-19 Risks associated with functions and meetings of the Board Committees

The Company's Articles of Association (AoA) and Corporate Governance Regulations have established certain restrictions regarding the formation of the Board committees and the number of their meetings. According to Article (20) of the AoA, the Board forms an executive committee composed of minimum (3) members and maximum (5) members. The term of membership in the Executive Committee will be for the same term of membership in the Board, which shall fill any vacant position in that Committee. Also, as per the AoA, the Executive Committee shall hold at least (6) meetings during the year.

One of the Board members resigned and that led to a vacancy in the membership of the Executive Committee and a decline in the number of members to less than the minimum required members for that Committee. On 23/12/1434H (corresponding to 28/10/2013G), the Board of Directors decided to postpone the decision to appoint a substitute member in the Committee until further notice. Until the date of this Prospectus, the Company has not appointed a replacement for resigned member. In addition, the Executive Committee held only (4) meetings in each of the years 2011 and 2012G, one meeting in the year 2013G and (3) meetings in 2014G. Non-compliance of the Company with the number of meetings of the Executive Committee is considered a violation of the regulations, and would probably expose the Company to accountability by SAMA, CMA and Ministry of Commerce.

As for the Audit Committee of the Company, it did not hold any meeting in 2014G and held (2) meetings in 2011G, and (3) meetings in 2012G, and one meeting in 2013G. This is contrary to the provisions of Article (6) of the Charter of the Audit Committee which was adopted by the Ordinary General Assembly dated 23/07/1432H (25/06/2011G), and consequently the Company would be exposed to accountability by SAMA.

It should also be noted that Article (34) of the Implementing Regulations of the Cooperative Insurance Companies Control Law obliges the Company to constitute regulatory control department to verify the commitment to implement the regulations and instructions, and it would report directly to the Audit Committee. A Director of Legal Affairs and Compliance has been appointed, and he reports directly to SAMA, providing it with information as specified in SAMA's procedures. As per the Company's organization chart, the Regulatory Control Department has no relationship with the Audit Committee. This is considered a violation of the Implementing Regulations of the Cooperative Insurance Companies Control Law, and such non-compliance by the Company would expose it to accountability, which may result in some actions by SAMA against it, such as preventing it from accepting new subscribers, investors or shareholders in any of its insurance activities or reducing that. In addition, the Company should take any other steps deemed necessary by SAMA, in accordance with the provisions of Article (19) of the Cooperative Insurance Companies Control Law. This would affect the Company's business and results of operations.

2-1-20 Risks Related to Accumulated Losses

The Company recorded accumulated losses of (SAR 73,021,000) Seventy three million and twenty one thousand Saudi Riyals, as of December 31, 2014G, which represents 73% of its Share Capital. There is no assurance that the Company will discontinue to realize additional losses, in which case, the Company will be subject to relevant laws and regulations in the Kingdom. Article (148) of the Companies Regulations, stipulated that the Board of Directors should call the Extraordinary General Assembly to convene to consider continuation or dissolution of the Company before the end of its duration if its accumulated losses reached (3/4), three fourth of its capital.

It is worth mentioning that CMA's board resolution No. 4-48-2013 dated 15/1/1435H (corresponding to 18/11/2013G) approved procedures and instructions regarding the listed companies, suffering accumulated losses exceeding 50% and less than 75% of the Company's share capital. In this event, the Company should announce its financial statements on a monthly basis effective 24/09/1435H (corresponding to 21/7/2014G), and should be prepared no later than ten days following the end of each month. A yellow flag will appear next to the Company's name on Tadawul system to indicate that situation.

Failure of the Company to comply with the required reports, may expose it to accountability and penalty, which will lead to negative impact on the Company's business and results of operations.

In case the Company's losses exceeded 75% and less than 100% of its Capital, its shares trading would be suspended for one trading session following its announcement on Tadawul website, and clearing within two working days for two full fiscal years following that fiscal year in which the accumulated losses of the Company reached 75 % or more of its capital. In addition, the Company should develop and announce a plan for adjusting its situation within a period not exceeding 90 calendar days following the announcement. Details of the plan implementation will be announced on quarterly basis, and the Company shall announce its financial statements on a monthly basis no later than 10 days following the end of each month.

In case the Company's losses exceeded 100% of its Capital, its shares trading would be suspended on Tadawul and dealing would be through the Depository Center, and clearing would be made within two working days for two full fiscal years under the same conditions of announcement of monthly financial statements and announcement of work plan mentioned above if the Company's losses were between 75% and 100% of its Capital.

2-1-21 Risks relating to Operational and IT Systems

The Company relies on information technology systems to conduct its business. However, it may be exposed to risk of malfunction, including the collapse of the system, failure or breach of security, viruses, human errors, natural disasters, fires and errors of communication and lack of skilled labor necessary for the operation and management of these systems. If a significant malfunction or failure occurs repeatedly, it will negatively affect revenues and the Company will not be able to issue its periodical financial reports in a timely manner which will expose it to accountability, punishment and consequently affect its operating results, especially if the Company was forced to announce its financial statements on a monthly basis (for more details on the contracts relating to information technology, please refer to Section 15 "Legal Information").

2-1-22 Risk of Credit Rating

The Company has not yet applied to get a credit rating, and if it applies for that, there is no assurance that the Company will have a good rating if its risks are higher than the standard limits in the insurance market, which could adversely affect the Company's business.

In addition, as per the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Company, in case of reinsurance, must select a reinsurer with minimum rating of BBB from Standard & Poor's ("S&P") or equivalent rating from a recognized international rating organization. If the insurers have ratings less than BBB or equivalent rating, the Company must obtain SAMA's written approval before contracting with them in accordance with the Implementing Regulations of the Cooperative Insurance Companies Control Law. If the Company could not get SAMA's approval it would stop reinsurance arrangements with low rating companies, which will increase the burdens on the Company and expose it to more risk, including the inability of reinsurers of low rating to fulfill their obligations towards the Company and according would impact its financial position and operational results.

2-1-23 Risk relating to Risk Management and Control Policies

Risk management policies are based on the observation of the historical behavior of the market. Therefore, these policies may not be able to accurately predict the potential future risks that may be greater than those that have been deduced through the historical means. In view of the scarcity of sufficient data on Saudi insurance market, the available information may not be accurate, complete, up to date or have been properly evaluated in all cases, and the Company's policies, procedures and internal controls may not be fully effective in all circumstances and conditions, which will lead to inadequate information provided to the Company in order to accurately assess its exposure to risks. Accordingly, the Company will be exposed to high risks, which will negatively and materially affect its financial position and operating results.

Insurance companies usually use multiple financial and investments tools for the purpose of reducing the risks associated with its business. In such cases, the Company is required to get the approval of SAMA before the use of such financial tools. Accordingly, the Company might not get SAMA's approval, which will limit the means available to the Company to manage these risks in the future. In case any of these financial instruments are used without the approval of SAMA, the Company will be subject to various sanctions contained in the regulation, including the withdrawal of the license.

The Company appointed Director of Risk Management and adopted risk management strategy in 2012G. This is not considered enough to avoid or reduce all types of risks that the Company may be exposed to. It should be noted that the Company does not have policies and procedures for risk management and internal controls and reporting structure to ensure access to the necessary information for risk management, making the Company exposed to a variety of risks that would adversely affect its ability to face future risks, and its performance and financial position.

2-1-24 Claims, Disputes and Litigations

In the ordinary course of its business, the Company may be exposed to lawsuits and legislations relating to insurance operations and disputes and claims relating to the insurance coverage. No assurance can be given by the Company that it would not have disputes with some policyholders that could lead to lawsuits filed with competent judicial authorities. As a result, the Company may be subject to governmental or administrative audits and investigations and proceedings in the context of new controls on the insurance industry in the Kingdom. The Company cannot predict the results of these claims if they occur, and cannot guarantee that these claims will have material impact on the Company's business, financial conditions and results of operations. The Company also cannot predict the exact volume of costs of litigation or legal proceedings that could be filed by or against it, or the outcome of these lawsuits, or passed judgments including compensations and penalties, that could have negative consequences and negative impact on the Company.

As of the date of this prospectus, total value of claims of these cases brought against the Company has reached an amount of about (SAR 3,938,716) Three Million Nine Hundred and Thirty Eight Thousand and Seven Hundred and Sixteen Saudi Riyals, which is 1.51% of the Company's revenues from the results of the Fiscal Year 2014G. (For more details, please see Section 15, "Legal Information"-"Litigations and Disputes").

2-1-25 Failure to Develop or Expand

The Company's development strategy is to establish and develop insurance and re-insurance schemes in the Kingdom. The possibility of implementation of this strategy depends on the quality of management, in addition to external factors related to government regulations and decisions issued by the regulatory organizations and competitors. There is no assurance that the Company would succeed in development of its insurance activity. Failure of the Company to implement its plans would have a negative impact on the continuity of the Company, especially in light of the strong competition with other insurance companies, which in turn will affect the Company's results of operations and financial condition.

2-1-26 Risks of high doubtful debts

The Company has payable debts totaling approximately (SR 24,000,000) Twenty four million Saudi Riyals, representing amounts accumulated for more than a year. However, such high value of doubtful debts during the year 2013G has had a material adverse impact on the Company's solvency margin and financial position. In the event that the Company could not implement serious and effective collection strategy, its business, prospects, results of operations, financial position and/or its share price would be adversely affected.

2-1-27 Protection of Trademark

The Company's ability to market its insurance products and develop its business depends on its ability to use its name and logo. Failure of the Company to prevent violation of its rights in this regard, could have a negative impact on its trademark and can make the practice of its activity more expensive and thus affect the Company's operating results. Perhaps the Company's business would be more affected if it has to compete with similar trademarks in major markets in which it operates and does not have proprietary rights.

The Company has its own brand, which is registered with the Ministry of Commerce under the category (36) Thirty-six for private insurance services. On 20/08/1433G (corresponding to 10/07/2012) the Company submitted application to the Ministry of Commerce – Trademarks Department, requesting modification of its brand registration certificate according to modification of the trade name of the Company from "Saudi IAIC Cooperative Insurance Company" to "Salama Cooperative Insurance Company". As of the date of this prospectus, the trademark has not been modified and the modified registration certificate has not been issued. The Company may not be able to prevent third parties from using a trademark an identical or similar to its trademark, which will affect the Company's reputation and will adversely affect its ability to market its products.

It should also be noted that the Company signed a non-exclusive insurance agency agreement with Eadat Altawsul Insurance Agency Co. and Security Shield Cooperative Insurance Agency Company, to represent the Company in marketing and sale of some of its insurance policies for the benefit of the Company. Both are entitled to use the Company's logo and trademark, and in case either Company misrepresented the Company before its customers, it could affect its reputation, distort its image in the market, and accordingly would adversely affect its sales and results of operations.

2-1-28 Risk related to Zakat variations

The Company may be exposed to liabilities arising from a difference resulted from the method of calculation of Zakat payable. The Company has already filed an objection with the Department of Zakat and Income Tax (DZIT) for subjecting the statutory deposit and some investments to Zakat. The Company has submitted an objection to Preliminary Zakat Objection Committee, as the required amount of Zakat is more than the value calculated by the Company by (SR 1,400,000) One Million and Four Hundred Thousand Saudi Riyals, and in case the Company does not win its objection, it shall pay the specified amount.

2-1-29 Risks related to Change of Shariah Board opinion

The Company has a Shariah Board specialized in monitoring and legalizing insurance products of the Company. Therefore, in case there is a difference in the jurisprudential opinions, or the extend of Shariah compliance is raised about existing products previously approved by the Shariah Board, the Company's reputation may be adversely affected, and accordingly its performance and results of operations will be affected.

2-2 Risks Relating to the Market and Regulatory Environment

2-2-1 Cooperative Insurance Companies Control Law and Implementing Regulations

The Company is subject to applicable laws and regulations relating to insurance sector in the Kingdom, including the Cooperative Insurance Companies Control Law and Implementing Regulations. It is also subject to the supervision of SAMA, which is responsible for regulating the insurance sector in the Kingdom, including policies, rules, licensing, competition, investment allocation, service standards, technical standards and settlement arrangements.

Since the Saudi insurance market is one of the ever-evolving emerging markets, it may limit the Company's ability to respond to market opportunities, and may force it to bear significant annual expenses to comply with the regulatory laws and regulations. There can be no assurance that applicable laws or the regulatory framework will not change further or be interpreted in a manner that could materially or adversely affect the Company's operations.

Also, if the Company has failed to comply with the applicable laws, regulations and instructions, it would be subject to regulatory penalties including fines, suspension of work, and withdrawal of license to practice insurance activity, which would adversely affect the Company's operations and results of operations.

2-2-2 Risk of Withdrawal License to conduct insurance business

The Company obtained SAMA's license to practice insurance activities on 29/08/1428H (11/09/2007G) and has renewed this license to a three-year period that expires on 27/08/1437H (04/06/2016G). In case the Company could not continue to satisfy these conditions, its license might be withdrawn.

Article 76 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that SAMA has the right to withdraw the license of the Company in the following cases:

- a. If the Company does not practice its licensed activities for a period of six months from the issuance date of the license;
- b. If the Company does not fulfill the requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations;
- c. If it is established that the Company has deliberately provided SAMA with false information in its licensing application;
- d. If the Company becomes bankrupt;
- e. If the Company deliberately conducts business in a fraudulent manner;
- f. If the paid up capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements mentioned in the Implementing Regulations;
- g. If the insurance activity falls to a limit that SAMA deems unviable to operate under;
- h. If the Company refuses or delays payments of dues, without just causes;
- i. If the Company refuses to have its records examined by the inspection team appointed by SAMA; and
- j. If the Company fails to pay a final judgment against it in connection with any insurance dispute.

Should the license be withdrawn, the Company will not be able to continue to conduct its business legally in Saudi Arabia.

2-2-3 Solvency Requirements

Articles 66, 67 and 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company has to maintain certain solvency levels for different classes of businesses. It should be noted that the solvency margin of the Company reached 4.7% as of September 30, 2014G, which means that the Company failed to maintain the minimum of the full margin coverage of 100%. SAMA imposes various remedial actions for the companies that fail to comply with the solvency requirements levels including the following:

- a. Increase the Company's share capital.
- b. Amend product prices.
- c. Decrease costs.
- d. Stop underwriting new policies.
- e. Liquidate certain assets.
- f. Any other action deemed appropriate to the Company and approved by SAMA.

In case of Company's failure to satisfy the solvency requirements within a timeframe set by SAMA and after taking aforementioned actions, SAMA may solicit appointment of an advisor (to provide the advice as necessary) or otherwise withdraw the license of the Company as stipulated by paragraph (d), clause (2) of article (68) of the Implementing

Regulations of the Cooperative Insurance Companies Control Law.

It should be noted that the margin of solvency might be affected primarily by the technical provisions that need to be retained, and which in turn is affected by the size of the insurance policies sold and regulations specifying statutory reserve. In addition, it is influenced by several other factors, including profit margin, return on investment and cost of insurance and reinsurance. If the Company continued to grow quickly, or if required limits of solvency increase in future, the Company might have to increase its capital to meet the required solvency limits, which could lead to inflating the capital. If the Company is not able to increase its capital, it might be forced to limit the growth of activities and accordingly not to declare any dividends. Alternatively, it might result in application of proceedings against the Company that might reach withdrawal of its license in some exceptional cases.

SAMA periodically requires additions or changes to solvency margin requirements, which may lead to a negative impact on results of operations and financial condition through allocations of additional reserve.

The Company's ability to effectively manage risks and properly price its products to maintain the required solvency margin will represent a major challenge.

2-2-4 Reporting Requirements

The Insurance Law and its Implementing Regulations require the Company to periodically file with SAMA financial statements and annual reports, prepared on regulatory accounting basis, and other information, including information concerning the Company's general business operations, capital structure, ownership, financial condition with annual statement of total contingent commissions paid. The Company could be subject to regulatory actions, sanctions and fines if SAMA believed that the Company has failed to comply with any applicable laws, regulation and directives. Any such failure to comply with applicable laws could result in imposing significant restrictions on the Company's ability to conduct its business or significant penalties, which could adversely affect the Company's results of operations and financial condition.

In addition, the Company may be subject to penalties and fines in the event it fails to fulfill the requirements of the Capital Market Authority and the listing & disclosure rules in effect in the Saudi Stock Exchange (Tadawul).

2-2-5 Risks relating to Corporate Governance

The CMA Board's resolution No. (3-40-2012) dated 17/02/1434G, corresponding to 20/12/2012G was issued to oblige companies listed on the Saudi Stock Exchange (Tadawul) to comply with paragraphs (c) and (d) of Article 10 of the Corporate Governance Regulations, starting from 30/06/2013G. As of the date of this Prospectus, the Company has not complied with adoption of policies and procedures for appointment of the board members and their functions and responsibilities and Corporate Governance internal regulations for the Company. Non-compliance with CMA Board's resolution will expose the Company to penalties assessed by CMA, which will affect the Company's reputation and its business.

2-2-6 Compliance with the Council of Cooperative Health Insurance Regulations

After being approved by SAMA, the medical insurance products offered by the Company are subject to control by the Council of Cooperative Health Insurance (the "CCHI"). The CCHI regulations require the Company to comply with the provisions of regulations for offering of medical products. Some of these provisions are as follows:

- a. The insurance Company shall respond to the request of the service provider for approval to provide treatment to the beneficiaries within time ceiling not exceeding 60 minutes, and in case of non-approval, reasons shall be officially clarified.
- b. The insurance Company shall pay the medical service providers claims within the timeframe not exceeding 45 days from the date of receipt of claim.

The Company's non-compliance with CCHI's regulations may entail investigations and penalties, including withdrawal of the license to provide medical services products, which may material and adversely affect the Company's operations.

2-2-7 Risks related to insurance market growth

The growth rate of the Saudi Arabian insurance market may not be as high and sustainable as currently anticipated by the Company. Also, the impact on the insurance industry in the Kingdom as a result of the increase in the number of the insured, along with the economic growth and increase of population in the Kingdom of Saudi Arabia, as well as the continued development in the field of social welfare, demographic changes, opening of the insurance market in the Kingdom to foreign companies is generally a future matter which is subject to a number of uncertainties that are beyond the control of the Company.

2-2-8 Limited historical data on the Market

Although the Saudi market is not new to the concept of insurance, it has just recently been organized. Therefore, the required information and historical data to accurately build insurance programs have not been collected. Therefore, insurance companies depended, upon estimation of losses and assessment of premiums, on estimates not to the required

level of precision, and to certain extent unreliable, and accordingly the rate of risks for insurance portfolios might increase, resulting in losses to the Company.

2-2-9 Lack of and Importance of Insurance Cultural Awareness in KSA

Society's perception towards the insurance sector is a primary factor for success of this sector. However, there are risks of society's perception about insurance sector in general as it sees that the sector as either not playing a key role or operating under scope of services non-compliant with principles of solidarity and Shariah. Society may lose confidence in the sector and this may adversely affect the Company's business, financial position and operating results.

2-2-10 Competition

The Company is likely to find itself operating in an increasingly competitive environment, as the number of licensed insurance companies has reached (35) and they are in severe competition to increase their market share. Competitive position of the Company is based on many factors, including financial strength, the geographical scope of its business, business relations with customers, premiums charged, terms and conditions of policies issued, services and products offered, including the Company's ability to design insurance programs, according to the requirements of the market, quick payment of claims, Company's reputation, experience and efficiency of the staff and their presence in the local market. There can be no assurance that the Company will be able to achieve or maintain any particular level of premiums in this competitive environment. The increased competitive pressures may materially and adversely affect the business of the Company, its prospects and financial condition by:

- a. Reducing margins and spreads
- b. Hindering the growth of the Company's customer base
- a. Reducing market share
- b. Increasing turnover of management and sales personnel
- c. Elevating operating expenses, such as sales and marketing expenses
- d. Increasing policy acquisition costs

2-2-11 Impact of Drop in Customers' Confidence

Customers' confidence in the international insurance sector is vital to enhance the sector strength. On the other hand, any drop in customers' confidence towards insurance sector may generally result in increase of cancellation of insurance policies and refund of monies, which may adversely affect the sales of the Company products, and consequently would affect its financial conditions.

2-2-12 Obtain Necessary Approvals for Offering New products and Renewal of Existing Approvals

Based on a new Cooperative Insurance Companies Control Law and Implementing Regulations for offering new insurance products, the Company has to get SAMA's approval before marketing or offering any new product. Any delay in obtaining approvals for new products or renewal of approvals to current products will affect the Company's business and profitability in future.

It is worth mentioning that the Company is currently marketing and selling marine cargo policy without obtaining SAMA's approval (either temporary or permanent), which still has some notes included in its letter No. 2314/IS, dated 16/12/1431H (corresponding to 22/10/2010G). The Company has not fulfilled them until the date of this Prospectus. Thus, marketing and selling of marine cargo policy is contrary to Article (16) sixteen of the Implementing Regulations of the Cooperative Insurance Law, and would expose the Company to regulatory sanctions, such as suspension of work and withdrawal of the license to exercise insurance activity, which in turn would negatively affects the Company's operations and financial results.

2-2-13 Unforeseen Disaster Risks

Insurance activities on industrial facilities, residential and commercial buildings represent an important source of revenue for the Company from the fees charged for management of portfolio involving them, and investment of its money. Insurance portfolio may be exposed to losses due to disasters as it covers risks of properties. In addition, disasters can happen for various reasons, natural or non-natural, which are unpredictable, such as sand or snowstorms, floods, winds, fires, explosions, industrial accidents, terrorism acts, which may lead to a deficit of coverage.

The extent of the losses caused by disasters is the result of two things:

- a. The total amount at risk insured in the area affected by the accident.
- b. The severity of the accident.

Disasters can cause losses to different types of property and liability insurance. Claims related to disasters may result in large fluctuations in the financial results of the Company. Serious disaster events could have a material negative impact on the Company's financial condition and results of operations..

2-2-14 Risks related to Economic and Industry Conditions

The financial performance of insurance companies depends significantly on economic conditions in the Kingdom of Saudi Arabia and on global economic conditions that affect the Kingdom's economy. The unstable global economic conditions and significant drop of oil prices may affect the Kingdom's economy. As the economic performance of the Company is somewhat related to the development of the economy in the Kingdom and in the world, the Company's financial results may be affected by changes that may occur, which may result in a decrease in the demand for products and services of the Company. In addition, premium and claim trends in insurance and reinsurance markets are cyclical in nature and unpredictable events such as the occurrence of natural disasters, inflationary pressures, competition and judicial decisions may affect the size of future claims and adversely affect the industry's profitability and returns.

The drop in oil prices significantly affect the local income, economic activities, individual income, and consequently will affect the individuals and companies ability in obtaining such insurance products offered by the Company, and thus lower the Company's sales and affect its financial position. The high rentals, which are affected by economic variables in the Kingdom, will lead to higher costs to the Company, which may change the locations of its branches to other places. The transition period to other branches would lead to a slowdown in the Company's business until the completion of the transition process, and would adversely affect the Company's sales and results of operations.

2-2-15 Risks relating to Restriction on Ownership of Insurance Companies

The Cooperative Insurance Companies Control Law places certain restrictions on owning shares in insurance companies. According to Article 9 of that Law and Article 39 of its Implementing Regulations, insurance or reinsurance companies may not merge with, own, control or purchase shares in other insurance or reinsurance companies without written approval from SAMA. In compliance with Article 38 of the Implementing Regulations, the Company shall notify SAMA of the percentage ownership of any person who owns 5% or more of the Company shares through a quarterly report, and the person himself shall notify SAMA in writing of his ratio in ownership and any changes thereof within 5 working days of the date of occurrence of such change.

These restrictions may, in some cases, impede the Company's ability to attract financial and strategic investors if SAMA denies or delays timely approval, or places conditions that cannot be implemented, which will in turn adversely affect the Company's operations..

2-2-16 Insurance Business Cycle

Global Insurance Sector witnessed periodical changes with significant fluctuations in operating results due to competition, catastrophic events, economic and social conditions and other factors beyond the control of companies working in the insurance industry. That may result in periods with price competition due to the excess of supply, and other periods during which companies will get better premiums. In addition, the increase in recurrence and magnitude of losses that affect the insured can have a significant impact on the mentioned business cycle. It is expected that The Company's insurance business cycles would be adversely affected as a result of these factors.

2-2-17 Political Risks

The tense political situation in the Middle East may have a negative impact on the Kingdom's economy, and thus on the Company's customers to renew their relationship with it and its ability to obtain new customers which would consequently have negative impacts on the Company's revenues, profits and results of operations. Such risks would have negative impact on capital markets and thus would lead to a substantial negative impact on the Company's share price and the investor's loss of all or part of the value of his investment.

2-2-18 Risks related to Non-compliance with Saudization requirements

The Ministry of Labor has introduced "Nitaqat" program, which has been designed to encourage companies to assign Saudi employees and increase their proportion of the total workforce. According to this program, the Company's compliance with the requirements of Saudization is measured against the percentage of Saudi nationals in the workforce, compared with the average rate of Saudization in the companies operating in the same sector. The Company has realized the required Saudization rate, and has been categorized within the "high green category" of Nitaqat program. However, there is no assurance that the Company will succeed in maintaining Saudization percentage required within the prescribed regulatory levels. The Company may be exposed to penalties in the event of non-compliance with the resolutions issued in this regard, including stop issuing work visas for employees needed for the Company, stop transfer of sponsorship of non-Saudi employees or excluding the Company from participating in the government tenders, which would adversely affect the Company's business and results of operations.

The Company cannot give any assurance that it will get SAMA's approval on the appointment in a leadership positions in the future. In addition, it does not guarantee that it would be able to localize any position by highly qualified Saudi employee. With regard to the position of Chief Financial Officer and Director General, Insurance Management, SAMA previously requested the Company to prove non-availability of qualified Saudi to occupy this position and specify the

period required to bring qualified Saudi employee for this position. Consequently, the Company needs to replace its key non-Saudi employees by Saudi employees, while the proper replacement might not be available to offset the shortage or perhaps may be available but at a higher cost. This would lead to negative impact on the Company's management, continuity of business, operations and financial position.

2-2-19 Risks related to non-Saudi Employees

Government of Saudi Arabia has taken measures and procedures to regulate the employment of non-Saudi workers, according to the Labor Law and Residence regulations, under which it seeks to take action against companies and foreign employees who do not work for the employers who sponsor them or carry out works not matching with their job titles according to their residence permit.

The Company has (11) non-Saudi employees not under its sponsorship, of whom six (6) employees sponsorship transfer is under processing, and (5) non-Saudi employees married to Saudi women and sons of Saudi women. The Company is in the process of correcting their situation to avoid any accountability that it may be exposed to by the Ministry of Labour. In case of failure to do so, the Ministry of Labour may impose a fine up to (SR 100,000) one hundred thousand riyals for each employee working in an irregular manner.

On the other hand, the Job Title in the residence permits of some Company employees differs from that contained in their contracts. The Company will work to amend the residence permits to avoid any accountability that it may be exposed to by the Ministry of Labour. Imposition of fine or sanctions on the Company in case of non-compliance with the applicable regulations and instructions in this regard will adversely affect its business and results of operations.

2-2-20 Lack of local qualified staff in the insurance sector

Staff available in the local market may not meet the Company's need of qualified staff. If the Company could not attract qualified staff from the local market, it would recruit staff from outside the Kingdom. There is no assurance that the Company will be able to get a sufficient number of required work visas from the Ministry of Labor in the Kingdom, especially in light of the Saudization requirements, which creates a high competition among insurance companies in the Kingdom to train and qualify their cadres and attract talents from the local market, resulting in an increase in wages that may pose an additional burden on the Company. In addition, lack of the Company's ability to attract and retain qualified employees may lead to obstruct the application of its strategy, which would negatively affect its results of operations and financial position.

Reference is made to SAMA's circular No. (38639/M Ta'/1051) dated 03/08/1430H (corresponding to 25/07/2009G) regarding mandatory requirement to obtain IFCE certificate for some employees of insurance companies. In 2014, (17) seventeen employees applied to obtain this certificate and (6) six of them has obtained (IFCE) certificate. The rest of the employees, totaling (84) Eighty-Four, who should obtain this certificate, would undergo the exam, and 36 employees are currently undergoing a training course. Failure to obtain the certificate, would prevent the employees from working with the Company and would lead to a shortage of staff and consequently would affect the Company's business and operating results.

2-2-21 Risks related to insurance business

Facing risks in the insurance business is a matter of discretion, including a lot of important assumptions that cannot be predicted by their nature and they are beyond the control of the Company. This means that analysis of their historical experience and likelihood do not provide adequate indicators of these risks. Therefore, the error in considering net risks to which the Company might be exposed, would have a substantial negative impact on Company's financial position and results of operations.

2-2-22 Risks relating to lack of control over prices

The Company is committed to follow recommendation of the actuary reports and SAMA instructions, which may require changes in prices of Company's policies. The high price of Company's products will lead to a lack of attractiveness and thus draw customers to other companies. Any change in prices in the future will affect the Company's market share and accordingly its sales and results of operations.

2-3 Risks Relating to the Shares

2-3-1 Effective Control by the Founding Shareholder

The shareholders who own a large number of shares of the Company will be able to influence most matters requiring shareholder approval, may exercise their powers in a manner that could have a significant effect on the Company's business, financial condition, and results of operations.

However, the share of the Company's Substantial Shareholder still represents 30% of the Company's shares. Collusion of this shareholder with any other shareholders may entail influence on important decisions, specifically those requiring

Shareholder's approval, including significant corporate expenditures, appointment and removal of members of the Board of Directors (except as prescribed by Articles 69 and 70 of the Companies Regulations, and Article 18 of the Corporate Governance Regulations).

2-3-2 Dividends Distribution

Future dividends will depend on, amongst other things, the financial condition, future profits, capital requirements, distributable reserves, general economic conditions, and other factors that the Directors of the Company deem significant from time to time. Therefore, the Company does not make any assurance that any dividends will be paid in future. It is worth mentioning that the Company has not distributed any dividends to shareholders since its inception.

2-3-3 Potential Fluctuations in the Share Price

The market price of the Company's Rights during the Offering period may not be indicative of the market price of the Company's Shares after the Offering. In addition, the Company's share price may not be stable and could be significantly affected by fluctuations resulting from a change of market's trends in connection with the Rights or the Company's existing Shares. These fluctuations may also result from several factors including, without limitation, market conditions for equity, any regulatory changes in the insurance sector or conditions and trends of the insurance sector, deterioration in the Company's performance, inability to implement future plans, entry of new competitors, announcements by the Company or its competitors concerning mergers, acquisitions, strategic alliances, joint ventures, changes made by experts and securities analysts concerning the financial performance estimates.

Selling substantial quantities of Shares by the shareholders or the perception that such sale may take place, may adversely affect the share price in the market. In addition, the investors may be unable to sell their Shares in the secondary market without adversely affecting the price.

There is no guarantee that the market price of the Company's Shares will not be lower than the issue price. If this happens once the investors have subscribed for the New Shares, such subscription may not be cancelled nor amended; therefore, the investors may immediately suffer from unrealized losses. Moreover, there is no guarantee that the Shareholder will be able to sell his Shares at a price equal or higher than the issue price after subscribing for them.

2-3-4 Potential Fluctuations in the Price of the Rights

The Rights' market price may be subject to significant fluctuations due to the change of market trends with regard to the Company's Shares. These fluctuations may be significant due to the difference between the authorized limits of price change for trading in the Rights, as compared to the authorized limits of price change for trading in the Shares. In addition, the trading price of the Rights depends on the trading price of the Company's Shares and the market perception of the potential price of the Rights. These factors and the factors mentioned under the "Potential Fluctuations in the Share Price" above may also affect the trading price of the Rights.

The sale of a large number of the Company shares in the stock market or anticipating such thing might adversely affect the share prices in the market in general and the Company's shares in particular.

2-3-5 Lack of Demand for the Company's Shares and Rights

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading period, in order to enable the holder of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and realize a profit, or enable him to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Company's Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights. Moreover, there can be no assurance that there will be sufficient market demand for the New Shares obtained by an Applicant either (a) through subscription to the Rights, (b) during the Rump Offering or (c) in the open market.

2-3-6 Risks relating to trading in the Rights

Speculation relating to the Rights Issue may cause material losses. The limits of price change allowed for the trading of the Rights ("share's indicative value") exceeds the percentage of the shares' prices (by 10% upward or downward). There is also a direct correlation between the Company's share price and the share's indicative value. Accordingly, the daily price limits for the trading of a Right will be affected by the daily price limits for share trading.

In case a speculator fails to sell the Rights before the end of the Trading Period, he will be forced to exercise these Rights to subscribe for New Shares and may incur some losses. Thus, the investors should review the full details of the mechanism of listing and trading of Rights and New Shares and the functioning method thereof and should be aware of all the factors affecting them, to make sure that any investment decision will be based on complete awareness and understanding.

2-3-7 Potential Dilution of Ownership

If the holders of the Rights do not fully exercise their Rights with respect to the acquisition of New Shares in the Offering, their shareholding percentage and voting rights will be reduced. In case the registered holder of the Rights wishes to sell his Rights during the Trading Period, there can be no assurance that its returns will be sufficient to fully compensate the drop of its shareholding percentage in the Company's capital resulting from the Company's capital increase.

2-3-8 Failure to Exercise the Rights in a Timely Manner

The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions and receive their certificates prior to the expiry of the subscription period. If the holders of the Rights and the financial intermediaries are not able to properly follow the procedures for the trading of the Rights, the Subscription Application Form may be rejected (See Section 19 "Subscription Terms and Instructions"). If the Eligible Persons are not able to exercise their subscription rights properly by the end of the Second Offering Period, according to the Rights held by them, there can be no assurance that a compensation amount will be distributed to the eligible shareholders who did subscribe, or who did not exercise properly underwriting procedures, which accordingly will lead to the low percentage of ownership

2-3-9 Expiry of Lock-up Period

Upon establishment and listing of the Company's shares on 06/05/1428H (corresponding to 23/05/2007G) the Founding Shareholder whose aggregate shareholding was 60% of the Company's total shares were restricted from selling their Shares in the Company for a period of 3 full fiscal years elapsed after announcement of the financial results for fiscal year 2010G, and then the Founding Shareholder have the right to dispose their shares after obtaining SAMA and CMA approvals. Therefore, selling or buying more shares by the Founding Shareholder would affect the Company's share price.

2-3-10 Risks Relating to Future Statements

Certain Statements contained in this Prospectus constitute future Statements and involve known and unknown risks and certain unascertained matters, which may affect the Company's results. These Statements include, by way of example and not exhaustively, Statements relating to the Company's financial position and business strategy and plans, and goals in relation to future operations (including development plans and goals relating to the Company's services). If any of the assumptions are incorrect or invalid, the actual results may be materially different from the results mentioned in this Prospectus, and investors may lose all or part of the value of their investments

2-3-11 Non-exercise of Rights by Substantial Shareholders

If the major shareholders do not exercise their rights in subscription in the rights issue, or sell them partially or completely, their ownership and voting rights pertaining thereto will decrease, and their support currently provided to the Company will be affected and accordingly the Company's profitability and results of operations will be adversely affected as well.

2-3-12 Absence of Prior Market for the Rights

Rights issue is a new market for investors on Tadawul system, and as such, many investors may not know a lot about the mechanism of trading in rights. This will adversely affect their willingness to invest and trade in rights, and accordingly the percentage of their ownership in the Company will be reduced, which will lead to a negative impact on those who have not exercised their rights of subscription, particularly in case of no compensations distributed to them, when Institutional Subscribers do not offer a higher prices for the Rump Shares.

2-3-13 Risks related to Issue of new shares in the future

The Company has the right to issue new shares in future after obtaining SAMA and CMA's approvals. Ownership of shareholders not subscribing in the IPO, and their voting power in the Company will be reduced, and earnings per share will also fall because of the high number of shares, which will reduce the profitability of shareholders prior to the issuance of shares.

2-3-14 Risks related to Strategic Shareholders Selling their Equity or Exiting the Company

The Strategic Shareholder (Islamic Arab Insurance Company "IAIC") provides the Company with its technical expertise and plays an active role in shaping the Company's strategy through their representation on the Board. The Strategic Shareholder is not subject to any contractual restrictions that limit its ability to sell all or part of its Shares. That said, the Listing Rules require any person holding more than 10% of the shares issued by a listed Company to obtain the CMA's approval before disposing of any of his shares, which requirement will apply to the Strategic Shareholder given that each of them own more than 10% of the Company's Shares.

If the Strategic Shareholder sells all his Shares in the Company, the Company will no longer benefit from its technical expertise, which may have an adverse effect on the Company's financial condition and results of operations.

2-3-15 No assurance that Eligible Persons will have Compensation

The subscription period will start on the Day Monday 19/09/1436H (corresponding to 06/07/2015G) and end on the Day Tuesday 12/10/1436H (corresponding to 28/07/2015G). The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions and subscribe in the new shares prior to the expiry of the subscription period.

If the Eligible Persons could not exercise their subscription rights properly by the end of the subscription period, according to the Rights held by them, there would be no assurance that a compensation amount might be distributed to the Eligible Persons who did not participate or did not properly subscribe for the New Shares..

2-3-16 Non-exercise of Rights by Substantial Shareholders

If the major shareholders do not subscribe to their full rights to obtain New Shares in the Offering, the ownership and voting rights pertaining thereto and their representation on the Board of Directors will decrease. The return they receive will decrease due to the decrease in their ownership percentage after the capital increase. The decrease in the major shareholders' voting rights will be reflected in their support, the extent of their influence and effectiveness, and their control in making significant decisions for the Company, which will have a substantial effect on the Company's decisions and financial position.

3. Market Overview and Insurance Sector

3-1 Insurance Market Overview

For the purpose of this Prospectus, the Company has obtained information and data regarding insurance industry and market from different reliable sources as per assessment of the Company. While neither Al-Ahli Capital Company nor any of the advisors whose names appear in on pages vi and vii of this Prospectus have a reason to believe that any of the information mentioned in this section is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy of any of this information.

3-2 Sources of Information

Saudi Arabian Monetary Agency (SAMA)

SAMA was established in 1372H (corresponding to 1952G). The main functions of SAMA include:

- Issuing the national currency, the Saudi Arabian Riyal;
- Managing the KSA's foreign exchange reserves;
- Acting as a banker to the government and supervising commercial banks;
- Supervising and regulating the insurance sector.
- Conducting monetary policy to promote price and exchange rate stability; and
- Promoting growth and ensuring the soundness of the financial system;

The information used from SAMA is publicly available and can be found on the internet. Consent to use this information in the Prospectus has not been sought.

Swiss Reinsurance Company ("Swiss Re")

Swiss Re is a leading company in the field of insurance. It was established in 1863G in Zurich, Switzerland. Swiss Re has a presence in more than twenty five (25) countries and publishes a range of reports on insurance markets worldwide.

The information prepared by Swiss Re and used in this Prospectus is publicly available and can be obtained via the internet and therefore written consent to use their reports in the Prospectus has not been sought.

3-3 Overview of the Saudi Economy

This section provides an overview of the macroeconomic performance of the Kingdom of Saudi Arabia and its future prospects for the next five years.

3-3-1 Overview of the macroeconomics

Kingdom of Saudi Arabia (the Kingdom) is the largest economy in the Middle East and North Africa (MENA) region, representing nearly a quarter of GDP for the region. The Kingdom's economy has maintained its momentum in recent years, driven by government spending and investments, which have grown rapidly from SAR 285 billion in 2004G to reach spending allocation of SAR 855 billion in the budget of 2014G.

Table (3-1): Key Macroeconomic indicators

Key Macroeconomic Indicators	2010	2011	2012	2013	2014
Nominal GDP (billion Riyals)	1,976	2,511	2,752	2,807	2,917
GDP per capita (SAR)	71,673	88,477	94,271	93,574	95,252
GDP growth (%)	7.4	8.6	5.8	4	4.6
Inflation in consumer prices (average %)	3.8	3.7	2.9	3.5	2.9
Population (millions)	27.6	28.4	29.2	30	30.6

Source: International Monetary Fund

Despite the challenges caused by the global economic crisis, the ambitious spending plans of the Kingdom and the strong contribution of the private sector have facilitated economic expansion. Nominal GDP amounted to SAR 2.8 trillion in 2013G at a compound annual growth rate (CAGR) of 12.4% during the period between 2010-2013G. According to estimates by the International Monetary Fund, it is expected that real GDP is growing at a rate of 4.6% during 2014G, with a slight increase from 4.0% in 2013G.

Table (3-2): Most Prominent Public Funding Statistics (Government)

Government Funding (SR billions)	2010	2011	2012	2013	CAGR % (2010-2013G)
Government revenues	742	1.118	1.247	1.156	16.00%
Government expenditures	654	827	873	976	14.30%
Deficit / surplus	88	291	374	180	27.20%
Percentage of the budget surplus to GDP	4.4	11.6	13.6	6.4	N/A
The ratio of debt to GDP	8.5	5.4	3.6	2.7	N/A

Source: SAMA's Annual Statistics Report for 2013

Government funding has witnessed a significant improvement during the period between 2010-2013G with the rise of government revenues at a CAGR of 16.0% during this period, while spending rose at a CAGR of 14.3%, which led to budget surpluses over these years. As a result, the debt ratio dropped significantly at a GDP of 2.7% in 2013G versus 8.5% in 2010G.

3-3-2 GDP by economic activity

Oil sector constitutes the largest proportion of economic activity in the Kingdom as it represents about 80% of export proceeds and 90% of the Kingdom's revenues. In 2013G, the oil sector witnessed a slight contraction of 4.1% (in terms of real value) due to lower oil production. The second half of 2013 reflected a significant shift with the Kingdom's move to offset the shortage resulted from the interruption of Libyan oil exports crashes, bringing oil production of the Kingdom from an average of 9.4 million barrels/day in the first half of 2013G to more than 9.9 million barrels/day.

Table (3-3): Trends of the real GDP by economic activity

Trends of the real GDP by economic activity	2010	2011	2012	2013	CAGR % (2010-2013G)
Agriculture, forestry and fishing	40.2	41	41.6	41.9	1.40%
Mining and quarrying	204.2	229	242.3	240.1	5.60%
Manufacturing	141.5	157.1	164.7	171.7	6.70%
Electricity, gas and water	26.2	27.6	29.6	30	4.60%
Construction	75.8	83.3	87.3	94.9	7.80%
Wholesale and retail trade, restaurants and hotels	133.7	143.2	152.3	162.4	6.70%
Transport, storage and communications	96.5	109.8	116.4	124.6	8.90%
Finance, insurance, real estate and business services	156.7	159.9	172.8	183.3	5.40%
Public, social and personal services	35.1	37	38.6	40.2	4.60%
Adjustments / other adjustments	157.4	170.6	180.4	185.3	5.60%
GDP	1,067.1	1,158.5	1,225.9	1,274.3	6.10%

Source: SAMA Annual Statistics 2013

Due to the government's efforts to diversify the economy, the non-oil sectors exceeded the oil sector. Among the strongest performing sectors, was transport, storage and communications sector and construction sector, which grew during period between 2010-2013G at a compound annual growth rate of 8.9% and 7.8% respectively. Agriculture, forestry and fishing sectors have witnessed slower growth at a CAGR of 1.4% during the period between 2010-2013G.

Given the recent negative movement in world oil prices, the government is expected to play a very crucial role in guiding its investment policies and plans in non-hydrocarbon sectors in an attempt to compensate for the loss caused by the decline in oil and gas revenues.

3-3-3 Saudi Stock Market

Saudi stock market made strong gains in 2013, due to strong earnings growth rate recorded by the Saudi companies as well as the recovery in the global economy. Tadawul All-Share Index (TASI) has gained 25.5% during 2013G, realizing the strongest annual performance since 2010. Market value also rose by 32.3% during the period between 2010-2013G, which represents now 62.7% of the GDP. TASI rose in the first nine months of 2014 by 27.2% (from the beginning of the year until September 14). However, in recent months, TASI has witnessed a significant decline due to the negative impact of lower oil prices and disappointing earnings results of companies during the third quarter, which led to a drop in the TASI index to 2013 levels.

Table (3-4): Saudi stock market indicators (2010-2013)

Stock Market Indexes	2010	2011	2012	2013	CAGR % (2010-2013G)
Tadawul All-Share (TASI) Index					
Market capitalization (billions of riyals)	1,325	1,271	1.4	1,753	9.80%
Turnover (billions of riyals)	759	1,099	1,929	1.37	21.80%
The number of operations (in millions)	19.5	25.6	42.1	29	14.10%
Change in stock prices	8.20%	-3.10%	6.00%	25.50%	11.70%
PE (ratio of price / earnings)	15.2x	12.3x	12.9x	15.2x	N/A
Saudi insurance sector index					
Turnover (billion riyals)	90	197	451	267	43.70%
The number of operations (in millions)	4.9	7	13	8.3	19.20%
Change in stock prices	(15.60%)	9.30%	36.60%	(11.30%)	3.80%

Source: Tadawul

Saudi insurance sector index witnessed a remarkable performance in 2012G, due to strong corporate earnings, but it went through correction phase in 2013G. In the period from the beginning of the year until September 14, 2014G, the insurance index rose by 19.2%.

3-4 Overview of the global insurance market in the Middle East and North Africa (MENA) Region

The size of the global insurance market, in terms of the Gross Written Premiums (GWP) amounted to USD 4.6 trillion in 2013G, growing at a steady rate of 1.4%. Europe, America and Asia markets are the major insurance markets in the world, which formed 35.6% and 33.8% and 27.55% respectively of the total global insurance market size. The insurance market in the MENA region with total premiums subscribed of USD 37.5 billion, was relatively small and form only about 0.8% of the total global insurance market, as the insurance industry in this region is relatively still backward compared with the developed world economies as per the general standards for the insurance industry, such as GWP, penetration rate, density rate, and average of market value.

3-4-1 Insurance Market Growth

Insurance markets in the MENA region has witnessed strong growth in recent years, supported by economic expansion, growing level of awareness, and regulatory reforms and initiatives undertaken by various concerned governments. Gross Written Premiums (GWP) in this region have grown at a CAGR of 11.7% in the period between 2010-2013G which is much higher than the growth in the global insurance market, which rose at a CAGR of 2.3% during the same period.

Table (3-5): Insurance market in the MENA region – Gross Written Premiums (GWP)

(GWP) (USD Million)	2010	2011	2012	2013	CAGR % (2010-2013G)
Iran	5.77	8,268	11,583	9,675	18.80%
United Arab Emirates	6,004	6,514	7,155	7,959	9.90%
Saudi Arabia	4.37	4,934	5,646	6.36	13.30%
Morocco	2,599	2.84	3.017	3.18	7.00%
Egypt	1.72	1,714	1,789	1,851	2.50%
Lebanon	1,115	1,221	1,308	1,475	9.80%
Qatar	974	1.05	1,339	1,471	14.70%
Algeria	1,093	1,188	1,379	1.44	9.60%
Kuwait	718	819	904	952	9.90%
Oman	653	733	857	947	13.20%
Tunisia	775	802	811	830	2.30%
Bahrain	560	572	636	688	7.10%

(GWP) (USD Million)	2010	2011	2012	2013	CAGR % (2010-2013G)
Jordan	576	622	657	686	6.00%
MENA	26,927	31,277	37,081	37,514	11.70%
World	4,330,332	4,595,704	4,598,951	4,640,941	2.30%

Source: Swiss Re

On the other hand, insurance markets in Iran, Qatar and Saudi Arabia, have witnessed the highest percentage of growth in the MENA region, by 18.8%, 14.7% and 13.3% respectively during the period between 2010-2013G. The growth in Jordan, Egypt and Tunisia markets was the slowest as it recorded a CAGR of 6.0%, 2.5% and 2.3% respectively during the same period.

Iran, UAE, and Saudi Arabia were the largest three insurance markets in the MENA region, which formed 25.8%, 21.2% and 17.0% of GWP, respectively, in 2013. Due to the high CAGR during the period from 2010-2013G, the ratio of CAGR (as a percentage of MENA) in Iran, Saudi Arabia, Qatar and Oman markets rose slightly on the expense of other economies

Table (3-6): Insurance market in the MENA region- Geographical Distribution

GWP (% of MENA)	2010	2011	2012	2013
Iran	21.40%	26.40%	31.20%	25.80%
United Arab Emirates	22.30%	20.80%	19.30%	21.20%
Saudi Arabia	16.20%	15.80%	15.20%	17.00%
Morocco	9.70%	9.10%	8.10%	8.50%
Egypt	6.40%	5.50%	4.80%	4.90%
Lebanon	4.10%	3.90%	3.50%	3.90%
Qatar	3.60%	3.40%	3.60%	3.90%
Algeria	4.10%	3.80%	3.70%	3.80%
Kuwait	2.70%	2.60%	2.40%	2.50%
Oman	2.40%	2.30%	2.30%	2.50%
Tunisia	2.90%	2.60%	2.20%	2.20%
Bahrain	2.10%	1.80%	1.70%	1.80%
Jordan	2.10%	2.00%	1.80%	1.80%

Source: Swiss Re

3-4-2 Low level of insurance penetration and insurance density

The percentage of Insurance penetration in the MENA region was significantly lower than in the global market and emerging markets. The insurance penetration rate in MENA was 1.4% in 2013G versus 6.3% for the global insurance market. The insurance penetration rates in Lebanon, Morocco and Iran were the highest in the region at 3.2% and 3.0% and 2.7% respectively.

Table (3-7): Insurance market in the MENA region - Insurance penetration (% of GDP)

Insurance penetration (%)	2010	2011	2012	2013
Lebanon	2.90%	2.90%	3.00%	3.20%
Morocco	2.90%	2.90%	3.10%	3.00%
Iran	1.40%	1.70%	2.30%	2.70%
Bahrain	2.50%	2.20%	2.10%	2.10%
Jordan	2.20%	2.20%	2.10%	2.00%
United Arab Emirates	2.00%	1.90%	1.90%	2.00%
Tunisia	1.80%	1.70%	1.80%	1.80%
Oman	1.10%	1.00%	1.10%	1.10%

Insurance penetration (%)	2010	2011	2012	2013
Saudi Arabia	1.00%	0.80%	0.80%	0.90%
Algeria	0.70%	0.70%	0.80%	0.80%
Qatar	0.80%	0.60%	0.70%	0.70%
Egypt	0.80%	0.70%	0.70%	0.70%
Kuwait	0.60%	0.50%	0.50%	0.50%
MENA	1.30%	1.30%	1.40%	1.40%
World	6.90%	6.60%	6.40%	6.30%

Source: Swiss Re

It is interesting that the Kingdom of Saudi Arabia is ranked as the ninth among thirteen countries with a penetration rate of 0.9%, despite being the third largest market in the MENA region.

Table (3-8): Insurance market in the MENA Region - The insurance density (USD per capita)

The insurance density (USD per capita)	2010	2011	2012	2013	CAGR % (2010-2013G)
United Arab Emirates	723	766	804	875	6.50%
Qatar	649	583	670	700	2.60%
Bahrain	467	440	530	573	7.10%
Lebanon	259	284	304	343	9.80%
Kuwait	232	293	312	328	12.30%
Oman	225	262	296	327	13.20%
Saudi Arabia	167	176	197	221	9.80%
Iran	77	111	153	127	18.20%
Jordan	89	99	103	104	5.50%
Morocco	80	88	93	97	6.40%
Tunisia	75	76	76	77	1.00%
Algeria	31	33	38	39	8.00%
Egypt	20	21	21	23	3.50%
MENA	92	107	125	126	11.00%
World	626	670	650	652	1.30%

Source: Swiss Re

The insurance density, which is the gross written premiums per capita, in most countries of the MENA region is much more less than the average of insurance density in the world. There are only two countries in the MENA region, namely, the United Arab Emirates and Qatar, where insurance density in each of them is USD 875 and USD 700 per capita, respectively, slightly higher than the global average of USD 652, while the insurance density in Saudi Arabia is much less and it is about USD 221 per capita.

It is clear that there is a huge potential opportunity in the insurance market across the MENA region in general and in Saudi Arabia, in particular, when comparing the levels of their insurance penetration and insurance density with global markets and global averages.

3-5 Insurance industry in Saudi Arabia

This section provides an overview of the current status of the insurance sector in Saudi Arabia, which covers general indicators of insurance industry, structure of the market, regulatory situation, growth drivers, latest developments and a brief outlook.

3-5-1 Overview and structure of the market

Saudi Arabia is the second largest insurance market after United Arab Emirates among Gulf Cooperation Council (GCC) countries. There are 35 insurance and reinsurance companies working in the insurance sector in the Kingdom, and offering their products for three main sectors, namely health insurance, general insurance and protection and savings insurance.

In 2013, the largest three insurance companies accounted for 51.2% of gross written premiums in the insurance market amounted to SAR 12.9 billion, which was slightly less than their joint market share, amounted to 52.7% in 2012G (gross written premiums amounted to SAR 11.1 billion). In addition, the market share of 8 largest companies has almost remained fixed in market within the range of 69% over 3 years. We provide in the next section a brief analysis of trends in the insurance industry and general indicators.

3-5-2 Insurance Industry Indicators

This section provides an analysis of the general indicators of insurance industry in the Kingdom and their rates of growth over the past four years and a brief overview of the insurance sub-sectors.

3-5-3 Gross Written Premiums

Table (3-9): Gross written premiums in the Saudi insurance market

GWP (SR Billion)	2010	2011	2012	2013	CAGR % (2010-2013G)
Health Insurance	8.69	9,708	11,285	12,895	14.10%
General Insurance	6,725	7.89	9	11.5	19.60%
Protection and Savings Insurance	972	905	889	845	-4.60%
Total	16,387	18,503	21,174	25.24	15.50%

Source: SAMA Annual Statistics 2013

The general insurance was the fastest growing sector in the Kingdom which recorded a CAGR of 19.6%, while the health insurance sector which depends primarily on compulsory medical insurance recorded CAGR of 14.1% during the period from 2010-2013G.

Table (3-10): Distribution of gross premiums written in the main insurance sectors in the Kingdom

GWP- Distribution of Sectors (%)	2010	2011	2012	2013
Health Insurance	53.00%	52.50%	53.30%	51.10%
General Insurance	41.00%	42.60%	42.50%	45.60%
Protection and Savings Insurance	5.90%	4.90%	4.20%	3.30%
Total	100%	100%	100%	100%

Source: SAMA Annual Statistics 2013

In 2013, the health insurance sector formed the largest insurance sectors, which accounted for 51.1%, while the general insurance and protection and savings insurance accounted for 45.6% and 3.3% respectively. It is worth mentioning that the general insurance sector was the fastest growing sector during the period of 2010-2013G, increasing the rate of insurance industry in the Kingdom in general, while health insurance and protection and savings insurance sectors recorded slight declines.

3-5-4 Insurance Density

Insurance density is defined as Gross Written Premiums per Capita. During the period from 2010-2013G insurance density in the Kingdom remained in an upward direction by a CAGR of 12.7% due to increased gross written premiums, supported by high GDP, favorable demographics and increased awareness of the benefits of insurance

Table (3-11): Insurance density in Saudi Arabia

Insurance Density (SR per Capita)	2010	2011	2012	2013	CAGR % (2010-2013G)
Health Insurance	320	358	387	442	11.40%
General Insurance	248	291	308	394	16.70%
Protection and Savings Insurance	36	33	30	29	-7.00%
Total	604	682	725	865	12.70%

Source: SAMA Annual Statistics 2013G

Insurance density in health insurance, general insurance and protection and savings insurance sectors rose at a compound annual rate of 11.4%, 16.7% and -7.0% to reach SAR 442, SAR 394 and SAR 29, respectively.

3-5-5 Insurance Market Penetration

Insurance penetration rate is defined as the ratio of gross written premiums to GDP per capita. Insurance penetration rate in Saudi Arabia has reached 0.9% in 2013G, up from 0.78% in 2012G, which is mainly due to the increase in gross written premiums more than the growth in nominal GDP for this year. However, penetration rate decreased slightly during the period from 2010-2013G because the growth in nominal GDP was much higher than the growth in gross written premiums in the Kingdom.

Table (3-12): Insurance penetration in Saudi Arabia

Insurance Penetration (%)	2010	2011	2012	2013
Health Insurance	0.51%	0.45%	0.41%	0.46%
General Insurance	0.40%	0.36%	0.33%	0.41%
Protection and Savings Insurance	0.06%	0.04%	0.03%	0.03%
Total	0.97%	0.85%	0.77%	0.90%

Source: SAMA Annual Statistics 2013G

Among the main reasons for the low levels of insurance penetration in the Kingdom, was the low levels of awareness as well as cultural and religious considerations. However, in recent years, there has been strong growth in the insurance penetration rate as a result of increased awareness of the benefits of insurance and government initiatives to impose certain insurance products. The increase of awareness in future will be a key factor in increasing the rate of insurance penetration in the Kingdom, which is still in much lower levels compared to the regional and global averages.

3-5-6 Retention ratio and loss ratio

The retention ratio measures the written premiums retained by the insurance Company, compared to gross written premiums. The overall retention ratio of insurance companies in the Saudi market increased to 76.0% in 2013G from 70.9% in 2010G.

The increase in retention ration is an indication that insurance companies in the Kingdom are maturing and shifting from relying mainly on reinsurance to retention of the largest portion of insurance premiums and investing them to pay off claims.

Loss ratio is defined as the ratio of net claims incurred (NCI) to net earned premiums (NEP). It gives an indication of the proportion of claims settled by the company to the premiums collected by the company, including the amendments to the reserves. Net written premiums in the Kingdom has increased at a CAGR of 21.2% during the period from 2010-2013G, supported by the strong growth in gross written premium, in addition to the improved retention rate. However, net premiums incurred has increased in much faster pace, bringing the annual compound growth to 34.1% during the same period, which in turn led to a significant rise in the loss ratio to reach 92.9% in 2013 versus 68.2% in 2010G.

Table (3-13): retention ratio, net earned premiums, net claims incurred, and loss ratio in Saudi Arabia

Retention ratio, net earned premiums, net claims incurred, and loss ratio	2010	2011	2012	2013	CAGR % (2010-2013G)
Retention ratio * (%)	70.90%	72.10%	75.80%	76.00%	N/A
Net premiums earned (SR billion)	9.6	11.7	14.1	17.1	21.20%
Net claims incurred (SR billion)	6.6	8.4	10.9	15.9	34.10%
* Loss ratio (%)	68.20%	71.80%	77.60%	92.90%	N/A

Source: SAMA Study Report on Saudi insurance market 2009-2013.

* Excluding protection and savings sector, which has no information available.

3-5-7 Insurance business lines

As previously mentioned, insurance sector in the Saudi market, can be divided into three (3) main sectors of general insurance, health insurance, protection and savings insurance. General insurance It can be fragmented into 7 business lines such as aviation insurance, energy insurance, marine insurance, accident and liability insurance, engineering insurance, property/ fire insurance, and motor insurance

Table (3-14): Distribution of Gross Written Premiums in the Kingdom by the insurance business lines

Gross Written Premiums (SR billion)	2010	2011	2012	2013	Percentage (2013)	Annual Compound Growth (2010-2013)
Aviation insurance	305	272	67	144	0.60%	-22.10%
Energy insurance	329	361	385	456	1.80%	11.50%
Marine Insurance	518	634	743	740	2.90%	12.60%
Protection and savings insurance	972	905	889	845	3.30%	-4.60%
Accident liability and other insurance	507	632	691	941	3.70%	22.90%
Engineering Insurance	869	913	1,077	1.2	4.80%	11.40%
Property/ fire Insurance	959	1,157	1,348	1,665	6.60%	20.20%
Motor insurance	3,239	3,922	4,689	6,355	25.20%	25.20%
Health insurance	8.69	9,708	11,285	12,895	51.10%	14.10%
Total	16,387	18,504	21,174	25,239	100%	15.50%

Source: SAMA Study Report on Saudi insurance market 2009-2013

It is worth mentioning that the health insurance and motor insurance lines of business represented the majority of insurance activity in the Kingdom by a ratio of 51.1% and 25.2% respectively of gross written premiums in 2013G. Property/ fire lines of business stood in third place, which represented 6.6% while engineering insurance rate reached 4.8%. The other lines of business such as accident and liability insurance, marine insurance, energy insurance, aviation insurance have contributed together by 9.0%, while protection and savings insurance accounted for 3.3% of gross written premiums in 2013G.

On the other hand, the insurance lines on vehicles, accidents and liability and property were the fastest, growing by a compound annual growth rate of 25.2%, 22.9% and 20.2% respectively during the period from 2010-2013G. Aviation insurance and protection & savings insurance lines of business increased by 22.1% and 4.6% respectively during the same period

Table (3-15): Insurance Retention ratio in the Kingdom by insurance lines

Insurance Lines	2010	2011	2012	2013
Aviation insurance	1.60%	0.50%	3.60%	2.50%
Energy insurance	2.30%	2.00%	1.90%	1.70%
Marine Insurance	33.80%	32.00%	30.90%	32.60%
Accident, liability and other insurance	54.40%	44.00%	47.60%	41.60%
Engineering Insurance	13.10%	14.00%	15.40%	15.00%
Property/ fire Insurance	13.20%	12.00%	15.10%	16.90%

Insurance Lines	2010	2011	2012	2013
Motor insurance	95.70%	95.00%	94.00%	93.90%
Health insurance	81.90%	85.00%	88.20%	88.80%
Overall Saudi market	70.90%	72.10%	75.80%	76.00%

Source: SAMA Study Report on Saudi insurance market 2009-2013

Total retention ratio in the Saudi market reached 76% in 2013G, mainly due to high retention rates in motor insurance and health insurance. The average weighted ratio of other business lines of insurance, except for motor insurance and health insurance, reached 30% in 2013G compared to 20% in 2012G, suggesting that the market is maturing and insurance companies are willing to retain insurance premiums (and thus retain coverage risk) from other lines and are also willing to invest them to pay off claims.

Table (3-16): loss ratio by insurance lines in the Kingdom

Loss ratio (%)	2010	2011	2012	2013
Aviation insurance	35.80%	50.00%	22.00%	26.40%
Energy insurance	13.90%	-1.50%	9.30%	17.50%
Marine Insurance	53.90%	39.00%	41.80%	44.60%
Accident, liability and other insurance	18.50%	21.00%	25.30%	29.20%
Engineering Insurance	38.50%	22.00%	31.00%	56.10%
Property/ fire Insurance	52.60%	103.00%	50.50%	113.80%
Motor insurance	67.10%	75.00%	78.50%	96.90%
Health insurance	71.50%	73.00%	81.40%	94.10%
Overall Saudi market	68.20%	71.80%	77.60%	92.90%

Source: SAMA Study Report on Saudi insurance market 2009-2013

Loss ratio in Saudi insurance market increased significantly in 2013 to 92.9% vs. 77.6% in 2012 due to the increase in loss ratios in all insurance lines. The main factors that contributed to this increase were claims arising from insurance policies on property/ fire, health insurance and motor insurance. Loss ratio in health insurance sector rose to 94.1% in 2013 versus 81.4% in 2012, while loss ratio in motor insurance sector rose to 96.9% in 2013 versus 78.5% in 2012. Property/ fire insurance sector recorded big rise in loss ratio, which amounted to 113.8% in 2013 compared to 50.5% in 2012.

3-6 Key Factors

This section summarizes the key factors of insurance industry in the Kingdom.

3-6-1 Favourable demographics and increasing number of expats

Demographics play an important role in the demand for insurance products. The demographics in the Kingdom are distinguished by dominance of relatively young category of population compared to other countries. According to IMF estimates, about 57% of the Kingdom's population are under age of 30 years while this category constitutes an average of about 52% of the world's population. It is expected that the demand for insurance will rise due to this large category of active young people, with the provision of education opportunities, information and new technologies.

Table (3-17): Distribution of the Kingdom's Population between Citizens and Expats

Figures in Millions	2006	2007	2008	2009	2010	2011	2012	2013	CAGR % (2010-2013G)
Citizens	17.3	17.7	18.1	18.5	19	19.4	19.8	20.3	2.30%
Expats	6.9	7.2	7.7	8.1	8.6	9	9.4	9.7	5.00%
Total	24.2	24.9	25.8	26.6	27.6	28.4	29.2	30	3.10%

Source: SAMA Study Report on Saudi insurance market 2009-2013

The number of Saudi citizens reached 20.3 million, or 68% of the total population of the Kingdom in 2013, while the number of expats reached 9.7 million, representing 32% of the total population. The number of expats in the Kingdom has increased by a CAGR of 5% during the period from 2006-2013G.

Growth of population is expected to remain strong in the expats in the coming period. This is likely to represent, along with the compulsory nature of health insurance and high level of awareness of the benefits of insurance products, main factors for growth in the demand for insurance products in the future.

3-6-2 Increase of GDP per capita and increase of diversification

There is a strong associated relationship between the performance of the insurance sector and GDP growth of the economy in any country. Real GDP growth rate in the Kingdom has reached 4% in 2013, due to the rise in oil production and ambitious spending and investment plans of the Saudi government and the strong contribution by the private sector.

Moreover, the Kingdom seeks to diversify its sources of revenue away from dependence on hydrocarbon sectors through investing in a diversified sectors, including manufacturing, retail, automotive and tourism sectors etc. This diversification has also led to strong growth in protection and savings insurance sector. It is expected that the expected growth in these sectors will lead to new projects that will increase the demand for insurance protection and savings products in the economy.

3-6-3 Compulsory Insurance and Islamic Products

Imposition of mandatory insurance lines has led to strong growth in the relevant sectors of insurance. Compulsory health insurance programs that have been applied over the years by the Council of Cooperative Health Insurance (CCHI) have also led to strong growth in the medical insurance line. Application of motor insurance and third liability insurance coupled with strong growth in the automotive market have also led to significant growth in motor insurance premiums.

It is also expected that the mortgage application system adopted in 2012G will increase consumer loans and the associated requirements such as insurance of assets under mortgage. This is likely to provide a great opportunity for insurance companies because it will open a new insurance such as property/ fire insurance to cover families, and life insurance to cover any emergency arises before the end of the mortgage loan term.

Moreover, the application of insurance products compliant with Islamic law, such as Takaful has also changed the general situation of insurance sector in the Kingdom where there is reluctance to conventional insurance because it is not permissible to a large extent according to Islamic law. The products that are compliant with the Islamic law such as Takaful will be an important stimuli for the growth of the sector, and this is what supports the demand for insurance products among the locals.

3-6-4 Protection and savings insurance

Because of cultural and religious issues and low levels of awareness of protection and savings insurance products, this sector of the Saudi market has remained weak. However, introduction of Takaful products in this area, increasing efforts to raise awareness, supporting regulatory steps and developments as well as increasing competition in the insurance industry, this sector has become a tremendous potential for growth of new insurance industry in the Kingdom.

3-7 Major Challenges

3-7-1 Lack of Awareness

The level of awareness of life insurance in the Kingdom and the possibility to take advantage of its benefits is still limited. While reliance on government traditional social welfare benefits is one of the reasons for the lack of awareness, the cultural and religious conceptions also contribute to the continuation of this situation. There have been great efforts to raise awareness, including Islamic insurance application. It is likely that recent steps by the government to impose certain compulsory types of insurance (such as motor insurance and health insurance) would contribute in raising the levels of awareness, not only about the concept of insurance, but also about various products available in the market.

3-7-2 Shortage of Skilled Labours

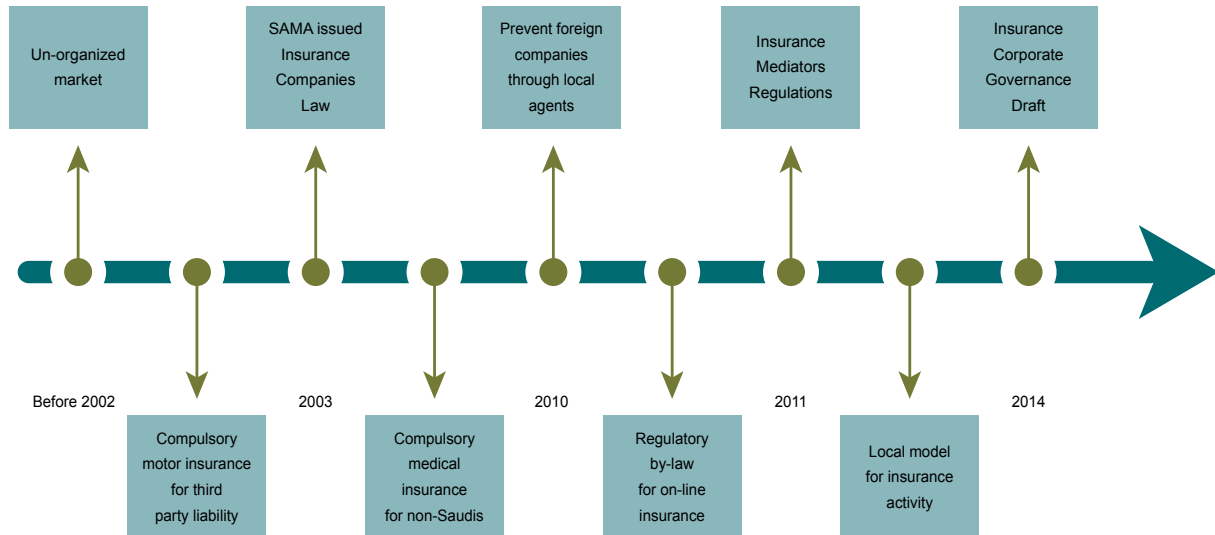
Insurance sector in the Kingdom is still suffering from lack of local cadres and high costs of securing and retaining highly qualified cadres. The insurance sector lacks the appropriate knowledge and experience in underwriting skills and portfolio management skills, which are considered as a requirement to retain insurance premiums in the Company.

3-7-3 Low Rates of Returns

The insurance market in the Kingdom is very fragmented market, in which 35 companies are operating. There are a handful of large companies, which tend to achieve small margins to gain greater market share. As a result, strong competition in the market has led to poor pricing of insurance products, which in turn led to large losses for some insurers. In 2013, return on assets and return on equity for the Saudi insurance market were -3.4% and -15.3% respectively. SAMA was prompted to issue new rules and foundations for product pricing and actuarial review mechanisms.

3-8 The regulatory environment and recent developments

Insurance market in the Kingdom remained suffering of lack of effective organization until 2003. The majority of companies were Bahrain-based foreign representative units. In 2003G, SAMA began organizing the insurance sector and issued Cooperative Insurance Companies Regulations for the year 2003G, which stipulated that all insurance companies should transform their overseas operations to the Kingdom, enlist their shares in the Saudi stock market, and the majority of company's shares should be owned by local partners. This law has made radical change in the Saudi insurance market. The Chart below shows the evolution of the insurance industry in the Kingdom.



In 2006G, SAMA imposed compulsory health insurance for non-Saudis, provided new incentives for insurance sector in the Kingdom. In 2010G, SAMA revealed plans to prevent all foreign insurance companies operating in the Kingdom through local agents from issuing and renewing insurance policies unless they obtain licenses from SAMA.

In addition, the Insurance Intermediary Regulation, published in October 2011G, has stipulated the commission to be paid to brokers and agents. This regulation also stipulated that a broker shall not have more than five branches in the Kingdom if its capital is SAR 500,000. Moreover, the agent should increase its capital by SAR 100,000 for each additional branch before being approved by SAMA.

In December 2011G, SAMA issued a specific regulation for insurance activities over internet and stipulated that all companies shall use local cooperative model, which entitles the policyholder to get 10% of the net surplus (losses shall not be turned to policyholder).

In June 2014G, SAMA issued a draft of corporate governance regulation for insurance companies in order to develop a unified high-level framework for governance of companies operating in the insurance sector in accordance with the best practices recognized worldwide.

3-8-1 Saudi Arabian Monetary Agency (SAMA) Responsibilities and Objectives

Saudi Arabian Monetary Agency (SAMA) is the official regulator of insurance sector in the Kingdom. The following is a summary of SAMA's most prominent responsibilities and objectives:

- provide and establish appropriate standards for provision of insurance services
- promote stability in the insurance market
- protect the rights of insured parties and investors
- encourage fair and effective competition and provide better insurance services at competitive prices and coverage
- regulate the relationship between the insurers/ reinsurers and service providers in order to ensure compliance with laws and regulations governing the market
- train and localize manpower (Saudization)

3-9 Cooperative Insurance Companies Control Law and Implementing Regulations

The Cooperative Insurance Companies Control Law was approved by Royal Decree number M/32 dated 02/06/1424H (corresponding to 31/7/2003G) which set the stage for the legal framework and supervision of the insurance sector. SAMA was appointed to act as a regulator and responsible body for the supervision of the insurance sector.

Subsequently, Implementing Regulations were issued by Ministerial Decree No. 1/596 dated 1/3/1425H (corresponding to 20/4/2004G) to govern the insurance business in Saudi Arabia. Some of the salient features of Cooperative Insurance Companies Control Law and its Implementing Regulations are as follows:

- Insurance activities within Saudi Arabia must be carried out by insurance companies established and registered in Saudi Arabia and operated in a “Cooperative/Takaful” manner consistent with the principles of Islamic Law and Jurisprudence.
- Applicant insurer/reinsurer must be a joint stock company, established primarily to engage in insurance and/or reinsurance activities with direct insurers having a minimum capital of one hundred million Saudi Arabian Riyals (SAR 100,000,000) and reinsurers having a minimum capital of two hundred million Saudi Arabian Riyals (SAR 200,000,000).
- Gross premiums written should not exceed ten times the amount of the paid up capital of the Company.
- Direct insurers must retain at least 30% of total gross written premiums within the Kingdom of Saudi Arabia.
- 90% of the net surplus must be transferred from insurance operations to the Shareholders’ income statement and the balance of 10% must be distributed to the policyholders either directly or in the form of a future reduction in premiums.
- Direct insurers must reinsure a minimum of 30% of total gross written premiums within the Kingdom of Saudi Arabia.

3-10 Competition

Currently insurance market witnesses vital changes with a significant increase in the pace of competition, where insurance companies have obtained licenses to work in the Kingdom. With the entry of new firms into the market, it is expected that each company will provide advanced new products to increase market share. Offering new products in the Saudi market, such as credit insurance, mortgage insurance, and recoverable and adjustable life insurance, will raise the diversity and quality of products on the market.

The number insurance companies listed in Tadawul reached 35 as of 21/12/2014G, as follows:

1. National Company for Cooperative Insurance (“Tawuniya”)
2. Mediterranean & Gulf Cooperative Insurance & Reinsurance (“Med Gulf”)
3. Malath Cooperative Insurance & Reinsurance Company
4. Saudi Arabian Cooperative Insurance Company (“SAICO”)
5. Al-Ahli Takaful Company (“ATC”)
6. SABB Takaful Company
7. Arabian Shield Cooperative Insurance Company
8. Saudi IAIC for Cooperative Insurance (“SALAMA”)
9. Gulf Union Cooperative Insurance Company
10. Saudi Fransi Cooperative Insurance Company (“Allianz SF”)
11. Sanad Insurance & Reinsurance Cooperative Company (“SANAD”)
12. Trade Union Cooperative Insurance Company
13. Al Sagr Company for Cooperative Insurance
14. Wafa Company for Cooperative Insurance
15. Arabia Insurance Cooperative Company
16. Saudi United Cooperative Insurance
17. BUPA Arabia for Cooperative Insurance
18. Saudi Re for Cooperative Reinsurance Company
19. United Cooperative Assurance
20. Saudi Arabian Cooperative Insurance Co. (SAICO)
21. Allied Cooperative Insurance Group (“ACIG”)
22. Wiqaya Takaful Insurance & Reinsurance Company
23. Al Rajhi Company for Cooperative Insurance
24. AXA Cooperative Insurance Company
25. Ace Arabia Cooperative Insurance Company
26. Buruj Cooperative Insurance Company
27. Al Alamiya for Cooperative Insurance
28. Gulf General Insurance Company
29. Solidarity Saudi Takaful Company
30. Wataniya Insurance Company
31. Amana Cooperative Insurance Co.
32. Saudi Enaya Insurance Co.
33. Tokyo Marine Saudi Arabia
34. Jazira Takaful Cooperation Co.
35. MetLife AIG ANB Cooperative Insurance Company.

3-11 Future Developments

The Saudi market has been developing over the years, while many local and international companies have been established their presence in the market and have been providing innovative products specially designed to meet domestic demand, taking into account cultural and religious factors for consumers. The large number of insurance companies licensed in the Kingdom has been a central element for innovation and wide diversification of products and competitive prices.

Insurance industry in the Kingdom is highly competitive with the existence of 35 companies operating in the market. Due to the intensified competition in recent years in the sector, many companies began to price their products with very narrow profit margins in order to maintain its market share, which has led to low profitability and non-encouraging low rates of return from insurance business. However, it is expected that over the long term that a lot of small/low capital companies will exit the market or merge with each other, leading eventually to unification of the insurance industry in the Kingdom. This will lead to reduction of the intensive competition, which in turn will lead to a return to the normal profitability of the business

4. The Company and Nature of Business

4-1 Company Background

The Company was incorporated as a Saudi joint stock Company in accordance with the Royal Decree No. M/60, dated 18/9/1427H (corresponding to 11/10/2006G), Council of Ministers Resolution No. 233 dated 16/9/1427H (corresponding to 09/10/2006G) and the Ministerial Resolution announcing incorporation of the Company No. (112/Q), dated 29/04/1428H, (corresponding to 16/05/2007G), with its head office in Jeddah, Bin Himran Complex – Prince Mohammed Bin Abdulaziz Street, Al Tahliya, registered under Commercial Registration No. (4030169661) issued from the city of Riyadh, dated 06/05/1428H, (corresponding to 23/05/2007G). It was also registered in the registry of the city of Jeddah. The Company has been licensed by the Saudi Arabian General Investment Authority under license No. (870/1), dated 13/09/1426H (corresponding to 15/10/2005G), authorized to practice insurance by the Saudi Arabian Monetary Authority under license No. TMN/4/20079, dated 29/8/1428H corresponding to 11/09/2007G.

The capital of the Company is (SAR 100,000,000) one hundred million Saudi Riyals fully paid divided into (10,000,000) ten million ordinary shares, with a nominal value of (SAR10) ten Saudi Riyals per share. Upon incorporation of the Company, the Founding Shareholder have subscribed to a total of (SAR 6,000,000) six million shares, representing (60%) of the Share Capital, with a price of (SAR 10) ten Saudi Riyals per share, in a total amount of (SAR 60,000,000) sixty million Saudi Riyals. Four million (4,000,000) shares representing (40%) of the Company capital have been offered for the public subscription, with (SAR 10) ten Saudi Riyals per share.

On 14/8/1435H (corresponding to 12/6/2014G), the Board recommended to increase the Company capital from (SAR 100,000,000) one hundred million to (SAR 250,000,000) two hundred and fifty million, after obtaining all necessary regulatory approvals. The Company obtained the final approval of the Saudi Arabian Monetary Agency (SAMA) to increase its capital by (SAR 150,000,000) one hundred and fifty Million Saudi Riyals via the offering of Right Issues. On 13/09/1436H (corresponding to 30/06/2015G), the Extraordinary General Meeting approved the Board's recommendation to increase the Company's capital.

Under the resolution of the EGM held on 03/08/1433H (corresponding to 23/06/2012G), the commercial name of the Company was adjusted from "Saudi IAIC Cooperative Insurance Company" to "Salama Cooperative Insurance Company". Accordingly, the Articles of Association and the Commercial Registration of the head office were amended to reflect this change in the Company name.

The Company confirms that it has not granted any privileges or preferential rights to Founding Shareholder or other shareholders and that it has not to the date of this prospectus increased its capital via right issues shares.

4-2 Most Important Developments after Company Incorporation

- The Company's incorporation application was referred to Saudi Arabian General Investment Authority. The Company obtained their license No. (870/1), dated 13/09/1426H (corresponding to 15/10/2005G).
- The Founding Shareholder obtained incorporation license pursuant to the Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10.2006G) and Council of Ministers Resolution No. (233), dated 16/09/1427H (corresponding to 09/10/2006G).
- The Company commenced its business on the date of the Ministerial Resolution announcing the Company incorporation No. (112/Q), dated 29/04/1429H (corresponding to 16/5/2007G).
- The Company shares were listed in the Saudi Stock Exchange (Tadawul) on 07/05/1428H, (corresponding to 23/05/2007G).
- The Company has been registered as a Saudi joint stock Company under commercial registration No. (4030169661) issued from the city of Riyadh, dated 06/05/1428H (corresponding to 23/05/2007G) and has been registered in the registry of the city of Jeddah.
- Saudi Arabian Monetary Agency (SAMA) licensed the Company to practice insurance business under license No. (TMN/4/2/20079), dated 29/08/1428H (corresponding to 11/09/2007G).
- The Extraordinary General Meeting held on 03/08/1433H (corresponding to 23/06/2012G) approved amendment of the Company's commercial name from (Saudi IAIC Cooperative Insurance Company" to "Salama Cooperative Insurance Company".
- The Company obtained the approval the Saudi Monetary Agency (SAMA) to increase its capital under letter No. (351000147528), dated 01/12/1435H (corresponding to 25/09/2014G).

4-3 Company Business Activities

In line with Article (3) of the Articles of Association, the Company licensed goals are as follows:

In line with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations and all laws and rules applicable in the Kingdom of Saudi Arabia, the Company shall practice cooperative insurance and all related services including re-insurance agencies, representation, correspondence or brokerage. The Company may exercise all necessary business activities to achieve insurance or funds investment goals, own and move, sell, replace or rent fixed assets and cash funds directly or indirectly through subsidiaries or purchased or associated entities.

The Company confirms that it has no intention to make any fundamental change to the main business of the Company since incorporation, and that there has been no interruption in the Company business that may affect or could have affected significantly its financial position during the last (12) twelve months. The Company also confirms that it has neither any other activity nor it possesses any assets outside the Kingdom of Saudi Arabia.

The Company has been licensed to practice insurance, including main insurance services practiced by the Company in the Kingdom, which are as follows: (1) General Insurance and (2) Health Insurance.

The Company can offer its services only after obtaining (a final or a temporary) approval for each product from SAMA (pursuant to article 16 (sixteen) of the Implementing Regulations). The Company has so far obtained final and temporary approvals from SAMA on a number of its products.

The Company has obtained (final and temporary) approvals on the products shown in the table below:

Table (4-1): Licenses and Approvals

Type of License	Purpose	License No.	Date of Issue	Expiration Date	Issuer
Practice of Insurance Business	To practice General Insurance and Health Insurance	TMN/4/20079	29/08/1428H corresponding to 11/09/2007G	27/08/1437H corresponding to 04/06/2016G	SAMA
Council of Cooperative Health Insurance (qualifying the Company)	Qualification license to practice cooperative health insurance	1293/353	08/10/1435H corresponding to 08/06/2014G	07/01/1436H corresponding to 23/07/2015G	Council of Cooperative Health Insurance
Approval to offer insurance products	Final approval to market and sell fidelity insurance policy	1002/IS	21/12/1428H corresponding to 30/12/2007G		SAMA
Approval to offer Insurance products	Final approval to market and sell: 1. Contractors all risk insurance policy 2. All installation risks insurance 3. Contractors furnishings and Motor insurance Policy 4. Machine damage insurance policy 5. Electronic equipment insurance policy	1039/IS	24/12/1428H corresponding to 02/01/2008G		SAMA
Approval on offering insurance products	Final approval to market and sell Machinery damage loss of profit insurance policy	471/IS	22/02/1433H corresponding to 16/01/2012G		SAMA
Approval to offer insurance products	Final approval to market and sell: 1. Land transport all risks policy 2. Land transport specific risks policy 3. Marine carrier all risks policy 4. Marine carrier specific risks policy 5. Hull and machinery Insurance Policy	2314/IS	16/12/1431H (corresponding to 22/10/2010G)		SAMA
Approval on offering insurance products	Final approval to market and sell cash insurance policy	1001/IS	21/12/1428H (corresponding to 30/12/2007G)		SAMA
Approval on offering insurance products	Final approval to market and sell fire insurance policy and property comprehensive insurance policy	1004/IS	21/12/1428H (corresponding to 30/12/2007G)		SAMA

Type of License	Purpose	License No.	Date of Issue	Expiration Date	Issuer
Approval on offering insurance products	Final approval to market and sell public liability insurance policy	1003/IS	21/12/1428H (corresponding to 30/12.2007G)		SAMA
Approval on offering insurance products	Final approval to market and sell workers compensation insurance	1038/IS	24/12/1428H (corresponding to 02/01/2008G)		SAMA
Approval on offering insurance products	Temporary approval to market and sell motor comprehensive insurance policy – motor insurance policy – third party liability insurance	361000020267	08/02/1436H (corresponding to 30/11/2014G)	10/05/1436H (corresponding to 28/02/2015G)	SAMA

4-4 Company Vision

To provide the best financial guarantee, in line with the Company's values, designed and created by a specialized team; to build and develop long term professional relations with clients who look forward to quality solutions for managing their risks with costs suiting their businesses. The Company also seeks to grow and expand its products and services to achieve optimum coverage and to be a pioneer in the insurance industry in the Kingdom.

4-5 Company Mission

The Company seeks to meet individuals and companies needs in order to assist them in managing daily risks, compensate them on unforeseen incidents and achieve their aspirations.

This will be achieved by engaging in long term relations that enable the Company to understand the needs of its customers, move proactively to meet them, provide high profile insurance solutions and high level services that exceed their expectations.

4-6 Company Strategy

Salama aims to be a leading provider of Takaful insurance products that comply with Islamic Shariah (Law) in the Kingdom of Saudi Arabia thru the provision of competitively priced high quality services. The Company provides a number of products designed to meet the needs of its individual and Company's clients, as detailed below:

1. Motor Insurance
2. Health Insurance
3. Fire Insurance and Property Insurance
4. Marine Insurance
5. Accidents – Liability Insurance
6. Engineering Insurance

The Company also aims to practice Takaful insurance activities and related activities such as re-insurance, agency, representation, correspondence or insurance brokerage in line with the Saudi Cooperative Insurance Law, its Implementing Regulations and other applicable rules.

The Company intends to avail the strength points of its Founding Shareholder and their experience, expertise and administrative proficiency. The Company goals are derived from its primary concentration on clients' satisfaction, operational efficiency, personnel and profitability. The Company aims to:

- Target different client segments to design and offer distinct and high quality/price services designed specifically to meet the needs of every segment.
- Provide Company clients with high quality services and process claims with maximum speed and efficiency.
- Establish, enhance and maintain special relations thru a high level system for client relation management (CRM); utilize extensively the Information Technology to build and consolidate high service standards. Our clients' loyalty is reflected via the clients' high retention rate and their repeated dealings with the Company.
- Work and coordinate closely with our partners in distribution channels to understand clients diversified needs. We work with these partners to design insurance solutions that satisfy the requirements of our institutional and individual customers.

The Company provides insurance solutions to institutional and individual clients thru the following distribution channels:

- Direct sales team and brokers: to provide insurance solutions to our individual clients.
- Specify brokers and full time account managers: to provide comprehensive solutions to institutional clients.
- Other distribution channels: to expand points of sale s and explore new methods for sales, e.g. the internet.

The Company aims to achieve a high level of profitability thru the optimum utilization of underwriting, re-insurance and claims; and to seek attainment of significant increase in total premiums during the coming years. Salama also aims to

manage its operations with a permanent focus on the control of its costs and mainly utilizing information technology to ensure the presence of highly efficient and responsive work system.

On the other hand, the Company provides its staff with equal opportunities for a maximum utilization of their potentials. The Company also provides its staff with high end education and training services, including technical and administrative skills as well as personal relations. The Company adopts a concentrated plan to boost its Saudization rate.

4-7 Major Shareholders

Until 08/12/2014, the only shareholder who owns more than 5% in the Company's Share Capital is the Islamic Arab Insurance Company "IAIC", which owns 30% of Salama shares.

Table (4-2): Substantial Shareholder Percentage

Shareholder	Number of Shares	Pre-Offering Ownership percentage	Amount (SAR)
Islamic Arab Insurance Company (IAIC)	3,000,000	30%	30,000,000

Overview of the Islamic Arab Insurance Company (IAIC)

The Islamic Arab Insurance Company is joint stock company, with its head office located in the United Arab Emirates. This Company has been established in 1979G in Dubai.

The capital of the Company is AED 1.21 billion (USD 330 million) and it provides thru six subsidiaries Takaful and re-Takaful solutions that comply with the rules of the Islamic Shariah (Law) to a wide base of clients in the United Arab Emirates, Kingdom of Saudi Arabia, Egypt, Senegal, Algeria and Jordan.

4-8 Historical Overview

- The Company was established in April 1979G.
- The Company started its business in August 1979G.
- The Company was listed in Dubai Stock Exchange on 17 September 2005G.

The Islamic Arab Insurance Company practices Takaful insurance in four main sectors: Motor, Health, Family and Public Insurance.

Table (4-3): Ownership Structure of the Islamic Arab Insurance Company (IAIC)

Shareholder	Type	Country	Ownership Percentage
Noor Al Ain Management Services Co.	Limited Liability Co.	United Arab Emirates	10.86%
Ajyad Facilities Management Services Co.	Limited Liability Co.	United Arab Emirates	10.00%
Al Wajna Holding Co.	Limited Liability Co.	United Arab Emirates	6.00%
Jabal Al Qalaa Facilities Management Services Co.	Limited Liability Co.	United Arab Emirates	5.00%
Al Firdous Facilities Management Services Co.	Limited Liability Co.	United Arab Emirates	5.00%
Awafi Holding Co.	Limited Liability Co.	United Arab Emirates	5.00%
Hoor Aleen Commercial Brokers Co.	Limited Liability Co.	United Arab Emirates	5.00%
Sarh Holding Co.	Limited Liability Co.		5.00%
Public	-	-	48.14%
Total			100%

4-9 Companies in Which Salama Possesses Shares or Equities

Salama has no subsidiaries. Except Najm Insurance Services Company, as shown below, Salama has no shares or equities in other companies.

Table (4-4): Salama Ownership Percentage in Najm Company

Company	Country	Ownership Percentage
Najm Insurance Services Co.	Saudi Arabia	3.85%

Najm Insurance Services Company is a Saudi Private Limited Liability Company located in Riyadh and provides general insurance services except life insurance, through 21 branches in the Kingdom of Saudi Arabia.

Table (4-5): Ownership Structure in Najm Insurance Services Company

Shareholder	Type	Country	Percentage
Al Alamiya for Cooperative Insurance	Company	KSA	3.85%
Al Sagr Company for Cooperative Insurance	Company	KSA	3.85%
Alahlia for Cooperative Insurance Company	Company	KSA	3.85%
Alenma Tokyo Marine for Cooperative Insurance	Company	KSA	3.85%
Saudi Fransi Cooperative Insurance Company (Allianz SF)	Company	KSA	3.85%
United Group Cooperative Insurance Company	Company	KSA	3.85%
Al Rajhi Company for Cooperative Insurance	Company	KSA	3.85%
Amana Cooperative Insurance Co.	Company	KSA	3.85%
Arabia Cooperative Insurance Company	Company	KSA	3.85%
Arabian Shield Cooperative Insurance Company	Company	KSA	3.85%
AXA Cooperative Insurance Company	Company	KSA	3.85%
Buruj Cooperative Insurance Company	Company	KSA	3.85%
Gulf General Insurance Company	Company	KSA	3.85%
Malath Cooperative Insurance & Reinsurance Company	Company	KSA	3.85%
Salama Cooperative Insurance Company	Company	KSA	3.85%
Sanad Insurance & Reinsurance Cooperative Company (SANAD)	Company	KSA	3.85%
Saudi Arabian Cooperative Insurance Co. (SAICO)	Company	KSA	3.85%
Saudi Indian Company for Cooperative Insurance	Company	KSA	3.85%
Saudi United Cooperative Insurance Company	Company	KSA	3.85%
Solidarity Saudi Takaful Company	Company	KSA	3.85%
National Company for Cooperative Insurance (Tawuniya)	Company	KSA	3.85%
Mediterranean & Gulf Cooperative Insurance & Reinsurance	Company	KSA	3.85%
Trade Union Cooperative Insurance Company	Company	KSA	3.85%
Allied Cooperative Insurance Group (ACIG)	Company	KSA	3.85%
Wataniya Insurance Company	Company	KSA	3.85%
Wiqaya Takaful Insurance & Reinsurance Company	Company	KSA	3.85%
Total			100%

4-10 Products and Services

This section is a summary of the insurance products provided by the Company. It does not include all terms and conditions of related insurance policies. It may include items that do not fully comply with the terms of this policy. Therefore, this summary is not a substitute of policies texts and has no contractual or legal value. In the event of any differences or conflict between the contents of this summary and the texts of the said policies, the texts of these policies shall prevail.

4-10-1 Machine Damage Profit Loss Insurance Policy

This policy covers profit loss resulting from the insured machine damage on realized financial losses arising from interruption of the insured business due to an accident of an insured machine in the locations stated in the insurance policy. The Company obtained SAMA final approval (letter No. 471/IS, dated 22/02/1433H corresponding to 16/01/2012G) to sell this product.

4-10-2 Contractors All Risks Insurance Policy

This policy is divided into two sections:

Section One: Physical Damage

Any sudden unforeseen physical loss or damage, which, except for the specifically excluded reasons, requires repair or replacement, the Company shall compensate the insured for such loss or damage in cash or replace or repair the same (at its own discretion) within the limits of the agreed upon amount.

Section Two: Third Party Liability

The Company shall compensate the insured only within the limits of the amounts of this policy, for any amounts that the insured shall legally pay as compensations for:

- Third party emergency physical injuries or diseases (fatal or not fatal)
- Third party property emergency loss or damage

Which results directly from constructing or installing the items insured under section one, which occur at work site or its direct neighbourhood during the insurance period.

For a claim subject to compensation as stipulated above, the Company shall also compensate the insured as follows:

- All costs and expenses of litigations ruled in favour of the plaintiff.
- All incurred costs and expenses by a written approval of the Company.

The Company's obligations shall not at all times exceed the agreed upon compensation limit.

The Company has obtained SAMA final approval (letter No. 1039/IS, dated 24/12/1428H (corresponding to 02/01/2008G) to sell this product.

4-10-3 Installation All Risks Insurance Policy

This product covers risks related to assembly or installation of machinery as well as machine testing, commissioning and operating period. The policy provides a comprehensive coverage against all risks unless being specifically excluded. The insurance coverage also includes additional risks such factories, steel structures and third party liability.

Section One: Physical Damage

The policy covers unforeseen damage or loss, for any reason other than the reasons excluded by the policy, which require repair or replacement. The Company will compensate in cash, replace or repair (at its own discretion) the damage within the limits of the amount agreed upon in this policy.

Section Two: Third Party Liability

The Company shall compensate the insured only within the limits of the amounts of this policy for any amounts that shall be paid legally as compensations for:

- Third party emergency physical injuries or diseases (fatal or not fatal)
- Third party property emergency loss or damage,

Which results directly from constructing or installing the items insured under section one, and which occur at work site or its direct neighbourhood during the insurance period.

For a claim subject to compensation as stipulated above, the Company shall also compensate the insured as follows:

- All costs and expenses of litigations ruled in favour of the plaintiff.
- All incurred costs and expenses incurred under consent of the Company.

The Company's obligations shall not at all time exceed the agreed upon compensation limit.

The Company has obtained SAMA final approval in letter No. 1039/IS, dated 24/12/1428H (corresponding to 02/01/2008G) to sell this product.

4-10-4 Electronic Equipment Insurance Policy

The policy covers all sudden and unforeseen damage caused by electronic equipment in case they have been dismantled for cleaning, maintenance, relocation or re-installation after successful running. The policy also covers data external media, cost increase and work expenses.

Physical Damage

The unforeseen physical loss and damage that requires repair or replacement

Information External Media

The damage of external media of stored data that can be processed directly in the electronic information systems, provided that it is kept in the Company location.

Operating Cost Increase

The damage that results from partial or complete interruption of electronic data processors as agreed upon between the two parties, including any additional expenses incurred due to the use of alternative electronic data processors that are not covered by this policy, in an amount that does not exceed the daily compensation agreed upon or the total insurance amount.

The Company has obtained SAMA final approval (letter No. 1039/IS, dated 24/12/1428H corresponding to 02/01/2008G) to sell this product.

4-10-5 Machinery Damage Insurance Policy

This policy covers sudden and unforeseen loss or damage of the equipment insured under this policy, which require repair or replacement (as per condition), due to casting defects, defective materials, design errors, workmanship errors, installation or repair error, wrong operating, lack of skills, water shortage in heaters, natural outbreak, tear resulting from centrifugal force, failure of electrical circuit, storms or any specifically non-excluded reasons.

The Company has obtained SAMA final approval (letter No. 1039/IS, dated 24/12/1328H corresponding to 02/01/2008G) to sell this product.

4-10-6 Contractors' Installations and Equipment Insurance Policy

The Company compensate the insured for any loss or damage to contractor's furnishings and equipment in cash or replacement or repair (at its own discretion), in an amount that does not exceed at any year the amount for any item stated in the policy.

The Company has obtained SAMA final approval (letter No. 1039/IS, dated 24/12/1328H corresponding to 02/01/2008G) to sell this product.

4-10-7 Land Transport Risks Insurance Policy (All Risks)

This type of insurance covers land transport risks (trucks, train carriages), including losses resulting from fire, lightning, collapse of bridges, trucks rollover, collision and loss of track, train carriages and any other similar accidents.

The insurance shall become valid as from the time the goods have left the warehouse and/or store from the location stated in the policy to start the transport process. The insurance shall remain valid throughout the transport process, including re-shipment, if any, until delivery to the final warehouse at the destination stated in the policy. For train transport operations or shipments only, the coverage shall continue until expiry of the seven days period as of arrival of the train carriage to its final destination

Regarding the land transit transport, the coverage shall continue for seven days after the carriage has reached its final destination in the city stated in the policy, whichever comes first.

The Company has obtained SAMA final approval (letter No. 2314/IS, dated 16/12/1431H corresponding to 22/10/2010G) to sell this product.

4-10-8 Land Transit Transport Insurance Policy (All Risks)

This type of insurance provides coverage for all risks of land transit (trucks/train carriages), including arising losses, except items agreed upon by both parties in the policy.

The insurance shall become valid as from the time that goods have left the warehouse and/or store from the location stated in the policy to start the transport process. The insurance shall remain valid throughout the transport process, including re-shipment, if any, until delivery to the final warehouse at the destination stated in the policy. For train transport operations or shipments only, the coverage shall continue until expiry of the seven days period as of arrival of the train carriage to its final destination.

Regarding the land transit transport, the coverage shall continue for seven days after the carriage has reached its final destination in the city stated in the policy, whichever earlier.

The Company has obtained SAMA final approval (letter No. 2314/IS, dated 16/12/1431H corresponding to 22/10/2010G) to sell this product.

4-10-9 Marine Carrier Risks Insurance Policy (Specific Risks)

This type of insurance covers third party loss amounts (shipped goods), claimed from the insured, or any actual damage which results directly from risks included in the policy during transport by a motor operated by the insured within the geographical scope stated in the policy. The policy also includes coverage against fire, collapse of bridges, rollover, collision, loss of track and any other similar accidents.

The Company has obtained SAMA final approval (letter No. 2314/IS, dated 16/12/1431H corresponding to 22/10/2010G) to sell this product after fulfilling all remarks stated by SAMA.

4-10-10 Marine Carrier Risks Insurance Policy (All Risks)

This type of insurance covers third party loss amounts (shipped goods), claimed from the insured, or any actual damage which results directly from risks included in the policy during transport by a motor operated by the insured within the geographical scope stated in the policy. The insurance becomes valid as from loading the goods and expires upon unloading or 24 hours after arrival of the motor to its final destination.

The Company has obtained SAMA approval (letter No. 2314/IS, dated 16/12/1431H corresponding to 22/10/2010G) to sell this product.

4-10-11 Hull Marine Insurance Policy (All Risks)

This policy covers hulls (oil tankers, boats, regular cargo ships, huge cargo ships, gas tankers, passenger ships, yachts, dinghies) and damage to the hull, ship machinery and third party liability.

The Company has obtained SAMA final approval (letter No. 2314/IS, dated 16/12/1431H corresponding to 22/10/2010G) to sell this product.

4-10-12 Fidelity Insurance Policy

The coverage includes compensating the insured on the basis of settlement for any direct loss of money and/or properties as a result of fraud, misappropriation, theft and/or fraudulent transfer by a covered employee solely or in collusion with third parties, provided that such act

- Has been committed during the validity of this policy
- Occurred after the starting date of the insurance policy
- Was related to the employee's duties

While the employee has been carrying out his duties continuously without interruption.

The Company has obtained SAMA final approval (letter No. 1002/IS, dated 21/12/1428H corresponding to 30/12/2007G) to sell this product.

4-10-13 Cash Insurance Policy

The coverage includes loss of movable funds (when under the personal custody of the insured), which are moved directly from offices to deposit centres and are moved in the ordinary method explained to the Company by the insured and on the basis of which the Company has agreed to issue this policy. This policy does not cover the funds available in the offices or in a special residence.

The funds in a fortified room or safe (anti-theft container designed to resist fire, hand-weapon attacks, power operated machines and designed specifically to safeguarding funds and valuables.

The Company has obtained SAMA final approval (letter No. 1001/IS, dated 21/12/1428H corresponding to 30/12/2010G) to sell this product.

4-10-14 Fire Insurance Policy

The Company compensates the insured against destruction of property or damages resulting directly from fire, lightning or explosion during the insurance period shown in the policy. The Company shall pay to the insured the value of property at the time of destruction or the damage value. The Company may at its own discretion repair, restore or replace such properties or part thereof to the limit of the insured amount for each item stated in the policy, in a total amount not to exceed the insurance amount stated in the policy.

The Company has obtained SAMA final approval (letter No. 1004/IS, dated 21/12/1428H corresponding to 30/12/2010G) to sell this product.

This policy covers total or partial physical, contingent or unforeseen damage to the insured property, provided the Company shall pay to the insured the value of properties on the date of loss or the value of damage, or repair or replace such properties of part thereof at its own discretion.

4-10-15 Property Comprehensive Insurance Policy

This policy covers total or partial physical, contingent or unforeseen damage to the insured property, provided the Company shall pay to the insured the value of properties on the date of loss or the value of damage, or repair or replace such properties of part thereof at its own discretion.

The Company has obtained SAMA final approval (letter No. 1004/IS, dated 21/12/1428H corresponding to 30/12/2010G) to sell this product.

4-10-16 Public Liability Insurance

This policy covers the legal liability of the insured such as the compensation which he has to pay to a third party due to an injury or unintentional physical injury to a third party including death, illness, losses or damage to third party properties, which might result while the insured has been implementing his work, duties or activities.

The public liability insurance provides coverage against third parties legal liabilities, which are related to the business of the policy holder and take place at the offices specified in the insurance policy. The coverage of this policy includes: legal liability against damage, expenses and costs incurred by claimant with respect to:

- Physical injury for any person by mistake.
- Property damage by mistake.

The Company has obtained SAMA final approval (letter No. 1003/IS, dated 21/12/1428H corresponding to 30/12/2010G) to sell this product.

4-10-17 Workers Compensation Insurance Policy

The coverage includes any employee of the insured who underwent a direct work injury or death as a result of an accident or disease that results from or while implementing his duties at the insured.

If the insured becomes responsible for paying compensation against such injuries or death in line with the applicable laws.

The Company has obtained a final approval from SAMA to sell this product.

4-10-18 Cooperative Health Insurance Policy

This policy covers health care for the insured under this policy through health providers appointed by the insurance Company, provided it is subject to such insurance coverage. The policy covers any policy holder worker listed in the policy records provided he is not more than 65 years old upon joining the insurance coverage, workers spouses listed in the records of the policy holder and reside legally in the Kingdom of Saudi Arabia, workers children, spouse children or dependent children who reside legally in the Kingdom of Saudi Arabia and listed in the policy holder records.

4-10-19 Motor Mandatory Unified Insurance Policy

In the event of damage covered under this policy, whether during motor usage or stopping within the territories of the Kingdom of Saudi Arabia, the Company shall compensate the third party in cash within the terms and conditions stated in this policy, against all amounts which have to be paid by the insured or the driver against physical damage to a third party inside or outside the motor and/or physical damage outside the motor

The Company has obtained SAMA temporary approval to sell this product under letter No. 361000020267, dated 08/02/1436H (corresponding to 30/11/2014G for a period of three months until 10/05/1438H (corresponding to 28/02/2015G.)

4-10-20 Commercial Motor Comprehensive Insurance Policy

The coverage under this policy includes:

Insured Motor Damage

The Company compensates the insured against casual loss or damage for any motor described in the policy table as well as its fixed accessories in the following cases:

- Accidental collision or motor's rollover
- Fire, self-ignition or lightning caused ignition
- Theft or theft attempt
- Third party intentional harm

Third Party Liability

This liability includes damage covered under this policy whether resulting from motor usage or stopping within the territories of the Kingdom of Saudi Arabia. Under this policy, the third party shall be compensated in cash within the terms and conditions stated in this policy, against all amounts which have to be paid by the insured or the driver against:

- Physical damage to a third party inside or outside the motor
- Physical damage outside the motor

Expandability

The Company covers the reasonable medical expenses in relation to physical injuries to the insured, his driver or any motor passenger as agreed upon in the policy.

The Company has obtained SAMA temporary approval to sell this product under letter No. 361000020267, dated 08/02/1436H (corresponding to 30/11/2014G for a period of three months until 10/05/1438H (corresponding to 28/02/2015G).

4-10-21 Marine Cargo Insurance Policy

This policy provides an extensive coverage against loss or damage to goods transported by sea. The coverage bases shall be in line with the international conditions accepted in the international markets in this regard.

The Company has not obtained the approval of SAMA, which still has some remarks in its letter No. 2314/IS, dated 16/12/1431H (corresponding to 22.10.2010G) and have not yet been met by the Company.

4-11 Reinsurance

It is a transaction approved by the reinsurer to cover part of the insured risks or which is originally accepted by the insurance Company (insurer). This is an essential requirement, which serves as an efficient growth tool, for the stability of the Company underwritten operational results and minimizing fluctuations. It also provides flexibility in terms of volume and type of risk as well as the volume of business that could be reasonably undertaken by the Company.

For a better capital management and minimizing insured risks, the Company has adopted a reinsurance documented and clear strategy comprised of procedures, systems and controls that are suitable for risk transfer operations and comply with the applicable regulatory rules and regulations.

In addition to a reliable and strong group of approved reinsurers, Swiss Re leads motor insurance business and general insurance at the Company, while Hanover Re runs the Medical Division. All reinsurers participating in the Company reinsurance program comply with the insurance sector relative regulations and rated as BBB or higher by S&P.

The following table shows reinsurance companies the Company deals with as part of proportional and non-proportional reinsurance:

Table (4-6): Company Reinsurers

Reinsurer	Country	Credit Rating Provider	Rating
Swiss Re	Switzerland	A M Best	A+
Saudi Re	Saudi Arabia	S&P	BBB+
SCOR	France	S&P	A+
Hannover Re	Bahrain	A M Best	A+
Takaful Re	United Arab Emirates	S&P	BBB
ACR Bahrain	Bahrain	A M Best	A-
Gulf Re	United Arab Emirates	A M Best	A-
TRUST Re	Bahrain	A M Best	A-
GENERALI	Unite Arab Emirates	S&P	AA-
Axis Re	Bermuda	S&P	A+
GIC	United Arab Emirates	S&P	A-

Source: Company

Technical Provisions/Reserves:

Unearned Premiums Reserve

The Company at the end of the period sets up a reserve based on the percentage of underwritten premiums for the non-ending period of the insurance coverage after end of the period and which has not been acquired after the end of the current period.

Due Claims Reserves

The Company at the end of the period sets up a reserve for the losses incurred by the insurance Company and which have not been settled fully at the end of the period. These reserves are equal to the amount claimed by the insured.

Claims Reserves (IBNR)

This is the reserve set up by the Company at the end of the period to cover outstanding liabilities related to claims that may be incurred by the Company but have not yet been registered/confirmed.

IBNER Reserves

It is the reserve set up by the Company at the end of the period with respect to future changes expected in the current estimates for outstanding claims that have not been settled.

Premiums Deficiency Reserve

It is the reserve set up by the Company at the end of the period to provide additional reserves to cover underwriting losses in the vent actual claims indicate low priced insurances policies.

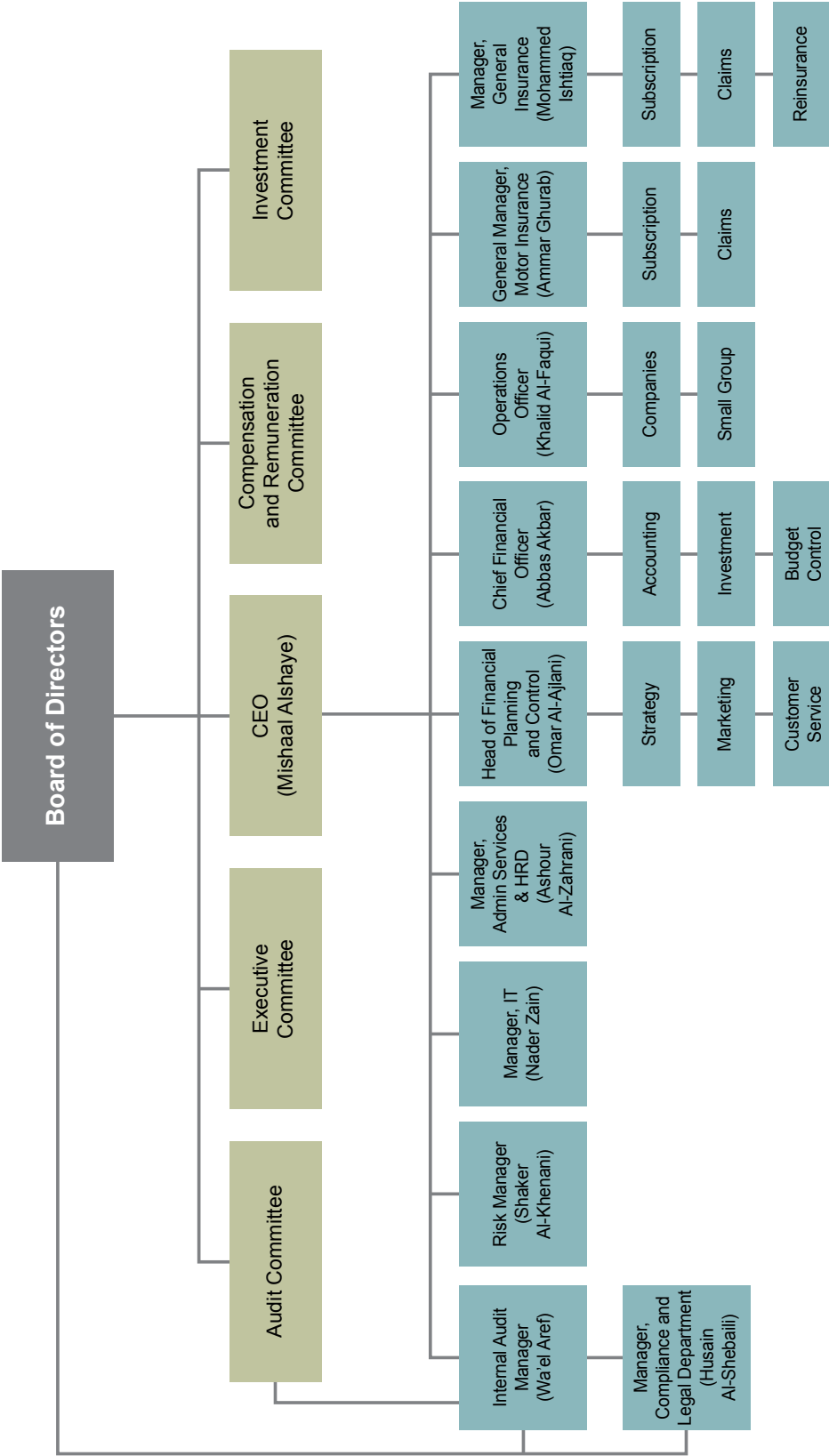
Disaster Risks Reserve

It is the reserve set up by the Company at the end of the period with respect to any unforeseen crisis event that involves big losses at the same time.

5. Company Organizational Structure and Governance

5-1 Company Organizational Structure

Table (5-1): Organizational Structure



5-2 Members and Secretary of the Board of Directors

The Company is managed by a Board of Directors comprising (7) seven Directors appointed by the Ordinary General Meeting of the shareholders. The Board has (5) five committees; the Executive Committee, the Audit Committee, the Compensation and Remuneration Committee, the Investment Committee and the Shariah Committee. These committees assist the Board of Directors in following up and reviewing the Company's activities, and providing the Company's management with the required guidance. The key responsibility of the Board of Directors is to ensure the continued success of the Company in the long term, and this includes:

- Reviewing and overseeing the Company's strategy, risk management policy, financial planning, annual budgets and the business plans recommended by the Company.
- Setting the overall Company performance targets.
- Overseeing major capital expenditures.
- Reviewing the resolutions of the Remuneration Committee relating to Senior Management and members of Board of Directors.
- Monitoring and managing the potential conflicts of interest among Senior Management members, Board members and the Shareholders.
- Ensuring the adequacy and effectiveness of the Company's internal accounting and financial reporting systems, supporting the independent audit/review functions and ensuring that appropriate enforced control systems are in place, particularly risk control, financial procedures, compliance systems and relevant rules.
- Monitoring effectiveness of corporate governance policies
- Overseeing Company's disclosure process.

Table (5-2): Members of the Board of Directors

S/N	Name	Role	Nationality	Classification	Representation/ Representative Name	Held shares	
						Directly	Indirectly
1	Dr. Saleh Jameel Malaikah	Chairman	KSA	Non-Executive/ Non- Independent	-	200.000	-
2	Rashid Abdullah Al Suwaiket	Member	KSA	Non-Executive/ Independent	-	200.000	-
3	Hussein Hassan Biyri	Member	KSA	Non-Executive/ Independent	-	200.000	-
4	AbdulAziz Abdullatif Jazar	Member	KSA	Non-Executive/ Independent	-	1.000	-
5	Tarek Abdullah Garawi	Member	KSA	Non-Executive/ Independent	-	1.000	-
6	Luai Hamza Basrawi ***	Member	KSA	Non-Executive/ Independent	-	-	-
7	Marwan Ahmed AlGhrai***	Member	UAE	Non-Executive/ Independent	-	-	-

* Abdulraouf Sulaiman Banajah tendered his resignation with effect from 19/08/2013G

** Faisal Mustafa Al-Kurdi tendered his resignation with effect from 08/09/2014G

*** The Company obtained SAMA approval (letter No. 36100051772) dated 07/04/1436H (27/01/2015G) to appoint each of Mr. Marwan Ahmed Al-Ghrai and Mr. Luai Hamza Basrawi directors of the Board, and such appointment has been announced on Tadawul site. The Board passed its resolution by circulation No. TM2015/1 dated 07/04/1436H (27/01/2015G) appointing them directors of the Board. The Board's approval is not final, and this appointment will be presented to the first General Meeting for their endorsement by 30/06/2015).

Following is a brief overview of the qualifications, experiences, current and previous positions of the Board Members and Board Secretary:

Table (5-3): Autobiographies of Directors

Brief overview of the current Board Members

1	Name	Dr. Saleh Jameel Saleh Malaikah
	Age	57
	Nationality	Saudi
	Current Position	Board Chairman
	Appointment Date	01/06/2013G
	Qualifications	<ul style="list-style-type: none"> • PhD in Business Administration (Investment and Finance) from the University of Michigan - United States, 1990 • Master Degree in Business Administration from King Fahd University of Petroleum and Minerals, 1984G • Bachelor of Civil Engineering from the University of Petroleum and Minerals, 1981G
	Experience	<ul style="list-style-type: none"> • Assistant Professor at King Fahd University of Petroleum and Minerals • Served as Chief Executive Officer of each of the following companies: <ul style="list-style-type: none"> • Al Baraka Investment and Development Company, a limited liability company engaged in the financial services sector, (from 1995 to 2003G) • Al-Tawfeeq Mutual Funds Company, a limited liability Company engaged in financial services sector (from 1992 to 2003G) • Amin Bank (Bahrain), a closed joint stock company operating in the financial services sector (from 1992 to 2003G)
	Membership in other Boards	<p>Dr. Malaikah served as a board member of the following companies:</p> <ul style="list-style-type: none"> • Taajeer Company, for leasing machinery, real estate and car trading, a joint stock company engaged in equipment and real estate sector, (from 2010G to date) • Al Awal Financial Services Company, a closed joint stock company operating in the financial services sector (from 2007G to date) • Jeddah International College, a closed joint stock company engaged in education sector, (from 2011G to date) • Area Cooling Company, a closed joint stock company operating in the industrial sector, (from 2009G to date) • Arab Resan Real Estate Development Company, a closed joint stock company engaged in the development of slums sector, (from 2011G to date)
2	Name	Mr. Rashid Abdullah Al-Suwaiket
	Age	56
	Nationality	Saudi
	Current Position	Board Member
	Appointment Date	01/06/2013G
	Qualifications	<ul style="list-style-type: none"> • Bachelor Degree in Business Administration from Warner Pacific University - Portland State - United States, 1981G • Master's Degree in Business Administration from King Fahd University of Petroleum and Minerals, 2004G
	Experience	<ul style="list-style-type: none"> • General Manager, Abdullah Al-Suwaiket Trading & Contracting Company, a sole proprietorship Company (from 1981 to date). Served as a Manager supervising the company's business. The company is engaged in import, sale and maintenance of oil industrial materials.
	Membership in other Boards	<p>Served as a member of the Board of Directors of the following companies:</p> <ul style="list-style-type: none"> • Taajeer Company for leasing machinery, real estate and car trading, a closed joint stock company engaged in equipment and real estate sector, (from 2010G to date) • Al Awal Financial Services Company, a closed joint stock company operating in the financial services sector (from 2007G to date). • Arab Resan Real Estate Development Company, a closed joint stock company engaged in the development of slums sector, (from 2011 to date)

3	Name	Mr. Husain Hassan Biyri
	Age	56
	Nationality	Saudi
	Current Position	Board Member
	Appointment Date	01/06/2013G
	Qualifications	Bachelor's Degree in Urban Planning, Faculty of Environmental Design, King Fahd University of Petroleum and Minerals, 1985, specialized in urban planning.
	Experience	<ul style="list-style-type: none"> Projects Manager, Abdul Latif Jameel Real Estate Investment Company, a limited liability company operating in real estate sector, (from 1993 to 1996G) Deputy General Manager, Sharif Trading & Contracting Company, a limited liability company operating in electricity (generation - distribution - transfer), projects, general contracting and investment, real estate development and other industrial areas sector, (from 1990 to 2002G) Planning Engineer, Ministry of Transport (Deputy Ministry for Transport), from 1984 to 1990G. Important responsibilities entrusted to him included review of the organizational structure of the Deputy Ministry of Transportation for Transport, policy and legislation and land and sea transport systems in cooperation with the maritime and general transport departments.
Membership in other Boards	<ul style="list-style-type: none"> Board Member of Ruwais International, a limited liability company operating in real estate sector, (from 2009G to date) Board Member of Arab Resan Real Estate Development Company, a closed joint stock company engaged in the development of slums sector, (from 2011G to date) 	
4	Name	Abdul-Aziz Abdullatif Jazar
	Age	64
	Nationality	Saudi
	Current Position	Board Member
	Appointment Date	01/06/2013
	Qualifications	<ul style="list-style-type: none"> BSc in Computer and Communications Engineering from the University of Essex, United Kingdom, 1975G Master of Science in Systems Engineering from King Fahd University of Petroleum and Minerals, Dhahran, 1980G. PhD in computer science from the University of Southern California, United States, 1988G.
	Experience	<ul style="list-style-type: none"> Executive Partner and CEO of Malaz Financial Company, a closed joint stock company engaged in financial advisory and mutual fund management sector, (from 2009G to date) CEO, International Systems Engineering Co., Ltd. (ISE), a limited liability company was formed in partnership with Boeing Company, engaged in the IT sector, (from 1993 to 2002G) Officer in the Royal Saudi Air Force, ranked as Colonel Engineer, (from 1976 to 1993G) Chairman of the Organizing Committee of the Riyadh Economic Forum, (from 2002 to 2006G).
Membership in other Boards	<ul style="list-style-type: none"> Board Member of Saudi Industrial Services Company ("Cisco"), a joint stock company engaged in investment projects in ports and the energy sector, (from 2014G to date) Member of the Board of Directors of Malaz Financial Company, a closed joint stock company engaged in financial advisory and mutual funds management sector, (from 2009G to date) Managing Director of the Saudi Research and Publishing Company (SRPC), a closed joint stock company engaged in the printing and publishing sector, (from 2002 to 2004G) Member of the Board of the Riyadh Chamber of Commerce and Industry, in its 13th session, specialized in supporting of Industrial traders, (from 2000 to 2004G) Member of the Board of Trustees of the Board of Centennial Fund, an independent non-profit organization concerned with funding of youth support projects, (from 2009G to date) Member of the Board of Directors of the economic cities of the industrial complexes development program, a government body engaged in developing certain targeted industrial sectors, (from 2008G till date) 	

5	Name	Mr. Tarek Abdullah Garawi
	Age	45
	Nationality	Saudi
	Current Position	Board Member
	Appointment Date	01/06/2013G
	Qualifications	<ul style="list-style-type: none"> • Bachelor's Degree in Accounting from King Saud University, 1996G • Master's Degree in Accounting from George Washington University, 2002G
	Experience	<ul style="list-style-type: none"> • Regional Manager for Corporate Banking, central region, Albilad Bank, a joint stock company engaged in banking and financial services sector, (from 2008 to 2010G) • Owner and Chief Executive Officer of Idfaa Office for Financial and Management Consulting, a non-securities administrative and financial consulting office (from 2010G to date) • Member of the American Institution of Management Accountants (IMA) (from 2001G to date) • Certified Management Accountant (CMA) (from 2009G to date) • Certified Financial Manager (CFM) (from 2009G to date)
Membership in other Boards	Partner and member of the General Assembly of Al-Yamamah Press Establishment, a media organization engaged in the press and publication sector (Al-Riyadh newspaper and Al-Yamama magazine) (from 2006G to date)	
6	Name	Mr. Luai Hamza Basrawi
	Age	54
	Nationality	Saudi
	Current Position	A nominee for Board Membership
	Appointment Date	The Company has obtained SAMA's approval under letter No.36100051772 of 07/04/1436H (corresponding to 27/01/2015G), for the appointment of Mr. Luai Hamza Basrawi. This appointment will be presented during the first meeting of the General Assembly for approval not later than 30/06/2015G
	Qualifications	<ul style="list-style-type: none"> • Bachelor of Arts from King Abdul-Aziz University, 1987G
	Experience	<ul style="list-style-type: none"> • Chief Executive Officer, Al-Madina Transportation Company, a limited liability company operating in transportation sector, (from 2007 to 2009G). • Chief Executive Officer, Arab Company for Transport, a limited liability company operating in Transportation sector, (from 2007 to 2009G) • Chief Executive Officer, Hafel Transport Firm, a sole proprietorship firm, engaged in pilgrimage and Omra performers and school transport services (from 2009 to 2012G) • Deputy CEO, Al-Ferdawous Group Co., a limited liability company engaged in religious tourism and Umrah services sector, (from 2012G to date)
Membership in other Boards	He has never served as a board member before the date of this Prospectus.	
7	Name	Mr. Marwan Ahmed Al-Ghurair
	Age	59
	Nationality	UAE
	Current Position	A nominee for Board Membership
	Appointment Date	The Company has obtained SAMA's approval under letter No.36100051772 of 07/04/1436H (corresponding to 27/01/2015G), for the appointment of Marwan Ahmed Al-Ghurair. This appointment will be presented during the first meeting of the General Assembly for approval not later than 30/06/2015G
	Qualifications	BSc Degree in Business Administration from the University of San Diego, United States, 1982
	Experience	Has no prior experience as he did not assume any management position

Membership in other Boards	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Dubai National Schools - a private commercial schools, engaged in investments in education sector, (from 1988G to date) • Chairman of the Board of Directors of Semakan Investment Company, a limited liability company engaged in investment sector, (from 2004G to date) • Chairman of the Board of Directors of Eno Cat Co., a closed joint stock company operating in the commercial sector, (from 2004G to date) • Chairman of the Board of Directors of Fannan Investment, a limited liability company engaged in investment sector, (from 2005G to date) • Chairman of the Board of Directors of VC investment bank, a closed joint stock company engaged in investment sector, (from 2005G to date)
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Table (5-4): Brief overview of the Board Secretary

Brief overview of the Board Secretary

1	Name	Hassan Ahmed Al-Shebaili
	Age	34
	Nationality	Saudi
	Current Position	Board Secretary and Compliance & Legal Manager
	Appointment Date	21/07/2013G
	Qualifications	<ul style="list-style-type: none"> • MSc of Law from the University of Waikato, New Zealand, 2009G. • Bachelors of Law from King Abdul-Aziz University, 2004
	Experience	<ul style="list-style-type: none"> • Legal Advisor, Abdullah Al-Samari Law Office, a Law firm (from 2004 to 2007G) • Compliance Manager, Trade Union Insurance Company, a joint stock company engaged in insurance sector, (from 2010 to 2010G) • Compliance and Legal Affairs Manager, Salama Cooperative Insurance Company, a joint stock company, operates in the insurance sector, (from 2010 to 2012G) • Compliance and Legal Affairs Manager, Inma'a Tokio Marine Insurance Company, a joint stock company operating in the insurance sector, (from 2012 to 2013G) • Compliance and Legal Affairs Manager, Salma Cooperative Insurance Company, a joint stock company operates in the insurance sector, (from 2013G to date)
	Membership in other Boards	The Board Secretary has never served as a Board member before date of this Prospectus.

Table (5-5): Brief overview of the Senior Executives

Brief overview of the Senior Executives

1	Name	Mishaal Ibrahim Al-Shaye'a
	Age	40
	Nationality	Saudi
	Current Position	Chief Executive Officer
	Appointment Date	25/08/2013G
	Qualifications	<ul style="list-style-type: none"> • Holds Bachelor's Degree in Economics and Administrative Sciences from Imam Mohammed bin Saud University, 2001G. • A certificate in basics of insurance in addition to several courses in underwriting, management, development, English Language, project management and Balanced Scorecard
	Experience	<ul style="list-style-type: none"> • Senior Underwriting Officer, Cooperative Insurance Co., a joint stock company operating in the insurance sector, (from 2001 to 2007G) • Manager of VIP Customer Accounts, Malath Insurance and Reinsurance Co., a joint stock company operating in the insurance sector, (from 2007 to 2009G) • Central Region Manager, Malath Insurance and Reinsurance Co., a joint stock company operating in the insurance sector, (from 2009 to 2011G) • Vice Chief Executive Officer for Marketing and Sales, National Company for Cooperative Insurance, a joint stock company engaged in the insurance sector, (from 2011 to 2012G) • Head of Sales, Al Rajhi Cooperative Insurance, a joint stock company engaged in the insurance sector, (from 2012 to 2013G) • Chief Executive Officer, Salama Cooperative Insurance Co. (from 2013G to date)
2	Name	Ammar Ahmed Ghurab
	Age	42
	Nationality	Saudi
	Current Position	General Manager, motor insurance
	Appointment Date	September 25, 1999G
	Qualifications	<ul style="list-style-type: none"> • Bachelor's Degree in Business Administration from King Abdul-Aziz University, Jeddah, 1997-1998G • Diploma in Insurance from the Bahrain Institute of Banking and Finance (BIBF), 2002G; and has membership of the Institute • Obtained several courses in management, English and accounting areas
	Experience	<p>Mr. Ammar Ahmed Ghurab held various positions in the Company, as follows:</p> <ul style="list-style-type: none"> • Insurance Specialist (from 1999 to 2001G) • Manager, Motor Compensation (2001 to 2003G) • Acting Chief Operating Officer (from 2003 to 2011G) • General Manager, motor insurance (from 2012G to date)

3	Name	Mr. Khalid Abdul Aziz Al-Faqi
	Age	45
	Nationality	Egyptian
	Current Position	Head of Sales
	Appointment Date	15/07/2012G
	Qualifications	Bachelor of Commerce from Alexandria University, 1992G
Experience	<p>Progressed in sales area for more than 15 years as follows:</p> <ul style="list-style-type: none"> • Sales officer, Credit and Trade Insurance currently Gulf Cooperative Insurance Company, a joint stock company operating in the insurance sector, (from 1994 to 1996G) • Sales Manager, General Gulf Cooperative Insurance, a joint stock company engaged in the insurance sector, (from 1997 to 2003G). • Marketing Manager, General Gulf Company, a joint stock company engaged in the insurance sector, (from 2003 to 2006G) • Head of Sales and Marketing, Gulf General Cooperative Insurance Company, a joint stock company engaged in the insurance sector, (from 2007 to 2009G) • Head of Sales and Marketing, Gulf General Cooperative Insurance Company, a joint stock company engaged in the insurance sector, (from 2010 to 2012G) • Head of Sales, Salama Cooperative Insurance Company, a joint stock company operating in the insurance sector (from 2012G - to date) 	
4	Name	Ashour Ahmed Al-Zahrani
	Age	41
	Nationality	Saudi
	Current Position	Admin and Human Resources Manager
	Appointment Date	24/04/2010G
	Qualifications	<ul style="list-style-type: none"> • Secondary School Certificate in 1992G. • Currently, he is studying business administration at King Faisal University • He studied 5 years in the University of Umm Al-Qura, specialized in Arabic and English, 1993 to 1997G • Obtained several courses in management, human resources, development, relations, planning, marketing, accoustic engineering and brokerage areas.
Experience	<ul style="list-style-type: none"> • Worked in management and human resources areas for more than 13 years as follows: • Export Officer, Habag Lloyd Global Marine Services, private German global company engaged in transport and shipping sector (from 1998 to 2001G) • General Manager, Laale Al-Hijaz Establishment for Media Production, sole proprietorship firm engaged in the production and media sector, (from 2001 to 2007G). • HR consultant and recruitment manager, Best practices Bureau for Management and Marketing Consulting (formerly Tamkeen), engaged in management and marketing consulting sector, (from 2007 to 2008G) • Deputy Executive Manager, Best Practices Bureau for Management and Marketing Consulting (formerly Tamkeen), engaged in management and marketing consulting sector (2008 – 2009G) • Assistant Manager for Administration and Human Resources, Salama Cooperative Insurance Company, a joint stock company operating in the insurance sector (from 2010 to 2012G). • Acting Manager for Administrative Affairs and Human Resources, Salama Cooperative Insurance Co., a joint stock company operates in the insurance sector, (from 2012 to 2013G) • Administrative Affairs and Human Resources Manager, Salama Cooperative Insurance Co. a joint stock company operates in the insurance sector (2013G to date) 	

5	Name	Abbas Ali Akbar
	Age	33
	Nationality	Pakistani
	Current Position	Chief Financial Officer
	Appointment Date	20/11/2010G
	Qualifications	Associate Degree, Fellow of Pakistan Institute of Certified Public Accountants, 2008G.
	Experience	<p>Served in several positions in Accounting and Finance as follows:</p> <ul style="list-style-type: none"> Accountant, RG Armesotika Co., a closed joint stock company, Pakistan, engaged in the production and distribution of drugs (from 2002 to 2004G) In charge of applying ICAP certification requirements, IF Ferguson Chartered Accountants, a chartered accountant office engaged in the Chartered Accounting sector, (from 2004 to 2008G) Vice President, EFU General Insurance Co., a joint stock company operating in the insurance sector in Pakistan (from 2008 to 2010G) Acting Finance Manager, Salama Cooperative Insurance Co., a joint stock company operates in the insurance sector, (from 2010 to 2013G) Acting Chief Financial Officer, Salama Cooperative Insurance Co., a joint stock company operates in the insurance sector (2013 to 2014G) Chief Financial Officer, Salama Cooperative Insurance Co., a joint stock company operates in the insurance sector, (from 2014G to date).
6	Name	Omar Mohammed Al-Ajlani
	Age	34
	Nationality	Saudi
	Current Position	Head of Planning and Control
	Appointment Date	11/05/2014G
	Qualifications	<ul style="list-style-type: none"> Bachelor's degree in chemical engineering from King Abdul-Aziz University, 2004G. PIC Certificate from Bahrain Institute of Banking and Financial Studies (BIBF), 2009G Has several training courses in insurance and English Language.
	Experience	<p>Serves in insurance field as of the end of 2004G as follows:</p> <ul style="list-style-type: none"> Motor insurance compensation officer, Taawunia Cooperative Insurance Company, a joint stock company operating in the insurance sector, (from 2004 to 2007G) Motor Insurance Subscription Officer, Malath Cooperative Insurance Company, (from 2007 to 2010G) Sale Operations Manager, Malath Cooperative Insurance Company, a joint stock company operating in the insurance sector, (from 2010 to 2011G) Partners Relation Manager, Malath Cooperative Insurance, a joint stock company operates in the insurance sector, (from 2011 to 2012G) Individual Insurance Manager, National Co. for Cooperative Insurance, a joint stock company operates in the insurance sector, (from 2011 to 2012G) Head of Retail Sales, Al Rajhi Co. for Cooperative Insurance - Takaful Al Rajhi, a joint stock company engaged in the insurance sector, (from 2012 to 2014G) Head of Planning, Salama Cooperative Insurance Company, a joint stock company operating in the insurance sector, (from 2014G - to date)

7	Name	Nader Khalid Zain
	Age	42
	Nationality	Syrian
	Current Position	IT Manager
	Appointment Date	11/01/1996G
	Qualifications	<ul style="list-style-type: none"> • Master of Business Administration from the University of Leicester, 2008G • BSc in Computer Engineering from the University of Damascus, 1992G • Has several courses and specialized certificates in IT, programming, project management, databases and risk management systems
	Experience	<p>He works for Salama Cooperative Insurance Co., a joint stock in the insurance sector, since 1996G, as follows:</p> <ul style="list-style-type: none"> • Computer Department Manager, Salama Cooperative Insurance Company, a joint stock company operating in the insurance sector, (from 1996 to 2002G) • Project Manager, Rusd International Co., a closed joint stock company operating in the investment sector, (from 2003 m to 2009G) • Information Technology Manager, Salama Cooperative Insurance, a joint stock company operating in the insurance sector, (from 2010G to date)
8	Name	Shaker Faisal Al-Khenani
	Age	34
	Nationality	Saudi
	Current Position	Risk Officer
	Appointment Date	February 02, 2014G
	Qualifications	<ul style="list-style-type: none"> • Diploma in Computer Programming from Jeddah International Institute for Computer Programming, 2004G • Bachelor's degree in Marketing from the University of Business and Technology, 2013G • Has several courses in risk management, compliance, governance anti-money laundering, accounting and management relations
	Experience	<p>He has 10 years of work experience as follows:</p> <ul style="list-style-type: none"> • Sales Consultant, Aljazeera Bank. a joint stock company, and then for Aljazeera Takaful which later became a joint stock company engaged in the insurance sector, (from 2004 to 2005G). • Administrator, General Catering Services, a sole proprietorship Est. engaged in food sector, (from 2005 to 2006G). • Student Affairs Manager, University of Business and Technology, (from 2006 to 2009G). • Public Relations and Marketing Manager, Match Commercial Brokerages and Public Relations Company, individual Est. engaged in the brokerage business and public relations sector, (from 2009 to 2011G). • Compliance and risk management Officer, Almustakela Insurance Brokerage Service, a limited liability company engaged in the insurance sector, (from 2011 to 2014G). • Risk Manager, Salama Cooperative Insurance Company, a joint stock company operating in the insurance sector (2014G to date)

9	Name	Wa'el Jaafar Arif
	Age	61
	Nationality	Saudi
	Current Position	Internal Audit Manager
	Appointment Date	01/01/2011G
	Qualifications	<ul style="list-style-type: none"> • Bachelor' degree in accounting from King Abdul-Aziz University, Jeddah, 1982G. • Diploma in Banking Operations Management from the Arab Academy for exchange and financial Science, Jordan, 1999G • Diploma in Banking Credit from the Arab Academy for Nanking and Financial Sciences, Jordan, 2001G • Chartered Accountant certified by the Saudi Organization for Certified Public Accountants
Experience	<p>He has a long experience in accounting and auditing areas as follows:</p> <ul style="list-style-type: none"> • Financial Manager, Saudi Business Co., a joint venture operates in the trade and construction sector, (from 1986 to 1992G) • Banking Officer, Al-Tawfeeq Company for Mutual Funds, a limited liability company engaged in the financial services sector, (from 1992 to 1998G) • Banking Audit Department Manager, Dallah Al-baraka Holding Company, a limited liability company engaged in financial, business and media services sectors, (from 2000 to 2007G) • Manager of Tasees Training Company, a joint venture engaged in the education and training sector, (from 2007 to 2011G) • Internal Audit Manager, Salama Cooperative Insurance Company, a joint stock company operates in the insurance sector, (from 2011G to date) 	
10	Name	Mohammed Adil Ishtiaq
	Age	42
	Nationality	Pakistani
	Current Position	General Insurance Department Manager
	Appointment Date	28/05/2008G
	Qualifications	<ul style="list-style-type: none"> • Master's degree in Science from the University of Karachi, 1997G • Diploma in Management Studies, 2002G • Master's degree in Business Administration from Stratford College, London, 2004G • Cert. CII Certificate specialized in Insurance, 2012G
Experience	<p>His experience include:</p> <ul style="list-style-type: none"> • Issuance Department Officer, Commercial Union Life Insurance Co. (previously), a joint stock company operates in the insurance sector, (1997 – 2000G) • Reinsurance Manager, Saudi Pak Insurance Limited (previously), a joint stock company operating in the insurance sector in Pakistan, (2006 – 2008G) • Reinsurance Manager, Salama Cooperative Insurance Company, a joint stock company operates in the insurance sector, (2008 – 2014G). • General Insurance Manager, Salama Cooperative Insurance Company, a joint stock company engaged in the insurance sector, (from 2014G - to date) 	

Remuneration of the Board of Directors

The remunerations of the Board of Directors are proposed by the Nomination and Remuneration Committee, in line with the Company's By-Laws and decisions issued in this regard, and are submitted to the Board of Directors to be approved by the AGM.

Until the date of this Prospectus, and during the previous three years, the Board members have received total remunerations and other benefits of SAR 12,500,000 (Saudi Riyals twelve million and five hundred thousand Saudi Riyals) as follows; SAR 6,023,000 (six million & twenty-three thousand), SAR 3,475,000 (three million and four hundred and seventy-five thousand) and SAR 3,002,000 (three million and two thousand Saudi Riyals) in the fiscal years ended 31 December 2011, 2012, 2013 and 2014G respectively). These remunerations and benefits were approved by the AGM.

Table (5-6): Remunerations and benefits of the Board of Directors and Senior Executives

Description (SAR'000)	2011	2012	2013	2014
Independent and non-executive members of the Board of Directors	801	339	71	66
Executive Directors	-	-	-	-
Senior executives (including CEO and first level managers/heads according to the Company's organizational structure)	5,222	3,136	2,931	4,619
Total (SAR)	6,023	3,475	3,002	4,685

Source: Company

5-3 Board Committees

As described in the Company's By-Laws, the Board of Directors shall set up sub-committees namely the Executive Committee and the Audit Committee. Also, the Company's organizational structure indicates that the Company shall have additional committees and these are the Investment Committee, Remuneration and Nominations Committee and the Shariah Committee.

As for setting up the committees, sufficient number of non-executive directors must be appointed in the committees handling functions that may result in conflict of interest, (e.g. ensuring the integrity of financial and non-financial reports, reviewing the transactions of the related persons, nomination to the Board of Directors, appointment of executives, and determining remunerations).

According to Article 17 of the Company's By-Laws, the Chairman and each member of the Board of Directors is eligible to receive SAR 1,500 (one thousand and five hundred Saudi Riyals) for each of the Board committees' meetings attended by the member.

Total remunerations received by the members of the committees in 2013G amounted to SAR 80,640 (eighty thousand six hundred and forty Saudi Riyals).

The Company has formed the following committees:

Executive Committee

Paragraph 1 of Article 20 of the Company's By-Laws states:

"The Board of Directors shall set up an executive committee of at least 3 and up to five 5 members only. The members of the Executive Committee shall elect the Chairman from among them to chair the Committee's meetings. In the absence of the Chairman, the Committee will select a temporary chairman of the present members and any member of the committee may delegate another member with the right to vote on his behalf and for 3 meetings only. The Executive Committee membership term shall be the term of the Board membership, and the Board will fill any committee seat that will fall vacant".

With reference to the minutes of the Board meeting dated 12/09/1434H corresponding to 12/07/2013G, the Executive Committee members have been appointed, and they are:

1. Tariq Abdullah Al-Qar'awi (Chairman).
2. Rashid Abdullah Al- Suwaiket.
3. Abdul Rauf Sulaiman Banaja (resigned).

Paragraph 3 of Article 20 of the Company's By-Laws requires the Executive Committee to hold 6 meetings at least per year.

The following table shows the number of meetings held by the Executive Committee during the years 2011, 2012, 2013 and 2014G, and the extent of its commitment to the number of periodic meetings during any of the previous fiscal years:

Table (5-7): Number of Executive Committee Meetings

Executive Committee	Year 2011	Year 2012	Year 2013	Year 2014
	3	1	4	4

Audit Committee

Board of the Capital Market Authority issued resolution No. 1-36-2008 dated 12/11/1429H corresponding to 10/11/2008G mandating all companies listed on the Saudi Stock Exchange (Tawadul) to set up a committee composed of non-executive members to be named "the Audit Committee" effective from 2009G, according to Article 14 of the Corporate Governance Regulations.

Article 34 of the Corporate Governance Regulations indicates that the Board of Directors shall set up an Audit Committee of at least 3 and not more than 5 members of non-executive directors including a financial and accounting specialist, and most of those members to be from outside the Board of Directors.

The duties and responsibilities of the Audit Committee's shall, according to the Corporate Governance Regulations, include the following:

- Overseeing the Company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- Reviewing the internal control procedures and prepare a written report on such audit and its recommendations with respect to it.
- Reviewing the internal audit reports and pursuing the implementation of the corrective measures in respect of the comments included in them.
- To recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors; upon any recommendation, regard must be made to their independence.
- Overseeing the activities of the external auditors and approving any activity beyond the scope of audit work assigned to them during the performance of their duties.
- Reviewing the audit plan with the external auditor and making any comments thereon.
- Reviewing the external authors comments on the financial statements and following up on the actions taken about them
- Reviewing the interim and annual financial statements prior to presentation to the Board of Directors and to give opinion and recommendation with respect thereto.
- Reviewing the accounting policies in force and advising the Board of Directors of any recommendation regarding them

The Company has formed an Audit Committee to oversee the internal audit department, assess the Company's work procedures with respect to internal control and accounting policy in force, and make the necessary recommendations to the Board of Directors in this regard. The Audit Committee is also responsible for monitoring the Company's financial statements and ensuring their integrity and the effectiveness of the external audit process and the internal audit work. The Internal Audit Function will report to the Audit Committee. With reference to the minutes of the Board meeting dated 12/09/1434H corresponding to 12/07/2013G, the Audit Committee members have been appointed, and they are:

1. Dr. Abdul Aziz Abdullatif Jazar (Chairman)
2. Dr. Sulaiman Abdullah Al-Sakran (independent)
3. Mr. Syed Mohammad Ashraf (independent)

The Company has obtained SAMA's no objection letter No. 351000047630 dated 13/04/1435H corresponding to 13/02/2014G with respect to its no objection to the appointment of Dr. Abdul Aziz Abdullatif Jazar and Dr. Sulaiman Abdullah Al-Sakran as members of the Audit Committee. SAMA's letter No. 351000069453 dated 30/05/1435H corresponding to 31/04/2014G indicates SAMA's its non-objection to the appointment of Dr. Abdul-Aziz Abdullatif Jazar as Chairman of the Audit Committee, and Mr. Syed Mohammed Ashraf as a member of the Committee.

Brief overview of the Audit Committee Members

Table (5-8): Brief overview of the Audit Committee Members

Brief overview of the Audit Committee Members

1	Name	Abdul-Aziz Abdullatif Jazar
	Age	64
	Nationality	Saudi
	Current Position	Committee Member
	Appointment Date	13/04/1435H (13/02/2014G)
	Qualifications	<ul style="list-style-type: none"> • BSc in Computer and Communications Engineering from the University of Essex, United Kingdom, 1975G • Master of Science in Systems Engineering from King Fahd University of Petroleum and Minerals, Dhahran, 1980G. • PhD in computer science from the University of Southern California, United States, 1988G.
	Experience	<ul style="list-style-type: none"> • Executive Partner and CEO of Malaz Financial Company, a closed joint stock company engaged in financial advisory and mutual fund management sector, (from 2009G to date) • CEO, International Systems Engineering Co., Ltd. (ISE), a limited liability company was formed in partnership with Boeing Company, engaged in the IT sector, (from 1993 to 2002G) • Officer in the Royal Saudi Air Force, ranked as Colonel Engineer, (from 1976 to 1993G) • Chairman of the Organizing Committee of the Riyadh Economic Forum, (from 2002 to 2006G).
	Membership of other Boards	<ul style="list-style-type: none"> • Board Member of Saudi Industrial Services Company ("Cisco"), a joint stock company engaged in investment projects in ports and the energy sector, (from 2014G to date) • Member of the Board of Directors of Malaz Financial Company, a closed joint stock company engaged in financial advisory and mutual funds management sector, (from 2009G to date) • Managing Director of the Saudi Research and Publishing Company (SRPC), a closed joint stock company engaged in the printing and publishing sector, (from 2002 to 2004G) • Member of the Board of the Riyadh Chamber of Commerce and Industry, in its 13th session, specialized in supporting of Industrial traders, (from 2000 to 2004G) • Member of the Board of Trustees of the Board of Centennial Fund, an independent non-profit organization concerned with funding of youth support projects, (from 2009G to date) • Member of the Board of Directors of the economic cities of the industrial complexes development program, a government body engaged in developing certain targeted industrial sectors, (from 2008G till date)
2	Name	Dr. Sulaiman Abdullah Ibrahim Al-Sakran
	Age	55
	Nationality	Saudi
	Current Position	Committee member
	Appointment Date	13/04/1435H (13/02/2014G)
	Qualifications	<ul style="list-style-type: none"> • BSC in Industrial Management from King Fahd University of Petroleum and Minerals, 1984G • MSC in Business Administration from King Fahd University of Petroleum and Minerals, 1986G • PhD In finance, University of Houston, 1993G
	Experience	<ul style="list-style-type: none"> • Head of Finance and Economics Department, Faculty of Industrial Management, King Fahd University of Petroleum and Minerals, (from 1416 to 1424H) • Associate Professor of Finance, Department of Financial Economics, Faculty of Industrial Management, King Fahd University of Petroleum and Minerals, (from 1422H to date) • Assistant Professor, Department of Economics, Faculty of Industrial Management, King Fahd University of Petroleum and Minerals, (from 1415 to 1422H) • Lecturer, Faculty of Industrial Management, King Fahd University of Petroleum and Minerals, (from 1407H to 1408H) • Teaching Assistant, Faculty of Industrial Management, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia (from 1405 to 1407H)

3	Name	Sayed Mohammed Ashraf
	Age	57
	Nationality	Pakistani
	Current Position	Committee member
	Appointment Date	30/05/1435H (31/04/2014G)
	Qualifications	<ul style="list-style-type: none"> Bachelor's Degree in Business Administration, University of Karachi, 1976G Master's Degree in Economics, University of Karachi, 1997G
Experience	<ul style="list-style-type: none"> Head of Internal Audit, TARIIC Holding (BSC), a closed joint stock company (Bahraini), operates in the trade and investment sector, (from 2009G to date) Financial Controller, Combined Freight (Pvt.) Ltd, a limited liability company (Pakistani) operates in the transport services sector, (from 2004 to 2005G) Adviser, AKD Securities (Pvt.) Ltd, a closed joint stock company (Pakistani) operates in the financial service sector, (from 2003 to 2004G) 	

The following table shows the number of meetings held by the Audit Committee during the years 2011, 2012, 2013 and 2014G, and the extent of its commitment with the number of periodic meetings during any of the previous fiscal years:

Table (5-9): Number of Audit Committee Meetings

Executive Committee	2011	2012	2013	2014
	2	3	1	0

Investment Committee

The primary responsibility of the Investment Committee is to set the Company's investment strategy and oversee the performance of the Company's investments. The Board has formed this committee to enable it to effectively and efficiently discharge its duties and functions. With reference to the minutes of the board meeting held on 12/09/1434H (corresponding to 12/07/2013G), the Investment Committee members have been appointed and are as follows:

1. Dr. Saleh Jameel Malaikah (Chairman of Committee)
2. Rashid Abdullah Al-Suwaiket
3. Faisal Mustafa Al-Kurdi (Independent)

The following table shows the number of meetings held by the Investment Committee during the years 2011, 2012, 2013 and 2014G and the extent of its commitment with the number of periodic meetings during any of the previous fiscal years:

Table (5-10): Number of Investment Committee Meetings

Investment Committee	Year 2011	Year 2012	Year 2013	Year 2014
	3	3	3	4

Remuneration & Nomination Committee

Capital Market Authority (CMA) Board issued its resolution No. (1-10-201) dated 30/3/1431H (corresponding to 16/3/2010G) obligating all companies having their shares listed in the Saudi Stock Exchange (Tadawul) in accordance with Article Fifteen (15) of Corporate Governance Regulation to form a committee called the (Remunerations & Nominations Committee) with effect from 01/01/2011G.

On proposal by the Board, the Company's General Meeting shall establish rules for selecting the Remunerations & Nominations Committee members, their term and the Committee's terms of reference.

According to Corporate Governance Regulation, the tasks & responsibilities of the Remuneration & Nomination Committee include the following:

- Providing the Board with recommendation on the Committee membership pursuant to the approved policies & standards. No person condemned with breach of trust or dishonor may be nominated;
- Annually reviewing the requirements for proper skills to the Board membership and preparing description of necessary requirements for the Board membership including the time to be dedicated by the Board member for the Board activities;
- Reviewing the Board structure and submitting recommendations on the changes that may be incorporated;
- Determining the Board's points of weakness & points of strength and proposing relevant remedy in line with the Company's interest;
- Ensuring, on annual basis, independence of the independent members and that there is no conflict of interests if the member is a member of another company's Board of Directors;
- Setting clear policy of compensations & remunerations for the Board members and senior executives. Performance

- related standards shall be used when developing such policies;
- Reviewing the interim & annual financial statements prior to submission to the Board of Directors, expressing opinion and recommending thereon;
- Reviewing the adopted accounting policies and expressing opinion & recommendation thereon to the Board.

The Company has formed the Remunerations & Nominations Committee to ensure transparency & integrity of the appointment procedures of the Board members. The General Assembly of the Company approves all resolutions of members' appointment, re-appointment and dismissal and ensures that the larger number of remunerations depends mainly on their performance. With reference to the minutes dated 12/09/1434H (corresponding to 12/07/2013G), the following members of the Remuneration & Nomination Committee have been appointed:

1. Hussain Hassan Biari (appointed in replacement of the resigned member, . Abdulrauof Sulaiman Banajah pursuant to the Board resolution No. 12/03/2013G dated 23/12/1434H (corresponding to 28/10/2013G);
2. Tariq Abdullah Al-Qara'awi;
3. Faisal Mustafa Al-Kurdi (independent). (the replacement will be appointed following approval by the Shareholders General Assembly on the appointment of new two members in the Board).

The following Table relating to the number of Remunerations & Nominations Committee meetings during 2011, 2012, 2013 & 2014G sets forth the Committee compliance with the number of its meetings held periodically in the previous financial years:

Table (5-11): Number of meetings of the Nominations & Remunerations Committee

Nominations & Remunerations Committee	Year 2011	Year 2012	Year 2013	Year 2014
	2	3	-	1

Sharia Committee

The Sharia Committee was established with the inception of the Company. It is tasked with providing Islamic opinion, controlling financial business and drafting contracts that are Sharia-compliant. It exercises its tasks with full independency and submits reports on how the Company complies with its resolutions. The Committee is composed of the following two members:

- Sheikh Abdullah Al-Mosleh.
- Sheikh Dr. Mohammed Al-Qari.

To ensure proper application of Shariah principles, the Committee members are entitled to review all Company documents, information & contracts and to notify the Board of Directors & shareholders with its comments and decisions for compliance by the Company.

The following Table relating to the number of Remunerations & Nominations Committee meetings during 2011, 2012, 2013 & 2014G sets forth the extent that the Remuneration & Nomination Committee complies with the number of its meetings held periodically in the previous financial years

Table (5-12): Number of meetings of the Shariah Committee

Sharia Compliant Committee	Year 2011	Year 2012	Year 2013	Year 2014
	0	1	0	0

It is worth noting that the Company's Board committees should periodically continue meetings during the fiscal year. As for the Executive Committee meetings, the Committee is required to increase the number of its meetings in the next years as such that minimally (6) meetings per year should be held in accordance with the provisions of Article (20) of the Company's By-Laws.

5-4 Senior Management

The Company's organizational structure highlights that the Senior Management performs its duty under leadership of the CEO along with a small team comprising senior executives with high competencies and an organizational structure. Such privileges & experience are basic elements for the products and creative solutions to be provided to clients.

In general, the Company's organizational structure is in line with the regulatory requirements particularly those issued by SAMA in connection with the appointment of a risk officer as provided for by Article (15) of the risk management regulation issued by SAMA.

Further, Saudi nationals represent almost 45 percent (45%) of the entire manpower of the Company. The Company has obtained no-objection letter from SAMA as to the leading positions referred to in the below table.

Table (5-13): No-objection letters from SAMA for appointment of senior staff

S/N	Name	Nationality	Position	Joining date	SAMA approvals
1	Mishaal Ibrahim Al-Shaye'a	Saudi	CEO	25/08/2013	Letter No. (341000099747) dated 13/08/1434H corresponding to 22/06/2013G)
2	Abbas Ali Akbar	Pakistani	CFO	20/11/2010	Letter No. (3510000108159) dated 19/08/1435H (corresponding to 17/06/2014)
3	Mohammed Adil Ishtiaq	Pakistani	General Insurance Department Manager	28/05/2008	Letter No. (361000006830) dated 12/01/1436H (corresponding to 05/11/2014). Temporarily re-appointed for maximally six (6) months
4	Wa'el Jaafar Arif	Saudi	Internal Audit Manager	01/10/2011	Letter No. 49286/MT/1930) dated 13/10/1432H (corresponding to 11/09/2011G)
5	Ashour Ahmed Al-Zahrani	Saudi	HR & Administration Department Manager	24/04/2010	Letter No. (351000056030) dated 02/05/1435H (corresponding to 03/03/2014G)
6	Hassan Ahmed Al-Shebaili	Saudi	Compliance & Legal Affairs Officer	06/04/2013	Letter No. (341000047559) dated 16/04/1434H (corresponding to 26/02/2013G)
7	Shaker Faisal Al-Khenani	Saudi	Risk Officer	12/12/2013	Letter No. (361000024099) dated 16/02/1436H (corresponding to 08/12/2014G)
8	Nader Khalid Zain	Syrian	IT Manager	01/01/2010	Letter No. 10260/MT/368 dated 25/02/1432H (corresponding to 29/01/2011G)
9	Khalid Abdul Aziz Al-Faqi	Egyptian	Marketing Manager	06/06/2012	Letter No. (MT/2346) dated 10/10/1433H (corresponding to 28/08/2012G)
10	Omar Mohammed Al-Ajlani	Saudi	Planning & Control Manager	11/05/2014	Letter No. (351000069447) dated 30/05/1435H (corresponding to 31/03/2014G)
11	Ammar Ahmed Ghurab	Saudi	General Insurance Department Manager	01/01/2008	Letter No. (351000046108) dated 11/04/1435H (corresponding to 11/02/2014G)

Source: Company

*No member of the senior management is in possession of any direct or indirect shares.

***Up to date hereof, there is no potential conflict between private interests & other tasks assigned to the senior management, as mentioned above, and their tasks in the Company.

Senior Management Remunerations

The following are the remunerations & benefits received by the top five executives including CEO & CFO for the years 2012 and 2013G (in thousand Riyals).

Table (5-14): Remunerations & benefits received by some senior officers

Statement	2011	2012	2013	2014
Senior executives (including CEO & CFO)	5,222	3,136	2,931	3,134
Total	5,222	3,136	2,931	3,134

Source: Company

Employment Contracts

Some individuals of the senior management and senior executives signed specified-term service contracts with the Company that incorporated their employment Terms & Conditions and remunerations. The following is summary of the employment contracts with senior executives.

Table (5-15): CEO Employment Contract

Employee name	Mishaal Ibrahim Al-Shaye'a
Contract date	Contract was signed on 16/11/1434H (corresponding to 22/09/2013G)
Job title	CEO
Place of work	Jeddah, Saudi Arabia, or anywhere where the First Party exercises its activities within Saudi Arabia.
Contract term	This contract is valid for one year commencing on 25/08/2013G, which is the date when the employee reported to job. The contract will change into an unspecific term contract after one year if the parties continue to execute it.
Basic salary & allowances	<ul style="list-style-type: none"> • Basic salary: Saudi Riyals Eighty Two Thousand (SR 82,000). • Housing allowance: Three (3)-month basic salary annually. • Transportation allowance: 10%, not less than SAR 250 and not more SAR 1,600. • Annual bonus, depending on performance, amounting maximally to 12 basic salary. • A three month salary after expiry of the 1st contractual period. • An annual bonus amounting maximally to 12 month basic salary, depending on performance, after completion of two contractually consecutive years provided that the following targets are achieved: <ul style="list-style-type: none"> • Achieving a gross turnover of SAR 400 million (Saudi Riyals Four Hundred Million) in two years. • Achieving return on equity amounting to 8% during the 1st year and 10% in the 2nd year. • Establishing a sale team of 50 employees at the Head Office & branches within two consecutive years.
End of service benefits	All commissions, incentives, bonuses and gifts paid or granted to the Second Party shall be excluded from the total salary on which the end of service benefits are calculated.
Annual vacation	Thirty (30) days after elapse of one full year of service.
Contract termination	<ul style="list-style-type: none"> • Either party hereof may terminate this Contract by serving a written (30) day prior notice to the other party. • In the event that both parties agree to terminate the contract. • If the Second Party reaches the retirement age, unless both parties agree to continue after this age. • In the event of the employee death or if he is proven to be unfit physically or mentally totally or partially due to his sickness. • Force Majeure. • The Company may terminate the contract in the event that the employee performs business to another business owner, exercises commercial business for himself or for others or if a government body asks the First Party to terminate the contract with the Second Party. • The contract may also be terminated in accordance with Article Eighty (80) of Labor Law.
Medical Insurance	The employee, his wife & children below eighteen (18) years are entitled to medical insurance coverage as per the Company's policy.

Table (5-16): CFO Employment Contract

Employee name	Abbas Ali Akbar Ali
Contract date	The contract has been signed on 28/01/1433H (corresponding to 24/12/2011G)
Job title	Chief Financial Officer
Place of work	Jeddah– Kingdom of Saudi Arabia
Contract term	This contract is valid for one year commencing on 20/11/2010G, which is the date when the employee reported to job. The contract will be changed into an unspecified-term contract after one year if the parties continue to execute it. The employee will be subject to a three (3) Gregorian month probation period during which both parties are entitled to terminate the contract without indemnity.
Basic salary & allowances	<ul style="list-style-type: none"> • A lump sum salary of Saudi Riyals twenty one thousand six hundred (SR 21,600) divided as follows; • Basic salary: Saudi Riyals Sixteen thousand (SR 16,000). • Housing allowance: Three (3) basic salaries per annum. • Transportation allowance: 10%, not less than SAR 250 and not more SAR 1,600. • On annual basis, an economy round trip ticket from Jeddah to Karachi for the staff, his wife & two of his children below 18 years of age who proved to be resident in Saudi Arabia and attached to the staff's official Residence Permit.
End of service benefits	All commissions, incentives, bonuses and gifts paid or granted to the Second Party shall be excluded from the total salary on which the end of service benefits are calculated.
Annual vacation	Thirty (30) days after elapse of one full year of service.
Contract termination	<ul style="list-style-type: none"> • Either party hereof may terminate this Contract by serving a written (30) day prior notice to the other party. • In the event that both parties agree to terminate the contract. • If the Second Party reaches the retirement age, unless both parties agree to continue after this age. • In the event of the employee death or if he is proven to be unfit physically or mentally totally or partially due to his sickness. • Force Majeure. • The First Party may terminate the contract in the event that the employee performs business to another business owner, exercises commercial business for himself or for others or if a government body asks the First Party to terminate the contract with the Second Party. <p>The contract may also be terminated in accordance with Article Eighty (80) of the Labor Law.</p>
Medical insurance	The employee, his wife & children below eighteen (18) years are entitled to medical insurance coverage as per the Company's policy.
Note	<ul style="list-style-type: none"> • This employee has been promoted to the position of CFO on 25/06/2014G with a lump sum salary of Saudi Riyals Thirty Three Thousand Seven Hundred Fifty (SR 33,750) divided as follows: • Basis salary: Saudi Riyals Twenty Five Thousand (SR 25,000). • Housing allowance: Three (3)-month basic salary annually. • Transportation allowance: 10%, not less than SAR 250 and not more SAR 1,600. • A performance-based annual bonus amounting maximally to 12 basic salary. • A three-month salary after expiry of the 1st contractual period.

Direct & indirect ownership of shares by the senior management

For the time being, the Company has neither share allocation plan for its staff, nor any other arrangements for staff participation in the Company Capital or for granting staffs portion of its profit.

5-5 Company Departments

General Insurance Operations Department (Subscriptions & Claims)

The following is a summary of the tasks assigned to the General Insurance Operations Department

- Preparing policies & procedures of insurance subscription business;
- Preparing subscription manual and amending it as required;
- Providing appropriate appraisal systems for various databases;
- Preparing & applying general criteria for the iterative insurance operations;
- Dealing with regulatory & official bodies, conducting necessary training to the insurance subscription specialists and other employees;
- Collecting & assessing specific risk information;
- Estimating potential risks with the help of the actuarial specialist;
- Preparing quotations & calculating the average premiums using the actuarial information, other statistics and self-appraisal;
- Pricing the offered insurance businesses and accepting & managing lucrative & preferable risks;
- Discussing contracts with clients and drafting the same;
- Helping develop & applying re-insurance solutions for clients;
- Managing & ensuring accurate preparation of customer documents in the mean time without delay;
- Analyzing & overseeing the insurance portfolio performance;

Claim services also focus on development of the required professional expertise in order to improve levels of services provided to providers of claims. The Department has been supplied with professionally qualified specialists in accordance with the international levels to ensure protection of the policyholders' rights and the Company interests.

Claim services include measures for risk minimizing and loss prevention. This can be implemented by conducting statistical analysis of customer history and nature of loss which ultimately leading to improve continuous growth of profitable portfolios. Cost effective control process is one of the main objectives of the Corporate Claim Department and may be achieved by adopting the following:

- Disposal of redeemed properties;
- Redemption;
- Ensure claims validity.

In addition to dealing with the submitted claims and communicating with the ceded companies on matters pertinent to the claims, the Corporate Claim Department periodically reviews specific claims and conducts comprehensive reviews of the applicable procedures in the Claim Department.

Negotiations on fair and urgent settlements are carried out with claim applicants in compliance with the required conditions. Applicants for claims not included in the insurance coverage are provided with sufficient & forthwith clarifications on the reasons of rejection of their claims. Potential losses incurred by the Company are expected to be curbed by way of prompt recovery of the required amounts from the reinsurers and by effective follow-up of the claims filed against others regarding their liabilities. Preparations have been made to record and forward all transactions relating to claims in well controlled and proper manner.

Claim Managers (motor & general insurance) are responsible for the following:

- Applying claim procedures and submitting proposals to the senior management for discussion aimed at improvement & development where necessary;
- Collecting and addressing claim related information;
- Checking claims and related circumstances;
- Managing the preparation of claim documents as required and in a timely manner;
- Coordinating with the concerned sections to ensure prompt settlement of proper claims;
- Assessing claim impacts on the insurance portfolio at large and seasonal/ annual findings;
- Ensuring the availability of database with appropriate structure to facilitate the actuarial application for calculating the final loss ratio and conducting proper appraisal of pricing methods;
- Developing procedures for recovery of the Company outstanding dues from reinsurers to which risks were referred.

Medical Insurance Department

Following is a summary of the tasks assigned to Medical Insurance Department:

- Negotiating with Claim Management Company to obtain optimum contracts for the provision of medical insurance;
- Overseeing Claim Management Company and ensuring that the insured have availed services in excellent manner;
- Following-up & analyzing incoming medical claims from the Claim Management Company operating under contract;
- Discussing reinsurance agreements with the reinsurers in order to obtain optimum Terms & Conditions.

The Medical Insurance Department manages the entire subscribed insurance documents as such that it monitors all operations on daily basis to ascertain that due diligence is used in managing documents and complying with the actual

enforcement of the agreed on insurance policies. This leads to avoid any unrealistic operations on the documents for controlling the loss rates.

Proposals are submitted to the corporate senior management, whenever necessary, for developing businesses within the Department. In cooperation with Claim Management Company, Medical Insurance Department also checks incoming claims from the Medical Service Applicant Network to ensure validity of the submitted claims as to the insurance coverage that it complies with the agreed policy with the clients. Additionally, direct indemnity processes for clients are carried out through the Medical Insurance Department. Action is in progress for creation of a database that facilitates the actuarial application for calculating the final loss rate and conducting necessary appraisal of the pricing methods.

Finance Department

The Corporate Finance Department is tasked with ensuring the soundness & accuracy of the Company's financial information, preparing the annual balance sheets, managing cash flows and coordinating the preparation process of the Company accounts with the external auditor. The Department also controls the Company investments by adopting an investment strategy that enables it maintain strong financial solvency margins and protect all shareholder interests as provided for by SAMA rules & regulations.

Following is a summary of the tasks assigned to the Finance Department:

- Preparing the financial statements, providing information of compliance with the approved accounting standards by the Company and controlling the same with such level of compliance in addition to preparation of the accounting & financial procedures in connection with the investment portfolio from both general and technical accounting aspects;
- Ensuring that the general framework and proper regulations of the financial policy are in place so that the Department can effectively participate in the general strategy development.
- Preparing the monthly/ quarterly and annually forecasted balance sheets, reports & administrative statistics;
- Ensuring availability of proper preparation & application of an effective system for cost distribution;
- Overseeing application of the investment strategy prepared by the Investment Committee and monitoring performance of the asset managers;
- Managing the Company's cash flows on weekly, monthly, quarterly and annual basis;
- Conducting necessary communications with respect to Zakat/ Tax, drafting the investment policy and managing the external financial service providers;
- Keeping the Company informed of the main financial issues;

It is worth noting that as per SAMA regulations, it is permissible to outsource the function of investment manager to an outside entity licensed by CMA for exercising activity in this regard. Furthermore, the investment guidelines specified by SAMA are conservative and thus any deviation would be deemed a violation. This limits the risks of the investment portfolio and failure of managing it.

Overseeing the Company's investments requires the following tasks:

- Developing the investment policy: By setting the investment objectives pursuant to the investment rules & regulations issued by SAMA, analyzing and assessing the risks & forecasting returns;
- Analyzing securities: By re-assessing the securities in the existing portfolio in order to determine the under estimated securities;
- Reviewing portfolio: By deciding which securities should be sold and which ones to be acquired in the existing portfolio;
- Assessing portfolio performance: By checking the actual portfolio performance on the basis of risks & returns and comparing the performance level with the relevant performance of the basic portfolio;

IT Department

IT Department assumes the following tasks:

- Integrating with other corporate departments for translating the Company's future plans into systems and applied solutions:
 - Managing new requirements and improving the systems in use;
 - Managing contracts with service & solution providers;
 - Managing the IT infrastructure systems to cope always with the Company plans.
- Developing the following systems:
 - Internal insurance systems, accounting systems, archiving, risks, progress and customer services;
 - Web application systems for insurance coverage to the Company's external branches and business partners;
 - Electronic linking systems with the Council of Cooperative Health Insurance, Najm, Al-Elam, SIMAH & Globe Meed.
 - Developing data warehouse systems and reporting for expediting the mechanism of quality decision taking;
 - Developing controls & application procedures;
 - Managing the Company's daily operational tasks.

Human Resources & Administration Department

HRD manages the affairs of the Company employees, distributes and coordinates activities in cooperation with the different departments. It also hires and trains such employees for the purpose of taking them to highest levels of effectiveness & competency of performance by conducting concentrated employment & training programs. Further, HRD organizes & maintains staff data, manages staff benefit processes, prepares monthly payrolls, manages & oversees vacations as well as other benefits. The Administration Section manages corporate assets and meets the Company requirements such as administrative services & purchases as per the approved budget. HR & Administration Department also manages contracts & government relations whether related to the employee or any other actions of the Company with respect to the government agencies.

Internal Control Department

The main role of the Internal Control Department is to provide the management with reasonable assurance on the soundness & effectiveness of the internal control systems and to curb the risks which the Company may suffer in a manner that enables the Company to achieve its goals and protect its assets. The Department adopts the risk estimation methodology while conducting the checking & review processes and it complies with the internationally recognized standards and professionally optimum practices of audit. The Internal Control Department is absolutely independent and has full powers without any restrictions or influence by the Executive Management and it reports directly to the Audit Committee.

Further, the Internal Control Department assesses sufficiency & effectiveness of the established internal control systems & controls. It highlights the points of weakness, provides comments & recommendations and follows-up how to remedy the same. Additionally, the Department carries out audit and continuously follows-up the Company's different operations & activities in order to prevent any potential errors, fraud or forgery.

Compliance Department

Compliance Department ensures protection of the Company by enforcing the rules & regulations issued by the regulators of the insurance sector. It performs its businesses in integral, professional & specialist manner and is headed by the Compliance officer. Verification & compliance tasks may be summed up as follows:

- Effective support of the Company management in determining the compliance risks, reporting such risks and providing internal report about them;
- Providing assistance to the senior management on its daily effective & profitable activities without violation of the legal controls;
- Ensuring compliance with the principles of corporate activities, values, laws, controls and applicable regulations in the Kingdom of Saudi Arabia;
- Disseminating compliance culture and boosting relations with the regulators.

Sales & Marketing Department

This Department assumes the marketing & sale operations of the Company products by implementing an established strategy which is based on diversification of products. It adopts a precise pricing method and acts for securing customer satisfaction for the purpose of retaining clients. Sales & Marketing Department relies on a large scale network of distribution and market division into sectors along with focus on the following sectors:

- Institutions, government and quasi-government bodies;
- Large companies;
- Small enterprises;
- Consumer re-insurance services;
- Voluntary re-insurance operations.

The Company strives continuously to develop its products in line with the needs of its clients while taking into account the Shariah-compliant requirements and cultural background of the local community. In addition to direct sale via the branches distributed across Saudi Arabia, the Company uses other distribution channels as insurance agents & brokers approved by the business regulators in the Saudi insurance market. Further, the Company launches intensive advertisement campaign & public relations that enable it to assume a leading position throughout the insurance market but with quality, security & competitive value.

Risk Department

Risk Department adopts the best applicable practices in the area and knowledge for determining, measuring, controlling & minimizing the risks facing the Company. The responsibilities undertaken by Risk Department include risk measurement process, risk appraisal, risk control limitation and developing strategies for managing risks. These strategies include continuous communication at both individual & joint risk levels (reinsurance) to other bodies for the purpose of reducing the negative risk impacts.

Strategic Planning Department

Strategic Planning Department plays a vital role in the Company and in setting plans and goals in the long run & short run within the future vision of the Company. It takes into account the internal and external changes and pinpoints the target sectors & markets and the competition technique:

The following are the tasks undertaken by Strategic Planning Department:

- Preparing the appropriate plans for implementing the strategy approved by the Company at large and ensuring application of the same in the meantime;
- Preparing the implementation strategy & plan of each department in the Company within the approved general strategy of the Company and ascertaining compliance therewith & execution thereof in the meantime;
- The strategic management supports the Company in restructuring the organization & administrative structure and setting necessary policies, procedures, rules & regulation for different departments;
- Promoting effective & efficient management of the Company resources and providing necessary support for resources increase & diversification as well as assisting in estimating the Company requirements for manpower in the manner that augments its competitive edge;
- Constantly collecting & analyzing data & information to enable the Company locate & develop the points of strength and remove or reduce the point of weakness & threats in an elaborated manner;
- Setting the priorities and relative importance of the Company's specific goals in the short run and long run;
- The strategic management also provides support in deciding several strategic alternatives and then in choosing the optimum option for attaining the Company's targets;
- The strategic management also works on & considers the external environment with respect to the target market as well on an elaborate study of the competitive market and provides the required solutions;

Customer Service Department

This Department consists of a specialist team for customer service which provides feedback on enquires & complaints via direct & indirect call channels.

The following is summary of the tasks undertaken by Customer Service Department:

- Replying to customer enquiries via the toll-free telephone lines, email messages or the Company accounts available at the social media;
- Receiving & dealing with customer complaints and following-up with the relevant departments for solutions;
- Receiving complaints filed against the Company at the judicial authorities and referring such complaints to the relevant departments.

Reinsurance Department

The Reinsurance Department is the connecting link with the reinsurers. It assumes the following responsibilities:

- Maintaining the Company relations with the reinsurers;
- Concluding contracts and terminating agreements with the reinsurers;
- Analyzing the situations of reinsurers and preparing internal classification;
- Ensuring risk transfer with the best price rates.

5-6 Representations of the Board of Directors, Senior Executives & Corporate Secretary

Members of the Board of Directors, senior executives and Corporate Secretary represent that:

- None of them has declared at any time bankruptcy or being subject to any bankruptcy proceedings;
- Prior to the date thereof, none of them has ever been appointed in an administrative or supervisory position in any insolvent company for the past five years;
- There has never been any interruption of the Company business that may remarkably affect its financial position for the last twelve (12) months;
- No insolvency declaration has been made for the past five years of a company where any member of the Company board, any candidate member of the Company Board, senior executive or Corporate Secretary has been appointed in an administrative or supervisory position in that company;
- No commissions, deductions, fees, brokerage or any non-cash indemnity has been given by the Company for the past three years immediately preceding the application for registration and listing acceptance in connection with the issuance or offering of any securities;
- There has never been any materially negative change in the financial & commercial position of the Company for the past three years immediately preceding the application for registration and listing acceptance, in addition to the period covered by the chartered accountant report until approval of the Prospectus;
- Except as stated in Page (v) and Sections Nos. (2-5) "Board members & Corporate Secretary" and Nos. (4-7-15) "Contracts and transactions with related parties" thereof, no Board members, candidate Board members, members, senior executives, Corporate Secretary or their relatives have any direct or indirect interest in the Company shares;

- The Company has not issued debt instruments and has not licensed to do so;
- Except as stated in the Prospectus (“Section 7 “Capitalization & Indebtedness”), the Company has no potential obligations and has not provided any guarantees for any other parties;
- It has become obvious that the Company has an operating capital sufficient for the twelve months immediately following the date thereof;
- They have no powers or rights for borrowing from the Company;
- They have no voting right on their allowances or on any contract or offer where they have material interest;
- The Board members represent that all material matters with respect to the Company and its financial performance have been disclosed herein and that no other facts which might not have been incorporated herein may mislead the shareholders;
- Senior executives represent that they do not maintain any memberships in a board on a date prior to this Prospectus;
- The Board members also represent their compliance with Article Sixty Nine (69) and Article Seventy (70) of the Companies Regulations. Contracts with related parties are as follows:
 - All contracts with related parties shall be presented to the Board for approval and then to the General Assembly for attestation. A related Board member shall not vote on the Board & General Assembly resolutions in this regard;
 - The Board members represent that they are not party in any agreement or arrangement, that they have not provided any services or businesses that compete with the Company business and that all transactions with the related parties have been fair and transparent.
 - The Company’s AOA does not give any Board member or senior executive a voting right on any contract or proposal where such member has interest therein, nor does it give voting power to any of them on allowances granted to them or any power that allows the Board members or senior executives to borrow from the Company;
- The Board members represent that they do not have intention or tendency to conduct any material change on the nature of the Company business;
- Furthermore, there have not been applicable policies or important information relating to researches & development of new products and to the applicable means of production for the three fiscal years immediately preceding the date thereof. There are neither existing nor proposed employment contracts for the Board members until the date of this Prospectus;
- The Company has no, for the time being, an allocation program of shares for its employees or any other arrangements for the participation of its employees in the Company capital;
- The Company Board of Directors, senior executives and Corporate Secretary hereby represent that no contract or effective arrangement, whether standing or contemplated, exists upon placing this Prospectus wherein they or their relatives have interest in the Company business or any of its subsidiaries, other than as stated in Section (15) “Legal Information” – “Contracts and Transactions with related parties” thereof;
- The Board members represent that until the date of this Prospectus, the Company has no subsidiary or sister company within or outside Saudi Arabia.

5-7 Corporate Governance

The Company’s management is committed to implement the highest standards in line with the requirements of Corporate Governance Regulation issued by Capital Market Authority (CMA). The Company Board perceives that effective management and control are important for the Company success. By adopting & implementing the highest financial governance standards, the Company aims at ensuring that its Board is working for achieving the ultimate interest of the shareholders and providing a factual, clear & fair picture of the Company’s financial position and the results of its operations. Accordingly, the Company has approved a number of policies & internal regulations which include the following:

1. Investment Committee Charter;
2. Executive Committee Charter;
3. Remunerations & Nominations Committee Charter;
4. Audit Committee Charter;
5. Disclosure of Violations Policy;
6. Conflict of Interest Policy;
7. AML Manual;
8. Regular Sales & Marketing Manual;
9. Compliance Manual;
10. Anti-Fraud Manual;
11. Code of business Ethics & Conduct;
12. Sharia Compliant Regulation;
13. Credit Management Policy & Procedures;
14. Shariah Compliant Committee Charter.

Corporate governance regulation of the Company was approved by the Ordinary General Assembly on 23/07/1432H (corresponding to 25/06/2011G) in accordance with the rules, regulations & instructions issued by CMA and in particular the Corporate Governance Regulation issued pursuant to CMA Board resolution No. 1-212-2006 dated 21/10/1427H (corresponding to 12/11/2006G) amended by CMA Board resolution No. 1-10-2010 dated 30/03/1431H (corresponding to 16/03/2010G). This is in accordance with Paragraph (B) of Article (1) of the Regulation which states: “These Regulations constitute the guiding principles for all companies listed in the Exchange unless any other regulations, rules or resolutions of the Board of the Authority provide for the binding effect of some of the provisions herein contained”.

CMA Board has issued a set of resolutions at different dates that obligated the listed companies in the Saudi Stock Exchange to the following articles:

Table (5-17): Mandatory items in Corporate Governance Regulations

Article No. in CMA Corporate Governance Regulations	Obligation Resolution issued by CMA	Applicable Article in Corporate Governance Regulations
5	Issuance of CMA Board resolution No. (3-40-2012) dated 17/02/1434H (corresponding to 20/12/2012G) mandating all listed companies pursuant to Paragraphs (I) & (J) of Article (5) of Corporate Governance Regulation with effect from 01/01/2013G.	The rights of the Annual General Assembly meeting, Paragraph 3-3.
9	Issuance of CMA Board resolution No. (1-36-2008) dated 12/11/1429H (corresponding to 10/11/2008) mandating all listed companies pursuant to Article (9) of Corporate Governance Regulation with effect from the 1st report of the Board issued by the Company from the said CMA Board resolution.	Disclosure & Transparency – Paragraph 3-2.
10	Issuance of CMA Board resolution No. (1-33-2011) dated 03/12/1432H (corresponding to 30/10/2011G) mandating all listed companies pursuant to Paragraph (B) of Article (10) of Corporate Governance Regulation with effect from 01/01/2012G.	The Company Board approved an a separate regulation for Conflict of Interest on 04/08/1433H (corresponding to 23/06/2012G).
10	Issuance of CMA Board resolution No. (3-40-2012) dated 17/12/1434H (corresponding to 20/12/2012G) mandating all listed companies pursuant to Paragraphs (C) & (D) of Article (10) of Corporate Governance Regulation with effect from 30/06/2013G.	Functions of the Board of Directors, Article 4-4.
12	Issuance of CMA Board resolution No. (1-36-2008) dated 12/11/1429H (corresponding to 10/11/2008G) mandating all listed companies pursuant to Paragraphs (C) & (E) of Article (12) of Corporate Governance Regulation with effect from 2009G.	Formation of the Board of Directors, Paragraph 4-1.
12	Issuance of CMA Board resolution No. (3-40-2012) dated 17/02/1434H (corresponding to 30/12/2012G) mandating all listed companies pursuant to Paragraph (G) of Article (12) of Corporate Governance Regulation with effect from 01/01/2013G.	Formation of the Board of Directors, Paragraph 4-1.
14	Issuance of CMA Board resolution No. (1-36-2008) dated 12/11/1429H (corresponding to 10/11/2008G) mandating all listed companies pursuant to Article (14) of Corporate Governance Regulation with effect from 2009G.	Audit Committee, Paragraph 3-5.
15	Issuance of CMA Board resolution No. (1-10-2010) dated 30/03/1431H (corresponding to 16/03/2010G) mandating all listed companies pursuant to Article (15) of Corporate Governance Regulation with effect from 01/01/2011G.	Nominations & Remunerations Committee, Paragraph 5-2.

Further, the Company has professional, qualified & competent external auditors who provide annual reports on the Company activity. The following is summary of the applicable Corporate Governance business framework:

Shareholders General Assembly: Shareholders are kept informed of all important developments in the Company by making available reports about the financial performance of the Company and publishing all important press releases and information in connection with the Company & its operations. Shareholders are encouraged to attend the Company's general assemblies during which they are provided with what they might need.

Board of Directors: The Board of Directors assumes full responsibility for running the Company and protecting interests of its shareholders. One third of the Board members are independent.

Provision of financial and other information: The Board is responsible for providing the shareholders with information on the Company's financial performance.

Board of Directors' Committees: The Board has its own committees which help it complete its businesses as required and in the proper manner as provided for in the regulations issued by the regulatory bodies. These committees include: Executive Committee, Audit Committee and Nominations & Remunerations Committee, in addition to the Shariah Compliant Committee referred to in Paragraph 5-3 above.

5-8 Conflict of Interests

The Company's By-Laws or any regulations and internal policies do not delegate any powers that may enable a Board member to vote on a contract or offer wherein he has direct or indirect substantial interest. This is in compliance with Article (69) of Companies Regulations which states that no Board member may have any direct or indirect interest in the transactions & contracts made on the account of the Company without approval of the General Assembly and provided that this approval is renewed annually. In accordance with the provision of the said Article, a Board member shall inform the Board of his personal interests in the transactions & contracts made on the account of the Company. The Chairman of the Board shall disclose to the General Assembly when convened about the transactions & contracts wherein any Board member has any personal interest, where such disclosure shall be attached with a special report from the comptroller and such information shall be listed in the minutes of the Board meeting. No member having an interest may vote on a resolution placed in this regard.

In accordance with the forgoing, the Board of Directors shall:

1. Act pursuant to Articles (69) and (70) of Companies Regulations and Article (18) of Corporate Governance Regulations;
2. Not vote on any contracts made with the related parties during the General Assembly meetings;
3. Pledge not to enter into any competition against the Company business and that all future transactions with related parties shall be conducted on competitive basis in implementation of Article (70) of the Companies Regulations;

The Company has already concluded contracts with related parties such as the shareholders and Board members with respect to the sale of some insurance products of the Company (Please refer to Section 4-7-15 "Contracts & Transactions with Related Parties" hereof).

5-9 Employee Shares Program

For the time being, the Company has no share allocation plans for its employees, nor any other arrangements for the participating of its employees in the Company capital.

5-10 Employees and Saudization

Up to 30/11/2014G, the Company hired a total number of (220) employees out of whom (110) are Saudis and (110) non-Saudis with, a Saudization percentage of 50%. The Company continuously strives to increase the number of its Saudi nationals and maintain those qualified Saudi nationals being one of the main targets of Human Resources Department. It is worth to mention that the Company has not seen fundamental changes as to the number of its employees. It is obvious that the increase ratio of employee number has not exceeded (13.6%), as it hired only 29 employees for the period between 2011 up to 30/11/2014G. One of the important steps in this regard is the development of a policy called "Talent Investment Program" which aims at increasing the ratio of retention of Saudi nationals via a long-term training programs fully financed by the Company.

The Company will follow a well-controlled plan for employment, training, development as well as all other procedures leading to achievement of the Saudization requirements. Now the Company is classified under the "High Green" Band of the Saudization "Nitaqat" Program.

Table (5-18): Numbers of Employee per Departments

Department	As of 31/12/2011			As of 31/12/2012			As of 31/12/2013		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Audit	1	1	2	1	1	2	1	1	2
Finance	9	13	22	2	12	14	6	10	16
HR & Administration Department	8	4	12	6	0	6	7	0	7
IT	0	2	2	0	2	2	2	5	7
Risk Department	0	0	0	0	0	0	1	0	1
Motor Insurance	38	29	67	34	19	53	34	22	56
Non-Motor Insurance	21	26	47	13	18	31	7	17	24
Corporate Sale	6	11	17	3	13	16	6	25	31
Individual Sale	9	6	15	14	8	22	35	23	58
Planning & Control	0	0	0	0	0	0	4	2	6

Department	As of 31/12/2011			As of 31/12/2012			As of 31/12/2013		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Compliance & Legal Affairs	3	1	4	1	1	2	1	1	2
Senior Management	2	1	3	1	2	3	2	0	2
Total	97	94	191	75	76	151	106	106	212
Percentage	50.78%	49.22%	100%	49.66%	50.34%	100%	50%	50%	100%

Source: Company

Table (5-19): Number of Employees per Departments & Sections as of 30/11/2014G

Department	Saudi	Non-Saudi	Total	Percentage
Audit	1	1	2	50%
Finance	15	10	25	60%
HR & Administration Department	7	0	7	100%
IT Department	2	2	4	50%
Risk Department	1	0	1	100%
Motor Insurance	35	24	59	59%
Non-Motor Insurance	8	12	20	40%
Corporate Sales	12	19	31	39%
Individual Sales	18	35	53	34%
Planning & Control	4	2	6	67%
Compliance & Legal Affairs	2	1	3	67%
Senior Management	5	4	9	56%
Total	110	110	220	50%

Source: Company

As per SAMA Circular No. (38639/MT/1051) dated 03/08/1430H (corresponding to 25/07/2009G) regarding the obligation of some employees of insurance companies to attain (IFCE) certification, it is obvious that (17) employees applied during 2014 for that Certificate where (6) of them had actually obtained it. The remainder (84) applicants seeking to obtain the Certificate will be subject to the examination whereas (36) are currently attending a training course.

In accordance with the Labor Law, any company employing (10) or more employees shall have an internal employment regulation that comprises the internal business provisions and business organization rules. Approval of Ministry of Labor shall be secured prior to adopting the said regulation. As the Company has more than (10) employees, an internal employment regulation has been prepared and approved by the Ministry of Labor in accordance with the decision of His Excellency the Deputy Minister of the Ministry of Labor No. (1/1/3595) dated 26/07/1434H (corresponding to 05/06/2013G).

6. Management Discussion & Analysis of the Company's Financial Position and Results of Operations

6-1 Introduction

The following section is based on the audited financial statements of SALAMA Company for the three fiscal years ending on 6 Safar 1433H (corresponding to 31/12/2011G) and 18 Safar 1434H (corresponding to 31/12/2012G) and 28 Safar 1435H (corresponding to 31/12/2013G) and the interim financial unaudited data for the nine month period ended on 05 Dul Hijja 1435H (corresponding to 30 September 2014G) and related notes contained in this prospectus ("Financial Statements"), and that should be read in conjunction with it. For the two fiscal years 2011G and 2012G, the financial statements for SALAMA have been audited by Ernst & Young and Al-Bassam Chartered Accountants and Consultants. As for the fiscal year ended 31/12/2013G, the financial statements for SALAMA have been audited by KPMG / Al-Fawzan and Al-Sadhan, while the data for the nine months ended in September 2014G were prepared by Deloitte & Touche Bakr Abu al-Khair & Co. and Al Bassam & Co. Chartered Accountants & Consultants.

The Management Discussion & Analysis of the Company's Financial Position and Results of Operations Section contains forward-looking statements involving risks and uncertainties. The actual results for the Company may differ materially from those suggested by the forward-looking statements for several factors as detailed below and elsewhere in the Prospectus, and in particular under Section 2 "Risk Factors" of this Prospectus.

6-2 Directors' Declaration for Financial Statements

Members of Board of Directors, jointly and severally, declare that the financial information included in the Prospectus is extracted without substantial change from the audited financial statements, and that these statements have been prepared on a consolidated basis in accordance with international accounting standards for financial statements.

Members of Board of Directors also declare that on 30/9/2014G, the Company's cumulative losses, since its inception, amounted to SAR 73,021,000, which represent 73.0% of the Company's Capital. Unlike the accumulated losses, the board members declare that there has been no material adverse change in the financial and business situation of the Company during the fiscal year ended on 31/12/2011G or the fiscal year ended on 31/12/2012G or the fiscal year ended on 31/12/2013G to the date of this Prospectus.

Other than what is disclosed in the Prospectus, members of the Board of Directors declare that the financial and business condition of the Company in general has not been affected by any seasonal factors, economic cycles or governmental, economic, financial, monetary or political or any other factors affected or could have substantially affected, directly or indirectly the Company during the fiscal year ended on 12/31/2011G, the fiscal year ended on 12/31/2012G or the fiscal year ended on 31/12/2013G up to the date of this Prospectus.

The members of the Board of Directors declare also that there are no commissions, discounts or mediation fees or any non-cash consideration granted by the Company during the previous three years directly preceding the date of filing the application for admission and listing by offering or issuing any securities, including the proposed members of the Board of Directors, senior executives or those who offer or issue securities or experts.

Future Trends

At the end of 2008G; which was the first year of SALAMA's business activity, the balance sheet of the Company was at a negative status in terms of solvency wherein the net equity amounted to SAR 61.6 million as a result of incurring a loss of SAR 38.4 million in the first period of trading. So far, SALAMA's earnings were not sufficient to limit the negative situation of the balance sheet or to overcome this situation, especially with the large losses incurred by the Company in 2012G and 2013G. On 30/9/2014G, the cumulative losses of the Company, since its inception, amounted to (SAR 73,021,000) Seventy-three million and twenty-one thousand Saudi Riyals until 30 /11/2014G, which represents (73.0%) of the Company's capital.

To address the deterioration of solvency, SALAMA's Board of Directors appointed a CEO for the Company who has modified its strategy until the end of 2013G, turning the focus of business from revenues toward profitability. The Board of Directors in this context, attended to taking other measures, including reconsideration of the pricing terms, especially Motor insurance line and the cancellation of unprofitable contracts and unproductive broker relationships, and increasing the number of licensed brokers, with emphasis on the individuals sector (retail) by reducing the number of branch offices and increasing the number of points of sale and improving the collection procedures. Although the operational indicators have gradually improved since the start of the implementation of the strategy, turning the deficit from insurance operations, which amounted to SAR 48.6 million in 2013G to a surplus from insurance operations by SAR 2.9 million for the first nine months of 2014G, the Board expects that it will take six full quarterly cycles in order to effect the changes that have been completely incorporated. The Company aims to increase SALAMA's capital in the short term through issuing Rights.

6-3 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards in Saudi Riyals as the approved currency for the Company's business.

The financial statements are prepared under the modified historical cost convention with the exception of the fair value through the investments of fair value income statement ("FVIS") and available for sale investments ("available-for-sale-investments") that are measured at fair value. The financial statements are consistent with the Companies Regulation and the Company By-laws with respect to the preparation and presentation of financial statements.

The Company provides detailed financial data on the basis of prioritizing items in terms of liquidity. It is expected that all financial assets and liabilities will recover and settle with the exception of investments held to maturity, respectively, within twelve months of the date of publication.

Use of Estimates and Judgments

Following is an explanation of the main assumptions related to future factors and the most important sources of potential change in estimates as of the date of the balance sheet, which involve risks that could lead to a substantial modification in the restricted amounts for the assets and liabilities in the next fiscal year:

Provision of Outstanding Claims

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts Incurred but not yet reported (IBNR) at reporting date are derived by deducting paid and outstanding claim at reporting date from ultimate cost of claim. Property insurance claims are estimated by independent estimators of losses.

Useful lives for furniture, fittings and equipment

The Company's management determines the estimated useful life of furniture, Fittings and equipment for the purposes of accounting for the depreciation. It identifies these estimates after taking the expected use of these assets or their physical condition into account. The Company is reviewing the residual value and the useful lives annually, and consumption expenditures are adjusted in the future when the Company believes that the useful life differs from previous estimates.

Impairment of Premium Reserves

Estimates are significantly affected by a number of assumptions related to future events and circumstances. It is based upon the proportion of the expected loss of the remaining period of risks for written policies. The main assumption used by the Company is that the last claim patterns are stable and will continue to do so in the future. The sensitivity of the impairment of premium reserves and its impact on the net loss for the year is based on a 10% increase in outstanding claim reserve and a 15% increase in claims incurred but not reported ("IBNR") (Scenario 1) and a 10% decrease in outstanding claim reserve and a decrease by 15% in claims incurred but not reported (Scenario 2).

Provision for impairment of accrued premiums

SALAMA designates reserves for the portfolio based on comprehensive global estimates and based upon the age of the premium receivables.

Reinsurance

SALAMA is vulnerable to disputes with reinsurers and there is a probability that they may fail to repay.

Deferred Acquisition Costs

If the assumptions related to future profitability of the insurance policies are not achieved; then, amortization of these costs is likely to accelerate and this may require that additional funds be written off in exchange for the impairment.

Classification of Investments

Upon acquiring investment securities, the Company classified the investment securities into two categories, which are investments of fair value income statement ("FVIS"), and held to maturity investments. SALAMA evaluates the available for sale share investments by identifying the normal volatility in share price and the good financial situation of the invested company, industry, sector performance, changes in technology and operational and financial cash flows. When trading in active markets, the fair value of financial instruments is based on quoted market price. However, if it is not possible to extract the fair values of financial assets and liabilities carried on the balance sheet of active markets, a variety of methods are used to determine the fair value. If the input to these forms cannot be generated from the noted market data, the discretionary judgment is used to determine the fair value.

Impairment of investment value in available for sale shares

The value of equity assets investments available for sale is impaired when there is a significant or continued decline in the fair value of its cost. The process of determining whether the decline was significant or sustained is subject to the discretionary judgment.

Fair values of financial instruments

The fair value of financial instruments traded in active markets at the reporting date is based on the quoted market price.

International Financial Reporting Standards and interpretations of the International Committee of the Financial Reporting Standards for the preparation of new and revised financial reporting followed by the Company.

The Council of International Accounting Standards issued the following new and amended standards and interpretations which did not have a material effect on the Company's financial statements:

Table (6-1): Accounting Standards

Standard / Interpretation	Explanation
International Accounting Standard (IAS 1)	Presentation of financial statements
International Financial Reporting Standard (IFRS 7)	Amendments to the financial instruments of the International Financial Reporting Standard 7: Disclosures (including disclosures with regard to financial assets conversion)
International Financial Reporting Standard (IAS 13)	Measurement of fair value
International Accounting Standard (IAS 19)	Amendments to IAS 19 Employee benefits
IASB's annual improvements to the International Financial Reporting Standard (IFRS)	<ul style="list-style-type: none">• IAS 1 - Presentation of financial statements: the comparative financial information over the minimum requirements and the presentation of the opening statement and related notes requirement.• International Accounting Standard 16 - Property, plant and equipment: Classification of operating equipment.• International Accounting Standard 34: Interim Financial Reporting: the assets and liabilities of the sector

The new standards that were issued and have not been applied

The Company has not adopted early any standard or interpretation or other amendment issued for early adoption and still not in effect.

6-4 Summary of Significant accounting policies and assumptions

The following are the accounting policies used in the preparation of the Company's financial statements for the year 2013G:

Insurance contracts

Insurance contracts are those contracts where SALAMA (the insurance company) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, SALAMA determines whether it has significant insurance risks by assessing whether an insured event could cause the Company to pay significant additional large entitlements. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime. Insurance contracts are principally divided into medical, marine, property, motor, engineering and accident and liability and are principally short term insurance contracts.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank (bank balances), cash on hand, and investments that are readily convertible into known amounts of cash and have maturity date of three months or less of the original purchase date.

Premiums receivable

Premiums receivable are stated at original invoice amount less the impairment amount. An allowance for impairment is made when collection of the full amount is no longer probable. Doubtful debts are written off when there is no possibility for their collection or recovery.

Deferred policy acquisition costs

Those direct costs incurred during the financial period arising from writing or renewing the insurance contracts are deferred to the extent that these costs are recoverable out of future premium payments. Amortization is recorded in the statement of insurance operations. All other acquisition costs are recognized as an expense when incurred.

Investments

Financial investments recorded as available for sale investments and investments held to maturity are considered financial assets for the Company. These ratings are based on the purpose of the purchase of investment.

Available- for- sale investments

Available for sale (AFS) investments are normally measured at fair value with the inclusion of changes in the statement of shareholders' comprehensive income until the investment is derecognized or the investment is determined to be impaired. Unless fair value cannot be reliably determined in which case they are measured at cost less impairment.

Investments held to maturity

Held to maturity investments are initially recorded at cost. Subsequently, they are measured at amortized cost less impairment losses. Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations.

Furniture, fittings and office equipment

Furniture, fittings and office equipment are measured at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight-line basis over the following estimated useful lives of assets: motor vehicle - 5 years, furniture and fittings - 5 years and computers and office equipment - 3 years. According to management, the Company asserts that it has not changed its depreciation policy in the historical period and does not intend to do so in the future. Expenditure incurred to replace a component of an item of furniture, fittings and equipment that is accounted for separately is capitalized and the carrying amount of the component is written off. Any loss or profit is recognized in the statement of insurance operations.

Goodwill

Goodwill represents the amount paid/to be paid by the Company in excess of the fair value of the net identifiable assets and liabilities acquired from Islamic Arab Insurance Company as approved by SAMA.

Liability adequacy test

At each reporting date, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is immediately recognized in the statement of insurance operations and accumulated surplus, and a provision for premium deficiency is made.

On the other hand, the Company does not discount its liability for unpaid claims as all claims, in general, are expected to be paid within one year of the statement of financial position.

Accounts payable and accumulated accruals

Liabilities are recognized for amounts to be paid in the future for received goods or services, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. Provisions are not recognized for future operating losses.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service subject to the completion of a minimum service period. Provision is made for the amounts payable under Saudi Arabian Labor law applicable to employees accumulated periods of service. The expense for the year is charged to the statement of insurance operations.

Zakat

Zakat is a Shariah tax that is applied to businesses owned by Saudi and GCC citizens. Since the shareholders are citizens of Saudi Arabia / GCC countries, the Company is subject to Zakat according to the Zakat regulation established in the Kingdom. Zakat is calculated on the net appraisable (ratable) assets ("zakat base"), which generally consist of operating capital and long-term financing, less deductible non-current assets. According to the regulations of the Department of Zakat and Income ("DZIT"), Zakat provision is recognized in the shareholders' operations. Zakat is computed on the zakat base or adjusted net income, whichever is greater. The additional provision of due Zakat is calculated, if any, upon the completion of identifying the Zakat assessment when these amounts are determined definitively.

Under the Kingdom of Saudi Arabia laws and regulations, the Company is subject to the companies' income tax regulation by 20% on income attributed to non-Saudi or GCC partners. Although the Company has a license from the Saudi Arabian General Investment Authority, which was issued in 1426H (corresponding to 2005G), it is the Company's belief that there is no non-Saudi or Gulf shareholder in the Company indirectly since the completion of the IPO process, and the listing of its shares, and thus no provision has been accounted for in the financial statements nor any statement was provided to the Department of Zakat and Income Tax for any tax calculated on the income of any of the shareholders of the Company. The Company is in the process of applying to the Saudi Arabian General Investment Authority to revoke the license.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may not be impaired.

Impairment of non-financial assets

The Company assesses at each reporting date the need for impairment of assets. If there are indications that an asset may be impaired, the Company estimates the asset's recoverable amount. Impairment losses of continuing operations are recognised in the statement of insurance operations and statement of shareholders' operations except for property assets. For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

De-recognition of financial instruments

- Financial assets are derecognized if the rights to receive cash flows from the asset have expired or if the Company has transferred its rights to receive cash flows from the asset.
- Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired.

Claims

Claims comprise amounts payable to contract holders and third parties. Related loss adjustment expenses, after deducting the salvage value and other rebates (recoveries), are charged to statement of insurance operations when incurred. Claims comprise the estimated amounts payable in respect to claims reported to the Company and those that not reported at the reporting date.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date together with the related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for claims reported but not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on the Management's judgment and the Company's prior experience is maintained to cover the cost of settling claims incurred but not reported at the reporting date ("IBNR") including related claims handling costs and the expected value of salvage and other recoveries at the reporting date.

Reinsurance

All of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. Claims receivable from reinsurers are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is paid. Once the claim is paid, the claim is transferred to amounts due from / to reinsurers although ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when they become payable. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Trade date accounting

All purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchasing or selling the assets).

Revenue Recognition

Gross premiums written and commission income are reported as income on a pro-rata basis over the term of the related policies. The portion of future revenues is reported as unearned premiums and unearned commission income, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo wherein the unearned its portion represents the last three months of the total premiums written during the current financial period.

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations on a straight-line basis over the lease term.

Expenses

All expenses incurred are classified as general and administrative expenses.

Foreign currencies

The official currency of the Company's transactions is the Saudi Riyal (SAR). Transactions in foreign currencies are recorded in Saudi Riyals at the prevailing rate of exchange at the date of the respective transaction.

Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating officer. Salama's business units include: Medical and Motor insurance and others such as: property, marine, engineering, accident and liability and miscellaneous categories. Shareholders' operations are considered non-operating segments.

Fair value income statement (FVIS) investments

Investments are classified as Fair value income statement (FVIS) investments if the fair value of the investment can be reliably measured and the classification as such is in accordance with the Company's approved strategy. Classified investments are initially recognized as Fair value income statement (FVIS) investments at cost, which is the fair value of the paid amount. Then, these investments are subsequently re-measured at fair value while recording all changes in fair value in the statement of shareholders' operations and statement of insurance operations.

Fair value of income statements (FVIS) investments is determined on the basis of net assets value of the respective funds at the end of the reporting period. For FVIS investments, where there is no active market, the fair value is determined by using valuation technique, except for unquoted equity which is held at cost.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts or to liquidate the assets and settle the liabilities simultaneously.

6-5 Balance Sheet

Table (6-2): Balance sheet

					Annual Growth December 2012G to December 2013G	Annual Growth December 2013G to September 2014G
Currency: SAR '000	December 2011G	Decem- ber2012G	December 2013G	Septem- ber2014G	December 2013G	September 2014G
Insurance operations' assets						
Cash and cash equivalents	43.56	37,289	36,465	26,374	(2.20%)	(27.70%)
Term deposits	23,993	20,648	10,576	30,262	(48.80%)	189.60%
Premium receivables, net	39.65	34,339	37,998	52,797	10.70%	38.90%
Reinsurance receivables, net	7,457	12,328	4.75	1,563	(1.50%)	(67.10%)
Deferred policy acquisition costs	10,109	2,046	2,402	5,441	17.40%	126.50%
Expenses paid in advance and other receivables	4,477	11,363	10,783	9,086	(5.10%)	(15.70%)
Amount due from a related party	6,759	6,759	6,759	6,759	-%	-%
Fair value of income statements (FVIS) investments	3,077	3,131	60,659	74.92	1,837.4%	23.50%
Reinsurers share of unearned premiums	14,058	9,306	3,235	6,979	(65.20%)	115.70%

					Annual Growth December 2012G to December 2013G	Annual Growth December 2013G to September 2014G
Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G	December 2013G	September 2014G
Reinsurers share of outstanding claims	15,128	14,193	15.98	12,911	12.60%	(19.20%)
Held to maturity investments	13,697	13,685	26,663	30,641	94.80%	14.90%
Furniture, fittings and office equipment	6,029	4,172	3,197	2,338	(23.40%)	(26.90%)
Due from Shareholders' Operations	-	-	-	475	Not Available	Not Available
Shareholders' Operations Total Assets	187,994	169,259	219,467	260.91	29.70%	18.90%
Shareholders' assets						
Cash and cash equivalents	29,373	12,749	33	27	(99.70%)	(18.20%)
Term deposits	10	20	-	-	Not Available	Not Available
Fair value of income statements (FVIS) investments	3,269	14,496	4,846	14,946	(86.60%)	208.40%
Available-for-Sale Investments	20,385	8,582	6,976	7.45	(18.70%)	6.80%
Expenses paid in advance and other receivables	78	482	82	138	(83.00%)	68.30%
Due from Insurance Operations	6,818	4,531	4,565	-	0.80%	(100.00%)
Held to maturity investments	8,722	3,731	3,719	3,712	(0.30%)	(0.20%)
Statutory deposit	10,643	10,771	10,886	10,941	1.10%	0.50%
Goodwill	-	-	-	-	Not Available	Not Available
Total Shareholders' assets	96,429	75,342	31,107	37,214	(58.70%)	19.60%
Total Assets	284,423	244,601	250,574	298,124	2.40%	19.00%

					Annual Growth December 2011 to December 2012G	Annual Growth December 2012G to December 2013G	Annual Growth December 2013G to September 2014G
Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G	December 2012G	December 2013G	September 2014G
Insurance Operations' Liabilities and Surplus							
Unearned Premiums	102,611	81,302	99,732	158.55	(20.8%)	22.70%	59.00%
Premium Impairment Reserve	63	221	5,833	5,833	250.80%	2,539.4%	-%
Unearned Commission Income	1,182	1,174	1.9	916	(0.70%)	(22.00%)	107.40%
Outstanding Claims	46,845	50,236	77,221	58,189	7.20%	53.70%	(24.60%)
Policyholders' Claims	8,361	7,726	6,441	6,427	(7.60%)	(16.60%)	(0.20%)
Reinsurance payables	4,878	3.47	2,083	4,011	(28.90%)	(40.00%)	92.60%

					Annual Growth December 2011 to December 2012G	Annual Growth December 2012G to December 2013G	Annual Growth December 2013G to September 2014G
Currency: SAR '000	December 2011G	Decem- ber2012G	December 2013G	Septem- ber2014G	December 2012G	Decem- ber2013G	September 2014G
Accruals and other payables	8,193	11,105	14,326	17,021	35.50%	29.00%	18.80%
Due to shareholders' operations	6,818	4,531	4,565	-	(33.50%)	0.80%	(100.00%)
Employees' end of service benefits	6,029	6.48	5,336	5,672	7.50%	(17.70%)	6.30%
Total Insurance Operations' Liabilities	184.98	166,245	216,453	257,603	(10.10%)	30.20%	19.00%
Accumulated Surplus from Insurance Operations	3,014	3,014	3,014	3,307	-%	-%	9.70%
Total Insurance Operations Surplus	3,014	3,014	3,014	3,307	-%	-%	9.70%
Total Insurance Operations' Liabilities and Surplus	187,994	169,259	219,467	260.91	(10.00%)	29.70%	18.90%
Liabilities and Shareholders' assets					Not Available	Not Available	Not Available
Liabilities					Not Available	Not Available	Not Available
Prepayments and other receivables	2.07	1,606	1.73	1.68	(22.40%)	7.70%	(2.90%)
Provision for Zakat	2,211	2,756	2,174	2,974	24.60%	(21.10%)	36.80%
Amount due from a related party, and others	17	2,026	-	212	11,817.6%	Not Available	Not Available
Goodwill	7,140	-	-	-	Not Available	Not Available	Not Available
Due from insurance operations	-	-	-	475	-	Not Available	Not Available
Total shareholders' assets	11,438	6,388	3,904	5,341	(44.20%)	(38.90%)	36.80%
Shareholders' assets							
Capital	100	100	100	100	-%	-%	-%
Available -for-Sale investment reserve	4,739	1,659	2,053	2,527	-65.00%	23.70%	23.10%
Accumulated losses	(19,748)	(32,705)	(74.85)	(70.654)	65.60%	128.90%	(5.60%)
Total Shareholders' Assets	84,991	68,954	27,203	31,873	(18.90%)	(60.50%)	17.20%
Total shareholders' liabilities and equity	96,429	75,342	31,107	37,214	(21.9%)	(58.70%)	19.60%
Total liabilities and surplus property rights	284,423	244,601	250,574	298,124	(14.0%)	2.40%	19.00%

6-6 Assets

Total assets amounted to SAR 298.1 million in September 2014G compared with SAR 250.6 million in December 2013G and SAR 244.6 million in December 2012G. The reason for the increase between December 2012G and December 2013G, is mainly attributed to the increase in the fair value in investments in the Income Statement and held to maturity investments as a result of the high value of these investments, especially the portfolio, and because of the investments made in Sunbulah Fund 3 and Al Rajhi Commodities Mudaraba Fund. The increase in total assets between December 2013G and September 2014G was 19.0% as a result of another increase in the fair value of income statement investments and premiums receivables due to the increase in gross written premiums, especially from the Motor insurance line due to the change in the Salama operational strategy since 2013G.

Cash and cash equivalents

Cash and cash equivalents comprise mainly the cash that the Company has as well as the cash deposited in various bank accounts at five banks (Samba Financial Group, National Commercial Bank, Al Rajhi Bank, Alinma Bank and Citibank). Shareholders cash consists of investments in the money market funds in December 2011G (SAR 15,600,000) fifteen million six hundred thousand Saudi Riyals and December 2012G (SAR 622,000) six hundred and twenty-two thousand Saudi Riyals and different deposits in four banks that amounted to (SAR 13,800,000) thirteen million eight hundred thousand Riyals in December 2011G and (SAR 12,700,000) twelve million and seven hundred thousand Riyals in December 2012G.

Total cash and cash equivalents in insurance operations amounted to (SAR 26,400,000) Twenty-six million four hundred thousand Riyals in September 2014G compared with (37,300,000) thirty seven million and three hundred thousand Riyals in December 2012G and (36,500,000) thirty-six million five hundred thousand Riyals in December 2013G, representing a decrease of 2,2% between 2012G and 2013G and a decrease of 27,7% between 2013G and 2014G due to Salama use of cash to finance its operations.

Table (6-3): Cash deposited with banks

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Insurance Operations				
Cash on hand and at banks	12	20	4	46
Cash at banks	43,359	36,165	36,45	20,438
Checks	189	1,102	11	5,889
Total Cash and cash equivalents for Insurance Operations	43,56	37,289	36,465	26,374
Shareholders' assets				
Cash at banks	13,758	12,749	33	27
Money Market Funds	15,615	-	-	-
Total Cash and cash equivalents - Shareholders' assets	29,373	12,371	33	27

Term Deposits

Term deposits represent short-term deposits with maturity ranging from three months to one year. Term deposits from insurance operations decreased by 49% from (20,600,000) twenty million and six hundred thousand Riyals in December 2012G to (10,600,000) ten million and six hundred thousand Riyals in December 2013G as a result of maturity of term deposits with Emirates Bank and the use of cash by Salama to finance its operational losses. In September 2014G, term deposits increased by (20,000,000) twenty million Riyals as a result of depositing term cash deposit in NCB Capital Company by Salama. Deposits from shareholder assets have increased from (SAR 10,000,000) ten million Riyals in December 2011G to (SAR 20,000,000) twenty million Riyals in December 2012G as a result of Salama depositing a cash amount as a term deposits while the decrease to zero in December 2013G and September 2014G is due to the maturity of term deposits at Emirates Bank.

Table (6-4): Deposits Shareholders

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Insurance Operations				
Murabaha deposit with Muscat Financial	10	10,28	10,576	10,576
Murabaha deposit with Emirates Bank	10,243	10,368	-	-
Islamic structured deposit at Samba Financial Group	3,75	-	-	-

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Murabaha NDIA NCB Capital	-	-	-	20.05
Total term deposits for insurance operations	23,993	20,648	10,576	30,626
Shareholders' assets				
Murabaha deposit with Emirates Bank	10	20	-	-
Total shareholders' long-term deposits	10	20	-	-

Net Premiums receivable

Premiums receivables from clients totaled SAR 76,429,000 in September 2014G, compared with SAR 61,630,000 in December 2013G and SAR 61,370,000 in December 2012G. While the balance remained unchanged to some extent from December 2012G to December 2013G with a significant change somehow in the structure of the term of maturity of overdue premiums receivables either for more than 12 months or for less than three months, there was an increase by 24.0% between December 2013G and September 2014G as a result of the renewal of existing insurance contracts and entering into new insurance contracts with better pricing conditions, especially in the Motor insurance line, due to the amendment of the Company's business strategy.

The Company usually grants a credit period to its issued policyholders ranging from three to nine months depending on the premium amount. As part of Salama's strategy to convert business, the Company has developed various business plans after the third quarter of 2013G to improve the collection process.

The premiums receivables that are outstanding for more than 12 months included an average of 21.3% of the total premiums receivables between December 2011G and September 2014G, which decreased from 37.6% in December 2011G to 14.3% in September 2014G. The majority of receivables outstanding for more than 12 months in September 2014G were outstanding since the previous period in 2010G. In December 2012G, Salama restated some outstanding receivables that are due for more than 12 months to disputed receivables, and there are reserves in the balance sheet that cover all these amounts.

Table (6-5): Premiums Receivables

Currency: SAR '000	Reserve ratio	December 2011G	December 2012G	December 2013G	September 2014G
Premiums receivables					
Less than 90 days		18,656	18,549	25,662	37.47
91-190 days		5171	7,575	3,662	10,979
181-270 days		10,408	4,746	5,624	3,784
271-360 days		4.04	4,842	2,682	559
*More than 360 days		23,049	11,959	10,938	8.64
Disputed Receivables		-	17,018	12.04	12.7
Total Gross Premiums Receivables		61,324	61.37	61.63	76,429
Less than 90 days	-%	-	-	-	-
91-190 days	15%	(776)	(1,136)	(549)	(1,647)
181-270 days	25%	(2,602)	(1,186)	(1,406)	(946)
271-360 days	25%	(1.01)	(1.21)	(671)	(140)
*More than 360 days	75%	(17,287)	(6.48)	(8,969)	(8,204)
Disputed Receivables	100%	-	(17018)	(12040)	(12.7)
Total reserves	NA	(21.675)	(27,032)	(23,632)	(23,635)
Less than 90 days		18,656	18,549	25,662	37.47
91-190 days		4,395	3,113	9,332	6,439
181-270 days		7,806	3,559	4,218	2,838
271-360 days		3.03	3,631	2,012	419

Currency: SAR '000	Reserve ratio	December 2011G	December 2012G	December 2013G	September 2014G
*More than 360 days		5,762	2.16	2.99	2,735
Disputed Receivables		-	-	-	-
Total Premium receivables, net		39.65	34,339	37,998	52,797

Premium receivables, net

The total reinsurance receivables from customers amounted to SAR 5,106,000 in September 2014G, compared with SAR 8,293,000 in December 2013G and SAR 15,398,000 in December 2012G. This decline is mainly due to collecting claims due from reinsurers and especially from Hannover Re of Germany (SAR 10,565,000 in December 2012G, and SAR 2,209,000 in December 2013G and SAR 367,000 in September 2014G) and NASCO Karoglan Insurance Group -Saudi Arabia 1,383,000 Riyals in December 2013G and 131,000 Riyals in September 2014G) in conjunction with enhancing the previous deficiencies of Salama collection team as part of the business conversion program, which began after the third quarter of 2013G.

In December 2013G and September 2014G, reinsurance receivables included an amount of 1,925,000 for the Munich Re Group (SAR 607,000) and Inter Global Group (SAR 580,000) and Shadid Associates Ltd. (SAR 480,000), for which provisions are provided in the balance sheet that can cover them in full.

Table (6-6): Reinsurance receivables

	% reserves	December 2011G	December 2012G	December 2013G	September 2014G
Premium Receivables					
Less than 90 days		3.201	4.432	1.609	532
91-190 days		783	7.14	2.287	116
181-270 days		394	14	215	301
271-360 days		2,841	133	149	27
More than 360 days		2,248	2,491	2,109	2,204
Disputed Receivables		-	1,188	1,925	1,925
Total Gross Premiums Receivables		9,467	15,398	8,293	5,106
Less than 90 days	-%	-	-	-	-
91-190 days	-%	-	-	-	-
181-270 days	10%	(39)	(1)	(21)	(30)
271(360 days	10%	(284)	(13)	(15)	(3)
*More than 360 days	75%	(1,686)	(1,869)	(1,582)	(1,653)
Disputed Receivables	100%	-	(1,188)	(1,925)	(1,925)
Total Reserves	NA	(2,009)	(3,071)	(3,543)	(3,611)
Less than 90 days		3,201	4,432	1,609	532
91-190 days		783	7.14	2,287	116
181-270 days		355	13	193	271
271-360 days		2,557	120	134	24
*More than 360 days		562	623	527	551
Disputed Receivables		-	-	-	-
Total Premium receivables, net		7,457	4.75	1,495	12,328

Deferred policy acquisition costs

Deferred policy acquisition costs amounted to SAR 5,441,000 in September 2014G compared to SAR 2,402,000 in December 2013G and SAR 2,046,000 in December 2012G. The increase in balance between December 2013G and September 2014G is due to the general increase in insurance premiums in line with the change in Salama's business strategy to focus on profitability and direct sale channels.

Table (6-7): Deferred policy acquisition costs

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Motor Insurance	8,247	1.06	1.67	3,974
Group Medical insurance	-	-	-	-
Marine Insurance	1,622	658	454	527
Property/fire insurance	48	80	14	12
Engineering insurance	85	78	133	353
liabilities	91	149	115	260
Workers' Compensation	4	5	9	21
General Accidents	5	7	-	-
Other types of insurance	7	9	6	7
Total	10,109	2,046	2,402	5,411

Prepaid Expenses and other receivables

The total prepaid expenses and other receivables from insurance operations amounted to SAR 9,086,000 in September 2014G, representing a decrease of 15.7% compared with December 2013G (SAR 10,783,000). The prepaid expenses consist mainly of rents paid upfront for the main office, branch offices and points of sale. Rent reductions achieved through the rationalization of the Company's branch office network were met by an increase in the number of points of sale in line with Salama's focus on the individuals' sector, which led to maintaining the balance unchanged somewhat between December 2012G and December 2013G. The decrease between December 2013G and September 2014G is due to the differences in timing between the rent payments.

However, the reason behind the increase in other receivables from insurance operations between December 2011G and December 2012G is attributable mainly to receivables due from other insurance companies and damaged cars buyer such as the Gulf Shaden, which was gradually settled between December 2012G and September 2014G.

Table (6-8): Prepaid expenses and other receivables

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Insurance operations				
Prepaid expenses	2,157	2.42	2,457	1,994
Other receivables	2.32	8,946	8,326	10,783
Total prepaid expenses and other receivables	4,477	11,363	10,783	9,086
Insurance operations				
Other receivables	79	482	82	138
Total shareholders' receivables and other receivables	79	482	82	138

Amount due from a related party

The amount due from a related party amounted to SAR 6,759,000 in each reporting date and relates to old balances upon acquiring the Islamic Arab Insurance Company, which is considered unreasonable.

Fair value of income statements (FVIS) investments

Fair value of income statements (FVIS) investments includes the investments in mutual funds and portfolios by proxy. FVIS investments amounted to SAR 89,866,000 in September 2014G, compared with 65,505,000 Riyals in December 2013G and SAR 17,005,000 in December 2012G. The increase between December 2012G and December 2013G is mainly attributable to FVIS investments in mutual funds and the increase in the fair value of the private portfolio. The private portfolio of the shareholders' assets has been restated into insurance investments to cover the operating losses incurred by Salama in 2012G and 2013G.

With the exception of Land Fund of Al-Inma Bank, all funds were offered in a private placement. Valuation information for each fund is updated periodically on the regulatory authority website, which means that the fair market value of these funds is assessed in respective reporting dates. For the valuation of the Al-Inma Bank for Land Fund, information is obtained

from the Fund Manager periodically. The investments in portfolio accounts are related to investments in securities listed in the Kingdom and its fair market value is assessed

Table (6-9): Fair value investments of income statements (FVIS)

Currency: SAR'000	December 2011G	December 2012G	December 2013G	September 2014G
Operating Insurance Assets				
Al Ahli Fund	-	-	626	-
Investment in a portfolio account	-	-	13,348	14.6
Sunbullah Fund 3	-	-	21,598	31,803
Al Awwal Saudi Riyal Murabaha Fund	3,077	3,131	47,311	60.32
Al Rajhi Commodity Fund-Murabaha	-	-	20.05	20.275
Discretionary Fixed Income portfolios – Muscat Finance	-	-	-	3.157
Total Fair value of income statements (FVIS) investments- Operating Insurance Assets	3,077	3,131	60,659	74.92
Shareholders' assets				
Al Raed 18 Fund	1,628	1,863	2.44	3,229
Al Raed GCC 38 Fund	1,641	1,772	2,406	0,3229
Investment in a private portfolio	-	10,239	-	-
Al-Inma Bank for land fund	-	-	-	8,248
Total Fair value of income statements (FVIS) investments	3,269	13,874	4,846	14,946

Reinsurers' share in unearned premiums

Reinsurers' share in unearned premiums amounted to SAR 6,979,000 in September 2014G compared with SAR 3,235,000 in December 2013G and SAR 9,306,000 in December 2012G. The decline in the reinsurers' share in unearned premiums between December 2012G and December 2013G is due to a change in the arrangement of reinsurance for the medical sector from a quarter share treaty in the excess- of- loss agreement (XOL) while the increase occurred between December 2013G and September 2014G is due to the increase in gross written premiums for the General Insurance Line that Salama needs for reinsurance.

Reinsurers' share in outstanding claims

Reinsurers' share in outstanding claims amounted to SAR 12,911,000 in September 2014G compared with SAR 15,980,000 in December 2013G and SAR 14,193,000 in December 2012G. The reason for the changes in the balance of reinsurers' share of outstanding claims between December 2012G and December 2013G and September 2014G is attributable to the amount of outstanding claims that have re-insurance arrangements, and which was high especially in 2013G.

Investments held to maturity

Investments held to maturity comprise Sukuk and bank deposits. These investments amounted to SAR 34,353,000 in September 2014G compared with SAR 30,381,000 in December 2013G and SAR 17,416,000 in December 2012G. The reason for increasing the investments held to maturity of the operating insurance assets between December 2012G and December 2013G and September 2014G is attributed to Salama's investment strategy, particularly investments in the Sukuk of the General Authority for Civil Aviation (GACA), second issue, in 2013G, investment in National Commercial Bank Level 2 Sukuk and Saudi Investments Bank Sukuk, second issue in 2014G. It is expected to mature in 2019G or earlier, although the main due dates relate to the second issue of the National Commercial Bank Sukuk and the Saudi Investment Bank Sukuk, second issue, in 2019G.

Table (6-10): Investments held to maturity (Sukuk and bank deposits)

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Operating Insurance Assets				
Saudi Hollandi Bank Sukuk	7	7	7	7
Electricity Company Sukuk – Issue 2	3	3	3	-
Excellence portfolio of fixed income	-	-	3	-
Malaysian Global Sukuk Agency	-	-	3,663	3,641
General Authority of Civil Aviation Sukuk 2	-	-	10	10
Global Agency Sukuk , Citibank	3,697	3,685	-	-
The National Commercial Bank Sukuk Category 2	-	-	-	5
The Saudi Investment Bank Sukuk Category 2	-	-	-	5
Total investments held to maturity - Insurance Operations Assets	13,697	13,685	23,663	30,641
Shareholders' assets				
Dubai Sukuk DFO	-	-	3,718	3,712
Dubai Islamic Sukuk DFO - City Bank	3,742	3,731	-	-
Rental Sukuk	3	-	-	-
SABIC Sukuk issue 2	980	-	-	-
Electricity Company Sukuk	1	-	-	-
Total Fair value investments of income statement (FVIS)	8,722	3,731	3,718	3,712

Available-for-sale investments

The value of the investments available for sale amounted to SAR 7,450,000 in September 2014G versus SAR 6,976,000 in December 2013G and SAR 8,582,000 in December 2012G. It consists mainly Salama's share in a private insurance company, Najm Project and investment funds of fair market value to be estimated. Najm Project relates to an entity that was formed by a joint venture between insurance companies in the Kingdom and is responsible for inspecting the location of road accidents.

The decrease in the investments available for sale is attributed to the restatement of the portfolio listed as available for sale investments in December 2011G to investment income at fair value to shareholders in December 2012G and the maturity of the first Income Fund on 21 September 2013G.

Table (6-11): Available for sale investments

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Najm Project	1,923	1,923	1,923	1,923
Samba Real Estate Fund	3,969	4,489	5,053	55.27
AL Awwal Income Fund	2,062	2.17	-	-
Investment in portfolio account	12,431	8,582	-	-
Total investments available for sale	20,385	8,582	6,976	7.45

Furniture, fittings and office equipment

Net book value of Salama's furniture, fittings and office equipment decreased between December 2012G and September 2014G. Fixed assets consist mainly of decoration and interior designs.

Table (6-12): Total value of furniture, fittings and office equipment

Currency: SAR'000	Motor (SAR'000)	Furniture and Fittings(SAR'000)	Computers and office equipment (SAR'000)	Total furniture, fittings and office equipment
Insurance operations				
Cost:				
In December 2011G	59	6,931	4,553	11,543
In December 2012G	59	5,537	5,215	10,811
In December 2013G	59	5,998	5,744	11,801
In September 2014G	Not Available	Not Available	Not Available	12,298
Accumulated depreciation:				
In December 2011G	57	2,752	2,705	5,514
In December 2012G	59	2,724	3,856	6,639
In December 2013G	59	3,775	4.77	8,604
In September 2014G	Not Available	Not Available	Not Available	9.96
Book Value:				
In December 2011G	2	4,179	1,848	6,029
In December 2012G	-	2,813	1,359	4,172
In December 2013G	-	2,223	974	3,197
In September 2014G	Not Available	Not Available	Not Available	2,338

Due to shareholders' operations

The balance of due to shareholders' operations in September 2014G was zero compared to SAR 4,565,000 in December 2013G and SAR 4,531 in December 2012G. The line item is considered an offsetting entry in September 2014G. There is an opposite entry that appears in the liabilities section of the balance sheet under "Due to shareholders' operations."

Statutory deposit

As required by Saudi Arabian Insurance Companies Regulations, the Company must deposit an amount equivalent to 10% of its paid-up capital, amounting to SAR 10 million in a bank as designated by the Saudi Arabian Monetary Agency ("SAMA"). Salama has posted a profit of nine million Riyals, equivalent to 10% compared to net profit in the balance sheet in September 2014G. The amount will be restated to the shareholders' equities at the end of the year

6-7 Deficit and liabilities of insurance operations

Unearned premiums

Total unearned premiums amounted to SAR 158,550,000 in September 2014G compared to SAR 99,732,000 in December 2013G and SAR 81,302,000 in December 2012G. The increase in unearned premiums between December 2012G and December 2013G and September 2014G is mainly due to the increase in gross written premiums, especially in the motor insurance sector as a result of a review of the terms of pricing and a focus on individual clients' sector through direct sale channels.

Premium deficiency reserve

The premium deficiency reserve totaled SAR 5,833,000 in September 2014G and December 2013G versus SAR 221,000 in December 2012G. This increase in premium deficiency reserves is due to Salama creating this provision based on the assumption that the premiums for motor, medical and fire insurance will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of the policies in force. Salama has made a provision at a value of SAR 5,833,000 in December 2013G to cover this deficiency.

Table (6-13): Total Premium Deficiency Reserve

Currency: SAR'000	December 2011G	December 2012G	December 2013G	September 2014G
Engineering Insurance	63	63	-	-
Medical Insurance	-	158	2,635	2,635
Fire Insurance	-	-	746	746
Motor Insurance	-	-	2.33	2.33
Other Types	-	-	122	122
Total Premium Deficiency Reserve	63	221	5,833	5,833

Unearned Commissions income

In September 2014G, Salama recognized unearned commission at a value of SAR 1,899,000 compared to SAR 916,000 in December 2013G and 1,74,000 Riyals in December 2012G. This increase between December 2013G and September 2014G is mainly due to of an increase in gross written premiums in the fire insurance and engineering insurance in line with the business strategy adopted by Salama.

Table (6-14): Total unearned commissions income

Currency: SAR'000	December 2011G	December 2012G	December 2013G	September 2014G
Fire Insurance	539	495	343	1,002
Marine Insurance	335	257	142	66
Motor Insurance	1	-	9	1
Engineering Insurance	302	423	420	821
Liabilities/ responsibilities Insurance	5	0	3	10
Total unearned commissions income	1,182	1,174	916	1,899

Outstanding claims

Outstanding claims are claims filed by policyholders but have not been validated or resolved. They are subject to scrutiny prior to their restatement to policyholders' claims. Outstanding claims amounted to SAR 58,189,000 in September 2014G compared to SAR 77,223,000 in December 2013G and SAR 50,236,000 in December 2012G. This increase in outstanding claims is mainly due to the significant increase in claims filed in 2013G with respect to the Motor insurance line. The outstanding claims in September 2014G are in line with the increase in gross written premiums.

Table (6-15): Total outstanding claims

Currency: SAR'000	December 2011G	December 2012G	December 2013G	September 2014G
Motor Insurance	19.51	23,532	47,072	32,623
Medical Insurance	17,028	13,697	10,462	16,029
General Insurance	10,307	13,007	19,689	9,537
Total outstanding claims	46,845	50,236	77,223	58,189

Policyholders' claims

Total policyholders' claims totaled 6,427,000 Riyals in September 2014G, compared with 6,441,000 Riyals in December 2013G and 7,726,000 Riyals in December 2012G. The main claims came from two rental companies and Al Hamrani (multiple claims). The decrease in policyholders' claims is attributed to the settlement of these claims in December 2013G. Salama's claim settlement process generally ranges between 15 days to three months depending upon the amount of the claim. 50.3% of the total policyholders' claims were outstanding for more than 12 months since some of these claims occurred during the portfolio acquisition period in 2010 and remained outstanding since then. There are other claims that have not been followed up by the policyholders and they remain unresolved.

Reinsurance payables

Total reinsurance payable amounted to 4,011,000 Riyals in September 2014G, compared with 2,083,000 Riyals in December 2013G and 3,470,000 Riyals in December 2012G are in line with the increase in gross written premiums as a result of the new business strategy.

Accrued expenses and payables

Accruals and other payables for insurance operations amounted to 17,021,000 Riyals in September 2014G compared to 14,326,000 Riyals in December 2013G and an amount of 11,100,000 Riyals in December 2012G. While due payables mainly relate to office general expenses, other payables consist mainly of commissions due to brokers and redemption claims for Salama and suppliers. The increase in receivables and other payables and other receivables for insurance operations is attributable to the increase in commissions due to brokers as a result of increasing the number of licensed brokers between December 2013G and September 2014G.

Accruals and other payables for insurance operations amounted to 1,680,000 Riyals in September 2014G and remained relatively unchanged compared to 1,730,000 Riyals in December 2013G and 1,606,000 Riyals in December 2012G.

Table (6-16): Total accruals and other payables

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Insurance Operations Liabilities				
Accrued Expenses	2,689	2,383	8,139	13,123
Other accounts payable	5,504	8,722	6,187	3,898
Total accruals and other payables Insurance Operations	8,193	11,105	14,326	17,021
Shareholders' Operations				
Accrued Expenses	1,428	835	844	739
Other accounts payable	642	771	886	941
Total accruals and other payables - Shareholders' Operations	2,070	1,606	1,730	1,680

Employees End of service benefits

End of service benefits to employees represent the amounts payable for current employees based on length of service provided that they complete the required minimum length of service. Despite the increase in the total number of employees from 191 employees in December 2011G to 220 employees in September 2014G, but the end of service benefits decreased during the same period due to the high rate of staff turnover (37% between 2012G to September 2014G), which, in turn, led to a smaller provision for new employees end of service benefits

Table (6-17): Employees end of service benefits

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Employees end of service benefits	6,029	6,480	5,336	5,672
Total Employees end of service benefits	6,029	6,480	5,336	5,672

Provision for Zakat

The movement of the provision of Zakat during the years 2011G, 2012G, 2013G, and the first nine months of 2014G is as follows:

Table (6-18): Provision for Zakat balance

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Balance at the beginning of the period	1,773	2,211	2,756	2,174
Net additions	1,800	1,800	600	800
Paid Zakat	(1,362)	(1,255)	(1,182)	-
End of period balance	2,211	2,756	2,174	2,974

The Company provided its Zakat declarations for the period from 16/05/2007 to 31/12/2008G and for the years ended on 31/12/2009G up to 2013G. It has received the Zakat certificates from the Department of Zakat and Income ("DZIT").

DZIT issued the initial assessment for the period ended in 2008G in which it demanded an additional obligation of 619,000 Riyals. DZIT has also issued the first assessment for the year 2011G, which demanded an additional obligation of 1,300,000 Riyals. The Company submitted objections to the preliminary assessments and is confident that the outcome will be for the benefit of the Company. Zakat assessments for the years ended on 31/12/2009, 2010G, 2012G, and 2013G have not been issued yet.

Shareholders' equity

A) Capital

The Company's capital consists of 10 million shares at a value of SAR 10 per share; a total of SAR 100 million.

B) Available- for- sale reserve

Available- for- sale reserve relates to the adjustments to the declared fair value regarding Salama's investments that are available for sale. This reserve was decreased in December 2012G mainly due to the conversion of the investment portfolio (DPM) to insurance operations assets. The portfolio bears a carrying value of 12,400,000 Riyals as of December 2011G

Table (6-19): Available- for- sale reserve

Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G	Growth from December 2011G to December 2012G	Growth from December 2012G to December 2013G	Growth from December 2013G to September 2014G
Shareholders' equity					n/a		
Capital	100,000	100,000	100,000	100,000	- %	- %	- %
Available- for- sale reserve	4,739	1,659	2,053	2,527	(65.0%)	23.7%	23.1%
Accumulated losses	(19,748)	(32,705)	(74,850)	(70,654)	65.6%	128.9%	(5.6%)
Total Shareholders' equity	84,991	68,954	27,203	31,873	(18.9%)	(60.5%)	17.2%
Total liabilities and shareholders' equity	96,429	75,342	31,107	37,214	(21.9%)	(58.7%)	19.6%
Total liabilities and surplus and equity	284,423	244,601	250,574	298,124	(14.0%)	2.4%	19.0%

6-8 Results of Operations

Insurance operations and accumulated surplus

Table (6-20): Insurance Operation and the accumulated surplus

Currency: SAR '000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G	Growth from 2011G to 2012G	Growth from 2012G to 2013G	Growth from September 2013G to September 2014G
Gross Written Premiums	218,663	204,258	218,299	172,338	256,835	(6.6%)	6.9%	49.0%
Ceded Reinsurance premiums	(35,554)	(25,070)	(12,016)	(10,520)	(12,571)	(29.5%)	(52.1%)	19.5%
Excess of loss Premiums	(2,725)	(2,962)	(3,406)	(2,862)	(4,909)	8.7%	15.0%	71.5%
Net written premiums	180,384	176,226	202,877	158,956	239,355	(2.3%)	15.1%	50.6%
Change in net unearned premiums	(47,983)	16,557	(24,501)	(28,465)	(55,074)	134.5%	(248.0%)	93.5%

Currency: SAR '000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G	Growth from 2011G to 2012G	Growth from 2012G to 2013G	Growth from September 2013G to September 2014G
Net earned premiums	132,401	192,783	178,376	130,491	184,281	45.6%	(7.5%)	41.2%
Commission payable (reinsurance)	3,591	5,150	3,628	2,812	2,611	43.4%	(29.6%)	(7.1%)
Total revenues	135,992	197,933	182,004	133,303	186,892	45.5%	(8.0%)	40.2%
Total paid claims	131,490	177,742	168,161	133,584	172,102	35.2%	(5.4%)	28.8%
Reinsurers' Share	(36,973)	(27,756)	(13,006)	(11,629)	(6,621)	(24.9%)	(53.1%)	(43.1%)
Net claims paid	94,517	149,986	155,155	121,955	165,481	58.7%	3.4%	35.7%
Changes in net outstanding claims and IBNR	(10,754)	4,326	25,198	2,361	(15,966)	(140.2%)	482.5%	(776.2%)
Net claims incurred	83,763	154,312	180,353	124,316	149,515	84.2%	16.9%	20.3%
Premium deficit reserve	-	158	5,612	-	-	n/a	3,451.9%	42.1%
Commission expenses	11,977	14,341	5,560	4,144	5,890	19.7%	(61.2%)	51.2%
Other costs	6,838	4,630	4,625	3,416	5,166	(32.3%)	(0.1%)	n/a
Total costs	102,578	173,441	196,150	131,876	160,571	69.1%	13.1%	21.8%
Total insurance operations results	33,414	24,492	(14,146)	1,427	26,321	(26.7%)	(157.8%)	1,744.5%
General and Administrative Expenses	(34,452)	(41,982)	(36,229)	(25,365)	(27,371)	21.9%	(13.7%)	7.9%
Other Income	4,928	210	399	13	108	(95.7%)	90.0%	730.8%
Investment income	1,021	1,258	1,349	947	3,882	23.2%	7.2%	309.9%
Surplus / (deficit) from insurance operations	4,911	(16,022)	(48,627)	(22,978)	2,940	(426.2%)	203.5%	(112.8%)
Shareholders' share of surplus from deficit operations	(4,420)	16,022	48,627	22,978	(2,646)	(462.5%)	203.5%	(111.5%)
Policyholders share of the surplus for the year	491	-	-	-	294	(100.0%)	n/a	n/a
Surplus accumulation at the beginning of the year	2,523	3,014	3,014	3,014	3,014	19.5%	- %	- %
Surplus accumulation at the end of the year	3,014	3,014	3,014	3,014	3,014	- %	- %	- %

Premiums

Historically, Salama devoted more emphasis on its business lines in the area of motor insurance and medical insurance as motor insurance has generated 80.6% of the total premiums in fiscal year 2013G and 82.2% of the total premiums were in the first nine months of 2014G, while Medical insurance contributed to 17.4% and 4% respectively of the total premiums in the fiscal year 2012G and the first nine months of 2014G.

The increase in gross premiums of 14.4 million Riyals in fiscal year 2013G (6.9%) compared to fiscal year 2012G came as a result of the increase in the motor sector by 22.2 million Riyals due to the increase in points of sale outlets from one side and modified pricing terms on the other side, which increased the average gross premiums for each contract. The increase in the motor sector was partially accompanied by a decrease in the gross premiums from the medical sector premiums at an amount of SAR 9.9 million as the Company is still pursuing its strategy of not renewing the policies leading to losses and a decrease in gross premiums from the marine sector due to terminating the relationship with the two major clients.

At the end of the fiscal year 2013G, the Company developed different work plans as part of its overall modified business strategy in order to expedite the development process of its business and increase its profits, while focusing on the quality, not the number, of its clients in order to attract clients with greater solvency, and discontinuing the unprofitable contracts and focusing on the growth of gross premiums especially on direct sales channels. Thus, this approach has achieved an increase in gross premiums by SAR 84.5 million (49%) between September 2013G and September 2014G due to the increase in the motor sector and the public sector by SAR 72.2 million and SAR 20.2 million respectively.

The increase in the motor sector is mainly attributed to the success of the Company in the renegotiation over the pricing terms with the main client – Rent a Car - in the third quarter of 2013G leading to an overall amendment to the premium rates. It is also attributed to the adoption of a pricing policy that takes risk into account as well as inaugurating additional points of sale outlets. The increase in the Company's overall business was the result of the success of the business plan, which included the training of representatives, while consolidating the relationship with brokers and agents. The medical sector continued to decline by 7.9 million Riyals in light of the exclusion of unprofitable contract strategy which entered into force in fiscal year 2012G.

Table (6-21): Gross premiums

Currency: SAR '000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G
Motor	140,511	153,608	175,855	139,016	211,206
Fire and Property Insurance	7,685	7,358	6,988	6,500	7,021
Engineering Projects	2,917	3,972	5,561	4,730	6,796
Marine Sector	5,802	2,110	2,323	1,894	756
Commitments sector	435	528	599	570	711
Workers' compensation	101	117	-	-	1,343
Accidents	1,009	1,093	1,415	1,354	18,656
Medical Insurance	60,204	35,472	25,558	18,275	10,347
Gross premiums	218,664	204,259	218,299	172,338	256,835
Total opening reserve for unrealized premiums	52,672	102,611	81,302	81,302	99,732
Total closing reserve for insurance premiums unrealized	(102,611)	(81,302)	(99,732)	(105,312)	(158,550)
Gross earned premiums	168,725	225,567	199,869	148,328	198,017

Reinsurance share of gross premiums

Premiums issued from Salama to reinsurance companies decreased between fiscal year 2012G and fiscal year 2013G due to the decrease of yield from the medical sector, which historically represented the highest sector for reinsurance, and due to the amendment of reinsurance agreements from medical insurance sector from a quarterly share to a share based on loss surplus premiums. The increase that was achieved to the medical sector between September 2013G and September 2014G is mainly due to the Company's strategy to increase the direct sale channel network specifically POS and licensed brokers, resulting in increased premiums from various business sectors, which now represents the highest share of reinsurance.

The reinsurance share that is based on excess of loss premiums as a percentage of premiums attributable to reinsurance companies increased from 7.1% in fiscal year 2011G to 28.1% in September 2014G. Reinsurance terms were agreed upon according to the excess of loss before the beginning of the year based on the objectives of the total premiums and the minimum retention rate. Most sectors covered by Salama are reinsured mainly on the basis of the excess of loss. The excess of loss rate carried over to reinsurance companies ranged between 70% and 107.9% from fiscal year 2011G to September

2014G. This is due to the inability of the public sector to achieve the sales targets that have been agreed upon and which have driven the minimum retention. The minimum retention was considered high compared to the gross premiums which resulted in increasing the outstanding premiums based on the excess of loss between fiscal year 2011G and September 2014G.

Table (6-22): Gross reinsurance premiums

Currency: SAR '000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G
Proportion based Reinsurance					
Motor	19	-	78	78	117
Fire and Property Insurance	6,123	5,993	5,419	5,009	6,034
Engineering Projects	2,403	3,215	4,284	3,594	5,606
Marine Sector	3,757	1,636	1,775	1,383	644
Commitments sector	294	198	175	175	169
Workers' compensation	-	-	-	-	-
Accidents	-	-	-	-	-
Medical Insurance	22,959	14,028	284	281	-
Total Reinsurance Premiums	35,555	25,071	12,016	10,520	12,571
Total opening reserve of the unrealized reinsurance premiums	(12,102)	(14,058)	(9,305)	(9,305)	(3,235)
Total closing reserve for unrealized reinsurance premiums	14,058	9,305	3,235	4,850	6,979
Total reinsurance share of gross premiums	33,599	29,823	18,086	14,975	8,827
Reinsurance on the basis of excess of loss					
Motor	1,180	2,023	2,222	1,884	3,054
Fire and Property Insurance	242	257	365	245	596
Engineering Projects	242	214	215	160	183
Marine Sector	1,060	417	109	107	149
Commitments sector	-	-	-	-	-
Workers' compensation	-	-	-	-	-
Accidents	-	50	104	77	78
Medical Insurance	-	-	390	390	848
Total reinsurance on the basis of excess of loss premiums	2,724	2,962	3,406	2,863	4,909

Reinsurance commissions

Reinsurance commission received relates to the commissions received for placing gross written premium with certain reinsurers (Marsh Reinsurance Brokers and Hannover RE Germany) and are amortized throughout the life cycle of the policy. A high percentage of commission has been received from Marsh Reinsurance Brokers and Hannover RE Germany between fiscal year 2011G and September 2014G. Commission revenues were impacted in fiscal year 2012G by the profit-sharing agreement signed with reinsurance companies in the previous years (2009 to 2010G). The increase between September 2013G and September 2014G is mainly attributable to the increase in premiums in general. Most of the received reinsurance commissions relate to the Company's business sectors in general and specifically the engineering projects insurance, fire and property insurance.

Table (6-23): Reinsurance commissions

Currency: SAR'000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G
Motor	3	-	18	18	18
Fire and Property Insurance	1,669	1,397	1,321	1,192	1,846
Engineering Projects	753	961	1,336	1,117	1,407
Marine Sector	1,123	608	663	564	293
Commitments sector	58	32	32	32	30
Workers' compensation	-	-	-	-	-
Accidents	-	-	-	-	-
Medical Insurance	-	2,146	-	-	-
Total Reinsurance Premiums received	3,605	5,143	3,369	2,923	3,594
Total closing reserve for unrealized reinsurance premiums	1,170	1,182	1,174	1,174	916
Gross earned premiums	(1,182)	(1,174)	(916)	(1,285)	(1,899)
Total Reinsurance commissions	3,593	5,150	3,627	2,812	2,611

Total claims paid

Salama's total claims are attributable to the motor insurance with the car rental company which acquired the largest proportion of claims at an average of 53.8% and 48.9% of motor claims and the total claims respectively. Medical insurance business has recorded the highest average loss ratio of 116.2% during the fiscal year 2011G and the first nine months of 2014G because of the substantial erosion of prices at Salama as a result of the severe competition in the medical insurance sector.

Table (6-24): Total claims paid for Motor insurance

Currency: SAR '000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G
Motor	80,700	122,430	135,561	106,175	149,046
Fire and Property Insurance	1,528	396	1,071	696	7,101
Engineering Projects	881	301	333	174	261
Marine Sector	13,190	633	991	998	340
Commitments sector	-	-	50	50	14
Workers' compensation	-	-	-	-	-
Accidents	122	574	2,504	2,439	42
Medical Insurance	35,068	53,40	27,651	23,052	15,298
Total paid claims	131,490	177,742	168,161	133,584	172,102
opening claims Account	(44,244)	(29,958)	(26,525)	(26,525)	(42,229)
Opening losses incurred	(24,854)	(16,887)	(23,711)	(23,711)	(31,971)
Closing claim account	29,958	26,525	42,229	33,124	22,953
Final losses incurred	16,887	23,711	34,992	24,495	33,810
Total Claims Incurred	109,236	181,133	195,146	140,966	154,663

Reinsurance Companies' share of total claims

Reinsurance Companies' share of total claims was reduced from SAR 26,820 thousand in fiscal year 2012G to SAR 11,771 thousand in fiscal year 2013G which amounted to SAR 5,149 thousand in the first nine months of 2014G. The decrease in the reinsurance Companies' share of total claims is attributed to the decline in claims of reinsurance share.

Commission charges

Commissions' expense paid relates to the commissions paid to agents, brokers, representatives and Points of Sale and is amortized over the life cycle of the policy. The decrease in commissions expense from fiscal year 2012G to fiscal year 2013G is mainly attributed to the decrease of commissions paid to agents due to the increase in points of sale outlets for motor insurance and medical insurance from 12 outlets in fiscal year 2012G to 34 outlets in 2013G which enjoys less commissions compared to agent or mediator's commissions. The decrease in commissions paid between the first nine months of 2013G and the first nine months of 2014G was due to Salama's change of its strategy for distribution towards more direct sale channels through an additional increase in POS outlets to 46 outlets in the first nine months of 2014G. This led to an increase in gross premiums and an increase in premiums received through licensed brokers and agents. As a result, the increase in total sale premiums led to an increase in commissions paid as commissions for POS and commissions to agents and brokers.

Table (6-25): Commissions Expenses

Currency: SAR'000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G
Motor	15,153	3,774	3,823	3,096	6,355
Fire and Property Insurance	383	317	515	486	709
Engineering Projects	264	345	378	324	400
Marine Sector	375	170	95	91	48
Commitments sector	40	41	48	48	56
Workers' compensation	16	13	-	-	20
Accidents	19	15	21	18	576
Medical Insurance	3,770	1,601	1,036	597	764
Total commissions paid	20,019	6,276	5,915	4,659	8,929
Deferred opening Commissions	2,067	10,109	2,046	2,046	2,402
Deferred closing Commissions	(10,109)	(2,044)	(2,402)	(2,561)	(5,441)
Total commissions expense	11,977	14,341	5,560	4,144	5,890

Other related Insurance Costs

Costs consist mainly of the Saudi Arabian Monetary Agency ("SAMA") supervision costs and the third party management fees. A 0.5% of the total premiums is paid to SAMA every year as Supervision costs in addition to 1% of the total medical premiums is paid to CCHI. The management fees paid to the third party are paid to Globe Med Company (GlobeMed TPA) that Salama uses in the medical insurance business. Fees were paid to Najm for the provision of road accident inspection services, while the branch incentive (Stimulatory) costs relate to the financial incentives granted to representatives and branch offices for the achievement of specific goals such as the redemption of claims or achieving the targeted sales.

General and Administrative Expenses

Most of the general and administrative expenses relate to staff salaries and office rent. The main points are as follows:

- Each employee's contract includes a gross salary consisting of basic salary, housing allowance and transportation allowance. The salaries represent an average of 50% of general and administrative expenses between fiscal year 2011G and the first nine months of 2014G while the average salary for each employee after fiscal year 2012G decreased as a result of employing less expensive new staff to replace the existing employees. The average number of personnel employed by Salama Company was 175, 171, 182, and 216 during fiscal years 2011G, 2012G, 2013G, and the first nine months of 2014G respectively.
- Office rents include mainly the Company's head office rent, branch offices in Jeddah and Olayya in Riyadh, claims center and the points of sale.
- Employee vacation expenses relate to the disbursement of the cash granted to the employees at the end of the year. Expenses relating to staff vacations were reduced by 26.8% between fiscal year 2011G and the first nine months of 2014G as the management has taken measures that would encourage employees to take their vacations in lieu of cash allowance. As of January 2014G, the Company made a decision to set the maximum number of days of leave that can be carried over to the subsequent year. This led to a reduction in staff leave expenditures.

Table (6-26): Other insurance-related costs

Currency: SAR'000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G
Basic salary	(12,958)	(12,899)	(12,264)	(9,037)	(10,631)
Housing allowance	(3,147)	(3,165)	(3,038)	(2,247)	(2,645)
Office Rent	(2,659)	(3,266)	(3,390)	(2,556)	(2,660)
Medical Insurance	(1,386)	(1,537)	(1,623)	(1,101)	(1,277)
Transportation allowance	(1,204)	(1,224)	(1,148)	(852)	(965)
End of service benefits	(1,145)	(975)	(1,275)	(576)	(847)
Financial rewards (Bonus)	(1,054)	(124)	(1,275)	(25)	(254)
Vacations	(1,044)	(951)	(855)	(674)	(307)
Information Technology expenses	(870)	(1,079)	(1,105)	(327)	(857)
Other	(8,986)	(9,841)	(8,768)	(6,858)	(6,928)
Total General and Administrative Expenses	(34,452)	(35,060)	(34,741)	(24,252)	(27,371)

Doubtful debts

Doubtful debt expenses relate to the movement of the accounts receivable related to insurance that belong to the Company and the receivables related to reinsurance.

Investment Income (Policyholders)

Investment income is generated from the company's insurance operations of the investments in Shariah-compliant instruments such as Sukuk, funds and deposits. Investment income in the first nine months of 2014G amounted to SAR 3,882,000 compared to SAR 947,000 in the first nine months of 2013G. Investment income remains steady at a fair level between fiscal year 2011G (SAR 1,021,000) and fiscal year 2013G (SAR 1,349,000) with an average return on investment of 2.9%. The increase in investment income came in the first nine months of 2014G compared to the first nine months of 2013G as a result of the restatement of the portfolio (DPM) from shareholder investments to policyholder investments to cover the operating losses of the Company and the depreciation related to investments held in the portfolio.

Table (6-27): Doubtful debts

Currency: SAR'000	2011G	2012G	2013G	Nine months from 2013G	Nine months from 2014G
Sukuk	283	423	511	323	625
Funds	534	423	333	238	617
Bank Deposits	204	412	505	385	389
Portfolio (DPM)	-	-	-	-	2,252
Total investment income (Policyholders)	1,021	1,258	1,349	947	3,882

Other Revenues

Other income is mainly attributable to miscellaneous income and loss incurred from the sale of assets in fiscal year 2011G. Other income amounted to SAR 3,200,000 in 2011G due to expenses in income related to Paris Re company (SAR 1,000,000) and the Arab Company for marketing services (SAR 852,000) as a result of the implementation of matching exercises between Paris and the Company's records and marketing service books. Additionally, Salama has relocated two of its branches to Jeddah and Riyadh, where all furnishings and decorations dating back to legacy branches have been disposed in the ninth month of 2014G. Other income consists of income from the Human Resources Development Fund, which serves as the government body that encourages and stimulates Saudization. Salama entered into a contract with the Human Resources Development Fund in January 2014G. Human Resources Development Fund pays 50% for the companies registered with the fund; 50% of the monthly salary of the new Saudi employee for a total SAR 2,000 a month for the first two years of employment.

Table (6-28): Miscellaneous income

Currency: SAR '000	fiscal year 2011G	fiscal year 2012G	fiscal year 2013G	First nine months of 2013G	First nine months of 2014G
Miscellaneous income	3,245	929	399	13	16
Revenues from the sale of assets	-	(1,223)	-	-	3
Revenues from the Human Resources Development Fund	-	-	-	-	90
Total	3,245	(294)	399	13	108

6-9 Handling Shareholders' Operations

Table (6-29): Handling Shareholders' Operations

Currency: SAR '000	fiscal year 2011G	fiscal year 2012G	fiscal year 2013G	First nine months of 2013G	First nine months of 2014G	Growth from 2011G to 2012G	Growth from 2012G to 2013G	Growth in the First nine months of 2013G to First nine months of 2014G
Shareholders share in the surplus from insurance operations	4,422	(16,021)	(48,626)	(22,978)	2,646	(462.3%)	203.5%	(111.5%)
Investment income	536	1,662	7,064	5,908	2,841	210.2%	325.1%	(51.9%)
Profits from securities available for sale			171	170		n/a	n/a	(100.0%)
realized gains from portfolio (DPM)		3,602		-		n/a	100.0%)	n/a
Investment income	536	5,264	7,234	6,078	2,841	882.7%	37.4%	(53.3%)
Other Income	20	66		-		230.4%	100.0%)	n/a
General and Administrative Expenses	(907)	(466)	(152)	(122)	(491)	(48.6%)	(67.5%)	302.7%
Zakat	(1,800)	(1,800)	(600)	(1,350)	(800)	- %	(66.7%)	(40.7%)
Net income / (loss)	2,270	(12,958)	(42,144)	(18,372)	4,196	670.7%)	225.2%	(56.4%)

Investment income

The investment income from shareholders' operations was derived from Shariah-compliant investment instruments, such as Sukuk, funds and deposits. The increase in investment income was in fiscal year 2012G as a result of the realized gains from Salama deputy project manager's portfolio in the amount of (SAR 3,600,000) and a Murabaha deposit in the amount of SAR 400,417. During 2013G, a discretionary portfolio management has generated an investment income of SAR 5,400,00. In the first nine months of 2014G, this portfolio was transferred into insurance operations assets, which reflects the lack of investment income between the first nine months period of 2013G and the first nine months of 2014G.

Table (6-30): Investment income

Currency: SAR '000	fiscal year 2011G	fiscal year 2012G	fiscal year 2013G	First nine months of 2013G	First nine months of 2014G
Sukuk	142	346	224	168	167
Funds	344	628	1,263	974	2,674
Deposits	-	400	217	195	-
Optional portfolio management	-	133	5,360	4,571	-

Currency: SAR '000	fiscal year 2011G	fiscal year 2012G	fiscal year 2013G	First nine months of 2013G	First nine months of 2014G
Unknown addition and realized income from optional portfolio management and available for sale	50	3,757	171	169	-
Total	536	5,264	7,234	6,078	2,841

Investment income

General and administrative expenses consist of the Board of Directors remunerations, Committee remunerations, annual General Assembly expenses and IPO expenses.

- Board of Directors remunerations consist of meeting attendance fees and a share of the profits. The remunerations for fiscal year 2011G was higher than the remunerations of subsequent years where Salama realized a profit in fiscal year 2011G. The Company posted losses in fiscal years 2011G and 2012G.
- Committee remunerations relate to attendance fees paid to various committees such as the Audit Committee, the Nomination Committee and Remuneration Committee. In fiscal year 2012G, the Shariah Commission held meetings, which resulted in high fee expenses for the committee.
- Annual General Meeting expenses relating to fees paid to attendees at the annual meeting to attend the meeting of the Assembly. However, negotiations over the Annual General Meeting fees for the lowest prices after fiscal year 2013G has resulted in a decrease of this expense.
- The IPO expenses consist of fees and costs paid to professional service providers with regard to the proposed rights for Salama Company.

Table (6-31): Other investment income

Currency: SAR '000	2011G	2012G	2013G	First nine months of 2013G	First nine months of 2014G
Board of Directors' fees	742	123	55	26	19
Commission fees	59	216	16	16	8
Optional portfolio management expenses	106	128	81	81	76
IPO expenses	-	-	-	-	389
Total	907	466	152	123	491

Basis of preparation

Statement of cash flows of insurance operations

Table (6-32): Statement of cash flows for the insurance operations

Currency: SAR '000	2011G	2012G	2013G	First nine months of 2013G	First nine months of 2014G	Growth from 2012G to 2013G	Growth in the first nine months of 2013G to the first nine months of 2014G
Operating activities:							
Policyholders share of the surplus for the year	491	-	-	-	294	n/a	n/a
Amendments against the following items:							
Unrealized gain on fair value investments - through the statement of income	(33)	(54)	(98)	(4)	(2,886)	81.5%	72,050.0%
Gain on sale of fair value investments through the statement of income	(54)	-	-	-	(1)	n/a	n/a

Currency: SAR '000	2011G	2012G	2013G	First nine months of 2013G	First nine months of 2014G	Growth from 2012G to 2013G	Growth in the first nine months of 2013G to the first nine months of 2014G
Provision for impairment of premiums	-	158	5,612	-	-	3,451.9%	n/a
Amortization of held-to-maturity investments	-	12	22	22	22	83.3%	- %
Deletion of furniture , fittings and office equipment	-	1,235	-	-	-	(100.0%)	n/a
Provision for doubtful reinsurance receivables	-	-	472	-	-	n/a	n/a
Provision for doubtful payable premiums	-	-	1,015	-	-	n/a	n/a
Write off doubtful receivable premiums	-	-	(4,411)	-	-	n/a	n/a
Depreciation	1,210	2,581	1,965	1,492	1,382	(23.9%)	(7.4%)
Operating profit before changes in operating assets and changes in operating assets and liabilities	1,614	3,932	4,577	1,510	(1,189)	(16.4)	(178.7%)
Premiums receivable	(2,353)	5,311	(263)	(10,662)	(14,799)	(245.9%)	38.8%
Receivables from reinsurance, net	(3,775)	(4871)	7,106	4,198	3,187	(219.8%)	(24.1%)
Policy Acquisition Costs	(8,042)	8,063	(356)	(515)	(3,039)	(104.4%)	490.1%
Prepayments and other receivables	(845)	(6,886)	580	2,994	1,697	(108.4%)	(43.3%)
Amount due from a related party	34	-	-	-	-	n/a	n/a
Reinsurers' Share of Unearned premiums	(1,956)	4,752	6,071	4,456	(3,744)	27.8%	(184.0%)
Reinsurers' Share in outstanding claims	11,500	935	(1,787)	(5,022)	3,069	(291.1%)	(161.1%)
Term deposits	(13,993)	3,345	-	-	-	n/a	n/a
Proceeds from sale of investments	5,107	-	-	-	-	n/a	n/a
Unearned Premiums	49,939	(21,309)	18,430	24,010	58,818	(186.5%)	145.0%
Unearned commission income	12	(8)	(258)	111	983	3,125.0%	785.6%
Outstanding Claims	(22,254)	3,391	26,985	7,383	(19,033)	695.8%	(357.8%)
Policyholders' Claims	1,092	(635)	(1,285)	(1,098)	(14)	102.4%	(98.7%)
Reinsurance Payables	(6,307)	(1,408)	(1,387)	(469)	1,928	(1.5%)	(511.1%)
Amounts due and other payables	(2,374)	2,912	3,221	2,001	2,695	10.6%	34.7%
Due to Shareholders' Operations	2,492	(2,287)	34	(1,467)	(5,040)	(101.5%)	243.6%
Employees End of service benefits to, net	715	451	(1,144)	(1,108)	336	(353.7%)	(130.3%)
Net cash flows (used in) operating activities	10,606	(4,312)	60,524	26,322	25,855	(890.4%)	(1.8%)
Investment activities:							

Currency: SAR '000	2011G	2012G	2013G	First nine months of 2013G	First nine months of 2014G	Growth from 2012G to 2013G	Growth in the first nine months of 2013G to the first nine months of 2014G
Purchase of furniture , fittings and office equipment	(1,038)	(1,959)	(990)	(769)	(523)	(49.5%)	(32.0%)
Conversion of fair value of investments through income statement	-	-	(13,974)	-	-	n/a	n/a
Purchase of investments at fair value through income statement	-	-	(46,591)	(46,591)	(15,000)	n/a	(67.8%)
Purchase of investments held to maturity	(3,697)	-	(20,000)	(3,000)	(10,000)	n/a	233.3%
Proceeds from maturity of term deposits			10,072	-	(20,050)	201.1%	n/a
Proceeds from accruals of investments held to maturity	-	-	7,000	-	3,000	n/a	n/a
Proceeds from sale of investments (at fair value through income statement)		-	3,135	3,135	6,627	n/a	111.4%
Net cash flows from (used in) investment activities	(4,735)	(1,959)	(61,348)	(47,225)	(35,946)	(4,526.3%)	(23.9%)
Net (decrease) / increase in Cash and cash equivalents	5,871	(6,271)	(824)	(20,903)	(10,091)	(86.9%)	(51.7%)
Cash and cash equivalents at the beginning of the year	37,689	43,560	37,289	37,289	36,465	(14.4%)	(2.2%)
Cash and cash equivalents at the end of the year	43,560	37,289	36,465	16,386	26,374	(2.2%)	61.0%

Table (6-33): Cash flows for the insurance operations (Continued)

Currency: SAR '000	2011G	2012G	2013G	First nine months of 2013G	First nine months of 2014G	Growth from 2012G to 2013G	Growth in the first nine months of 2013G to the first nine months of 2014G
Net cash flows / (used in) operating activities	10,606	(4,312)	60,524	26,322	25,855	(890.4%)	(1.8%)
Net cash flows from / (used in) investment activities	(4,375)	(1,959)	(61,348)	(47,225)	(35,946)	(4,526.3%)	(23.9%)
Net (decrease) / increase in Cash and cash equivalents	5,871	(6,271)	(824)	(20,903)	(10,091)	(86.9%)	(51.7%)

The decrease in cash for the insurance operations from SAR 37,289 in fiscal year 2012G to SAR 36,465 in fiscal year 2013G and SAR 26,370 in September 2014G as a result of cash flows relating to the purchase of securities investments, deposits and Sukuk, which overflowed the positive cash compensation resulting from the operating activities as a result of success of the Company's revised business strategy.

The change in cash between fiscal year 2012G and fiscal year 2013G is mainly due to the following:

- Collection of outstanding claims from reinsurers and mainly from Hanover, Re Germany (SAR 8,356 thousand) which led to a shortage of net receivables from reinsurance
- Overall increase in total insurance premiums, which was mainly due to the revised business policy developed by Salama in the third quarter of 2013G which resulted in an increase in the recognizing unearned premiums in the amount (SAR 18,430) and the share of reinsurers in insurance premiums unearned amount of (SAR 6,071)
- A large number of certain claims were filed in 2013G with respect to the movement line of business which resulted

in an increase of outstanding claims in the amount SAR 985.26.

- The purchase of Sunbulah Fund 3 and Al Rajhi Fund for Mudaraba Commodities which has been held as fair value investments through the income statement. Restatement of discretionary portfolio management from shareholders assets to insurance operations assets and the purchase of a variety of investments held to maturity.

The change in cash between the first nine months of 2013G and the first nine months of 2014G is mainly due to the following:

- Overall increase in gross premiums as a result of the Company's adoption of modified strategic business policies which resulted in an increase in net premiums receivables and an increase in recognizing unearned premiums
- The settlement of claims for the policyholders reduced the amount of outstanding claims declared in the statement of financial position.
- Putting funds in a term deposit at NCB Capital in the amount of (SAR 20,050,000), investing additional funds in Sunbulah Fund 3 held at fair value through the income statement and the purchase of the Tier II Sukuk in the National Commercial Bank in the amount of (SAR 5,000,000) and the Tier II Sukuk in the Saudi Investment Bank in the amount of (SAR 5,000,000), which has been disclosed within the investments held to maturity.

Statement of cash flows for shareholders operations

Table (6-34): Statement of cash flows for shareholders operations

Currency: SAR '000	2011G	2012G	2013G	First nine months of 2013G	First nine months of 2014G	Growth from 2012G to 2013G	Growth in the first nine months of 2013G to the first nine months of 2014G
Operating activities							
Net income / (loss) for the year before Zakat	4,071	(11,157)	(41,545)	(17,022)	4,996	272.4%	(129.4%)
Modify the following items:							
Unrealized gain from fair value investments through the income statement	(12)	(605)	(6,584)	(5,507)	(2,675)	988.3%	(51.4%)
Gain from sale of investments available for sale	-	(3,602)	(170)	(170)	-	(95.3%)	(100.0%)
Amortize held to maturity investment	-	11	12	6	7	9.1%	16.7%
Operating profit before changes in operating assets and	4,059	(15,353)	(48,287)	(22,693)	2,328	214.5%	(110.3%)
Changes in assets and liabilities of the shareholders:							
Term deposits	(10,000)	(10,000)	-	-	-	n/a	n/a
Prepayments and receivables	(34)	(403)	400	311	(56)	(199.3%)	(118.0%)
Due (to) / from insurance operations	(2,492)	2,287	(34)	1,467	5,040	(101.5%)	243.6%
Statutory deposit	(122)	(128)	(115)	(86)	(55)	(10.2%)	(36.0%)
Amounts due and other payables	636	(464)	124	93	(50)	(126.7%)	(153.8%)
Amount due to a related party	(105)	2,009	(2,026)	(2,026)	212	(200.8%)	(110.5%)
Zakat paid	(1,362)	(1,255)	(1,182)	(1,182)	-	(5.8%)	(100.0%)
Net cash used in operating activities	(9,420)	(23,307)	(51,120)	(24,116)	7,419	284.2%	(130.8%)
Investment activities							
Investment in term deposits	-	-	-	(301)	-	(100.0%)	(100.0%)
Conversion of investments at fair value through the income statement to the investments to maturity	-	-	13,974	-	-	n/a	n/a

Currency: SAR '000	2011G	2012G	2013G	First nine months of 2013G	First nine months of 2014G	Growth from 2012G to 2013G	Growth in the first nine months of 2013G to the first nine months of 2014G
Purchase of investments held to maturity	-	(10,000)	(4,702)	(4,700)	(7,425)	(53.0%)	58.0%
Proceeds from maturity of term deposits	(3,742)	-	-	-	-	n/a	n/a
Proceeds from sale of investments at fair value through the income statement	-	-	20,000	10,000	-	n/a	(100.0%)
Proceeds from maturity of investments held to maturity	-	-	6,962	4,250	-	n/a	(100.0%)
Net cash flows from / (used in) investment activities	-	12,325	2,170	2,170	-	(82.4%)	(100.0%)
Net decrease in cash and cash equivalents	-	4,980	-	-	-	(100.0%)	n/a
Net cash used from investment activities	(3,742)	7,305	38,404	11,419	(7,425)	(1,525.0%)	(165.0%)
Net decrease in cash and cash equivalents	(13,162)	(16,002)	(12,716)	(12,697)	(6)	(20.5%)	(100.0%)
Cash and cash equivalents at the beginning of the year	42,535	29,373	12,749	13,371	33	(55.7%)	(99.8%)
Cash and cash equivalents at the end of the year	29,373	13,371	33	674	27	(99.7%)	(96.0%)

Table (6-35): continued statement of cash flows for the shareholders operations

Currency: SAR '000	2011G	2012G	2013G	First nine months of 2013G	First nine months of 2014G	Growth from 2012G to 2013G	Growth in the first nine months of 2013G to the first nine months of 2014G
Net cash used in operating activities	(9,420)	(23,307)	(51,120)	(24,116)	7,419	284.2%	(130.8%)
Net cash flows from / (used in) investment activities	(3,742)	7,305	38,404	11,419	(7,425)	(1,525.0%)	(165.0%)
Net decrease in cash and cash equivalents	(13,162)	(16,002)	(12,716)	(12,697)	(6)	(20.5%)	(100.0%)

The decrease in Shareholder's cash from SAR 12,740,000 million in the fiscal year 2012G to SAR 33,000 in the fiscal year 2013G is mainly due to the cash expenditure and term deposits and investments at fair value through the income statement to cover the operating losses from incurred insurance operations. The decrease in cash between the first nine months of fiscal year 2013G by SAR 674,000 and the first nine months of fiscal year 2014G is mainly due to the increase in operating business and the settlement of amounts due to shareholders from insurance operations.

Table (6-36): Key Indicators

Analysis of key ratios Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Average growth of Written Gross Premiums	n/a	(6.6%)	6.9%	49.0%
Net written premiums as a percentage of gross written premiums	82.5%	86.3%	92.9%	93.2%
Commission paid as a percentage of gross written premiums	9.2%	3.1%	2.7%	3.5%
Commission received as a percentage of gross written premiums	9.4%	18.3%	21.8%	20.6%
Net loss rate	61.6%	78.0%	99.1%	80.0%

Analysis of key ratios Currency: SAR '000	December 2011G	December 2012G	December 2013G	September 2014G
Expenditure rate	13.8%	9.7%	8.7%	5.9%
Total net loss rate and expenditure rate	75.4%	87.7%	107.8%	85.9%
Net income as a percentage of the total insurance premiums	2.9%	(7.1%)	(24.3%)	1.5%
Number of policies*	3,498.0	1,904.0	1,383.0	818.0
Average gross written premiums per policy	62.5	107.3	157.8	314.0
Number of claims				
Motor	307.0	411.0	426.0	371.0
Medical Insurance	N/A	N/A	293.0	57.0
General Accidents	39.0	27.0	30.0	18.0
Average amount per claim				
Motor	262.9	297.9	318.2	401.7
Medical Insurance	-	-	94.4	268.4
General Accidents	403.1	70.5	165.0	431.0

* Company confirms that the reason behind the decrease in the number of insurance policies is the change in the Company's strategy. The Company's management realized that the value of the policies was not assessed accurately, and that the Company has incurred a loss because of that. Accordingly, the insurance policy prices rose to commensurate with the associated risks, which led to a decrease in the number of written policies. This was met by an increase in the number of high quality policies which reflected positively on the Company's profitability.

7. Capitalisation and Indebtedness

The Company's share capital is one hundred million Saudi Riyals (SAR 100,000,000) comprising ten million (10,000,000) shares with an equal nominal value of SAR 10 per share, all of them are fully paid. The Founding Shareholder subscribed for (60%) of the Company's capital, while the public subscribed for (40%) of the offered shares for public subscriptions on 07/05/1428H (corresponding to 23/05/2007G). The Company has not given any privileges or preferential rights for the Founding Shareholder or other shareholders.

Table (7-1): Capitalization & Indebtedness

Insurance Operations Liabilities	2011	2012	2013	9 months to Sep. 2014
Gross Unearned Premiums	102,611	81,302	99,732	158.55
Provision for premium deficit	63	221	5,833	5.833
income of unearned commissions	1,182	1,174	916	1.9
Outstanding claims	46,845	50,236	77,221	58.189
Reinsurers payables	4,878	3,470	2,083	4.011
Accrued Expenses and Other Liabilities	22,583	25,311	26,103	29.12
Due to the shareholders» operations	6,818	4,531	4,565	-
Accumulated surplus from insurance operations	3,014	3,014	3,014	3.307
Total liabilities and insurance operations surplus	187,994	169,259	219,467	260.91
shareholders equity and liabilities				
liabilities				
accrued payments and other liabilities	2,070	1,606	1,730	1.68
Accrued Zakat	2,211	2,756	2,174	2.974
Amounts due to related party	7,157	2,026	-	212
Due to insurance operations	-	-	-	475
Total Shareholders» Liabilities	11,438	6,388	3,904	5.341
Shareholders» Equity				
Share capital	100,000	100,000	100,000	100
Provision for investment available for sale	4,739	1,659	2,053	2.527
Accumulated Losses	(19,748)	(32,705)	(74,850)	(70.654)
Total Shareholders» Equity	84,991	68,954	27,203	31.873
Total Shareholders» Liabilities and Equity	96,429	75,342	31,107	37.214
Total liabilities, insurance operations surplus and Shareholders» Equity	284,423	244,601	250,574	298.124

The Company confirms that there is no issued or existing instrument, declared and not yet issued instrument, or any term loans, which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus.

The Company confirms that it has no other loans or debts, including any overdrafts facilities from banking accounts, liabilities under acceptance, acceptance credit, or lease purchase obligations, which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus

The Company further declares that:

It does not have any mortgage, rights or incumbents on the Company's properties as at the date of this Prospectus.

It has no commitments or potential indebtedness or securities as at the date of this Prospectus.

The Company's capital is not under option as at the date of this Prospectus.

The Company has not amended its capital since it was incepted with a capital of 100,000,000 (share capital at incorporation).

8. Dividend Policy

The Company's policy for dividends distribution shall conform with the terms stipulated in the Cooperative Insurance Companies Control Law and its Implementing Regulations and the Company's By-Laws adopted by the Constitutional Assembly. Article (44) of the Company's By-Laws defines the Company's policy for distribution of Dividends as follows:

- Zakat and income tax allocations are to be held,
- 20% of the net profits shall be withheld to form a statutory reserve, The Ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the Company's paid-up capital.
- The Ordinary General Assembly may withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly,
- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up Capital,
- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account,
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits may be distributed in accordance with applicable rules and regulations issued by competent authorities

Without prejudice to Paragraph 5 of Article 43 (first) of the Company's By-Laws which stipulates that 10% of the surplus shall be directly distributed to the insured persons or be deducted from their premiums for the following year and the remaining 90% be carried-over to the Shareholders' Income Account.

Notably, the Company has not declared any dividends distribution since its incorporation until the date of this Prospectus due to its accumulated losses (lack of distributable dividends).

The New Offer Shares are eligible for any dividends to be declared by the Company after completion of the Offering and in the following fiscal years, if any.

9. Capital Structure

The Company's share capital is one hundred million Saudi Riyals (SAR 100,000,000) comprising ten million (10,000,000) shares with an equal nominal value of SAR 10 per share, all of them are fully paid. The Founding Shareholder subscribed for six million (6,000,000) shares representing (60%) of the Company's Share Capital totaling sixty million Saudi Riyals (SAR 60,000,000) fully paid, while the public subscribed for four million (4,000,000) shares totaling forty million Saudi Riyals (SAR 40,000,000), at a nominal value of ten Saudi Riyals (SAR 10) per share, representing (40%) of the Company's Share Capital that were offered for public subscription on 07/05/01428H (corresponding to 23/05/2007G). The Company has not given any privileges or preferential rights for the Founding Shareholder or other shareholders.

The Board members declare that none of the Share Capital is covered under option and the Company has not given any privileges or preferential rights for the Founding Shareholder or other shareholders.

The Company has recently obtained SAMA's approval under letter No. 3510000147528 dated 01/12/1435H (25/09/2014G) to increase its share capital by one million fifty Saudi Riyals (SAR 150,000,000) through the Rights Issue Offering. Upon completion of the Offering the Company's share capital will become two million fifty Saudi Riyals (SAR 250,000,000) comprising twenty five million (25,000,000) shares with nominal value of SAR 10 per share. The Company's Board has issued its recommendation dated 14/08/1435H (corresponding to 12/06/2014G) to increase of the Company's capital to meet its solvency requirements. The EGM held on 13/9/1436H (corresponding to 30/6/2015G) has approved the recommendation of the Board of Directors to increase the capital as mentioned and the subscription therein will be limited to shareholders registered at the end of the trading day of the EGM (Eligibility Date).

The only Substantial Shareholders of the Company, which holds 5% or more of the Company's Shares, is the Islamic Arab Insurance Company (IAIC), an Emirate joint stock company. There is no other shareholder holding more than 5% of the Company's Shares. The following table depicts the substantial shareholder of the Company:

Shareholder	Percentage prior to Offering	No. of Shares	Capital (SAR)
Islamic Arab Insurance Company (IAIC), An Emirate joint stock company	30%	3,000,000	30,000,000

Source: The Company

It is worth mentioning that the Islamic Arab Insurance Company "IAIC" has pledged its commitment to participate in the capital increase through a rights issue. It has confirmed to the Company and SAMA its commitment to exercise all the rights to be allocated to it and subscription to the New Shares. There is no restriction on the Islamic Arab Insurance Company "IAIC" with respect to trading in the Rights other than obtaining the approval of the Saudi Arabian Monetary Agency and any other restrictions stipulated by the Capital Market Authority rules and regulations. .

10. Description of Shares

10-1 Capital

The Company's share capital is one hundred million Saudi Riyals (SAR 100,000,000) comprising ten million (10,000,000) shares with an equal nominal value of SAR 10 per share, all of them are fully paid. Upon the Company's incorporation, the Founding Shareholder subscribed for six million (6,000,000) shares representing (60%) of the Company's Share Capital totaling sixty million Saudi Riyals (SAR 60,000,000), while the public was offered four million (4,000,000) shares representing (40%) of the Company's Share Capital at a nominal value of ten Saudi Riyals (SAR 10) per share.

The Company has not given any privileges or preferential rights for the Founding Shareholder or other shareholders.

10-2 Capital Increase

Having verified the economic feasibility and obtaining the competent authorities' approval, The Extra-Ordinary Meeting may adopt a resolution to increase the Company's capital once or several times with new shares having the same nominal value of the original shares, provided that the original shares have been paid in full and subject to the requirements of the Cooperative Insurance Companies Control Law and its Implementing Regulations, Companies Regulations and Capital Market Law. The said resolution shall specify the mode of increasing the capital. (To review the Rights Issue mechanism, kindly refer to section 19 Subscription Terms and Conditions" in the Rights Issue shares").

10-3 Decrease of Capital

The Extra-Ordinary Meeting, subject to the approval of the competent authorities, may reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

10-4 Repurchase of Shares

The Company's By-Laws have not addressed the redemption or repurchase of the Company Shares. Therefore, it should be referred to the Companies Regulations, Article 10, which does not allow joint stock companies to purchase its shares except for the following cases:

- If the purpose of purchasing the shares is disposition of shares as set out in Article 104 of the Companies Regulations, which stipulates that the by-laws of the company may provide for the disposition of shares during founding the company if it is a project that perishes gradually or temporary rights-based.
- If the purpose of the purchase is capital reduction.
- If the shares is part of a package of funds that the company buys with their assets and liabilities.

With the exception of the shares provided to guarantee the responsibility of the Board members, the Company may not mortgage its shares. Moreover, the shares that are held by the Company shall not be entitled to vote in the deliberations of shareholders meetings.

10-5 Transfer of Shares

The Company's shares are tradable in accordance with the rules and regulations issued by CMA. However, the shares subscribed for by the Founding Shareholder will not be tradable for 2 full years not than twelve months each from the date of incorporation. These provisions shall apply to the shares subscribed for by the Founding Shareholder of capital raise is effected prior to expiry of the restriction period. However, cash shares may be transferred during the restriction period in accordance with terms governing the transfer of shares from one founding shareholder to others in case of death.

10-6 Shareholders Rights

Every shareholder has the right to attend the Constitutional General Assembly regardless of the number of shares he holds. Every Shareholder holding 20 shares or more will have the right to attend and vote at the General Assembly personally or by proxy. A Shareholder may delegate in writing another shareholder, other than members of the Board of Directors or officials of the Company, to attend the General Assembly on his/her behalf.

10-7 Voting Rights

Every Shareholder holding 20 shares or more will have the right to attend at the General Assembly personally or by proxy. A Shareholder may delegate in writing another shareholder, other than members of the Board of Directors or officials of the Company, to attend the General Assembly on his/her behalf. Votes at the meetings of the ordinary General Assembly as well as in the extraordinary General Assembly shall be counted on the basis of one vote for each Share represented at the meeting, provided that in the case of voting for the appointment of the Board of Directors, a cumulative voting method shall be applied.

The resolutions of the extraordinary General Assembly shall be adopted by a majority of two thirds of the Shares represented at the meeting, unless the resolution is in relation to the decrease or increase of capital, extending the term of the Company, winding up of the Company prior to the term stated in its By-Laws, or merger with another company or entity (after SAMA's approval), in which case a valid resolution shall require a majority vote of three-quarters of the Shares represented at the meeting.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the members of the Board and the auditors in this respect. The Board or the auditors shall answer the Shareholders' questions to the extent that does not jeopardize the interests of the Company. Should a Shareholder consider the reply unsatisfactory, he can raise the issue with the General Assembly whose resolution on such issue will be considered as effective.

10-8 Shareholders General meetings

A valid General Meeting represents all the shareholders. It shall be held in the city where the Head Office of the Company is located. Shareholders meetings may be ordinary or extra-ordinary. Except for matters falling within the jurisdiction of the Extraordinary General Meeting, the Ordinary General Meeting shall have jurisdiction to deal with all matters that concern the Company. It shall be held at least once a year within six months following the end of the Company's financial year. Other Ordinary General Meetings may be convened whenever needed. The Board of Directors must require a General Assembly to convene if so required by the Company's auditors or a number of the shareholders owning at least 5% of the Share Capital. The General Department of Companies at the Ministry of Commerce may, if the Board of Directors has not summoned such assembly within one month from the date set for the convening thereof, at the request of a number of shareholders representing at least 2 per cent of the share capital of the Company, or upon a decision of the Minister of Commerce.

The Extraordinary General Meeting shall have jurisdiction to alter the By-Laws except the provisions which may not be altered under the relevant Law. In addition to the foregoing, it may pass resolutions on matters falling within the jurisdiction of the Ordinary General Meeting subject to the same conditions and in the same manner prescribed for the latter. A notice of the summons of the General Assembly shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty five (25) days prior to the time set for such a meeting.

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least one half (50%) of the Share Capital. In case this quorum is not attained at the first meeting, a notice shall be made for a second meeting to be held within thirty days after the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of Companies Regulations. The second meeting shall be valid irrespective of the number of shares represented therein.

The Extraordinary General Meeting shall be valid only if attended by shareholders representing at least 50% of the Share Capital. In case this quorum is not attained in the first meeting, a notice shall be made for a second meeting to be held within thirty days after the preceding meeting. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Share Capital.

The General Assembly shall be presided over by the Chairman or, in his absence, a person designated by him. The General Assembly shall appoint a secretary and a canvasser for the meeting. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or by proxy, the number of the Shares held by each as principal or by proxy, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of assenting or dissenting votes relating to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman, the Secretary and the Canvasser.

10-9 Duration of the Company

The term of the Company shall be ninety nine (99) Gregorian years, commencing on the date of issuance of the Ministerial Resolution of Minister of Commerce and Industry declaring its incorporation as a joint stock company. The term of the Company may be extended by a resolution adopted by an Extraordinary General Meeting at least one (1) year prior to the expiration of the Company's term.

10-10 Dissolution and Winding up of the Company

Upon expiry of Company term, or if dissolved prior to expiry of its term, the EGM, based on a proposal by the Board of Directors, decides the method of liquidation, appoint one or more liquidator(s) and specify their powers and remuneration. The powers of the Board of Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidator is appointed. The Company's departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators.

11. Use of Offering Proceeds

11-1 Net Proceeds

The total Offering Proceeds of the Rights Issue is estimated at one hundred fifty million Saudi Riyals (SAR 150,000,000), of which eight million Saudi Riyals (SAR 8,000,000) will be paid to cover the Offering expenses and fees relating to the Financial Advisor, Legal Adviser, Lead Manager, Underwriter, in addition to the expenses of the advertisements, printing, Receiving Agents and other expenses related to Offering.

Net Offering Proceeds is expected to amount to one hundred forty two million Saudi Riyals (SAR 142,000,000) net of all Offering expenses. The Company will cover the Net Admissible Assets in the Solvency account and provide the necessary cover for the financial solvency margin. Shareholders will not receive any proceeds arising from the Offering.

11-2 Use of Proceeds

All insurance companies operating in the Kingdom of Saudi Arabia practice their business according to the Insurance Companies Control Law and its Implementing Regulation and the subsequent amendments issued by the Saudi Arabian Monetary Agency from time to time.

The above referenced Law stipulates that insurance companies shall maintain a Minimum Solvency Margin that is no less than the following three amounts:

- Minimum Capital Requirements.
- Solvency Margin as per the premiums method.
- Solvency Margin as per the claims method.

Insurance companies need to maintain their Net Admissible Assets at a minimum of the above mentioned solvency margin. This requirement is translated into the need for maintaining a minimum Solvency Margin Cover of (100%) (Net Admissible Assets divided by the Minimum Margin of Solvency).

Following is the details of Solvency Cover Margin of the Company as at 30/09/2014G:

Table (11-1): details of Solvency Cover Margin of the Company

Item	Amount (SAR)
Minimum Capital Requirement	100.0
Solvency Margin - Premiums	60.1
Financial Solvency Margin - Claims	46.2
Minimum Financial Solvency Margin	100.0
Net Admissible Assets in the Solvency account	0.6
Financial Solvency Margin cover (%)	0.6%

Source: The Company

The Company is currently in need of pumping an extra capital not only to maintain the minimum required 100% of solvency margin cover, but also for meeting SAMA requirements.

The proposed applications of the Offering Proceeds totaling (SR 150,000,000) Saudi Riyals one hundred fifty million include the coverage of the Net Admissible Assets in the Solvency account, provision of the required coverage for the financial solvency margin and supporting expansion of the Company activity. The following table sets forth the proposed contribution of the net Offering Proceeds in the portfolio to the target financial solvency margin coverage of 100% within the next years.

Table (11-2): Contribution of Net Offering Proceeds in the Solvency Margin Cover

As at 31 December	2014	2015	2016	2017	2018
Minimum Capital Requirement	100.0	100.0	100.0	100.0	100.0
Solvency Margin - Premiums	53.6	63.9	76.5	91.4	109.2
Financial Solvency Margin - Claims	43.8	52.0	59.9	70.8	82.4
Minimum Financial Solvency Margin	100.0	100.0	100.0	100.0	109.2
Prior to goodwill effect and before subscription					
Financial Solvency Margin cover (%)					

As at 31 December	2014	2015	2016	2017	2018
Net Admissible Assets in the Solvency account	13.9	34.2	50.0	76.2	106.9
Financial Solvency Margin cover (%)	14%	34%	50%	76%	98%
After subscription					
Net Offering Proceeds	142.5				
Net Admissible Assets in the Solvency account	13.9	177.2	192.3	218.0	248.0
Financial Solvency Margin cover (%)	14%	177%	192%	218%	227%

Source: The Company

In line with the requirements of Article (30), Paragraph (C) of the Listing Rules, the Company will submit a quarterly report on the details of its use of the Offering Proceeds of the Rights Issue. The Company will announce to the public the developments of the use of the Offering Proceeds.

The Proposed Investment Plan (2015G):

In accordance with the Cooperative Insurance Companies Control Law, the statutory deposit shall constitute 10% of the paid up capital. The Company will maintain an amount of (SAR 25,000,000) Saudi Riyals twenty five million as a paid regulatory deposit after increasing the paid up capital.

The Company intends to use the net Offering Proceeds after deducting the statutory deposit and Offering expenses (in the capital increase directly after completion of the subscription process in investment according to the investment vehicles available in the Cooperative Insurance Companies Control Law with an estimated amount of (SAR 127,000,000) Saudi Riyals one hundred twenty seven million. The investment portfolio will include cash and short-term investment representing 60%, bonds and long-term investments representing 25% and shares & investment vehicles representing 15%.

Table (11-3): Offering Proceeds

Type of Asset	Amount (SAR million)
Statutory reserve	15.0
Offering expenses	8.0
* Investments	127.0
Total Offering Proceeds	150.0

* Please refer to the proposed investment plan below

Table (11-4): Investment Structure

Type of Investment	Amount (SAR Million)
Investments short term investment portfolios (60%)	76.2
Investments in bonds and long term investments (25%)	31.7
Investments in shares and other investment vehicles (15%)	19.1
Total Investments	127.0

The Company does not have any plan to acquire fixed assets including leasing properties in the short term.

12. Experts Statement

Each of the advisors whose names appear in pages (vi-vii) has given his written consent to the publication of their names, logos and statements in the form included in the Prospectus and have not withdrawn such a consent up to the date of this Prospectus. None of the above advisers or their employees or any of their relatives has any shareholding or interest of any kind in the Company.

13. Declarations

As of the date of this Prospectus, the Company's Board members, Senior Executives and Secretary of the Board declare that:

- There has been no interruption in the Company's business that may influence or have a significant impact on its financial situation during the last 12 months;
- No commissions, discounts, brokerages or other non-cash compensations were granted by the Company within the last three years immediately preceding the date of submitting the admission and listing application thereof in connection with the issuance or offering of any securities;
- There has been no material adverse change in the financial or trading position of the Company within the last three years immediately preceding the date of submitting the admission and listing application thereof, as well as the period covered by the external auditor's report up to the date of approval of this Prospectus;
- Notwithstanding the content under the Section "15 - Legal Information - Contracts with Related Parties - of this Prospectus, the Board members or their relatives may not have any share or interest of whatever kind in the Company;
- None of the Board of Directors members, senior management officers or secretary of the Board with an administrative or supervisory post has been subject to any insolvency during the Company's last five years. Also, none of the Board of Directors members has been declared bankrupt;
- Notwithstanding the disclosure contained in "Section "15 - Legal Information - Contracts with Related Parties - of this Prospectus,, there is no contract or whatever arrangement in effect or contemplated at the time of development of this Prospectus whereby any of the Board of Directors members, senior executives or relatives thereof gain some interest in the Company's business.
- The audited financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and audited in conformity with SOCPA-approved accounting standards. The Board of Directors declares that all information was fairly disclosed.
- The Company does not grant any cash loan or collaterals to loan for any of its Board of Directors members and a third party in compliance with Article 71 of the Companies Regulations.
- Notwithstanding the disclosure contained in the section 15 "Legal Information" herein, there is no any debt instrument or encumbrances up to the date of this Prospectus and neither the Company's assets are under option;
- Not engaging into a competition against the Company's business nor dealing with the related parties;
- They are strictly complies with Article 69 and 70 of the Companies Regulations and relevant provisions, particularly Article 18, of the Corporate Governance Regulations;
- The Company's By-Laws does not grant any power enabling a Director, Senior Executive or the Board's Secretary to vote on a contract or proposal in which they or any of their relatives have a personal interest, or enabling them to vote remuneration to themselves or allowing their relatives to borrow from the Company;
- The Board of Directors members declare that the Company for the time being has no business activity outside the Kingdom of Saudi Arabia;
- There are no policies pursued or critical information in relation to research and development of new products and production processes applied along the three fiscal years immediately preceding the date of this Prospectus. Currently, there are no existing or proposed employment contracts for the Board of Directors members as of the date of this Prospectus;
- The Board of Directors members declare that there is no amendments to the Company's capital by increase or decrease within the last three years immediately after the date of submitting the listing and admission application and acceptance of the Right issue shares recognition; and
- The Board members declare that the Company is processing the revision of the translation of all insurance policies in compliance with Article 52 of the Implementing Regulations of the Insurance Companies Control Law.
- The Board of Directors declares that, as of the date of this Prospectus, the Company is not affiliated to a group of companies, to exercise any business outside the Kingdom of Saudi Arabia.
- The Board members declare that all contracts that may affect the decision of the subscribers for the Company shares have been disclosed.
- The Board members declare that all terms and conditions that may affect the decision of the subscribers for the Company shares have been disclosed.
- The Board members declare that all transactions and contract with the related parties have been disclosed.
- The Board members declare that there is no intention to enter into any contracts with the related parties have.
- The owners whose names appear in page 3 are the legal and beneficiary owners of the Company.
- There is not any conflict of interests in the Company activities between the Company and any Board member.
- The internal, accounting and IT systems and controls have been prepared on sound foundations where the Company has developed a written policy governing conflicts of interest and addressing the potential conflicts, including the misuse and abuse of assets resulting from transactions with related persons. This in addition to ensuring the safety of financial and operational systems as well as ensuring the application of appropriate supervisory risk management systems according to the requirements of Article 10 of Corporate Governance Regulations. The members of the Board of Directors declare also that there is an annual review of internal control procedures of the company.

Directors' declarations related to the financial statements

1. Section (6) of this Prospectus, "The Management's Discussion and Analysis of the Company's Financial Position and Results of its Operations" was prepared by the Company's management and approved by its Board of Directors. The Board of Directors members declare that there is no change of material impact on the financial statements and future forecasts as of the date of this Prospectus.
2. The Board of Directors is fully responsible for the accuracy and credibility of financial information and analyses, and confirms it has taken all required measures and procedures and made full and fair disclosures. There is no information or other papers whose omission may cause these financial data and information to be misleading in any way.

14. Summary of Company's By-Laws

The Company's By-Laws include the following items. Users must not rely completely on this Summary rather than the complete version of the by-laws will be available for inspection at the Company's Head office. There are many procedures that require SAMA's approval including but not limited to increase or decrease of capital, dividends distribution, and transfer of Founding Shareholder's shares, merger with other companies, company liquidation and appointment of directors. Following is a summary of the Company' By-Laws:

Incorporation

According to the Provisions of the Cooperative Insurance Control Law and the Companies Regulations and their Implementing Regulations, and the By-Laws, a Saudi Joint Stock Company shall be incorporated between the Shareholders according to the following terms.

Name of Company

Salama Cooperative Insurance Company. The Shareholders Meeting agreed in it session convened on 03/08/1433H (corresponding to 23/06/2012G) to change Article 2 of the By-Laws relating to the Company Name.

Objectives of the Company

The objective of the Company is to engage in cooperative insurance operations and all related activities in accordance with provisions of the Law on the Supervision of Cooperative Insurance Companies, its Implementing Regulations and the rules and regulations in force in the Kingdom. Such operations and activities include reinsurance, agencies, representations, correspondence and brokerage. The Company may undertake all activities as may be required for achieving its objectives whether in respect of insurance or investing its funds or to own, dispose of, transfer, lease or replace moveable and fixed assets whether directly or indirectly through companies to be established by the Company or acquired by it or in participating in other entities.

The Company may acquire or have interest or participate in any way with the institutions conducting similar activities or financial activities and which help the Company to achieve its objectives, or to merge with or acquire the same. The Company will practice such activities inside or outside the Kingdom of Saudi Arabia.

The Company's Head Office

The Company's head office shall be in the city of Jeddah.

Duration of the Company

The term of the Company shall be ninety nine (99) Gregorian years, commencing on the date of issuance of a resolution by the Minister of MOCI declaring its incorporation as a joint stock company. The term of the Company may be extended by a resolution adopted by an EGM at least one (1) year prior to the expiration of the term of the Company.

Share Capital

The share capital of the Company is SAR 100,000,000 (one hundred million Saudi Riyals); divided into 10,000,000 (ten million) equal Shares, each with a nominal value of SAR 10 (ten Saudi Riyals).

Decrease of Capital

The Extra-Ordinary Meeting, subject to the approval of the competent authorities may reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Share Trading

All shares of the Company are tradable in accordance with CMA rules, regulations & instructions. Exceptionally, shares issued for cash subscribed by the Founding Shareholders are not tradable before publication of the financial statements for at least two consecutive years each of which is 12 months with effect from the incorporation date of the Company. These provisions are applicable to the Founding Shareholders' subscriptions in case of the capital increase before expiry of the

restriction period. However, cash shares may be traded during the restriction period in compliance with the Rights selling provisions from one founder to another or to any Board member to serve as qualification shares or from the heirs of any Founding Shareholders to any third party in case of death.

The Board of Directors is entitled, after the competent authorities approval when exercising the right for attachment of shares offered as a guarantee from the board members in exchange for contracts that arise between them and the Company, to sell them provided that the debt is due for payment and after a second call sent by a registered mail to the debtor, the owner of the shares, asking him to pay the debt within two weeks. If he fails to do so, the Board shall be entitled to sell them through the "Exchange" and repay the price of the shares sold to settle all debt and obligations required by the Company. The balance (if any) shall be paid to the shareholder, his sponsor, will administrator or heirs.

Board of Directors

The Company shall be managed by a Board of Directors consisting of seven (7) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. This appointment shall not prejudice the legal person's right to replace its representative in the Board. The term of the first Board of Directors shall extend for 3 years commencing from the date of Ministerial Resolution declaring the incorporation of the Company.

The Company may, after obtaining SAMA's approval, conclude a technical service management agreement with one or more of the qualified companies in the insurance area for five renewable years or for other terms as decided by the Board.

Vacancies in the Board of Directors

Membership of a board member shall expire with the expiry of his appointment term, resignation, death or if the board has evidence that a such member has breached his duties in a manner that prejudices the Company interest, provided this is coupled with the General Assembly approval; expiry of his membership in accordance with any applicable regulation or instructions in Saudi Arabia; absence from more than three consecutive meetings without acceptable reason to the Board of Directors; if a judgment issued for declaration of his bankruptcy or insolvency; if he submits petition for settlement with his creditors; ceases to payoff his debts; becomes unconscious; suffers mental sickness; commits an act of dishonesty and immorality or condemned of fraud/forgery. If a Board member position has become vacant, then the Board shall appoint another member to occupy the vacant position provided that such appointment is presented to the first meeting of the Ordinary General Assembly. The term of the newly appointed member is only one year. In the event that there is shortage with the number of Board members to validate the Board quorum for its meetings, the Ordinary General Assembly shall be convened as soon as possible to appoint the required number of the members.

Powers of the Board

Subject to the powers reserved for the General Assembly, the Board shall have the widest powers in managing the affairs of the Company and may, within the limits of its authority, delegate to one or more of its members or other parties the power of performing certain work or works.

The Board's remuneration

The remuneration of the Chairman of the Board for performing his duties shall be SAR 180,000 (One Hundred Eighty Thousand Saudi Riyals) per annum. The remuneration for each Director for performing their respective duties shall be SAR 120,000 (One Hundred Twenty Thousand Saudi Riyals) per annum. The Chairman and each Director shall be paid SAR 3,000 (Three Thousand Saudi Riyals) for attending each Board meeting and an amount of SAR 1,500 (One Thousand Five Hundred Saudi Riyals) for attending each meeting of the Executive Committee.

In addition, the Company shall pay to the Chairman of the Board and the Board members the actual expenses incurred for attending the Board or Executive Committee meetings including travel and accommodation expenses. In any event, the total remuneration of the Chairman and the Directors may not exceed 5% of the net profits. The Company shall ensure that all written details of the proposed remuneration and reimbursement are provided to the Shareholders prior to the date of the Ordinary General Assembly where the matter will be discussed and voted. The concerned board member or senior executive shall not have the right to vote on such remuneration. The remuneration of the Board members may be amended subject to approval of the EGM of Shareholders.

Chairman, Managing Director and Corporate Secretary

The Board of Directors shall appoint from among its members a Chairman for the Board and shall appoint a Managing Director for the Company whether from the members of the Board or others. The Chairman and the Managing Director shall have the authority to sign on behalf of the Company, implement the Board resolutions and to represent the Company before judicial bodies and third parties. Either the Chairman or the Managing Director shall have the right to delegate their duties to others to perform specific duties. The Managing Director shall be responsible for the executive management of the Company. The Board shall fix the salaries, allowances and remunerations of both the Chairman and the Managing Director and may appoint advisors to it in various areas as well as to assign their remunerations.

Board Meetings

The Board shall be called to convene in the head office of the Company by its Chairman and when requested to convene by two members of the Board. The call shall be documented in the way deemed proper by the Board. The Board may meet outside the head office of the Company. The meeting of the Board shall not have a quorum unless attended by at least two thirds of the members provided that the members attending in person shall not be less than four directors. The Board shall meet four times within a fiscal year provided the period between meetings should not exceed four months.

The Board's resolutions shall be passed unanimously, and in case of dispute by at least 2/3 majority vote of the present or represented members. Board resolutions may be issued by members voting by circulation. Any member of the Board of Directors who has a direct or indirect interest in any proposed matter presented to the Board or the Executive Committee, as applicable, shall inform the Board or the Executive Committee of his interest in the presented matter. No Board member may conclude any insurance agreement with a company wherein they have interest without SAMA approval.

Minutes of the Board Meetings

Minutes of the Board deliberations and resolutions shall be recorded, signed off by the Chairman and Corporate Secretary and kept in a special register signed by both the Chairman and Corporate Secretary.

Audit Committee

The Board shall form an Audit Committee consisting of no less than three (3) members and no more than five (5), who are not executive Directors of the Company and the majority of whom shall not be members of the Board as approved by SAMA, the Ministry of Commerce and Industry and the CMA

Executive Committee

The Board shall form an Executive Committee consisting of not less than three (3) members and not more than five (5) members. The Chairman of the Executive Committee, who chairs its meetings, shall be appointed from its members. Membership of the Executive Committee shall coincide with the Board membership and the Board shall fill any vacancies within the Executive Committee.

Shareholders General Assembly

The Shareholders' Ordinary General Assembly & Extraordinary General Assembly duly convened represent all the Shareholders, and shall be held in the city where the Company's head office is located. Each shareholder having title to at least 20 shares shall have the right to attend the Ordinary or Extra-Ordinary General Meeting. A shareholder may delegate another shareholder who is not a director or officer of the Company to attend the General meeting on his behalf by means of proxy.

Ordinary General Assembly

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least 50% of the Company Share Capital. In case this quorum is not attained at the meeting, a notice shall be made for a second meeting to be held within thirty (30) days after the preceding meeting. The second meeting shall be valid irrespective of the number of shares represented therein.

Except for matters falling within the jurisdiction of the Extraordinary General Meeting, the Ordinary General Meeting shall have jurisdiction to deal with all matters that concern the Company. It shall be held at least once a year within six months following the end of the Company's financial year. Other Ordinary General Meetings may be convened whenever needed.

Extraordinary General Assembly

The Extraordinary General Meeting shall be valid only if attended by shareholders representing at least 50% of the Company Share Capital. In case this quorum is not attained as prescribed earlier, a notice shall be made for a second meeting. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Share Capital.

The Extraordinary General Meeting shall have jurisdiction to alter the By-Laws except the provisions that may not be altered under the relevant Law. It may pass resolutions on matters falling within the jurisdiction of the Ordinary General Meeting subject to the same conditions and in the same manner prescribed for the latter.

General Assembly Resolutions

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat. Resolutions of an EGM shall be adopted by a majority vote of two thirds of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, Company merger with another

company or institution, extending the Company's term or dissolving the Company, then such a resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

Auditors

The General Assembly shall appoint 2 (two) auditors annually from among the auditors licensed to work in the Kingdom. It shall determine their fees and may reappoint them.

The auditor shall have access to the Company books and records at any time at its discretion as well as to other documents. He is also entitled to require any data or clarifications whenever deemed necessary and to check the Company's assets & liabilities.

The Auditor shall submit an annual report to the General Assembly elaborating the Company's management position with respect to enabling him obtain the data & clarifications that he required or to any violation of the Companies Regulations or the Company's By-Law which he may have detected. The Auditor shall also state whether or not the Company accounts accurately reflect its data.

Fiscal Year

The fiscal year of the Company shall start on the first of January and end on thirty first of December of the same year. However, the first fiscal year of the Company starts on the date of its incorporation on the Ministerial Resolution's date announcing its incorporation until the thirty first of December of the next year.

Distribution of Dividends

The Company's annual net profits shall be distributed as follows:

1. Zakat and income tax allocations are to be held,
2. 20% of the net profits shall be withheld to form a statutory reserve;
3. The Ordinary General Assembly may withhold an additional reserve to be allocated for specific purposes decided by the Ordinary General Assembly,
4. The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up Capital,
5. The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account,
6. By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection 4 above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

The Company's Losses

If the total of the Company's losses amount to three-quarters of its capital, the Directors shall call an EGM to consider whether the Company shall continue to exist or dissolve prior to the expiry of its period. In all cases, the Assembly's resolution shall be published in the Official Gazette.

Dissolution and Winding up of the Company

The Company will end with the expiration of its term as per By-Laws and the Companies Regulations. Upon expiry of Company term, or if dissolved prior to expiry of its term, the EGM, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidator(s) and specify their powers and remuneration. The powers of the Board of Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidator is appointed. The Company's departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators.

Terms

Everything not covered under this By-Laws shall be subject to the terms of the Cooperative Insurance Companies Control Law and its Implementing Regulations, Companies Regulations and the CMA Law and its Implementing Regulation..

15. Legal Information

15-1 Incorporation, Licenses and Permits under which the Company operates:

In line with Article 3 of the Cooperative Insurance Law, Salama Cooperative Insurance Company was incorporated under SAGIA license No. 870/1 dated 13/09/1426H (15/10/2005G), the Royal Decree No. M/60 dated 18/09/1427H (11/10/2006G), Council of Ministers resolution No. 233 dated 16/09/1427H (09/10/2006G), Ministerial resolution declaring incorporation of the company No. 112/Q dated 29/04/1428H (16/05/2007G) and SAMA License No. TMN/4/20079 dated 29/08/1428H (11/09/2007G). Accordingly, the Company was licensed to conduct insurance business including the principal insurance services offered by the Company, namely: (1) General insurance and (2) Health Insurance. The Company conducts its business in line with the Cooperative Insurance Law and Implementing Regulations as well as other laws and instructions in force in the Kingdom of Saudi Arabia under the supervision of SAMA, and was registered as a public joint-stock company under Commercial register No. 4030169661 issued in Riyadh on 06/05/1428H (23/05/2007G) and was registered in Jeddah.

The Company obtained all licenses required to conduct its business under the valid laws and regulations. These licenses were as follows:

Table (14-1): Licenses obtained by the Company to conduct its business in line with the applicable laws and regulations

License Type	Purpose	License No.	Date of Issue	Date of Expiry	Issued BY	Remarks
A service investment license	To conduct Insurance business	(1/870)	09/13/1426 H Corresponding to 10/15/2005G	Not mentioned in the license	SAGIA	On 06/03/1436 corresponding to 27/12/2014, the Company applied to SAGIA to update its license data
Permit to conduct insurance business	To conduct general and health insurance	TMN / 4/ 20079	29/08/1428 H corresponding to 09/11/2007G	08/27/1437 H corresponding to 06/04/2016G	SAMA	
The Council of Cooperative Health Insurance (qualifying the Company)	Qualifying license to conduct the business of Cooperative Health Insurance	1293/353	08/10/1435 H corresponding to 08/06/2014G	07/10/1436 H corresponding to 23/07/2015G	The council of Cooperative Health Insurance	
Commercial Registration	To register the company in the Commercial Registration (Joint Stock Companies)	4030169661	05/06/1428 H corresponding to 23/05/2007G	06/05/1438 H corresponding to 03/03/2017G	Ministry of Commerce and Industry	
Approval to offer insurance products	Final approval for marketing and offering of insurance policy for Fidelity Insurance.	1002/ IS	12/21/1428 H corresponding to 12/30/2007G		SAMA	The Company is required to ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and, limits of policy coverage are not more comprehensive than the limits of coverage of offered by the reinsurance contracts and that all exceptions have been taken into account. The Company cannot make any changes on the policies terms or value of premiums unless with SAMA approval

License Type	Purpose	License No.	Date of Issue	Date of Expiry	Issued BY	Remarks
Approval to offer insurance products	Final approval for marketing and offering of: 1) Contractors All Risk 2) Installation All-Risk Policy 3) Contractor's machinery and equipment Insurance Policy 4) Machinery and Equipment malfunctioning Policy 5) Electronic Equipment Insurance Policy	1039/ IS	24/12/1428 H corresponding to 01/02/2008G		SAMA	<p>The company is required to ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and, limits of policy coverage are not more comprehensive than the limits of coverage of offered by the reinsurance contracts and that all exceptions have been taken into account.</p> <p>The Company cannot make any changes on the policies terms or value of premiums unless with SAMA approval</p>
Approval to offer insurance products	Final approval for marketing and offering of: Profit loss policy resulting from machinery malfunctioning	471/ IS	02/22/1433 H corresponding to 01/16/2012G		SAMA	<p>The company is required to ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and, limits of policy coverage are not more comprehensive than the limits of coverage of offered by the reinsurance contracts and that all exceptions have been taken into account.</p> <p>The Company cannot make any changes on the policies terms or value of premiums unless with SAMA approval.</p>

License Type	Purpose	License No.	Date of Issue	Date of Expiry	Issued BY	Remarks
Approval to offer insurance products	Final approval of marketing and offering: 1) Land Transportation All-Risk policy 2) Insurance policy for land transportation (specified Risks) 3) Insurance policy for marine cargo (open coverage) 4) Insurance policy for marine cargo (specified risks) 5) Insurance policy for Hull and Machinery	IS/2341	12/16/1431 H corresponding to 22/10/2010G		SAMA	<p>The company is required to ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and, limits of policy coverage are not more comprehensive than the limits of coverage of offered by the reinsurance contracts and that all exceptions have been taken into account.</p> <p>The Company cannot make any changes on the policies terms or value of premiums unless with SAMA approval</p>
Approval to offer insurance products	Final approval for marketing and offering of cash insurance policy	1001/IS	12/21/1428 H corresponding to 12/30/2007G		SAMA	<p>The company is required to ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and, limits of policy coverage are not more comprehensive than the limits of coverage of offered by the reinsurance contracts and that all exceptions have been taken into account.</p> <p>The Company cannot make any changes on the policies terms or value of premiums unless with SAMA approval</p>

License Type	Purpose	License No.	Date of Issue	Date of Expiry	Issued BY	Remarks
Approval to offer insurance products	Final approval for marketing and offering of Fire insurance policy and Comprehensive Property Insurance	1004/IS	12/21/1428 H corresponding to 12/30/2007G		SAMA	<p>The company is required to ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and, limits of policy coverage are not more comprehensive than the limits of coverage of offered by the reinsurance contracts and that all exceptions have been taken into account.</p> <p>The Company cannot make any changes on the policies terms or value of premiums unless with SAMA approval</p>
Approval to offer insurance products	Final Approval for marketing and offering of Public Liability insurance	1003/IS	12/21/1428 H corresponding to 12/30/2007G		SAMA	<p>The company is required to ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and, limits of policy coverage are not more comprehensive than the limits of coverage of offered by the reinsurance contracts and that all exceptions have been taken into account.</p> <p>The Company cannot make any changes on the policies terms or value of premiums unless with SAMA approval</p>

License Type	Purpose	License No.	Date of Issue	Date of Expiry	Issued BY	Remarks
Approval to offer insurance products	Final Approval for marketing and offering of worker compensation insurance policy	1038/IS	24/12/1428 H corresponding to 01/02/2008G		SAMA	The company is required to ensure that all its insurance products have been covered by reinsurance contracts and that the conditions and, limits of policy coverage are not more comprehensive than the limits of coverage of offered by the reinsurance contracts and that all exceptions have been taken into account. The Company cannot make any changes on the policies terms or value of premiums unless with SAMA approval
Approval to offer insurance products	Temporary approval for marketing and sale of Comprehensive Motor Insurance Policy. Comprehensive Motor Insurance – Third Party Liability	361000020267	02/08/1436 H corresponding to 11/30/2014G	05/10/1436 H Corresponding to 02/28/2015G	SAMA	
GOSI Certificate	Company adherence to GOSI laws and Regulations	17721046	02/01/1436 H Corresponding to 12/02/2014G	08/10/1436 H Corresponding to 28/05/2015G	GOSI	
Chamber of Commerce membership certificate	Company observance of the commercial registration Rules which make an obligation upon the Company to have the Chamber of Commerce and Industry membership	120 714	11/01/1436 H Corresponding to 11/04/2014G	30/12/1436 H corresponding to 10/13/2015G	Jeddah Chamber of Commerce and Industry	
Zakat and Income Tax Certificate	A statement that the Company has submitted its annual declaration and met its obligations as to the payment of zakat	8447	08/10/1345 H Corresponding to 08/06/2014G	07/11/1436 H Corresponding to 04/30/2015G	Zakat and Income Tax Department	

Source: Statutory report

* The company name was not amended in the Services Investment License to reflect the present commercial name. Information of the Company branches was not added also.

** The company did not obtain a municipality license for its head office.

15-2 Company branches and Points of sale

The Company obtained SAMA approval through its letter No. MT/1775 dated 01/09/1432H (31/07/2011G) to establish 6 branches in Jeddah, Riyadh, Dammam, Buraidah, Makkah and Medina. Four branches were opened as at the date of this prospectus, in Jeddah, Riyadh, Dammam and Buraidah.

The Company was also licensed to open 50 points-of-sale under SAMA approval No. MT/1924 dated 12/10/1432H (10/09/2011G) and No. 34100089070 dated 18/07/1434H (27/05/2013G) including 34 points-of-sale which were opened as of the date hereof. The Company intends to complete its expansion plans through the opening of the remaining points-of-sale and branches immediately after completion of the Offering processes.

The Company obtained 4 commercial registers for its branches as of the date of this Prospectus, as follows:

Table (14-2): Commercial Registrations of branches

S	Branch	Region	CR	Current Status
1	Head Office – Office No 210 Prince Mohammed Bin Abdulaziz Street	Jeddah	4030169661 valid up to 06/05/1438H corresponding to 02/02/2017G	Valid
2	Branch and Compensations of Riyadh Al Farouq District – Eastern Ring Road (Platinum Center -, formerly, Salah Eldin Street)	Riyadh	1010323922 valid up to 06/02/1438H corresponding to 01/11/2016G	Valid
3	King Faisal Street (Lotus Plaza – formerly, Dammam Al- Khobar highway)	Dammam	2051059594 valid up to 14/2/1441H corresponding to 13/10/2019G	Valid
4	Buraidah Branch (Owaidah Building – King Abdul aziz Road)	Buraidah	1131055116 valid up to 22/2/1441H corresponding to 21/10/2019G	Valid
5	Opposite Traffic Department of Umm Al joud – Sitteen Street	Makkah	CR Cancelled	Branch Closed
6	Goth Towers- 3rd Tower – Sultana Street	Madina	CR Cancelled	Branch Closed

Source: Company

The Company has obtained 18 Commercial Registrations out of 45 points-of-sale opened as of the date hereof, as follows:

Table (14-3): Commercial Registrations for points-of-sale

S	Point of Sale	Region	CR	Status of the Registration
1	Nasim Traffic Department (Traffic Dept. 1)	Makkah	4031086374 valid up to 03/09/1440 H corresponding to 07/05/2019G	Valid
2	Al-Moly Exhibitions (Fatima Al Zahraa Street)	Makkah	4031086375 valid up to 03/09/1440 H corresponding to 07/05/2019G	Valid
3	Haraj Exhibitions (Exhibitions District)	Jeddah	4030273623 valid up to 02/09/1440 H corresponding to 06/05/2019G	Valid
4	The Eastern Region Passport Office (Nasim District opposite to Traffic Department)	Taif	4032045120 valid up to 27/8/1440 H corresponding to 02/05/2019G	Valid
5	Al Hada Passport Office (Manahel - Rawabi - Tamim In Jrasha Althagafi Street)	Medina	4650076547 valid up to 29/2/1441 H corresponding to 29/10/2019G	Valid

S	Point of Sale	Region	CR	Status of the Registration
6	Yanbu Passport Office (Al-Hawraa District – Opposite to Traffic Department)	Ynbu	4653001356 valid up to 11/2/1441 H corresponding to 11/10/2019G	Valid
7	Qurayyat Traffic Department (Industrial Area - Exhibitions)	Tabouk	3550035796 valid up to 21/2/1441 H corresponding to 20/10/2019G	Valid
8	AL-Khamees Passport Office (Exhibitions District)	Khamis Mushayt	3550035796 valid up to 21/2/1441 H corresponding to 10/20/2019G	Valid (Point closed)
9	Traffic Department (Hussam District near Traffic department)	Khamis Mushayt	5855064426 valid up to 14/8/1440 H corresponding to 19/04/2019G	Valid
10	Traffic department (Hezam Ring District)	Abha	5850063211 valid up to 01/07/1440 H corresponding to 07/03/2019G	Valid
11	Al Faisaliah District - Yazeed In Maabad Street - Traffic department (Passport Office - Khalidiya – Previously, King Abdulaziz Street)	Najran	5950031557 valid up to 25/2/1441 H corresponding to 24/10/2019G	Valid
12	Traffic Department (Prince Sultan Street, Opposite to Traffic Department)	Jizan	5900031114 valid up to 18/2/1441 H corresponding to 17/10/2019G	Valid
13	Next to Collage of Science for Girls - Traffic Street (Previously, Traffic Department)	Samta (previously Abqaiq)	5907031324 valid up to 03/03/1437 H corresponding to 15/12/2015G	Valid
14	Rayan District - King Faisal Street – Traffic Department (previously, Royal Commission)	Sibya (previously Jubail)	5906031731 valid up to 21/4/1441 H corresponding to 19/12/2019G	Valid
15	Traffic Department (Al-Hazm District)	Wadi Al-Dwaser	1185006343 valid up to 23/3/1437 H corresponding to 03/01/2016G	Valid
13	Passport Department - Ammaria - Bakhshab Street (Sharafiya District next to the Passport Office)	Jeddah	4030273569 valid up to 01/09/1440 H corresponding to 05/05/2019G	Valid
17	Passport Department - Dhofair - King Abdulaziz Road	Al-Baha	5800019152 valid up to 26/02/1441 Corresponding to 25/10/2019G	Valid
18	Passport Department- Omdurman – Traffic Department Street	Tabouk	3550035797 valid up to 21/2/1441 H corresponding to 20/10/2019G	Valid

Source: Company

*The Company is in the process of completing the regulatory procedures to obtain a duplicate of the missing CR No. 4650030013.

15-3 Municipality licenses issued for points-of-sale and branches:

The Company obtained municipal licenses for the Head Office and one branch as follows:

Table (14-4): Municipal licenses for the head office and one branch

S	Branch	Region	Municipality License	License Status
1	Head Office – Office 210 (Prince Mohammed bin Abdul Aziz Street)	Jeddah	1100062840 valid until 27/04/1439 H corresponding to 14/01/2018G	Valid
3	Al Khobar Branch (King Faisal Street) (Lotus Plaza – previously, Dammam- Al- Khobar Highway)	Al-Khobar	00805/436 valid until 13/04/1439 H corresponding to 19/12/2017G	Valid

Source: Company

The Company obtained municipal licenses for 24 points-of-sale out of 45 applications, as follows:

Table (14-5): Municipal licenses for points-of-sale

S/N	Point-of-Sale/Branch	Region	Municipality License	License Status
1	Nasim Traffic Department (Traffic Dept. 1)	Makkah	107 041 valid until 23/07/1439 H corresponding to 08/04/2018G	Valid
2	Al-Moly Exhibition (Fatima Al Zahraa Street) (Passport department - Rsaifeh – previously, Traffic Department Street)	Makkah	98 919 valid until 17/04/1438 H corresponding to 15/01/2017G	Valid
3	Eastern Region Passport Office (Nasim District Next to Traffic Department) (Passport Office - Qamryah – previously, Passport Office Street)	Taif	131 925 valid until 24/01/1437 H corresponding to 15/01/2017 m	Valid
4	Hada Passport Office (Manahil - Rawabi - Tamim in Jrasha Althagafi Street)	Madina	3501928 valid until 08/04/1438 H corresponding to 06/01/2017G	Valid
5	Yanbu Passport Office (Al-Hawraa District Opposite to Traffic Department)	Yanbou	35002747 valid until 04/04/1439 H corresponding to 19/12/2017G	Valid
6	Traffic Department (Hussam District, beside Traffic Department)	Khamis Mushayt	18/36 m valid until 02/01/1437 H corresponding to 15/10/2015G	Valid
7	Traffic Department (Hezam Ring District) (Passport Office - Khalidiya – Previously, King Abdulaziz Street)	Abha	437 770 valid until 17/08/1436 H corresponding to 04/06/2015G	Valid
8	Al Faisaliah District - Yazid In Maabed Street - Traffic Department (Passport Office - Khalidiya – previously, King Abdulaziz Street)	Najran (previously Abha)	50 047 valid until 10/03/1437 H corresponding to 22/12/2015G	Valid
9	Traffic Department (Prince Sultan Street in Opposite to (Passport Office – formerly, Airport Road	Jizan	136/1436 valid until 06/03/1439 H corresponding to 24/11/2017G	Valid
10	Next to of Science Collage for Girls – Traffic Department Street (previously, Traffic Department)	Samta (previously Abqaiq)	5384/1436 valid until 08/03/1439 H corresponding to 27/11/2017G	Valid
11	Al-Mokhatat District, Al-Khazam Street-Traffic Department (previously Traffic Department)	Bisha (Previously Qatif)	4360176 valid until 23/03/1437 H corresponding to 04/01/2016G	Valid

S/N	Point-of-Sale/Branch	Region	Municipality License	License Status
12	Traffic Department (Al-Hazem District)	Wadi Al-Dwaser	174/36 valid until 22/04/1439 H corresponding to 09/01/2018G	Valid
13	Passport Office - Khalidiya - Al-Eskan Street	Madinah	3300335 valid until 30/01/1437 H corresponding to 12/11/2015G	Valid
14	Passport Office - Shammas - Al-Arbain Street	Buraidah	Null	Valid
15	Passport Office - Khalidiya - King Abdulaziz Street	Najran	50 046 valid until 10/03/1437 H corresponding to 24/10/2019G	Valid
16	Passport Office - Dhofair - King Abdulaziz Road	Al-Baha	125/36 valid until 05/04/1439 H corresponding to 23/12/2017G	Valid
17	Traffic Department - Dhofair - King Street Aziz Street	Al-Baha	126/36 valid until 05/04/1439 H corresponding to 24/12/2017G	Valid
18	Traffic department - Musaidiah – Traffic dept. Street (Passport Office - Riffaa – previously, the main street)	Arar	340000128 valid until 29/03/1439 H corresponding to 18/12/2017	Valid
19	Traffic Dept. - Khalidiya – Traffic department Street	Qunfudah	None	Valid
20	Nerjis District - Traffic Department (Passport Office - Rsaifeh – previously, Traffic Department Street	Onaizah (Previously Makkah)	License No. 182 117 is valid until 09/04/1436 H corresponding to 30/01/2015G	Valid
21	Al-Shefa District-Traffic Department Street (Passport Office, Al-Qamrya- previously, Passport Office Street)	Rass (Previously Taif	License No. 15522 is valid up to 01/05/1437H Corresponding to 10/02/2016	Valid
22	Bani Mashour District (Passport Office - Plan 1 – previously, Haraj Street)	Al-Namas (previously Khamis Mushayt	14360028 valid until 29/03/1437 H corresponding to 10/01/2016G	Valid
23	Salman Al-Farisi Street (Passport Office – Raffaa, previously the main street)	Najran (Previously Arar)	50 048 valid until 10/03/1437 H corresponding to 22/02/2015G	Valid
24	Al-Mokhatat District, Omar In Al Khattab Street (Passport Office - Khalidiya – previously, Traffic Street)	Hanakia (Previously, Qunfudah	35002493 valid until 23/02/1441 H corresponding to 23/10/2019G	Valid

Source: Company

15-4 Lease Contracts:

Leased locations within the Kingdom regions are as follows:

- 10 Lease contracts in the Central Region
- 20 Lease contracts in the Western Region
- 02 Lease contracts in the Eastern Region
- 16 Lease contracts in the Southern Region
- 04 Lease contracts in the Northern Region

Most of the above contracts are standard lease contract which means that the contract provides for a rental payable by the company on a yearly basis. Most of the contracts are renewable and will be considered void in case of the delay of payment of rent. The lessee may not sublease the property without the written consent of the lessor. Also, activity of leased location may not be changed without the lessor's consent. Lease contracts are summarized as follows:

Table (14-6): Summary of Lease Contracts

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
Western Area					
1	01/04/1434 H corresponding to 11/02/2013G	Hanakia, Al-Mokhatat District, Omar Bin Al Khattab Street (Exhibition)	Fahad Bin Saer Milhan Al Oufi	3 Hegria Years starting from 01/04/1434 H. (corresponding to 11/02/2013G) and expiring on 30/03/1437 H. (corresponding to 10/02/2016G).	SAR 24,000 Twenty Four Thousand Saudi Riyals
2	05/05/1435 H corresponding to 06/03/2014G	Mahd Al-Dhahab - Sour Street-Beside Traffic Department (Exhibition)	Walid Hassan Abu Hussein	3 Hegria Years starting from 01/06/1435 H. (corresponding to 02/04/2014G) and expiring on 30/05/1438 H. (corresponding to 27/02/2017G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 25,000 Twenty-five Thousand Saudi Riyals
3	04/11/1434 H corresponding to 10/09/2013G	Makkah - Fatima Al Zahraa Street (Exhibition)	Sheikh Mohammed Salem Abdul-Almanie	2 Hegria Years starting from 04/11/1434 H. (corresponding to 10/09/2013G) and expiring on 03/11/1436 H. (corresponding to 18/08/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 150,000 one hundred and fifty Thousand Saudi Riyals
4	23/02/1434 H corresponding to 05/01/2013G	Makkah - Nasim District (Exhibition)	Sulaiman Abdullah Al Amro	1 Hegria Year starting from 01/03/1434 H. (corresponding to 13/01/2013G) The contract was renewed on the same terms and value from 01/03/1435 H. (corresponding to 02/01/2014G). and expiring on 30/02/1436 H. (corresponding to 22/12/2014G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 90,000 ninety Thousand Saudi Riyals
5	22/02/1435 H corresponding to 25/12/2013G	Jeddah - Waziriya District opposite to the Traffic Department (Exhibition)	Jamilah Eid Ali Al-Thagafi	3 Hegria Years starting from 01/03/1435 H. (corresponding to 02/01/2014G) and expiring on 30/02/1438 H. (corresponding to 30/11/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 50,00 fifty Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
6	01/08/1434 H corresponding to 10/06/2013G	Jeddah - Exhibitions District (Exhibition)	Ayedh Nawaf Ayedh Al Badri Al Baqmi	3 Hegria Years starting from 1/08/1434 H. (corresponding to 10/06/2013AD) and expiring on 30/7/1437 H. (corresponding to 08/05/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 80,000 Eighty Thousand Saudi Riyals
7	08/08/1434 H corresponding to 17/06/2013G	Jeddah - Sharafiya District next to Passport Office (Exhibition)	Khaled Mastour Twairqi	3 Hegria Years starting from 01/08/2013 H. (corresponding to 24/08/1434H) and expiring on 31/07/2016 H. (corresponding to 25/10/1437H). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 55,000 Fifty-five Thousand Saudi Riyals
8	03/05/1435 H, corresponding to 04/03/2014G	Jeddah - Al- Mushrefa District - Sahafa Street . (Exhibition)	Walid Hassan Mohamed Obouhsin	1 Hegria Year starting from 01/06/1434 H. (corresponding to 11/04/2013G) The contract was renewed on the same terms and value from 01/06/1435 H. (corresponding to 01/04/2014G). and expiring on 01/06/1436 H. (corresponding to 21/03/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 40,000 forty Thousand Saudi Riyals
9	03/05/1435 H, corresponding to 04/03/2014G	Jeddah - Marwah - MVPI. (Exhibition)	Walid Hassan Mohamed Obouhsin	1 Hegria Year starting from 01/06/1434 H. (corresponding to 11/04/2013G) The contract was renewed on the same terms and value from 01/06/1435 H. (corresponding to 01/04/2014G). and expiring on 01/06/1436 H. (corresponding to 21/03/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 35,000 Thirty- five Thousand Saudi Riyals
10	03/05/1435 H corresponding to 04/03/2014G	Jeddah - Al Jawhara District Exhibitions District (Exhibition)	Abdullah Ayed Al- Otaibi	1 Hegria Years starting from 01/06/1435 H. (corresponding to 01/04/2014G) and expiring on 30/05/1436 H. (corresponding to 21/03/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 50,000 fifty Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
11	08/08/1434 H corresponding to 17/06/2013G	Badr - Public Services District (Exhibition)	Badr Mohammed Saleh Rehaily	3 Hegria Years starting from 01/09/1434 H. (corresponding to 08/07/2013G) and expiring on 29/08/1437 H. (corresponding to 05/06/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 15,000 fifteen Thousand Saudi Riyals
12	15/08/1434 H corresponding to 24/06/2013G	Yanbu - Hawraa District (Exhibition)	Talal Massad Juhani	3 Hegria Years starting from 01/09/1434 H. (corresponding to 08/07/2013G) and expiring on 29/08/1437 H. (corresponding to 05/06/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 45,000 Forty-five Thousand Saudi Riyals
13	10/07/1434 H corresponding to 20/05/2013G	Medina - Ring District (Exhibition)	Nora Ali Soukan al-Zahrani	3 Hegria Years starting from 01/08/1434 H. (corresponding to 09/06/2013G) and expiring on 30/07/1437 H. (corresponding to 07/05/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 70,000 seventy Thousand Saudi Riyals
14	03/01/1436 H corresponding to 27/10/2014G	Medina - King Abdulaziz Street next to the Traffic Department (Exhibition)	Mohammed Jamil Yacoub Afifi	3 Hegria Years starting from 01/01/1436 H. (corresponding to 24/10/2014G) and expiring on 29/12/1438 H. (corresponding to 20/09/2017G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 100,000 One hundred Thousand Saudi Riyals
15	22/02/1435 H corresponding to 23/12/2013G	Taif - Qaya District (Exhibition)	Nayef Saad Manea Harthy	3 Hegria Years starting from 01/03/1435 H. (corresponding to 02/01/2014G) and expiring on 29/02/1438 H. (corresponding to 29/11/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 35,000 Thirty-five Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
16	17/07/1434 H corresponding to 27/05/2013G	Taif - Nasim District - Opposite to Traffic Department (Exhibition)	Mohammed Ali Al-Ghamdi	3 Hegria Years starting from 01/07/1434 H. (corresponding to 10/05/2013G) and expiring on 29/06/1438 H. (corresponding to 27/03/2017G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 35,000 Thirty-five Thousand Saudi Riyals
17	19/11/1432 H corresponding to 17/10/2011G	Taif - Exhibition Road (Exhibition)	Ahmed Basheet Sifana	2 Hegria Years starting from 01/12/1423 H. (corresponding to 29/10/2011G) The contract was renewed on the same terms and value from 01/12/1435 H. (corresponding to 25/09/2014G). and expiring on 29/11/1436 H. (corresponding to 13/09/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 35,000 Thirty-five Thousand Saudi Riyals
18	19/04/1430 H corresponding to 15/04/2009G	* Company Head Office, Jeddah - Prince Mohammed Bin Abdulaziz street Bin Hamran Center - fifth floor - Offices (506A and 505 A) (Office)	Ali Hussein Bin Hamran	2 Hegria Years starting from 01/05/1430 H. (corresponding to 01/01/2009G) The contract was renewed on the same terms and value from 01/05/1435 H. (corresponding to 02/03/2014G). and expiring on 30/04/1436 H. (corresponding to 19/02/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 303.450 three hundred three thousand, four hundred fifty Saudi Riyals
19	15/03/1429 H corresponding to 23/03/2008G	Jeddah - Prince Mohammad Bin Abdulaziz Street Bin Hamran Center - Second Floor - Office No. (210 A) (Office)	Ali Hussein Bin Hamran	1 Hegria Year starting from 15/03/1429 H. (corresponding to 22/03/2008G) The contract was renewed on the same terms and value from 15/03/1435 H. (corresponding to 16/01/2014G). and expiring on 14/03/1436 H. (corresponding to 05/01/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior expiry of contract term	SAR 183.750 one hundred eighty-three thousand seven hundred fifty Riyals
20	08/08/1434 H corresponding to 17/06/2013G	Qunfudah - Alnaamieh District (Exhibition)	Dhafer Hadi Rafidi	3 Hegria Years starting from 01/09/1434 H. (corresponding to 09/07/2013G) and expiring on 30/08/1437 H. (corresponding to 06/06/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 24,000 Twenty-four Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
Southern Region					
21	25/05/1433 H corresponding to 17/04/2012G	Abha - Hezam Street (Exhibition)	Nasser Ali Yaen Allah	3 Hegria Years starting from 01/06/1433 H. (corresponding to 22/04/2012G) and expiring on 30/05/1436 H. (corresponding to 21/03/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 15,000 fifteen Thousand Saudi Riyals
22	20/09/1434 H corresponding to 28/07/2013G	Namas – Bani Mashhoor District (Exhibition)	Sultan Mohammed Al-Shery	3 Hegria Years starting from 01/10/1434 H. (corresponding to 08/08/2013G) and expiring on 30/09/1437 H. (corresponding to 05/07/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 30,000 thirty Thousand Saudi Riyals
23	22/02/1434 H corresponding to 04/01/2013G	Ohd Rafidah - Maragha District (Exhibition)	Saad Salman Nasser Ghouri	3 Hegria Years starting from 01/03/1435 H. (corresponding to 02/01/2014G) and expiring on 30/02/1438 H. (corresponding to 30/11/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 20,000 twenty Thousand Saudi Riyals
24	03/05/1435 H corresponding to 04/03/2014G	Najran- Salman Al-Farisy Street (Exhibition)	Ali Salem dafier Al-Sqour	3 Hegria Years starting from 01/06/1435 H. (corresponding to 01/04/2014G) and expiring on 30/05/1438 H. (corresponding to 27/02/2017G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior expiry of contract term	SAR 30,000 thirty Thousand Saudi Riyals
25	06/03/1433 H corresponding to 29/01/2012G	Gizan- Prince Sultan Street (Exhibition)	Shefa Abdullah Abdulrahman Basqr	3 Hegria Years starting from 12/03/1433 H. (corresponding to 04/02/2012G) and expiring on 11/03/1436 H. (corresponding to 02/01/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 18,000 eighteen Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
26	01/03/1434 H corresponding to 13/01/2013G	Bisha (new plan) - the Northern Ring Street (Exhibition)	Zafer Mohammed Hussein al-Dossari	3 Hegria Years starting from 01/03/1434 H. (corresponding to 13/01/2013G) and expiring on 30/02/1437 H. (corresponding to 12/12/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 27,000, twenty-seven Thousand Saudi Riyals
27	19/06/1434 H corresponding to 29/04/2013G	Gizan- Prince Sultan Street (Exhibition)	Shefa Abdullah Abdulrahman Basqr	3 Hegria Years starting from 01/07/1434 H. (corresponding to 11/05/2013G) and expiring on 30/06/1437 H. (corresponding to 08/04/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 18,000 eighteen Thousand Saudi Riyals
28	12/03/1433 H corresponding to 04/02/2012G	Khamis Mushayt - Gharawi District (Exhibition)	Khaled Majel Mohammed al-Qahtani Mdjal	3 Hegria Years starting from 19/03/1433 H. (corresponding to 11/02/2012G) and expiring on 18/03/1436 H. (corresponding to 09/01/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 20,000 twenty Thousand Saudi Riyals
29	26/11/1432 H corresponding to 24/10/2011G	Khamis Mushayt - Tariq Bin Ziyad Street (Exhibition)	Said Ali Said Qassim al-Qahtani	5 Hegria Years starting from 01/01/1433 H. (corresponding to 26/11/2011G) and expiring on 30/12/1437 H. (corresponding to 01/10/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior expiry of contract term	SAR 18,000 eighteen Thousand Saudi Riyals
30	26/12/1433 H corresponding to 11/11/2012G	Samtah Region opposite to the Traffic Department (Exhibition)	Faisal Mohammed Yahya Zlalh	3 Hegria Years starting from 01/01/1434 H. (corresponding to 15/11/2012G) and expiring on 30/12/1436 H. (corresponding to 13/10/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 24,000 Twenty-four Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
31	26/12/1433 H corresponding to 11/11/2012G	Sabya Region - Salhabah District - Faisal Street - next to the Traffic Department (Exhibition)	Issa Mohsen Mohammed Nasser al-Hazmi	3 Hegria Years starting from 01/01/1434 H. (corresponding to 15/11/2012G) and expiring on 30/12/1436 H. (corresponding to 13/10/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 24,000 Twenty-four Thousand Saudi Riyals
32	24/04/1434 H corresponding to 06/03/2013G	Mahayel Asir - Hezam District – Traffic Department Street (Exhibition)	Hassan Hussein Al-Sadah	1 Hegria Year starting from 01/05/1434 H. (corresponding to 13/03/2013G) The contract was renewed on the same terms and value from 01/05/1435 H. (corresponding to 02/03/2014G). and expiring on 30/04/1436 H. (corresponding to 19/02/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 19,200 nineteen Thousand Two Hundred Saudi Riyals
33	01/12/1433 H corresponding to 17/10/2012G	Najran - Al Faisaliah District – Traffic Department Street (Exhibition)	Hassan Hamad Mohammed Al Khalifa Yami	5 Hegria Years starting from 01/01/1434 H. (corresponding to 15/11/2012G) and expiring on 30/12/1438 H. (corresponding to 21/09/2017G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 25,000 Twenty-five Thousand Saudi Riyals
34	15/09/1434 H corresponding to 23/07/2013G	Baha - Dhofair District (Exhibition)	Saeed Ahmed Saeed Al-Ghamdi	3 Hegria Years starting from 01/10/1434 H. (corresponding to 08/08/2013G) and expiring on 30/09/1437 H. (corresponding to 06/07/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term.	SAR 45,000 Forty-five Thousand Saudi Riyals
35	06/11/1434 H, corresponding to 12/09/2013G	Baha - Al-Hawiyah District (Exhibition)	Ahmed Mohammed Mosfer Al-Ghamdi	3 Hegria Years starting from 20/11/1434 H. (corresponding to 26/09/2013G) and expiring on 19/11/1437 H. (corresponding to 22/08/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 20,000 twenty Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
36	14/04/1432 H corresponding to 19/03/2011G	Bawadi - Al-Sitteen Street Amrin Commercial Centre (Office)	Saeed Ahmed Houeiss al-Ghamdi	3 Hegria Year starting from 01/07/1432 H. (corresponding to 03/06/2011G) The contract was renewed on the same terms and value from 01/07/1435 H. (corresponding to 30/04/2014G). and expiring on 30/06/1436 H. (corresponding to 19/04/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	180,000 SAR One Hundred Eighty Thous Saudi Riyals
Northern Region					
37	18/06/1433 H corresponding to 09/05/2012G	Tabuk - Exhibition Road (Exhibition)	Bassam Abdullah Sharari	2 Hegria Years starting from 01/07/1433 H. (corresponding to 21/05/2012G) The contract was renewed on the same terms and value from 01/07/1435 H. (corresponding to 30/04/2014G). and expiring on 30/06/1436 H. (corresponding to 18/04/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 21,600 one hundred and eighty Thousand Saudi Riyals
38	20/04/1435 H corresponding to 20/02/2014G	Tabuk, Ali Bin Abi Talib street (Exhibition)	Ali Howaidy Salem Al-Otaibi	3 Hegria Years starting from 01/05/1435 H. (corresponding to 02/03/2014G) and expiring on 29/04/1438 H. (corresponding to 27/01/2017G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 40,000 forty Thousand Saudi Riyals
39	18/05/1435 H corresponding to 18/02/2014G	Araar - Prince Sultan Street (Exhibition)	Alberman Foundation	3 Hegria Years starting from 01/05/1435 H. (corresponding to 06/03/2014G) and expiring on 29/04/1436 H. (corresponding to 17/02/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 20,000 twenty Thousand Saudi Riyals
40	25/05/1433 H corresponding to 16/04/2012G	Qurayyat – Traffic Department Street (Exhibition)	Saleh Sudi Madhan Al-Balawi	3 Hegria Years starting from 01/06/1433 H. (corresponding to 22/04/2012G) and expiring on 30/05/1436 H. (corresponding to 20/03/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior expiry of contract term	SAR 14,400 fourteen thousand four hundred Thousand Saudi Riyals
Central Region					

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
41	08/05/1433 H corresponding to 20/03/2013G	Onaizah, King Abdulaziz Road (Exhibition)	Mohammed Ali Ali Al Amimi	2 Hegria Years starting from 01/06/1434 H. (corresponding to 11/04/2013G) and expiring on 29/05/1436 H. (corresponding to 20/03/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR (10,000) ten Thousand Saudi Riyals
42	22/02/1435 H corresponding to 23/12/2013G	Wadi Al Dawasir - Al-Hazm District (Exhibition)	Munir Salem Nasser al-Dossari	3 Hegria Years starting from 01/03/1435 H. (corresponding to 02/01/2014G) and expiring on 29/12/1438 H. (corresponding to 20/09/2017G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR (15,000) fifteen Thousand Saudi Riyals
43	27/04/1434 H corresponding to 09/03/2013G	Rass - Shefa District, Traffic Department Street (Exhibition)	Abdullah Ibrahim Mohammed Al-Sekhan	3 Hegria Years starting from 01/05/1434 H. (corresponding to 12/03/2013G) and expiring on 29/04/1437 H. (corresponding to 08/02/2016G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 30,000 thirty Thousand Saudi Riyals
44	27/04/1434 H corresponding to 09/03/2013G	Buraidah - Safrah District Traffic Department Street (Exhibition)	Qasim Habib Kthren Al-Onizie	2 Hegria Years starting from 01/05/1434 H. (corresponding to 12/03/2013G) and expiring on 29/04/1436 H. (corresponding to 18/02/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 35,000 Thirty-five Thousand Saudi Riyals
45	08/08/1434 H corresponding to 17/06/2013G	Buraidah - Hubib District (Exhibition)	Khalid Ahmed Aboudi	5 Hegria Years starting from 01/09/1434 H. (corresponding to 08/07/2013G) and expiring on 29/08/1439 H. (corresponding to 14/05/2018G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 28,000 Twenty-eight Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
46	01/07/1429 H corresponding to 05/07/2008G	Qassim - Buraidah - Al-Mojama (Office)	Saleh Mohammed Abdullah Al-Fawzan	1 Hegria Year starting from 01/07/1429 H. (corresponding to 05/07/2008G) The contract was renewed on the same terms and value from 01/07/1435 H. (corresponding to 30/04/2014G). and expiring on 30/06/1436 H. (corresponding to 18/04/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 35,000 thirty-five Thousand Saudi Riyals
47	06/11/1432 H corresponding to 04/10/2011G	Riyadh – Farouq District- Eastern Ring (Office)	Hamzat waseat for Real Estate	5 Hegria Years starting from 01/02/1433 H. (corresponding to 01/12/2011G) and expiring on 01/02/1438 corresponding to 01/1/2016 The contract was renewed on the same terms and value from 09/02/1436 H. (corresponding to 01/12/2014G). and expiring on 30/06/1436 H. (corresponding to 18/04/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 250,000 two hundred and fifty Thousand Saudi Riyals
48	01/09/1434 H corresponding to 08/07/2013G	Riyadh - The exhibition - Al-Morabaa - King Fahd Road (Exhibition)	Princess Jawhara Saad bin Abdulaziz Al Saud	1 Hegria Year starting from 01/09/1434 H. (corresponding to 08/07/2013G) The contract was renewed on the same terms and value from 01/07/1435 H. (corresponding to 30/04/2014G). and expiring on 30/06/1436 H. (corresponding to 18/04/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 120.000 one hundred and twenty thousand riyals
49	30/02/1435 H corresponding to 02/01/2014G	Al Housh, Khedira Road, West King Abdullah Road near Rashoudi Industrial Area (Housh)	Jama Snaitan Muhalhal Al-Harbi.	3 Gregorian Years starting from 29/02/1435 H. (corresponding to 01/01/2014G) and expiring on 13/04/1439 H. (corresponding to 31/12/2017G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 25,000 twenty-five Thousand Saudi Riyals

Sr.	Date of Signature	Location	Lessor	Term	Annual rent value (SAR)
50	01/03/1431 H corresponding to 15/02/2010G	Riyadh Al-Sitteen Street - Platinum Center. (Office)	Ali bin Abdulrahman Al Barghash	3 Gregorian Years starting from 30/03/1431 H. (corresponding to 15/03/2010G) The contract was renewed on the same terms and value from 21/11/1435 H. (corresponding to 25/09/2014G). and expiring on 24/05/1436 H. (corresponding to 14/03/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 98,800 Ninety-eight thousand, eight hundred Thousand Saudi Riyals
Eastern Region					
51	07/05/1434 H corresponding to 19/03/2013G	Hafr Al-Batin - Mohammediyah District (Exhibition)	Talal Hazal Deguem Al-Mutairi	2 Hegria Years starting from 01/06/1434 H. (corresponding to 11/04/2013G) and expiring on 30/05/1436 H. (corresponding to 21/03/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 30,000 Thirty Thousand Saudi Riyals
52	06/10/1433 H corresponding to 22/08/2012G	Khobar - King Faisal Street (Office)	Abdulaziz Abdullah Al-Mousa	3 Gregorian Years starting from 18/01/1434 H. (corresponding to 01/12/2012G) and expiring on 18/02/1437 H. (corresponding to 30/11/2015G). Automatically renewable unless either party has otherwise informed the other party of his intention not to renew the contract three months prior to the expiry of contract term	SAR 151,500 One Hundred Fifty One Thousand Five Hundred Saudi Riyals

15-5 Capital Structure:

The Company's share capital is One Hundred Million Saudi Riyals (SAR 100,000,000) comprising ten Million (10,000,000) shares with a nominal value of SAR 10 per share, all of which are ordinary shares and represent the Company's capital at incorporation. The Founding Shareholder have subscribed to (6,000,000) shares representing 60% of the total shares, and they paid up their value in full. The subscription proceeds have been paid in a special account maintained in the Company's name with a Saudi bank. The remaining shares of (4,000,000) representing 40% of the capital were offered for public subscription.

15-6 Directors of the Board

On 17/06/2013G, the (fourth) Annual General Meeting selected the following prsons as directors of the Board for the third term for 3 years commencing from 01/06/2013G.

Table (14-6): Details of Board membership:

S/N	Name	Role	National-ity	Classification	Representation/ Representative Name	Held shares	
						Directly	Indirectly
1	Dr. Saleh Jameel Malaikah	Chairman	KSA	Non-Executive/ Non-Independent	-	200,000	-
2	Rashid Abdullah Al Suwaiket	Member	KSA	Non-Executive/ Independent	-	200,000	-

S/N	Name	Role	Nationality	Classification	Representation/ Representative Name	Held shares	
						Directly	Indirectly
3	Hussein Hassan Biyri	Member	KSA	Non-Executive/ Independent	-	200,000	-
4	AbdulAziz Abdullatif Jazar	Member	KSA	Non-Executive/ Independent	-	1,000	-
5	Tarek Abdullah Garawi	Member	KSA	Non-Executive/ Independent	-	1,000	-
6	Luai Hamza Basrawi ***	Member	KSA	Non-Executive/ Independent	-	-	-
7	Marwan Ahmed AlGhrai***	Member	UAE	Non-Executive/ Independent	-	-	-

* Abdulraouf Sulaiman Banajah tendered his resignation with effect from 19/08/2013G

** Faisal Mustafa Al-Kurdi tendered his resignation with effect from 08/09/2014G

*** The Company obtained SAMA approval (letter No. 36100051772) dated 07/04/1436H (27/01/2015G) to appoint each of Mr. Marwan Ahmed Al-Ghrai and Mr. Luai Hamza Basrawi directors of the Board, and such appointment has been announced on Tadawul site. The Board passed its resolution by circulation No. TM2015/1 dated 07/04/1436H (27/01/2015G) appointing them directors of the Board. The Board's approval is not final, and this appointment will be presented to the first General Meeting for their endorsement by 30/06/2015G).

As per Corporate Governance Regulations, an independent and Non-Executive director is defined as follows:

(a) Independent Director:

Independent Member: A member of the Board of Directors who enjoys complete independence. By way of example, the following shall constitute a full infringement of such independence as per CMA resolution No. 1-10-1010 dated 30/03/1431H (16/03/2010G):

1. He/she holds a five per cent or more of the issued shares of the company or any of its group.
2. Being a representative of a legal person that holds a five per cent or more of the issued shares of the company or any of its group.
3. He/she, during the preceding two years, has been a senior executive of the company or of any other company within that company's group.
4. He/she is a first-degree relative of any board member of the company or of any other company within that company's group.
5. He/she is first-degree relative of any of senior executives of the company or of any other company within that company's group.
6. He/she is a board member of any company within the group of the company which he is nominated to be a member of its board.
7. If he/she, during the preceding two years, has been an employee with an affiliate of the company or an affiliate of any company of its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, had a controlling interest in any such party.

Thus, it is apparent that the member who is not independent is the member upon who any of the above cases apply.

(b) Non-Executive Director:

Is a member of the Board of Directors who does not have a full-time management position at the company, or who does not receive monthly or yearly salary.

With regard to the formation of the Board as provided for in items (c & e) of Article 12 of the Corporate Governance Regulations, the majority of directors of the Board must be non-executives and that the independent members of the Board of Directors shall not be less than two members, or one-third of the members, whichever is greater depending on the total number of directors. The Company has complied with the provisions of this Article as the majority of the Company's Board directors are non-executives, In addition to 4 independent directors.

A member of the Board of Directors must own a number of shares whose value shall not be less than SAR 10 thousand. These shares shall, within 30 days from the date of appointment of a member, be deposited in one of the banks designated by the Minister of Commerce. They shall be set aside as a guarantee for members' liability, and shall remain non-negotiable until the lapse of the period specified for hearing the action in liability provided for in Article (77), or until a decision has been rendered on such action. If the member fails to submit such guarantee shares within the specified period, he shall forfeit his membership. The auditor must ascertain compliance with the provisions of this Article, and must mention in his report submitted to the General Assembly any violation in this respect.

It appears from the letter of TADAWUL No. (Kh A E-S13-5843 dated 20/05/1434H (01/04/2013G) regarding the blockage of board membership guarantee shares that the Company is compliant with the provisions of Article 68 of the Companies Regulations in respect of Guarantee shares. Except for Dr. Saleh Jameel Al Malaika, Mr. Saleh Abdullah Al-Suwaiket and Mr. Hussein Hassan Biari who allotted the required number of shares from their direct shares held in the Company as

membership guarantee, the remaining directors of the Board had their membership guarantee shares allotted by two constituent shareholders, namely:

- Al Malaz group Company provided 1000 shares for a value of SAR 10,000 from its portfolio to guarantee the membership of its representative at the Board, Mr. Abdul-Aziz Jazar.
- Islamic Arab Insurance Company (IAIC) provided 3000 shares valued at SAR 30,000 from its portfolio to guarantee the membership of its representatives at the Board: Mr. Abdul Raouf Suliman Bagah (resigned), Mr. Tareq Abdullah Qarawi and Mr. Faisal Mustafa Al-Kurdi (resigned).

In addition, based on Article 6 of Cooperative Insurance Companies Control Law and Article 27 of its Implementing Rules, the Company must obtain SAMA approval for nomination for the board directorship. The Company obtained SAMA approval on the appointment of the present directors for the third term for a period of 3 years as per SAMA No-Objection letter No. 341000076889 dated 20/06/1434H (30/04/2013G).

According to Article (21) of the By-Laws, the Board shall be convened in the head office of the Company in response to an invitation by its chairman and whenever requested to convene by two directors. The invitation must be documented in a way specified by the Board. The Board may meet outside the Company's premises, provided that it shall meet at least four (4) times a fiscal year. However, the interval between the meetings may not exceed four months. Based on the Company's Board of Directors meeting minutes for the years of 2011, 2012 and 2013G, the Company is in compliance with its By-Laws.

Table (14-7): No of Board Meetings for the years 2011, 2012, 2013 and 2014G

Administrative Entity	2011	2012	2013	2014	2015
Board of Directors	5 meetings	5 meetings	4 meetings	5 meetings	1 meeting as of February as of 31/12/2014G

Source: Company

15-7 Summary of Major Contracts:

15-7-1 Insurance Brokerage Agreements:

The Company concluded a number of non-exclusive insurance brokerage agreements with Insurance brokerage Companies in order to attract customers and facilitate the sale of the Company insurance products to individuals, companies and other bodies. Insurance brokers are entitled to a commission as per the percentage provided for in the Insurance Agents and Brokers Rules, which ranges between 8%-15% depending on insurance type/product being sold. Commissions will be charged on the basis of premiums only, and no commission for expenses will be charged. The Company adopted a standard contract signed with all companies which states the terms and liabilities forming the framework of relationship among the parties. Total premiums underwritten by brokers contribution amounted to SAR 19,913,000 constituting more than 7.8% of the gross written premiums for the nine month period up to 30/09/2014G, which amount is not considered significant.

The following is a list of insurance brokerage agreements concluded by the Company:

1. Non-exclusive insurance brokerage agreement with FAL Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 06/01/1435H (01/04/2014G).
2. Non-exclusive insurance brokerage agreement with Daman Insurance Brokers Company. This agreement is open-ended and commences from 06/01/1435H (01/04/2014G).
3. Non-exclusive insurance brokerage agreement with Mariana Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 29/04/1435H (01/03/2014G).
4. Non-exclusive insurance brokerage agreement with National Green Shield Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 23/06/1435H (23/04/2014G).
5. Non-exclusive insurance brokerage agreement with Golden Nouran Insurance Brokerage Company. This agreement is open-ended and commences from 20/06/1435H (20/04/2014G).
6. Non-exclusive insurance Brokerage agreement with Saudi UIB Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 20/07/1435H (19/05/2014G).
7. Non-exclusive insurance brokerage agreement with The Saudi General Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 27/12/1435H (25/11/2014G).
8. Non-exclusive insurance brokerage agreement with The Saudi International Insurance Brokerage Company. This agreement is open-ended and commences from 04/05/1435H (05/03/2014G).
9. Non-exclusive insurance brokerage agreement with The Mamoun Overseas Insurance Brokerage Company. This agreement is open-ended and commences from 20/06/1435H (20/04/2014G).
10. Non-exclusive insurance brokerage agreement with The Green Policy Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 23/06/1435H (23/04/2014G).
11. Non-exclusive insurance brokerage agreement with The National Insurance Brokerage Company. This agreement is open-ended and commences from 17/01/1435H (20/11/2013G).
12. Non-exclusive insurance brokerage agreement with Yasser Mohammed Ahmed Bugshan Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 11/11/1433H (15/09/2012G).

13. Non-exclusive insurance brokerage agreement with Insurance House Company For Insurance and Re-Insurance Brokerage. This agreement is open-ended and commences from 06/01/1435H (01/04/2014G).
14. Non-exclusive insurance brokerage agreement with Tawakul Insurance Brokerage Company. This agreement is open-ended and commences from 29/04/1435H (01/03/2014G).
15. Non-exclusive insurance brokerage agreement with International Insurance Brokerage Solutions Company. This agreement is open-ended and commences from 29/04/1435H (01/03/2014G).
16. Non-exclusive insurance brokerage agreement with Perils Protection Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 06/01/1435H (01/04/2014G).
17. Non-exclusive insurance brokerage agreement with Deraya Insurance Brokerage Company. This agreement is open-ended and commences from 18/01/1434H (01/12/2012G).
18. Non-exclusive insurance brokerage agreement with Broker Vision Insurance Brokerage Company. This agreement is open-ended and commences from 23/12/1434H (27/10/2013G).
19. Non-exclusive insurance brokerage agreement with Gulf Cover Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 08/01/1434H (21/11/2012G).
20. Non-exclusive insurance brokerage agreement with Daam Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 04/05/1435H (05/03/2014G).
21. Non-exclusive insurance brokerage agreement with Dar Miara Insurance Brokerage Company. This agreement is open-ended and commences from 24/04/1435H (24/02/2014G).
22. Non-exclusive insurance brokerage agreement with Future Vision Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 20/07/1435H (19/05/2014G).
23. Non-exclusive insurance brokerage agreement with Arkan Insurance Brokerage Company. This agreement is open-ended and commences from 23/06/1435H (23/04/2014G).
24. Non-exclusive insurance brokerage agreement with Esnad Insurance and Re-Insurance Brokerage Company. This agreement is open-ended and commences from 21/01/1435H (24/11/2013G).
25. Non-exclusive insurance brokerage agreement with Excellence Insurance Broker Company. This agreement is open-ended and commences from 26/01/1435H (29/10/2013G).
26. Non-exclusive insurance brokerage agreement with Al-Thiqa Insurance Brokerage Company. This agreement is open-ended and commences from 04/05/1435H (05/03/2014G).
27. Non-exclusive insurance brokerage agreement with Arabian Commercial Services Insurance Brokerage Company. This agreement is open-ended and commences from 28/01/1435H (01/12/2013G).
28. Non-exclusive insurance brokerage agreement with the Gulf Insurance Brokerage Company. This agreement is open-ended and commences from 14/01/1435H (17/11/2013G).

15-7-2 Agency Agreements:

The Company signed two non-exclusive agreements with two professional companies to represent the Company in marketing and selling of insurance policies to its account or on its behalf to individuals and commercial businesses. Insurance agents are entitled to a commission as per the percentage provided for in the Implementing Regulations of Insurance Agents and Brokers, which ranges between 8%-15% depending on insurance type/product being sold. Commissions will be charged on the basis of premiums only, and no commission on expenditures will be paid. Details of the said two insurance agency agreements are as follows:

1. Non-exclusive insurance agency agreement with Eadat Al Tawasul Insurance Agency Company. This agreement is valid for two calendar years commencing from 01/04/1435H (01/02/2014G) to 21/04/1437H (31/01/2016G) renewable for a similar period unless either party has otherwise informed the other party two months at least prior to the expiry of the original or extended agreement. During the course of the agreement, Re-Tawasul Reinsurance Broker Agency Company shall use the logo and trademark of the Company in order to represent it in the marketing and sale of insurance policies to the Company's account and on its behalf to individuals and companies. The Company set the insurance policies to be marketed and the annual objectives of each product:
 - Marketing, Sale, Issuance and Cancellation of mandatory insurance standard policy for motor vehicles. The agent must achieve a sale value of mandatory standard insurance policy for motor vehicles in the amount of SAR 50,000,000 per calendar year.
 - Sale, Issuance and cancellation of cooperative medical insurance. The agent must achieve a sale value of cooperative medical insurance policy in the amount of SAR 20,000,000 per calendar year.

The Company shall pay commissions amounting to 8% of total received value of premiums of sold policies provided payment is made monthly immediately upon completion of settlement of the two parties accounts. Commissions will be charged on the basis of premiums only, and no commission for expenses will be charged

2. Non-exclusive insurance agency agreement with Security Shield Cooperative Insurance Agency Company. This agreement is valid for two calendar years commencing from 27/11/1434H (01/10/2013G) to 17/12/1436H (30/09/2015G) renewable for a similar period unless either party has otherwise informed the other party two months at least prior to the expiry of the original or extended agreement. During the course of the agreement, Security Shield Cooperative Insurance Agency Company shall use the logo and trademark of the Company in order to represent it in the marketing and sale of insurance policies to the Company's account and on its behalf to individuals and companies. The Company set the insurance policies to be marketed and the annual objectives of each product:

- Marketing, Sale, Issuance and Cancellation of mandatory insurance standard policy for motor vehicles. The agent must achieve a sale value of mandatory standard insurance policy for motor vehicles in the amount of SAR 30,000,000 per calendar year.
- Sale, Issuance and cancellation of cooperative medical insurance. The agent must achieve a sale value of cooperative medical insurance policy in the amount of SAR 10,000,000 per calendar year.

The Company shall pay commissions amounting to 8% of total received value of premiums of sold policies provided payment is made monthly immediately upon completion of settlement of the two parties accounts. Commissions will be charged on the basis of premiums only, and no commission for expenses will be charged

15-7-3 Re-Insurance Contracts:

The Company concluded a number of Re-Insurance contracts directly or through Re-Insurance brokers to insure its activities. Such contracts include various exceptions depending on the product re-insured. The following is a list of re-insurance contracts concluded by the company:

1. Reinsurance of war risks contract with the Arabian Fund for reinsurance of risks of wars, strikes, riots and sundry damages. The policy covers reinsurance of the hull and machinery of vessels, against war risks, as assessed in the blanket insurance policy. Payments and/or increase of value, and/or increase of liability, and/or owners of goods, and/or of vessel owners and/or of ships lessees, and the protection and compensation of ship crew. The policy also covers the goods shipped on board from any port or any place in the world to any port or any other place in the world against war and strikes risks which are covered in the company's policies. This contract will be valid from 09/04/1435H (01/07/2014G) and is open-ended until terminated by either party under a prior written notification 3 months prior to the date of annual renew.
2. A contract with Swiss Re for reinsurance of shipping bills of lading underwritten by the Company where the outbound or inbound destination is Saudi Arabia. Where inbound and outbound destination is not Saudi Arabia, coverage will then only be in favor of policy holders who contracted with the Company in the Kingdom of Saudi Arabia. This contract is for 1 year and will be valid from 09/04/1435H (01/07/2014G) to 14/09/1436H (30/06/2015G).
3. A reinsurance contract with Swiss Re for coverage of excess of losses resulting from property insurance. The policy covers: (1) Fire perils (including the policies covering tenants and owners of houses), (2) Damages resulting from natural elements and disasters (thunderbolt, storms, floods, etc..), explosions and related risks, (3) risks, losses and general accidents of properties, (4) losses arising from business interruption, including direct bodily injuries and material damages to properties. This contract is for 1 year and will be valid from 09/04/1435H (01/07/2014G) to 14/09/1436H (30/06/2015G).
4. A reinsurance contract with Swiss Re for coverage of excess of losses resulting from motor vehicles insurance and other liabilities of total company losses. The policy covers excess of losses resulting from: (1) motor insurance – injuries and bodily damages against third parties, (2) motor insurance – losses and material damages to third parties, (3) Motor insurance – Losses and material damages, (4) Motor insurance – personal damages to the insured, (5) Motor insurance – comprehensive liability to third parties, (6) workers compensation, (7) Owners Liabilities, (8) Insurance of liability for products. This contract is for 1 year and will be valid from 09/04/1435H (01/07/2014G) to 14/09/1436H (30/06/2015G).
5. A reinsurance contract with Swiss Re for coverage of excess of losses resulting from engineering insurance. Policy covers excess of losses resulting from: (1) All Contractors Risk Insurance, (2) All Installation risks insurance (3) Equipment breakdown insurance, (4) Electronic equipment insurance (5) Boiler and Pressure Container insurance, (6) Insurance of liability for third party resulting from contractors risks, installation risks and profit loss resulting from equipment breakdown. This contract is valid for 1 year and will commence from 09/04/1435H (01/07/2014G) to 14/09/1436H (30/06/2015G).
6. A reinsurance contract through a broker, Shadid Re Insurance Brokerage Company, with Hannover Retakaful BSC. The policy covers excess of medical expenses or medical insurance. The cover includes medical expenses for individuals and groups, insurance of excess medical expenses or medical insurance (accidents and diseases) clinical treatment expenses, laboratory analysis expenses and outpatients expenses based on the criteria and requirements of the Council of Cooperative Health Insurance. This contract is for 1 year and will be valid from 29/02/1435H (01/01/2014G) to 20/03/1437H (31/12/2015G).
7. Reinsurance contracts, through a broker, Saudi Marsh Insurance Brokerage and Re-Insurance Company, with Hannover Retakaful BSC (rated A+), (2) ACR-Asia Apital Re-Insurance Company – Bahrain (rated A-), Gulf Re (rated A-), (4) Trust Re (rated A-), and (5) Sirius (rated A-). The objective of these contracts is to cover the excess of losses resulting from disasters. The cover includes insurance of properties, particularly (1) fire perils (including the policies covering tenants and owners of the buildings), (2) the damages resulting from natural elements and disasters (thunderbolts, storms, floods, etc..), (3) explosions and related perils, (4) risks, losses and general accidents to which properties may be subject to, (5) losses arising from business interruption including direct bodily injuries and material damages to properties. It also covers engineering insurance (1) All Contractors Risk Insurance, (2) All Installation risks insurance (3) Equipment breakdown insurance, (4) Electronic equipment insurance (5) Contractors buildings, machinery and equipment, (6) Boiler and Pressure Container insurance, (7) Insurance of liability for third party resulting from contractors risks, installation risks and profit loss resulting from equipment breakdown. In addition, the policy covers Re-insurance of maritime shipping where the outbound or inbound destination is Saudi Arabia. Where inbound and outbound destination is not Saudi Arabia, coverage will then only be in favor of

policyholders who contracted with the Company in the Kingdom of Saudi Arabia. This contract is for 1 year and will be valid from 09/04/1435H (01/07/2014G) to 14/09/1436H (30/06/2015G).

8. Reinsurance contracts, through a broker, Saudi Marsh Insurance Brokerage and Re-Insurance Company, with the following Re-Insurance companies: (1) Hannover Retakaful BSC (rated A+), (2) ACR-Asia Apital Re-Insurance Company – Bahrain (rated A-), Gulf Re (rated A-), (4) Trust Re (rated A-), (5) Sirius (rated A-) and Scor Paris (rated A+). The objective of these contracts is to cover the excess of losses resulting from The Company's insurance products. The cover includes (1) fire perils (including the policies covering tenants and owners of the buildings), (2) the damages resulting from natural elements and disasters (thunderbolts, storms, floods, etc.), (3) explosions and related perils, (4) risks, losses and general accidents to which properties may be subject, (5) losses arising from business interruption including direct bodily injuries and material damages to properties. It also covers engineering insurance (1) All Contractors Risk Insurance, (2) All Installation risks insurance (3) Equipment breakdown insurance, (4) Electronic equipment insurance (5) Contractors buildings, machinery and equipment, (6) Boiler and Pressure Container insurance, (7) Insurance of liability for third party resulting from contractors risks, installation risks and profit loss resulting from equipment breakdown. In addition, the policy covers insurance of accidents (1) funds in the safe, (2) cash transportation, (3) Fidelity insurance, personal accidents (individuals and groups and banks businesses). The policy covers addition of maritime shipping re-insurance underwritten by the company where the outbound or inbound destination is Saudi Arabia. Where inbound and outbound destination is not Saudi Arabia, coverage will then only be in favor of policy holders who contracted with the company in the Kingdom of Saudi Arabia; insurance of ships and equipment in GCC countries. This contract is for 1 year and will be valid from 09/04/1435H (01/07/2014G) to 14/09/1436H (30/06/2015G).

15-7-4 Contracts and transactions with related parties:

As of 31/12/2014G, value of total contracts and transactions made with some of the Board directors and with the Islamic Arabian Insurance Company, a UAE company, amounted to SAR 133,106,965 as follows:

Family Takaful Contract with Islamic Arabian Insurance Company:

On 24/11/1434H (28/09/2013G), the company concluded a Family Takaful Insurance Contract (life insurance) with the Islamic Arabian Insurance Company to cover its staff members in the Kingdom. The annual contribution amounts to AED 56,965 (SAR 58,166). Policy covers compensation for death resulting from accidents and permanent full disability due to accidents or diseases and permanent partial disability resulting from accidents or diseases. The policy also covers any person working with the policy holder and listed in the recent records who did not exceed the age of 65 upon joining the insurance cover. The Company covered 169 staff members. The Geographical scope of this policy covers all parts of the world. All dates and periods referred to in this policy are based on the Gregorian calendar, and therefore, the validity if this agreement is one Gregorian year and was extended to 15/10/1436H (31/07/2015G).

In addition to the above contract, the Company concluded a number of contracts with related parties as follows:

1. General and Admin. expenses paid directly to the Islamic Arabian Insurance Company which owns 30% of the capital, amounting as of 31/12/2014G to SAR 6,758,000.
2. Insurance Contracts with Dr. Saleh Malaika (Chairman) who also holds 2% of the capital, which amounted as of 31/12/2014G to SAR 91,000 out of which SAR 76,000 has been paid and the remaining balance is SAR 15,000.
3. Insurance Contracts with Taajeer Finance Company which value SAR 125,382,000 as of 31/12/2014G, out of which an amount off SAR 102,535,000 has been paid, and the remaining balance amounts to SAR 22,847,000. Dr. Saleh Al-Malaika (Chairman) holds 9% and Mr. Rashid Abdullah Al-Suwaiket (Board member) holds 5% of the Taajeer Finance Company.
4. Insurance contracts with Technology Establishment, held by Dr. Saleh Al-malaika (Chairman) which value SAR 248,000 as of 31/12/2014G, out of which SAR 242,000 was paid, and the remaining value amounts to SAR 6,000.
5. Insurance Contracts with Rusd International Company which value SAR 571,000 as of 31/12/2014G, out of which an amount of SAR 543,000 has been paid, and the remaining balance amounts to SAR 28,000. Dr. Saleh Al-Malaika (Chairman) holds 100% of the capital of Rusd International Company.

Table (15-1): Related Parties Contracts

Related Party	Type of Transaction	Total Contracts	Balance as of 28/2/2015G
Islamic Arab Insurance Company (IAIC)	Family Takaful Insurance Contract	56,965	-
Islamic Arab Insurance Company (IAIC)	Overheads paid directly on behalf of the Company	6,758,000	6,758,000
Dr. Saleh Malaikah (Chairman)	Insurance Contracts	91,000	15,000
Taageer Finance	Insurance Contracts	125,382,000	22,847,000
Altaknyia Establishment	Insurance Contracts	248,000	6,000
Rasad International Company	Insurance Contracts	571,000	28,000
Total		133,106,965	29,654,000

It is evident from the fifth meeting of the general assembly held on 12/07/1435H (11/05/2014G) that voting on the above said contracts took place without participation of the present related parties who have interests in those contracts. The company certifies that other board directors or their relatives do not have any direct or indirect interest in the company. Furthermore, no contracts were made with any other related parties, including the issuance of insurance policies covering their businesses and properties. The Company confirms that a financial examination for businesses and contracts in which any director or any of his relatives holds any direct or indirect interest will be conducted and that this item will be handled in the auditor's financial report. Such contracts were not signed on preferential terms, but at arm's length with those applicable to other customers of the Company without any favoritism.

It appears from the review undertaken of the documents that the Company has abided by Article 47 of the Insurance Market Code of Conduct which does not allow the insurance company to issue or renew an insurance policy to any of its holders or directors of the board or senior managers or executives or related parties unless such parties have paid the related premium in full. Connected Parties mean family members (wives, husbands, children, fathers, mothers, brothers and sisters), and any of the establishments in which a member of the Board holds in excess of 5% of its capital.

Article 49 provides that An insurance policy shall not be issued or renewed for any member of the Board of Directors or executive management, or parties connected therewith, unless any outstanding premiums were paid in full. If a member of the Board of Directors or an executive manager claims compensation under a policy issued to him by the Company, the claim shall be treated according to the procedures contained in the regulations applicable to the claims of other clients without any preferential treatment. The regular controller shall be notified of any compensation paid to any of them. The Company confirms its compliance with the Insurance Implementing Regulations, Bomanies Regulations and Corporate Governance Regulations in respect of the contracts of related parties.

15-7-5 Advisory Contracts:

15-7-5-1 Contract to provide auditing services with Deloitte & Touche Bakr Abul Khair and Co. (Auditors)

On 08/12/1435H (10/06/2014G), the Company signed with Deloitte & Touche Bakr Abul Khair and Co. (Auditors) a contract to provide auditing services for audit and issue of report on the financial statements for the year ending 31/12/2014G and to examine and report on the unaudited quarterly financial statements for the periods ending on 30/07/2014, 30/09/2014G, 31/12/2014 and 31/03/2015G, for a total fee of SAR 190,000. All durations and dates provided for in this contract are based on Gregorian calendar. Therefore, the contract will end upon Deloitte's completion of review and issuance of their report on the financial statements for the quarter ending on 31/03/2015G.

15-7-5-2 Contract for provision of Actuary services with Manar Sigma Financial Advisory Services

On 20/07/1429H (19/05/2014G), the Company signed with Manar Sigma Financial Advisory Services a contract to provide actuary services for a total value of SAR 410,000. The term of the contract is one Gregorian year ending on 01/08/1436H (19/05/2015G). The Company confirms that if this actuary is to be replaced or another actuary appointed to the Company, prior SAMA approval will be sought before appointment of new actuary, as per SAMA requirements.

15-7-5-3 Contract to provide Risk Management and internal audit services with Al Dar Audit Firm:

On 22/11/1429H (20/11/2008G), the Company concluded an Internal Audit and Risk Security contract with Al Dar Firm under which the latter will provide an annual plan to focus on providing risk securities for the covers and scope of work for the year, employment and training of experienced internal auditor to operate under the supervision of the firm, assessment of internal control environment, development of compliance environment, assessment of the extent of solving compliance obstacles, if any, provision of periodical returns to the Company management and Internal Audit Committee regarding internal audit matters and development of a file for small errors which may affect the Company. This is in addition to the provision of a license for Care System against SAR 600,000 excluding the cost of purchase of new version of Care System and the annual license thereof. The cost of the said system and first quarter will amount to SAR 285,000.

This agreement is for one year and will be valid until 20/03/1437H (31/12/2015G). It is automatically renewable unless either party has otherwise advised the other party one month prior to expiry thereof. Both parties shall have the right to terminate the agreement in case of default by any party. In case of failure to pay within 30 days of receipt of invoice, this will be considered a violation of the agreement and therefore the Company will not be able to use its license. This agreement is subject to the rules and regulations of the Kingdom of Saudi Arabia and the Saudi courts shall have jurisdiction over any dispute between the two parties.

The Company confirms that there is no conflict of interests in the appointment of the advisors mentioned in pages (vi) and (vii) hereof since any direct or indirect interest of shareholders or members of senior management of the Company in such consulting companies in Salama might affect the independency of professional opinion required to be provided.

The Company is in compliance with the provisions of Articles 69 and 70 of the Companies Regulations and Article 18 of Corporate Governance in respect of the disclosure by the Board members of any personal interests in the transactions and contracts concluded by the Company and their non-involvement in the voting on the decisions adopted in this regard.

16. Information Technology Contracts:

The Company concluded a number of contracts relating to computer programs (software) and information technology, most important of which are:

16-1 National Computer Company for use of Oracle software:

On 21/11/1432H (18/10/2011G), the Company concluded a licensing agreement No. 5259755 for use of the software of Oracle International Company, a program developer (Programming) with Oracle International Company representative in the Middle East, National Computer Company, Jordan. Last renewal of the agreement was made on 17/01/1437H (30/10/2015G) for an amount of SAR 17,000. Under this agreement, Salama was authorized to use Oracle products (ASF) for 80 users.

16-2 National Computer Company Agreement for maintenance of Oracle Systems:

On 03/07/1435H (08/01/2014G), the Company concluded an agreement for maintenance of Oracle systems with the representative of Oracle International in the Middle East, National Computer Company (Jordan). This agreement was renewed up to 17/01/1437H (30/10/2015G). The price of the maintenance contract amounts to SAR 4,562.

16-3 Information and Records Management Agreement with Info Fort Company:

On 14/08/1431H (25/07/2010G), the Company concluded Information and Records Management agreement with Info Fort Company for management and storage of digital documents to ensure business continuity and flexibility to comprehensive electronic solutions for management of claims and insurance policies. The Company shall request the service from Info Fort and then the cost of such service will be fixed and paid within a maximum of 30 days from the date of each invoice. Each invoice will include the expenses, costs and charges payable by the Company against the service provided. The value of business carried out between the Company and Info Fort for the year 2013G amounted to SAR 37,933. The business between the two parties up to 31/11/2014G amounted to SAR 198,064

All dates and terms in this agreement will be based on the Gregorian calendar, and therefore, the validity of the agreement will be for one Gregorian year which ends on 23/08/1432H (24/07/2011G) and will be automatically renewed for a similar period(s) unless either party has advised the other party of its intention not to renew the agreement by a written notification 60 days at least prior to the end of business between the parties. The agreement shall be subject to the laws and regulations applicable in the Kingdom of Saudi Arabia, and the Saudi courts shall have jurisdiction to view any dispute between the two parties. This agreement is still valid as of the date hereof.

16-4 Licensing agreement for use of "Aman Insurance management System" and "Image Link Document Management System" with the Engineering and Computer Office in Jordan:

On 10/02/2003G (09/12/1432H), the Company concluded with Engineering and Computer Office in Jordan a licensing agreement to use two computer programs, namely: "Aman Insurance Management System" and "Image Link Document Management System" under which the following programs will be used (Aman Basic, Aman Accounting, Aman Re-Insurance, Aman Vehicles, Aman Maritime, Aman FGI, Aman MIS), ("Aman Products") which were developed by the Office and to which it holds full rights. Under this agreement, the Company bought 3 licenses for Aman products, each license is used in 10 branches by 100 users only and 20 licenses for Image Link Document Management System. The price of the contract amounts to USD 321,400. The office provides free warranty for 12 months for its licensed products. The above prices exclude the cost of services (installation, study, amendment, training, soft launch, implementation, transportation, travel costs of the Office staff members, their accommodation and entry permits in KSA). Implementation will commence one month after settlement of first invoice served to the Company. These licenses and rights are not transferable or assignable to any third party. The value of the down payment is USD 160,700 representing 50% of the contract price payable one week after signature of contract: USD 80,350, representing 25% of contract price payable in 3 payments upon delivery of each website for Image Links and an amount of USD 80,350 representing 25% of the contract value payable in 3 payments each upon the delivery of each website of "Aman and Image Link" systems. The validity of this agreement will commence from the signature thereof and receipt of first payment and will end with the end of warranty period. Any dispute between the two parties will be referred to UK courts, and the Jordanian courts shall have Non-exclusive jurisdiction over disputes. This contract is still valid.

17. Insurance Claims Settlement Contracts:

17-1 Insurance Claims Settlement Contract with Saudi Globe Med Company:

On 14/03/1428H (01/04/2007G), the Company concluded an Insurance Claims Settlement Contract with Saudi Globe Med Company. The duration of the contract is three years commencing on 14/03/1428H (01/04/2007G) and is renewable for similar period(s) under a 3-month prior notice from expiry date. This contract is still valid.

Under this contract, Saudi Globe Med Company shall issue the Medical Insurance cards to beneficiaries and provide a network of health service providers and hospitals to the Company, determine the services to be provided and classify same in line with the Company's requirements, issue of approvals or rejections of insurance claims submitted by customers, receipt of invoices and ensure these are in compliance with the Company's tariff and within the coverage limits agreed with each customer. Saudi Globe Med Company also shall give the Company the right to use some of its information technology networks and information programs. It will also provide training services to the Company's staff In addition to technical support services in the field of information within the official work hours in order to handle any fault in the information systems relating to insurance services provided by Saudi Globe Med Company.

The following administrative fees will be paid to Saudi Globe Med Company:

- For the insurance programs valid in the Kingdom of Saudi Arabia:
 - 8% of net Risk Premium of each subscriber belongs to a certain insured group
 - 10% of Net Risk Premium per Insured, individuals and families, and the attachments of the additional submissions.
- For insurance programs valid out of the Kingdom of Saudi Arabia: the two parties when needed may agree on the requirements of Saudi Globe Med to manage the claims relating to such programs and determine the terms and administrative fees relating thereto.

The Company will benefit from certain discounts ranging between 5% and 25% depending on the value of amounts payable to Saudi Globe Med Company.

Saudi Globe Med Company shall issue monthly lists of the value of amounts payable by the Company and which shall be paid within maximum of two weeks from the date it has been informed of such lists.

This contract will be construed in accordance with the laws applicable in the Kingdom of Saudi Arabia, and any disputes will be settled through arbitration.

18. Contracts with service providers:

The Company concluded agreements with a number of service providers, the major of which are listed below:

18-1 Agreement for Document Reception with Express Post:

On 29/12/1435H (03/11/2013G) the Company concluded an agreement for delivery of documents with the Saudi Post under which the Saudi Post will receive the documents relating to motor accident claims submitted by claimants, ensure such documents are complete and tally same against the originals in line with the lists defined by the Company. The service covers all offices, cities and villages set by the Company. The Post Office shall receive the documents from customers and deliver same to the Company against SAR 25 per shipment. The Saudi Post will receive payable amounts from providers of documents. All dates and terms referred to in this agreement shall be in Gregorian Calendar, and therefore, the validity of this agreement is 3 Gregorian years ending on 02/02/1438H (2/11/2016G) and will be automatically renewable for a similar period(s) unless either party has otherwise informed the other party by a 3-month prior written notice of his wish not to renew the contract. This agreement shall be construed in accordance with the laws of the Kingdom of Saudi Arabia, particularly the post office rules and implementing regulations to the extent this does not contradict with the Saudi Insurance Control Law and its Implementing Regulations.

18-2 Comprehensive Support Agreement with Human Resources Development Fund:

On 24/11/1434H (30/09/2013G), the Company concluded a comprehensive support agreement with the Human Resources Development Fund under which the Company will get benefit from the support programs announced by the Fund which are included in the Employment and Training System subject to this agreement. The Fund will provide financial support against placement of the beneficiaries in the support programs agreed in this agreement and the latter of authorization and who are registered in the electronic system and the authorization letter as registered in the Electronic System as well as issue of authorization letters subject to satisfaction of all prerequisites in line with the details entered by the Company in the Electronic System devoted for reception of applications. In consideration of these services, the Company shall sign contracts with the beneficiaries of support programs in line with the form of employment contract adopted by the Fund and which can be obtained online. It also undertakes not to reduce the salary or advantages of the beneficiary of support or end his service after the expiry of support period except as in line with the Labor Law rules. The Company will pay the beneficiary salary in full at the end of each month provided this will not be less than the sum specified in the approval letter subject to regular deductions and then to submit the support payment documents to the Fund for refund. The Company must provide an evidence of the receipt of salary by transferring same to employee bank. Concerned staff shall also be registered with GOSI.

The amount of subsidy will be paid to the Company in accordance with the Gregorian calendar and against employment of beneficiaries registered in the electronic system in line with the subsidization schemes and programs adopted by the Fund. Computation of subsidy amounts will commence in line with the terms and conditions of the Fund from the date of joining by the beneficiary. All periods and dates referred to herein shall be in Gregorian calendar, and therefore, the validity of this contract will be 12 Gregorian months renewable for similar period/s provided the Company shall have updated its information on a yearly basis in the Fund's Electronic System (ETS) and approved renewal of the agreement 30 days prior to the expiry date. This agreement is still valid.

18-3 Cleaning Services Agreement with Saudi Initial Company Ltd.

On 16/08/1434H (25/06/2013G), the Company concluded a cleaning services contract with Saudi Arabian Initial Company Ltd. under which the latter will provide a Tea boy for 9 hours daily (6 days a week) for SAR 3950 per month. Any additional hour will be computed as 1.5 hours. The Company pays due amounts within 15 days of the issue of invoice addressed to the Company. This agreement will expire on 17/11/1436H (31/08/2015G), and the price thereof will be reconsidered upon renewal. This agreement is subject to the rules and regulations of the Kingdom of Saudi Arabia, and the Saudi courts will have jurisdiction over any dispute between the two parties.

18-4 Training Services Agreement with Al-Khaleej Training and Learning Company:

On 26/12/1435H (30/09/2014G), the Company concluded a Training services agreement with Al-Khaleej Training and Learning Company for provision of training courses to the Company's staff members who intend to sit for the IFCE exams. These courses will be offered with effect from November 2014 to November 2015G. Staff will be divided into 5 groups each consisting of 18 persons. The cost per staff will amount to SAR 4,000, and in case the number of trainees exceeds 50, a discount of 50% will be offered on the amount due. The Company has enrolled 92 staff members in these training courses, and therefore the amount payable will be SAR 184,000 considering the offered discount. This agreement shall be construed in accordance with the rules and regulations applicable in the Kingdom of Saudi Arabia.

18-5 Agreement for provision of Technical Services with Najm Insurance Services Company:

On 29/02/1435H (01/01/2014G) the Company concluded a technical services agreement with Najm Insurance Services Company to provide the following services:

- **Liability Determination Service:** under which Najm will inspect and determine liability to vehicles and private and public properties damaged consequent to accidents which involve customers of the Company. A fee of SAR 280 is payable to Najm per each report/accident handled.
- **Estimation Service:** under which Najm shall organize and manage the operations for estimation and assessment of damages to the vehicles and private and public properties damaged as a result of accidents, which involve customers of the Company. A fee of SAR 150 is payable to Najm for each report/accident handled.
- **Najm Net Service:** under which Najm will transfer the information of motor insurance policies issued by the Company to Traffic Department systems by linking the Company's systems with Najm systems. The services provided in this respect are limited to two types: (1) Principal Services: which covers the transfer of details of insurance policies to Traffic Department data base, the deletion of insurance policies from the Traffic Department data bases and the transfer of accident reports to Traffic Department data bases, and (2) Support Services under which falls the inquiry of vehicle details, inquiry of new vehicle details, inquiry of driving license details, inquiry of traffic violations details, inquiry of motor insurance documents, inquiry on the number of accidents made by the vehicle or its driver. Najm will be paid fees ranging between SAR 1.5 to SAR 4.0 per case depending on the service requested.

This agreement is valid for one Gregorian year commencing on 29/02/1435H (01/01/2014G) to 10/03/1436H (21/12/2014G) and will be renewed with the written consent of the two parties (The agreement is about to expire).

18-6 Electronic Services Agreement with Najm Insurance Services Company

On 12/07/2011G (11/08/1432H), the Company concluded an Electronic Services Agreement with Najm Insurance Services Company under which Najm will transfer the details of insurance policies to Traffic department against SAR 3.0 per each policy registered through the system In addition to an annual subscription fee of SAR 100,000 half of which is non-refundable, while the Company may benefit from the other half against services for the first year. The Company will pay this amount within 15 days from receipt of invoice issued by Najm. Invoices for the services will be issue monthly and are payable within 30 days of receipt. The Company is committed to pay the fees for completed services. The agreement is valid for one Gregorian year commencing from the date of operation of the first service and expiring on 31/12/2011G. The agreement is automatically renewable for one year unless either party has otherwise informed the other party 30 days prior to expiry of his intention not to renew the agreement. The agreement is still valid, and is subject to the rules and regulations applicable in the Kingdom of Saudi Arabia. The Saudi courts will have jurisdiction to decide on any dispute between the two parties.

19. Agreement for sale and transfer of Insurance Portfolio of the Islamic Arab Insurance Company “IAIC”, (Bahraini Closed Joint-Stock Company) to the Company

Salama has acquired the insurance portfolio of Islamic Arab Insurance Company “IAIC”, a (Bahraini Closed Joint-Stock Company). An agreement was concluded between Salama and the Islamic Arab Insurance Company “IAIC” on 16/10/2010G to complete the acquisition of the insurance portfolio and to finalize the related regulatory procedures. The Company had obtained a final approval from SAMA for assessment of the value of the portfolio, SAMA letter No. 24602/IS/876, dated 12/05/1431H (29/04/2010G). The agreement provides that the parties shall abide by SAMA letter No. 453/IS dated 27/02/2010G relating to the requirements for transfer of the insurance portfolio provided the purchase will be retroactive effective 30/09/2009G. The Goodwill value was estimated at SAR 7,140,000 as of 31/12/2008G payable by Salama on deferred/periodical payments after obtaining the approval of SAMA, without any advance payment. On the other side, Islamic Arab Insurance Company “IAIC” must pay the value of net assets (SAR 2,310,421) In addition to the profits for the period from 01/01/2009 to 30/09/2009G which amount to SAR 235,333, within 30 days from the execution of the agreement

On 17/07/1431H (29/06/2010G) the second General Assembly approved the purchase of the portfolio of Islamic Arab Insurance Company “IAIC” in favor of Salama for the approved value and in line with the procedures set by SAMA and authorized the Board or the designated party to sign the purchase agreement and take all regular arrangements to complete the transfer of portfolio.

19-1 Disputes and Lawsuits:

Excluding the cases stated hereunder, the Board of Directors confirms that the Company is not a party to any lawsuits, claims, arbitrations or administrative procedures, individual or joint, outstanding or potential, which would materially affect the Company’s business or financial position. The cases are classified depending on the subject and stage as of the date of this report, as follows:

First: Cases filed against the Company regarding claims for vehicle damage compensations. These consist of four sections:

Table (15-2): Compensations for damages to vehicles resulting from traffic accidents on which a primary judgments were issued, but which are subject to appeal

S	Claimant	Incident Date	Amount (SAR)	Judicial Authority	Current status of the case
1	Muaither Mahfouz Al-Muaither	03/01/1434 H. Corresponding to 17/11/2012G	89,290	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 09/02/1434 Corresponding to 22/12/2012G
2	Abdullah Mosfer Al-Subaie	04/01/1434 H. Corresponding to 18/11/2012G	14,060	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 09/02/1434 Corresponding to 22/12/2012G
3	Ajab Hamoud Al-Harbi	09/02/1434 H. Corresponding to 23/12/2012G	43,135	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 09/02/1434 corresponding to 22/12/2013 H.
4	Hamad bin Khiran Al-Harbi	04/01/1434 H. Corresponding to 18/11/2012G	18,968	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 09/02/1434 corresponding to 22/12/2012 H.

S	Claimant	Incident Date	Amount (SAR)	Judicial Authority	Current status of the case
5	Twaiq Foundation For Car Rental	12/02/1434 H. Corresponding to 26/12/2012G	18,310	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 29/03/1434 corresponding to 09/02/2013 H.
6	Mohammed Saleh Al Howail	28/08/1434 H. Corresponding to 07/07/2013G	22,739	Committee for Settlement of Insurance Disputes and Violations Dammam Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 20/09/1434 corresponding to 29/07/2013 H. No indications that the appeal has been registered in the Secretariat General's records
7	Mr. Attia Abanndari Arafa	02/02/1434 H. Corresponding to 16/12/2012G	20,456	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 29/03/1434 corresponding to 09/02/2013 H.
8	Abdul Aziz Mabrouk Salim Al-Luhaybi	10/05/1433 H. Corresponding to 02/04/2012G	16,742	Committee for Settlement of Insurance Disputes and Violations Jeddah Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 03/01/1434 corresponding to 17/11/2012 H. No indications that the appeal has been registered in the Secretariat General's records
9	Ibrahim Hamoud Saad Al-Kasser	08/07/1433 H. Corresponding to 29/5/2012G	90,650	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision An appeal petition issued by Salama cooperative Insurance Company on 09/02/1434 corresponding to 23/12/2012 H. Appeal petition is still under consideration
10	Mohammed Abdul Rahman bin Khamis Al-Dahmshhy	07/05/1434 H. Corresponding to 19/03/2013G	38,964,75	Committee for Settlement of Insurance Disputes and Violations Dammam Committee	Primary decision subject to be appealed. An appeal has been submitted on 02/06/1435 corresponding to 03/04/2013 H. Appeal No. 3350154 Appeal still under consideration
11	Ashraf Saif Ghaleb Al Yamani	12/06/1433 H. Corresponding to 05/04/2012G	20,000	Committee for Settlement of Insurance Disputes and Violations Jeddah Committee	Primary decision subject to be appealed. The appeal petition is issued but no indications that the appeal has been registered in the records
12	Assad Khlaf Dakhil Al-Saeed	27/07/1434 H. Corresponding to 06/06/2013G	90,000	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision subject to be appealed. The appeal petition is issued but no indications that the appeal has been registered in the records

S	Claimant	Incident Date	Amount (SAR)	Judicial Authority	Current status of the case
13	Hussein Ahmed Qassem Shmaky	22/09/1433 H. Corresponding to 10/08/2012G	58,000	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision subject to be appealed. The appeal petition is issued but no indications that the appeal has been registered in the records
14	Yahya Abdullah Hassan Al-Salem	23/12/1434 H. Corresponding to 28/10/2013G	95,000	Committee for Settlement of Disputes and Insurance Violations Jeddah Committee	Primary decision subject to be appealed. An appeal is submitted on 23/09/1435 No.2350230 and still under consideration.
15	Fahad Atiq Mohammed bin Talian	09/04/1434 H corresponding to 19/02/2013G	7,987	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision subject to be appealed.
16	Badr Ibrahim Sulaiman Al-Mohaimed	05/05/1434 H.	18,760	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision subject to be appealed. An appeal is submitted on 25/09/1434 and still under consideration.
17	Rafe Abboud Hamad Al-Aqedy	08/11/1434 H corresponding to 12/09/2013G	133,750	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision subject to be appealed. An appeal is submitted on 24/12/1434 and still under consideration.
18	Abdullah Abdul Latif Al-Otaibi	04/03/1435 H corresponding to 05/01/2014G	241,780	Committee for Settlement of Insurance Disputes and Violations Riyadh Committee	Primary decision subject to be appealed. An appeal is submitted on 20/04/1435 and still under consideration.

Second: Compensations for Vehicle damages and losses consequent to traffic accidents on which no decision has yet been issued yet:

Table (15-3): Compensations for Vehicle damages and losses consequent to traffic accidents on which no decision has yet been issued yet

Sr.	Plaintiff	Date of Incident	Amount (SAR)	Judicial Body	Current Status of Lawsuit
1	Jawaher Saeed Kurdish	24/01/1435 H. Corresponding to 11/28/2013G	Replacement for the damaged car	Secretariat General of the Committees for Settlement of Insurance Disputes and Violations	Hearings are still being held before the Committee for Settlement of Insurance Disputes-Riyadh Committee
2	Ahmed Omar Zarir	10/01/1436 H. Corresponding to 03/11/2014G	113,134	Secretariat General of the Committees for Settlement of Insurance Disputes and Violations	Hearings are still being held before the Committee for Settlement of Insurance Disputes
3	Ahmed Mohammed Ohamdina	05/01/1436 H. Corresponding to 29/10/2014G	60,320	Secretariat General of the Committees for Settlement of Insurance Disputes and Violations	Hearings are still being held before the Committee for Settlement of Insurance Disputes
4	Anwar Al-Triq Company	20/01/1436 H. Corresponding to 13/11/2014G	2,536	Secretariat General of the Committees for Settlement of Insurance Disputes and Violations	Hearings are still being held before the Committee for Settlement of Insurance Disputes

Sr.	Plaintiff	Date of Incident	Amount (SAR)	Judicial Body	Current Status of Lawsuit
5	Bassam Nasser Al-Ansari	24/01/1436 H. Corresponding to 17/11/2014G	50,000	Secretariat General of the Committees for Settlement of Insurance Disputes and Violations	Hearings are still being held before the Committee for Settlement of Insurance Disputes
6	Dhim Saeed Al Shahrani	25/01/1436 H. Corresponding to 18/11/2014G	10,477	Secretariat General of the Committees for Settlement of Insurance Disputes and Violations	Hearings are still being held before the Committee for Settlement of Insurance Disputes
7	Ibrahim Sulaiman Al Fehaid	02/04/1436 H. Corresponding to 27/11/2014G	16,290	Secretariat General of the Committees for Settlement of Insurance Disputes and Violations	Hearings are still being held before the Committee for Settlement of Insurance Disputes- Riyadh
8	Hjad Ali Al-Ghamdi	04/02/1436 H. Corresponding to 27/11/2014G	70,000	Secretariat General of the Committees for Settlement of Insurance Disputes and Violations	Hearings are still being held before the Committee for Settlement of Insurance Disputes- Dammam

Third: Compensations for vehicles value consequent theft on which no decision has been issued yet

Table (15-4): Compensations for vehicles value consequent to theft on which no decision has yet been issued yet

S	Claimant	Event Date	Amount	Court	Present status
1	Khalid Bashir Al-Enezi	08/01/1436H Corresponding to 01/11/2014G	42,572	Secretariat general of the Committees For Settlement of Insurance Disputes and Violations	Still under review

Fourth: Cases filed against the Company claiming costs of medical insurance. These are divided into two parts

Table (15-5): Cases filed against the Company claiming compensation for bodily injury consequent to an accident

S	Claimant	Event Date	Amount	Court	Present status
1	Mohammed Bin Musharaf Bin Hazaa Al Amri	17/11/1429H Corresponding to 16/11/2008G	965,500	The Committee For Settlement of Insurance Disputes and Violations - Riyadh	Appealable Primary Judgment. An appeal has been submitted on 09/02/1434H Corresponding to 23/12/2012G Case No: 331430 Still under review
2	Malek Makki Mohammed Al Sadeq	01/05/1432H Corresponding to 05/04/2011G	188,500	The Committee For Settlement of Insurance Disputes and Violations - Dammam	Appealable Primary Judgment. An appeal has been submitted on 15/04/1435H Corresponding to 16/02/2014G Appeal No: 3350037 Still under review

Fifth: Cases filed against the Company claiming compensation for death consequent to traffic accidents

Table (15-6): Compensations for death consequent to traffic accidents. A primary appealable decision or an appeal decision has been issued:

S	Claimant	Event Date	Amount	Court	Present status
1	Heirs of Majed Hassan Mohammed Al Enezi	01/01/1433H Corresponding to 27/11/2011G	330,000	The Committee For Settlement of Insurance Disputes and Violations - Riyadh	Appealable Primary Judgment. An appeal has been submitted on 29/03/1434H Corresponding to 10/2/1013G Case No 340170 Still under review
2	Heirs of Salem Mohammed Lashoul Al Jaber Al Mari	08/07/1435H Corresponding to 08/05/2014G	100,000	The Committee For Settlement of Insurance Disputes and Violations - Dammam	Appealable Primary Judgment. An appeal has been submitted under No. 336003 Dated:04/02/1436H Still under review
3	Heirs of Ibrahim Hamad Al Yami	03/01/1433H Corresponding to 28/11/1011G	600,000	The Committee of Appeal for Settlement of Insurance Disputes and Violations - Riyadh	Appeal Decisions No A/544 Dated 15/05/1436H

Sixth: cases filed against the Company regarding claims for compensation of damages caused to commercial outlets consequent to traffic accidents:

Table (15-7): Compensations for an injury due to a traffic accident on which a primary decision has been issued, which is subject to appeal

S	Claimant	Event Date	Amount	Court	Present status
1	Mastoura Ali Sharar Al Shalawi	17/01/1434H Corresponding to 01/12/2012G	115,000	Appeal for Settlement of Insurance Disputes and Violations - Jeddah	Appealable Primary Judgment. An appeal has been submitted under No. 340190 Dated 15/01/1435H Corresponding to 19/11/2013H

Seventh: Worker Lawsuits

Table (15-8): Cases filed by the Company in relation to workers claims

S	Claimant	Event Date	Amount	Court	Present status
1	Mohammed Al Samadani	16/01/1434H Corresponding to 08/11/2014G	1,891,947	Public Court of Jeddah	Still under review

Table (15-9): Cases filed against the Company regarding worker claims

S	Claimant	Event Date	Amount	Court	Present status
1	Fahd Mabrouk Omar Al Sayari	23/5/1435H Corresponding to 24/3/2014G	46,247	Primary Committee For Settlement of Labor Disputes - Medina	Appealable Primary Judgment. An appeal has been submitted Still under review
2	Srou Ibrahim	27/11/1434H	155,199	Primary Committee For Settlement of Labor Disputes - Riyadh	A primary decision was issued rejecting the case. May be appealed under No. 4281 dated 20/06/1435 H

19-2 Intangible Assets

Trademark:

The Company's competitive position depends largely on its ability to use its name and logo under which its services are promoted and sold. Therefore the Company tends to maintain the image of its trademark which was identified by customers. The competitive position of the Company depends on a number of factors including the ability to use the trademark to offer its services in the markets and to protect the Company's rights. On 06/06/1427H (02/07/2006G), the Company registered its trademark under category 36 – Insurance Services. The trademark features the word (SALAMA) in Arabic and English in green colour with a spiral in dark green and dark gold besides and the words (Saudi IAIC Cooperative Insurance Company) in Arabic and English in black colour underneath.

The ownership of the Company's trademark is registered under the Trademark Registration Certificate No. (849/94) issued by the Ministry of Commerce for a period of ten (10) years from 28/12/1426H (corresponding to 27/01/2006G) to 27/02/1436H (corresponding to 10/10/2015G). The Certificate is renewable for a similar period(s) upon the request of the Company, according to the provisions of the Trademarks Law and its Implementing Regulations.

On 03/08/1433H (23/06/2012G), the Company's Extra-Ordinary General Meeting approved amendment of Article (2) of the Company's Articles of Association under which the Company's name was changed from (Saudi IAIC Cooperative Insurance Company) to (Salama Cooperative Insurance Company). On 20/08/1433H (10/07/2012G), the Company applied to the Ministry of Commerce – Trademarks Department – seeking amendment of the registration certificate of its trademark, however the necessary formalities have not been completed yet. On 28/04/1436H (17/02/2015G) the Company submitted a new application to amend the commercial name stated in the certificate to become "SALAMA Cooperative Insurance Company). The Company is still following up on this application with Trademark Department in this respect.

20. Underwriting

20-1 Name and address of the Underwriter

The Company has entered into an Underwriting Agreement with the NCB Capital on 13/03/1436H (corresponding to 30/06/2015G). According to which the Underwriter undertakes to subscribe for (15,000,000) Ordinary Shares at an Offer Price of SAR (10) per share, representing all writes issue shares offered for subscription ("Underwriting Agreement").

NCB Capital Company
Riyadh, Almather Building, Tower B, Floor 6
Almather Street
P.O. Box 22216 Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966 11 8747106
Fax: +966 11 4060049
Website: www.ncbc.com
E-mail: w.alkhatib@ncbc.com



20-2 Main terms of the Underwriting Agreement

The principal terms of the Underwriting Agreement are set forth below:

1. The Company undertakes to the Underwriter that, on the allocation date, it will issue and allocate to the Underwriter all Right Issue Shares that have not been subscribed to by the eligible shareholders as additional shares at the Offer Price.
2. The Underwriter undertakes to the Company that it will, on the allocation date, purchase the number of Offer Shares not subscribed for by eligible Subscribers, at the Offer Price.
3. The Underwriter will receive a fixed consideration in return of its underwriting of the Offer Shares, which will be paid from the Offering Proceeds.

Table (16-1): Underwriting Percentage

Underwrite	Offer Shares	Underwriting Percentage
Alahli Capital Company	15,000,000	100%

21. Offering Expenses

Total amount of the Offering costs and expenses is expected at SAR 8,000,000 million (eight million Saudi Riyal), which will be paid to cover the expenses of Rights Offering, which include the fees of Financial Advisor, Legal Advisor, Financial Due Diligence Consultant, Media and Public Relations Advisor, Underwriter, Receiving Agents, as well as the expenses arising from marketing, translation, printing and distribution and other associated Offering expenses. The Company will incur all expenses relating to the Offering process. The following table depicts the total estimated Offering Expenses:

Table (17-1): Expected total Offering Expenses

S	Statement	Amount (SAR)
1	Fees of Financial Advisor, Lead Manager, Underwriter and other advisors/consultants	(6,000,000)
2	Receiving Agents	(1,500,000)
3	Advertisement, Marketing, Printing and mailing expenses	(500,000)
	Total	(8,000,000)

Source: the Company

22. Exemptions

Neither the Company, nor the Financial Advisor has submitted any request to CMA to be exempted from any requirements stipulated in the Listing Rules.

23. Subscription Terms and Conditions

All Eligible Shareholders, holders of acquired rights and applicants must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form or the Rump Offering Form since the completion, execution and submission of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

Signature of the Subscription Application Form and its submission to the Receiving Agents constitutes a binding agreement between the Company and the Eligible Person. Eligible persons may obtain the Prospectus and the Subscription Application Form from the following Receiving Agents:

Receiving Agents

The National Commercial Bank
King Abdul Aziz Road - Jeddah
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 12 6493333
Fax: +966 12 6437426
Website: www.alahli.com
E-mail: contactus@alahli.com



Samba Financial Group
Riyadh - King Abdul Aziz Road
P.O. Box 883, Riyadh 11421
Saudi Arabia
Tel: +966 11 477 4770
Fax: +966 11 479 9402
E-Mail: customercare@samba.com
Website: www.samba.com



Al Rajhi Bank
Riyadh – Olaya Street
P.O. Box 28, Riyadh 11411
Saudi Arabia
Tel: +966 11 462 9922
Fax: +966 11 462 4311
E-Mail: contactcenter@alrajhibank.com.sa
Website: www.alrajhibank.com.sa



Riyad Bank
Riyadh – King Abdul Aziz Road
P.O. Box 22622, Riyadh 11416
Saudi Arabia
Tel: +966 11 401 3030
Fax: +966 11 404 2618
E-Mail: customercare@riyadbank.com
Website: www.riyadbank.com



Banque Saudi Fransi
Riyadh – Al Mather Road
P.O. Box 56006, Riyadh 11554
Saudi Arabia
Tel: +966 11 404 2222
Fax: +966 11 404 2311
E-Mail: communications@alfransi.com.sa
Website: www.alfransi.com.sa



23-1 Subscription to the Rights

Eligible Shareholders willing to subscribe to the Rights are required to submit their Subscription Application Forms during the Offering Period starting on Monday 19/09/1436H (corresponding to 06/07/2015G) and ends on Tuesday 12/10/1436H (corresponding to 28/07/2015G). The Prospectus and the Subscription Application Form can be obtained from the Receiving Agents mentioned above.

In accordance with this Prospectus, fifteen million (15,000,000) Shares will be offered for subscription through the Rights Issue representing 150% of the Company's pre-offering share capital, at an Offer Price of SAR 10 per share, including a nominal amount of SAR 10 with a total Offering value of SAR 150,000,000. The New Shares will be issued at 1.5 Share for every one Right (one Right for every 1.5 shares). Subscription to the New Shares is offered to the Registered Shareholders, as at the close of trading on the date of the EGM held on Tuesday 13/09/1436H (corresponding to 30/06/2015G) ("Eligibility Date") and to the Eligible Persons who purchased the Rights during the Rights Trading Period, including Registered Shareholders who bought new Rights in addition to the Rights that they were previously owned.

If Eligible Persons do not exercise their Rights and subscribe for the New Shares by the end of the Second Offering Period, the Rump Shares resulting from non-exercise or sale of the Rights by Eligible Persons will be made available to Institutional Investors during the Rump Offering.

Registered Shareholders may trade their Rights deposited in their accounts through Tadawul. These Rights will be considered acquired by all Registered Shareholders in the Company's Shareholders Register as at the end of the EGM date (Eligibility Date). Each Right grants its holder eligibility to subscribe for one (1) New Share at the Offer Price. The Rights shall be deposited, within a maximum of two working days after the date of the EGM. Rights will appear in the Registered Shareholders' accounts under a new symbol assigned to the Rights Issue.

The schedule and details of the Offering are as follows:

- **Eligibility Date:** The end of trading on the day of the EGM on Tuesday 13/09/1436H (corresponding to 30/06/2015G).
- **First Offering Period:** Starts on Monday, 19/09/1436H (Corresponding to 06/07/2015G) until the end of Wednesday on 28/09/1436H (Corresponding to 15/07/2015G) (First Offering Period) during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. Subscription to the New Shares will occur by submitting a Subscription Application Form to any branch of the Receiving Agents by submitting a completed Subscription Application Form or through the ATM, banking phone, or electronically with the Receiving Agents that offer such services to subscribers. It should be noted that at the end of the Trading Period of the Rights, if a Registered Shareholder owns a number of Rights lower than the number of Rights that were subscribed for during the same phase, his subscription application will be rejected in whole or in part. He will be informed of this rejection and a refund of the subscription amount will be issued by the Registered Shareholder's Receiving Agent.
- **Trading Period:** Starts on Monday, 19/09/1436H (Corresponding to 06/07/2015G) until the end of Wednesday on 28/09/1436H (Corresponding to 15/07/2015G), in keeping with the First Offering Period. Tadawul would have then prepared mechanisms to organize the trading of Rights in its systems and shall assign a new symbol for the Company's Rights Issue (separate from the Company's trading symbol on TADAWUL screen). The trading system will cancel the Rights Issue symbol of the Company on TADAWUL screen once the Trading Period expires. This period includes the following options:
 - a. Registered Shareholders during this period are entitled to:
 1. Retain the acquired Rights as of the Eligibility Date and exercise their Rights to subscribe for the New Shares through the Receiving Agents;
 2. Sell all their Rights or a part thereof;
 3. Purchase additional Rights and trade them. Subscription to additional New Shares is only possible during the Second Offering Period, by filling a Subscription Application Form or through the ATM, phone, or electronically with one of the Receiving Agents that provide such services to subscribers; or
 4. Refrain from taking any action relation to the Rights Issue (Not to sell the Rights or exercise the right to subscribe for it). The Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering.
 - b. Those who purchased Rights during this period, may trade these Rights either by selling them or buying part or all of these Rights. If they purchased and held on to their Rights during this period, they may exercise these Rights and subscribe for New Shares only in the Second Offering Period, by filling a Subscription Form or through the ATM, phone, or electronically with one of the Receiving Agents that provide such services to their customers. If they do not subscribe for the Rights by the end of the Second Offering Period, then the Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering.
- **Second Offering Period:** Starts on Sunday 10/10/1436H (Corresponding to 26/07/2015G) until the end of Tuesday on 12/10/1436H (28/07/2015G). No Rights can be traded during this period, which includes the following steps:
 - c. Registered Shareholders who hold Shares in the Company as of the Eligibility Date and who did not subscribe for New Shares in the Company either in whole or in part during the First Offering Period, may exercise their Right during this phase and in the same way as defined for the First Offering Period. If they purchase additional Rights during the Trading Period, they may exercise their Rights and subscribe for the New Shares during the Second Offering Period, by filling a Subscription Application Form or through an ATM machine or through the telephone

or through subscribing electronically with one of the Receiving Agents that provide such services to subscribers. If they don't subscribe for these Shares by the end of this phase, then these Shares will be placed on the market for the Rump Offering.

- d. Those who purchased Rights during the Trading Period and held on to them until the end of such period, may exercise their Rights and subscribe in the New Shares in this phase through the same procedures outlined in the First Offering Period. If they don't subscribe for the New Shares by the end of this phase, then the Rump Shares resulting from not exercising the Rights or selling the same will be placed on the market for Rump Offering during the Rump Offering period.
- **Rump Offering:** Starts on Sunday 17/10/1436H (Corresponding to 02/08/2015G) at 10:00 AM until 10:00 AM of the next day 18/10/1436H (Corresponding to 03/08/2015G). During this period, the Rump Shares together with the fraction shares will be offered to a number of institutional investors ("Institutional Investors"). These institutions would thereafter submit offers to purchase the Rump Shares, and the Rump Shares will be allocated to Institutional Investors in order of offer value so the highest value comes first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Share fractions will be added to the remaining shares and treated similarly.

If the unsubscribed shares' price is higher than the Offer price, the difference will be distributed as compensation to the holders of Rights who have not subscribed for their Rights proportionally with the Rights they held.

- **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights fully and properly exercised by it. As for the persons entitled to fractional Shares, these fractions will be combined and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed to the eligible persons no later than Sunday 01/11/1436H (Corresponding to 16/08/2015G).
- **Trading of the New Shares on the Market:** Trading in the New Shares on the Exchange is expected to commence once all related formalities pertaining to their registration and allocation have been completed

The Company filed an application with CMA for admission and listing of the New Shares, and an application will be submitted to CMA to trade in the New Shares upon completion of the Offering.

23-2 Eligible Persons who do not subscribe for the New Shares

The Company's share price will be modified at the close of the trading day on the date which the EGM is held on 13/09/1436H (corresponding to 30/06/2015G, based on the Offer Price and the number of New Shares issued under this Prospectus, in addition to the market value of listed shares at closing time. Registered Shareholders who do not participate in whole or in part in the New Shares subscription will be subject to a decrease in their percentage of ownership in the Company and the value of the Shares they currently hold. Eligible Persons who did not subscribe and did not sell their Rights will be vulnerable to losses. Eligible Persons who do not subscribe for New Shares will not get any advantages or benefits against the rights owing to them except to receive proportional cash compensation from the proceeds of the sale price in excess of the Offer Price of the Rump Shares (if any). Registered Shareholders will retain the same number of Shares that they owned before the capital increase.

If Institutional Investors wish to buy the Rump Shares at the Offer Price only, or if they do not wish to subscribe and the Underwriter therefore covers the Rump Shares at the Offer Price, then the non-participating Eligible Persons will not receive any compensation as a result of them not subscribing for the New Shares by exercising their Rights.

Compensation amounts (if any) will be determined to the Eligible Persons who did not subscribe wholly or partially for the New Shares and Shareholders entitled to fractional shares by dividing the compensation amount by the total number of Shares not subscribed for by Eligible Persons and Shareholders entitled to fractional Shares. The compensation per share will thus be determined and paid to the Eligible Persons who did not subscribe for all or part of the Shares they were entitled to, as well as those entitled in fractional Shares.

23-3 Completion of the Subscription Application Form

Eligible Person willing to exercise his full right and subscribe for all the Rights to which he is entitled, must fill and submit a completed Subscription Application Form, together with the subscription monies for his full entitlement and the required accompanying documents, to one of the Receiving Agents.

The number of Shares that the Eligible Person is entitled to will be calculated based on the existing Rights owned prior to the closing of the Second Offering Period. The subscription monies that the Subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Second Offering Period by SAR (10).

By completing and presenting the Subscription Application form, the Subscriber:

- Agrees to subscribe for the number of New Shares as stated in the Subscription Application Form;
- Warrants that he/she has carefully read the Prospectus and understood all its contents;
- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus;
- Does not waive his right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing therefrom, which would directly impact the Subscriber's acceptance to subscribe had it been contained in the Prospectus;

- He has not subscribed for any shares under this Offering and the Company has the right to reject all of his applications if it is proven he submitted more than one application.
- Accepts the number of shares allocated to him and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- Warrants not canceling or amending the Subscription Application Form after submitted to the Receiving Agent.

23-4 Documents required to be submitted with the Subscription Application Forms

The Subscription Application Form must be submitted together with the following documents, as applicable to each case, and the Receiving Agents shall match the copy of each document with the original document and then return the original documents to the Subscriber.

- Original and copy of the personal identification card (in case of an individual subscriber)
- Original and copy of the family identification card (for family members)
- Original and copy of the power of attorney (in case of authorizing another person for the subscription)
- Original and copy of the custody deed (for orphans) (for individual subscribers)
- Original and copy of the residence permit (Iqama) for non-Saudis (for individual subscribers)
- Original and copy of the commercial registration (in case of entities)

The subscription amount should be paid in full upon submitting the Subscription Application form to the Receiving Agent by authorizing this Receiving Agent to deduct such an amount from his account with the receiving Agent or via an endorsed bank check drawn on any local bank and registered in the Company's name.

Power of attorney will be restricted to first class relatives (children, parents). In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He shall attach the original and a copy of a valid power of attorney issued by a notary public for those who are living in Saudi Arabia or legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia.

23-5 Submission of Subscription Application Form

Receiving Agents shall start receiving Subscription Application Forms in their branches in the KSA during the First Offering Period and the Second Offering Period. Subscription Application Forms can be submitted by Institutional Investors for any Rump Shares only during the Rump Offering. Subscription Application Forms can be delivered during either of the offering periods either through a branch of the Receiving Agents or the telephone banking services section or ATMs or internet banking of any of the Receiving Agents providing such services. The Subscription Application Form includes further information which is to be strictly followed. Upon completing, signing and submitting the Subscription Application Form, the Receiving Agent shall stamp it and provide the Subscriber with a copy thereof. If the information filled in the form turns out to be incomplete or incorrect or the form is not stamped by the Receiving Agent, the Subscription Application Form will be considered void. An Eligible Person shall accept the subscription terms and conditions and fill all sections of the Subscription Application Form. In case the form completed by an applicant does not meet any of the subscription terms and conditions, the Company shall have the right to reject that application in part or whole. Any application providing incomplete or incorrect information or not stamped by a Receiving Agent will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Agents, and shall be considered a binding contract between the Subscriber and the Company, once approved by the Company.

The Subscriber from among Eligible Persons is deemed to have bought the number of New Shares allocated to him when the following terms are fulfilled:

- Delivery by the Eligible Persons of the Subscription Application Form to any of the Receiving Agents' branches;
- Payment in full by the Eligible Person to the Receiving Agents of the total Offer Price; and
- Delivery to the Eligible Person by the Receiving Agents of the allocation letter specifying the number of Shares allocated to him.

Eligible Persons will not be allocated New Shares exceeding the number of New Shares that they subscribed for.

23-6 Allocation

The Company and Lead Manager shall open an escrow account called "Salama Cooperative Insurance Company - Rights Issue", in which the subscription proceeds shall be deposited.

The Rights Issue Shares shall be allocated to the Eligible Persons based upon the number of Rights that he/she properly exercised. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. Total price of sale of rump shares will be paid to the Company, and the remainder proceeds of the rump shares (in excess of Offer Price) will be distributed to eligible subscribers each in pro rata with his eligibility no later than Sunday 01/11/1436H (corresponding to 16/08/2015G. Excess unsubscribed for Shares shall be purchased by and allocated to the Underwriter at the launch price

Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead

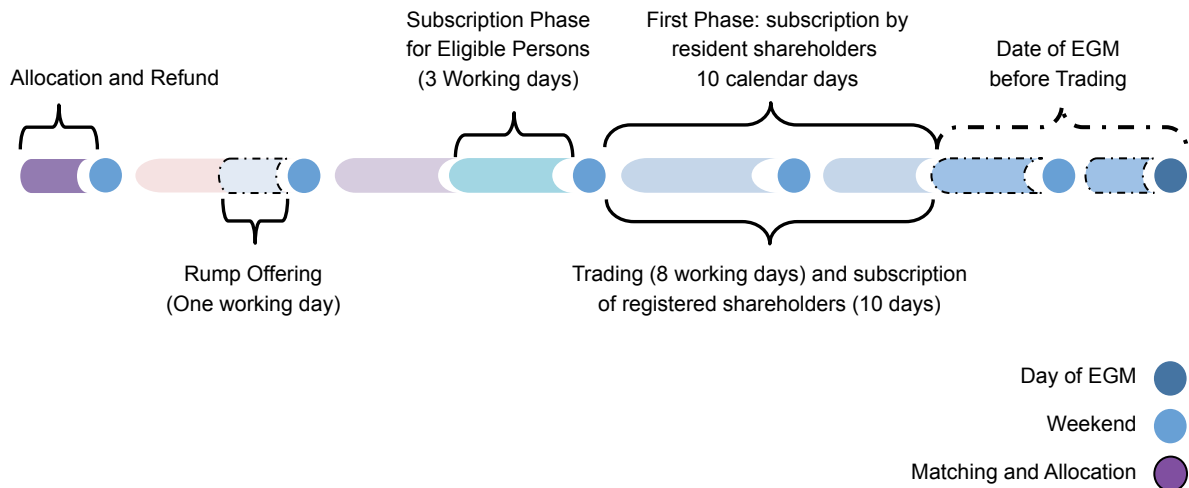
Manager or Receiving Agents is expected to take place by depositing the shares into the accounts of Subscribers with the receiving Agents. Eligible Persons shall contact the branch of the Receiving Agent where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than Tuesday 19/10/1436H (corresponding to 04/08/2015G).

23-7 Compensation Payment

The compensation to Eligible Persons who do not subscribe for all or part of the Rights Issue, if any, shall be paid no later than Sunday 01/11/1436H (corresponding to 16/08/2015G).

23-8 Illustration of the New Rights mechanism

Figure 19-1: Illustration of the new Rights mechanism



23-9 FAQ about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights deposited?

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period.

How are Registered Shareholders notified of the Rights being deposited in their accounts?

The Registered Shareholders are notified through an announcement on the Tadawul website.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder as at the close of trading on the date of the EGM.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the date of the EGM. If a company, for example, has issued 1,000 shares and increases its capital by offering 500 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 2 (one new share for every two existing shares).

Is the Right's trading name and symbol will be different than the Company's name and symbol?

Yes, the Rights will be deposited in Shareholders' portfolios under a new symbol.

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), then the opening price of the Rights will be SAR 25 (twenty five Saudi Riyals), (i.e. the difference between the above mentioned prices).

Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. These Rights can be exercised to subscribe for the new additional shares only during the Second Offering Period.

How does the Offering take place?

The Offering will take place by the submitting Subscription Application Forms at any of the Receiving Agents' branches (mentioned previously in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, this will happen only after depositing their certificates in investment accounts through the Receiving Agents or the Tadawul's Depository Center and submitting the requisite documents

What will happen in case of subscribing for the New Shares and sell the Rights after that?

If a Registered Shareholder subscribes for the New Shares and then sells the Rights and has not purchased a number of Rights equivalent to the Rights he/she subscribed for before expiry of the trading period, the subscription application will be rejected totally if he/she sold all of the Rights, or partially if he/she sold only part of such Rights. The Registered Shareholder will be notified accordingly, and the rejected subscription amount will be refunded to him/her through the Receiving Agent.

Are additional Rights purchasers entitled to trade them once again?

They may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

The investor may sell a part of these Rights and subscribe for the remaining part.

Is it possible to subscribe during the weekend between the First and Second Offering Periods?

No, that is not possible

When the subscriber can subscribe for the Rights he purchased during trading period?

During the second phase only after completion of the trading period in the Rights.

Can the Eligible Person sell the Right after expiry of the Trading Period?

That is not possible. After expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What will happen to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?

The Rump Shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

Will there be any additional fees for the trading in Rights?

The same commissions applying to the shares will also apply, but without a minimum commission being imposed.

Can Shareholders subscribe more than once through more than one receiving bank?

Yes, they are allowed to subscribe. However, the quantity of subscribed shares should not exceed the number of rights acquired upon the end of rights trading period. Any excess in the shares subscribed over the number of rights acquired at the end of rights trading period will result in the cancellation of subscription application.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company relating to the Rights are deposited. Example: If a shareholder holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b)), then the total Rights which will be deposited will be (100) Rights as each share is eligible for (1) Rights. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

In case of subscription through more than one portfolio, where will the new shares be deposited after allocation?

According to the rules of the Securities Repository Center, securities will be added to the newest open investment portfolio of the securities holder except for depositing of securities owned under certificates.

23-10 Trading of New Shares

Trading of the New Shares will take place upon completion of all relevant procedures. This is expected to take place after refund of subscription surplus in coordination with the CMA, and will be announced at a later date.

23-11 Miscellaneous Terms

- The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.
- The terms and conditions set here and any receipt of the Subscription Application Forms or any related Agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations. This Prospectus may be distributed in Arabic and English languages. In case of conflict between the two texts, the Arabic text of the Prospectus shall prevail.
- Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by CMA and before approving the listing of Shares in the market, becomes aware of
 1. A significant change that has occurred in any of the key information contained in this Prospectus, or any of the documents required to be included under the Listing Rules, or
 2. Any additional issues that should have been included in this Prospectus.
In these cases, it is incumbent on the Company to submit to the CMA a supplementary Prospectus, according to the requirements of the Listing Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates.
 3. Non-approval of the EGM on the details of this Offering.

23-12 Saudi Stock Exchange (Tadawul)

Saudi Stock Exchange remained unofficial until the early eighties of the Gregorian calendar when the government began its consideration of a regulated market for trading and the creation of the necessary regulations for it. In 1984G, a ministerial committee was formed of the Ministry of Finance and National Economy, the Ministry of Commerce and SAMA to regulate and develop the Exchange. SAMA was the government agency concerned with regulating and overseeing the Exchange until the Capital Market Authority was established on 02/06/1424H (corresponding to 31/07/2003G) pursuant to the Capital Market Law issued by Royal Decree No. (M/30). CMA oversees the regulation and control of the Exchange through the issuance of regulations and rules aimed at protecting investors and ensuring fairness and efficiency in the Exchange.

Saudi Council of Ministers, in its session held on Monday, 29 Safar 1428H (corresponding to 19/03/200G) under the chairmanship of the Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz, approved the establishment of a Saudi joint stock company under the name the "Saudi Stock Exchange" (Tadawul). The decision came in implementation of Article (20) twenty of the Capital Market Law, which requires the legal capacity of the Saudi Stock Exchange to be a joint-stock company.

Trading on Tadawul takes place through a fully integrated trading system "TADAWUL" through an integrated process covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 a.m. and 3:30 p.m.. After close of exchange trading, orders can be entered, amended or deleted from 10:00 a.m. until 11:00 a.m. New

entries and inquiries can be made from 10:00 a.m. of the opening session (starting at 11:00 a.m.). These times are subject to change during the Holy month of Ramadan, and are announced by Tadawul's Management.

Tadawul system works on matching orders by price and orders are received and prioritized based on price. In general, market orders are executed first, and if several instructions are entered at the same price level, they are executed at a first come first serve basis according to their entry time. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers. Transactions are settled automatically during the day, i.e. ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

23-13 Registration in the Saudi Stock Exchange

An application has been made to the CMA for admission and listing of the New Shares in the Saudi Stock Exchange.

The registration is expected to be approved and trading to commence on the Saudi Stock Exchange once the final allocation of the New Shares has been concluded. An announcement will be made on the Tadawul website in due course. The dates and times stated in this Prospectus are only provisional and may be changed or extended at any time subject to approval of the CMA.

Although the Existing Shares are registered and listed on the Exchange (Tadawul), it will only be possible to trade in the New Shares once the allocation of the New Shares has been approved and these have been deposited in their Tadawul accounts. It is absolutely forbidden to trade in the New Shares until then.

Subscribers or proposal providers in the Supplementary Offering and who deal in restricted trading activities will be fully liable for their dealing in such activities, and the Company will not bear any legal liability in this case.

23-14 Resolutions and Approvals under which shares are offered

The Company has obtained SAMA's approval under letter No. 351000147528 dated 01/12/1435H (25/09/2014G) to increase its share capital by one hundred fifty (SAR 150) million Saudi Riyals to become two hundred fifty (SAR 250) million Saudi Riyals.

The Company's Board has recommended on 14/08/1435H (corresponding to 12/06/2014G) the increase of the Company's capital from one hundred million Saudi Riyals (SAR 100,000,000) to two hundred and fifty Saudi Riyals (SAR 250,000,000) after obtaining the required regulatory approvals to issue 15,000,000 Rights. The EGM convened on 13/09/1436H (corresponding to 30/06/2015G) has approved the recommendation of the Board of Directors to increase the capital as mentioned and the subscription therein will be limited to registered shareholders at the end of the trading day of the EGM.

This Prospectus and all the supporting documents requested by the CMA have been approved on the date announced on Tadawul website on 02/08/1436H (corresponding to 20/05/2015G).

Notable, the Founding Shareholder's shares must obtain SAMA's approval prior to any disposition if such shares.

23-15 Miscellaneous Notes

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The terms and conditions set here and any receipt of the Subscription Application Forms or any related Agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations. This Prospectus may be distributed in Arabic and English languages. In case of conflict between the two texts, the Arabic text of the Prospectus shall prevail.

Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by the CMA and before approving the listing of Shares in the market, becomes aware of (1) A significant change that has occurred in any of the key information contained in this Prospectus, or any of the documents required to be included under the Listing Rules. In these cases, it is incumbent on the Company to submit to the CMA a supplementary Prospectus, according to the requirements of the Listing Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates. It is also possible that this subscription be suspended in the event of non-approval of the EGM on any of its details.

23-16 Change in the share price as a result of the capital increase

The closing price of the Company's share on the day of the EGM was SAR (29.40) and it is expected to be reset to SAR (17.77) in the opening session the next day. The change represents a decrease of (39.56%).

The method of calculating the Share Price as a result of Capital increase is:

First: Calculation of the market value of the Company at the close of trading on the day of the EGM:

Number of shares at the end of the day of the EGM multiplied by the closing price for the Company's share on the day of the EGM = market value of the Company at the close of trade on the day of the EGM.

Second: Calculation of the Share Price in the opening session on the day following the day the EGM:

(The market value of the Company at the close on the day of the EGM + the value of the offered shares) / (Number of shares issued by the Company at the end of the day the EGM + the number of New Shares offered in this Offering) = share price reset for the opening session on the day following the day of the EGM.

24. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office in Jeddah during official working hours, from 9:00 a.m. to 5:00 p.m. 20 days before the Offering Period and throughout the Offering Period:

Incorporation / Company Documents

- Commercial Registration certificate of the Company.
- By-Laws of the Company;

Offering of Shares

- Recommendation of the Board of Directors regarding capital increase;
- CMA's approval of the Company's capital increase through Rights Issue Offering;
- Resolution of the EGM approving the Company's capital increase;
- SAMA's approval of the Company's capital increase.

Reports, Letters and Documents

- Contracts and agreements referenced in this Prospectus;
- A written consent from the Financial Advisor, Lead Manager and Underwriter, NCB Capital, to include its name and logo in the Prospects;
- A written consent from the Due Care Advisor (Ernest & Young.) to include their report and name in the Prospects;
- A written consent from the Offering Legal Advisor (Abdul Aziz Al Assaf and Partners (Lawyers and Consultants) to include their name, logo and statement in the Prospects;
- A written consent from the certified public accountant Deloitte & Touche Bakr Abulkhair & Co and al Bassam Certified Accountants and Auditors to include their name, logo and statement in the Prospects as being the auditors of the financial statements.
- Market reports

Financial Statements

- Audited financial statements for the years ending 31 December 2011G, 2012G, and 2013G and the Auditor's report on them.
- Reviewed financial statements for the period ending on 30 September 2014G and the Auditor's report on them.

25. Auditors' Report

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2014

INDEPENDENT AUDITORS' REVIEW REPORT

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

Scope of review

We have reviewed the accompanying interim statement of financial position of Salama Cooperative Insurance Company – a Saudi Joint Stock Company – (the "Company") as at 30 September 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, 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' operations cash flows for the nine-month period then ended and notes 1 to 15 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required.

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

Conclusion

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

Emphasis of matters

1. We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with Standard on Interim Financial Information issued by SOCPA.
2. We further draw attention to note 3 to the accompanying interim condensed financial statements, which refers to the Company's accumulated losses at 30 September 2014, amounting to SR 70.654 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



Deloitte & Touche
Bakr Abulkhair & Co.



Waleed Bin Mohamed Sobahi
Certified Public Accountant
Licence No. 378

Jeddah, Kingdom of Saudi Arabia
21 October 2014
27 Dhual Hijjah 1435H



SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	30 September 2014 (Unaudited)	31 December 2013 (Audited)
		SR'000	SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	26,374	36,465
Term deposits	5	30,626	10,576
Premium receivables, net	6	52,797	37,998
Reinsurance receivables, net		1,563	4,750
Deferred policy acquisition costs		5,441	2,402
Prepayments and other receivables		9,086	10,783
Amounts due from a related party	10	6,759	6,759
FVIS investments	7(a)	74,920	60,659
Reinsurers' share of unearned premiums		6,979	3,235
Reinsurers' share of outstanding claims	8	12,911	15,980
Held to maturity investments	7(b)	30,641	26,663
Furniture, fittings and office equipment		2,338	3,197
Due from Shareholders' Operations		475	-
Total Insurance Operations' assets		260,910	219,467
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	27	33
FVIS investments	7(a)	14,946	4,846
Available-for-sale investments	7(c)	7,450	6,976
Prepayments and other receivables		138	82
Due from Insurance Operations		-	4,565
Held to maturity investments	7(b)	3,712	3,719
Statutory deposit		10,941	10,886
Total Shareholders' assets		37,214	31,107
TOTAL ASSETS		298,124	250,574

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2014

	Notes	30 September 2014 (Unaudited)	31 December 2013 (Audited)
		SR'000	SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Unearned premiums		158,550	99,732
Premium deficiency reserve		5,833	5,833
Unearned commission income		1,900	916
Outstanding claims	8	58,189	77,221
Policyholders' claims		6,427	6,441
Reinsurance payables		4,011	2,083
Accruals and other payables		17,021	14,326
Due to Shareholders' Operations		-	4,565
Employees' end of service benefits		5,672	5,336
		257,603	216,453
Insurance Operations' surplus			
Accumulated surplus from Insurance Operations		3,307	3,014
Total Insurance Operations' liabilities and surplus		260,910	219,467
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables		1,680	1,730
Accrued Zakat	9	2,974	2,174
Amount due to a related party	10	212	-
Due to Insurance Operations		475	-
Total Shareholders' liabilities		5,341	3,904
Shareholders' equity			
Share capital		100,000	100,000
Available-for-sale investments reserve		2,527	2,053
Accumulated losses		(70,654)	(74,850)
Total Shareholders' equity		31,873	27,203
Total Shareholders' liabilities and equity		37,214	31,107
TOTAL LIABILITIES, SURPLUS AND EQUITY		298,124	250,574

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the three-month and nine-month periods ended 30 September 2014

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
		SR'000	SR'000	SR'000	SR'000
Revenues					
Gross premiums written		74,840	48,413	256,835	172,338
Less: Reinsurance premiums ceded		(2,747)	(1,630)	(12,571)	(10,520)
Less: Excess of loss premiums		(1,302)	(1,665)	(4,909)	(2,862)
Net premiums written		70,791	45,118	239,355	158,956
Changes in net unearned premiums		(1,250)	(963)	(55,074)	(28,465)
Net premiums earned		69,541	44,155	184,281	130,491
Net reinsurance commissions earned		1,004	978	2,611	2,812
Net revenue		70,545	45,133	186,892	133,303
Costs and expenses					
Gross claims paid		54,526	38,542	172,102	133,584
Less: Reinsurers' share		(134)	(2,238)	(6,621)	(11,629)
Net claims paid		54,392	36,304	165,481	121,955
Changes in net outstanding claims		3,592	5,057	(15,966)	2,361
Net claims incurred		57,984	41,361	149,515	124,316
Policy acquisition costs		2,455	1,324	5,890	4,144
Other operating expenses		1,501	1,156	5,166	3,416
Net costs and expenses		61,940	43,841	160,571	131,876
Net results of insurance operations		8,605	1,292	26,321	1,427
General and administrative expenses		(9,336)	(9,585)	(27,371)	(25,365)
Other income		21	-	108	13
Investment income		468	402	3,882	947
Surplus / (deficit) from Insurance Operations		(242)	(7,891)	2,940	(22,978)
Shareholders' share of insurance operations' (surplus) / deficit	2(a)	218	7,891	(2,646)	22,978
Surplus for the period		(24)	-	294	-
Accumulated surplus at the beginning of the period		3,332	3,014	3,014	3,014
Accumulated surplus at the end of the period		3,308	3,014	3,308	3,014

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and nine-month periods ended 30 September 2014

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
		SR'000	SR'000	SR'000	SR'000
REVENUES					
Shareholders' share of Insurance Operations' surplus / (deficit)	2 (a)	(218)	(7,891)	2,646	(22,978)
Investment income		1,069	1,432	2,841	5,908
Gain on sale of available for sale Investments		-	-	-	170
		851	(6,459)	5,487	(16,900)
EXPENSES					
General and administrative expenses		(88)	-	(491)	(122)
Net income / (loss) for the period before Zakat		763	(6,459)	4,996	(17,022)
Zakat	9	(300)	(450)	(800)	(1,350)
Net income / (loss) for the period		463	(6,909)	4,196	(18,372)
Earnings / (loss) per share – (SR)	14	0.05	(0.69)	0.42	(1.84)

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2014

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
	SR'000	SR'000	SR'000	SR'000
Net income / (loss) for the period	463	(6,909)	4,196	(18,372)
Items that are or may be reclassified subsequently to statement of Shareholders' Operations:				
Change in fair value of available-for-sale-investments (note 7(c))	121	107	474	515
Net change in available-for-sale investments reclassified to interim statement of Shareholders' Operations (note 7 (c) (ii))	-	-	-	(170)
Total comprehensive income / (loss) for the period	584	(6,802)	4,670	(18,027)

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended 30 September 2014

	For the nine-month period ended 30 September 2014			
	Share capital	Available-for-sale investments reserve	Accumulated losses	Total
	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2013 (Audited)	100,000	2,053	(74,850)	27,203
Net income for the period	-	-	4,196	4,196
Other comprehensive income for the period:				
Change in fair value of available-for-sale investments (note 7 (c))	-	474	-	474
Balance at 30 September 2014 (Unaudited)	100,000	2,527	(70,654)	31,873

	For the nine-month period ended 30 September 2013			
	Share capital	Available-for-sale investments reserve	Accumulated losses	Total
	SR'000	SR'000	SR'000	SR'000
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:				
Change in fair value of available-for-sale investments (note 7 (c))	-	515	-	515
Net change in available-for-sale investments reclassified to interim statement of Shareholders' Operations (note 7 (c) (ii))	-	(170)	-	(170)
	-	345	-	345
Balance at 30 September 2013 (Unaudited)	100,000	2,004	(51,077)	50,927

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the nine-month period ended 30 September 2014

	Notes	Nine-month period ended 30 September 2014 (Unaudited)	Nine-month period ended 30 September 2013 (Unaudited)
		SR'000	SR'000
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		294	-
Adjustments for:			
Unrealized gain on FVIS investments	7(a)	(2,886)	(4)
Realized gain on FVIS investments		(1)	-
Amortisation related to held to maturity investments	7(b)	22	22
Depreciation		1,382	1,492
Employees end of service benefits, net		336	(1,108)
		(853)	402
Changes in operating assets and liabilities:			
Premium receivables, net		(14,799)	(10,662)
Reinsurance receivables		3,187	4,198
Deferred policy acquisition costs		(3,039)	(515)
Prepayments and other receivables		1,697	2,994
Reinsurers share of unearned premiums		(3,744)	4,456
Reinsurers share of outstanding claims		3,069	(5,022)
Unearned premiums		58,818	24,010
Unearned commission income		983	111
Outstanding claims		(19,033)	7,383
Policyholders' claims		(14)	(1,098)
Reinsurance payables		1,928	(469)
Accruals and other payables		2,695	2,001
Due to/(from) Shareholders' Operations		(5,040)	(1,467)
Net cash flows from operating activities		25,855	26,322
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(523)	(769)
Purchase of FVIS investments		(15,000)	(46,591)
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
Proceeds from held to maturity investments	7 (b)	3,000	-
Net cash flows used in investing activities		(35,946)	(47,225)
DECREASE IN CASH AND CASH EQUIVALENTS		(10,091)	(20,903)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		36,465	37,289
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	26,374	16,386

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS

For the nine-month period ended 30 September 2014

	Notes	Nine-month period ended 30 September 2014 (Unaudited)	Nine-month Period ended 30 September 2013 (Unaudited)
		SR'000	SR'000
OPERATING ACTIVITIES			
Net income / (loss) for the period before Zakat		4,996	(17,022)
Adjustments for:			
Unrealized gain on FVIS investments	7(a)	(2,675)	(5,507)
Gain on disposal of available-for-sale investments	7(c)	-	(170)
Amortisation of held to maturity investments	7(b)	7	6
		2,328	(22,693)
Changes in operating assets and liabilities:			
Prepayment and other receivables		(56)	311
Due (to)/from Insurance Operations		5,040	1,467
Statutory deposit		(55)	(86)
Accruals and other payables		(50)	93
Amount due to a related party		212	(2,026)
Zakat paid	7	-	(1,182)
Net cash flows from / (used in) operating activities		7,419	(24,116)
INVESTING ACTIVITIES			
Proceeds from term deposits		-	10,000
Investment in term deposits		-	(301)
Purchase of FVIS Investments	7(a)	(7,425)	(4,700)
Proceeds from disposal of FVIS Investments		-	4,250
Proceeds from disposal of available-for-sale investments	7(c)	-	2,170
Net cash flows (used in) / from investing activities		(7,425)	11,419
DECREASE IN CASH AND CASH EQUIVALENTS		(6)	(12,697)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		33	13,371
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4	27	674
MAJOR NON-CASH TRANSACTIONS			
Change in the fair value of available-for-sale-investments	474	515	

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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 nine-month periods ended 30 September 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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%
	100%

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 financial 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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:

Standard/ Interpretation	Description
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

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

c) Standards issued but not yet effective

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

Standard/ Interpretation	Description	Effective date
IFRS 9	Financial Instruments – Classification & Measurement	To be announced
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

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

3. GOING CONCERN

The accumulated losses of the Company amounted to SR 70.654 million as at 30 September 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 September 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 XXX October 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.

On 25 September 2014 (corresponding to 01 Dhul Hijjah 1435H), the Company received an approval from SAMA for increasing its ordinary share capital by SAR 150 million, by way of issuance of right shares to its existing shareholders. The Company is currently in the process of submission of information and documents to Capital Market Authority (CMA) in order to obtain approval from the Capital Market Authority (CMA). As a result of this rights issue, the share capital of the Company will increase to SR 250 million comprising of 25 million shares of SR 10 each in issued and fully paid up shares

4. CASH AND CASH EQUIVALENTS

	30 September 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Insurance Operations		
Cash in hand and at banks	26,374	36,465
Shareholders' Operations		
Cash at banks	27	33

5. TERM DEPOSITS

	30 September 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Insurance Operations		
Term deposits	30,626	10,576

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

6. PREMIUM RECEIVABLES, NET

	30 September 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Due from policyholders	55,172	44,701
Due from policy holders – related parties (note 10)	21,261	17,563
Provision for doubtful debts	(23,636)	(23,636)
	52,797	37,998

Movements in allowance for doubtful premiums receivable were as follows:

	30 September 2014 (Unaudited) SR'000	31 December 2013 (Audited) 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	23,636	23,636

7. INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	Nine-month pe- riod ended 30 September 2014 (Unaudited) SR'000	Year ended 31 December 2013 (Audited) SR'000
Balance at the beginning of the period / year	60,659	3,131
Changes in fair value of investments	2,886	98
Transfer of FVIS investments from Shareholders' Operations	-	13,974
Transfer during the period / year	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	74,920	60,659

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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

7. INVESTMENTS (continued)

a) FVIS investments

Shareholders' operations

Movement in FVIS investments is as follows:

	Nine-month period ended 30 September 2014 (Unaudited) SR'000	Year ended 31 December 2013 (Audited) SR'000
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	2,674	6,584
Balance at the end of the period / year	14,945	4,846

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	Nine-month pe- riod ended 30 September 2014 (Unaudited) SR'000	Year ended 31 December 2013 (Audited) SR'000
Balance at the beginning of the period / year	26,663	13,685
Purchases during the period / year	10,000	20,000
Transfer during the period / year	(3,000)	-
Matured during the period / year	(3,000)	(7,000)
Amortised during the period / year	(22)	(22)
Balance at the end of the period / year	30,641	26,663

Shareholders' operations

Movement in investments held to maturity is as follows:

	Nine-month pe- riod ended 30 September 2014 (Unaudited) SR'000	Year ended 31 December 2013 (Audited) SR'000
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	3,712	3,719

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

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

7. INVESTMENTS (continued)

c) Available-for-sale investments

Shareholders' operations

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

Nine-month period ended 30 September 2014 (Unaudited)

	Quoted securi- ties SR'000	Unquoted secu- rities SR'000	Total SR'000
Balance at the beginning of the period	5,053	1,923	6,976
Changes in fair value of investments	474	-	474
Balance at the end of the period	5,527	1,923	7,450

Year ended 31 December 2013 (Audited)

	Quoted securi- ties SR'000	Unquoted secu- rities SR'000	Total 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	5,053	1,923	6,976

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.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

8. OUTSTANDING CLAIMS - NET

	30 September 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Gross outstanding claims	22,953	42,229
Add: Incurred But Not Reported (IBNR) reserve	35,236	34,992
	58,189	77,221
Less: Reinsurance companies' share of outstanding claims	(12,911)	(15,980)
Net outstanding claims	45,278	61,241

9. ZAKAT

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

	30 September 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Balance at the beginning of the period / year	2,174	2,756
Charge for the period / year	800	600
Zakat paid during the period / year	-	(1,182)
Balance at the end of the period / year	2,974	2,174

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.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Nature of transaction	Amount of transaction Nine-month period ended		Balance as at 30 September 2014 (Unaudit- ed)SR'000	Balance as at 31 December 2013 (Audited) SR'000
		30 September 2014 (Unaudited)	30 September 2013 (Unaudited)		
		SR'000	SR'000		
a) Insurance Operations					
Major Shareholder					
Islamic Arab Insurance Com- pany (B.S.C)	General and Administrative Expenses directly paid on behalf of the Company	-	-	6,759	6,759
Related Parties of key manage- ment personnel					
Tajeer Co. (Affiliate)	Insurance policies written	102,091	80,954	21,261	17,563
Chairman of the Board	Insurance policies written	95	83	19	133
Rusd Global Company	Insurance policies written	567	501	24	38
Technology Establishment	Insurance policies written	246	191	125	16
Al Awwal Financial Services	Insurance policies written	-	-	-	(20)
Key management personnel	Long-term benefits	230	165	1,118	1,257
	Short term benefits	2,904	2,093	228	33
b) Shareholders' Operations					
Board of Directors	Remuneration	19	26	-	-
Board Committees	Remuneration	8	16	-	-
Related Party of key manage- ment personnel					
Islamic Arab Insurance Com- pany (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.

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

11. SEGMENTAL INFORMATION

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

For the three-month period ended 30 September 2014	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Gross premium written	7,183	64,434	3,223	74,840
Less: Reinsurance premiums ceded	-	(99)	(2,648)	(2,747)
Less: Excess of loss premiums	(548)	(759)	5	(1,302)
Net premium written	6,635	63,576	580	70,791
Changes in net unearned premiums	1,413	(3,215)	552	(1,250)
Net premiums earned	8,048	60,361	1,132	69,541
Net reinsurance commissions earned	-	16	988	1,004
Net revenue	8,048	60,377	2,120	70,545
Gross claims paid	5,620	48,800	106	54,526
Less: Reinsurers share	(51)	(4)	(79)	(134)
Net claims paid	5,569	48,796	27	54,392
Changes in outstanding claims	49	3,221	322	3,592
Net claims incurred	5,618	52,017	349	57,984
Policy acquisition costs	390	1,739	326	2,455
Other operating expenses	633	812	56	1,501
Net costs and expenses	6,641	54,568	731	61,940
Net results of insurance operations	1,407	5,809	1,389	8,605
Unallocated expenses				(9,336)
Unallocated other income				21
Investment income				468
Deficit from insurance operations				(242)

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

11. SEGMENTAL INFORMATION (continued)

For the nine-month period ended 30 September 2014	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Gross premium written	29,003	211,207	16,625	256,835
Less: Reinsurance premiums ceded	-	(117)	(12,454)	(12,571)
Less: Excess of loss premiums	(848)	(3,054)	(1,007)	(4,909)
Net premium written	28,155	208,035	3,165	239,355
Changes in net unearned premiums	(4,839)	(49,556)	(679)	(55,074)
Net premiums earned	23,316	158,479	2,486	184,281
Net reinsurance commissions earned	-	25	2,585	2,611
Net revenue	23,316	158,504	5,071	186,892
Gross claims paid	15,298	149,046	7,758	172,102
Less: Reinsurers share	(401)	(5)	(6,215)	(6,621)
Net claims paid	14,897	149,041	1,543	165,481
Changes in outstanding claims	(550)	(14,449)	(966)	(15,966)
Net claims incurred	14,347	134,592	576	149,515
Policy acquisition costs	971	4,051	868	5,890
Other operating expenses	2,255	2,776	135	5,166
Net costs and expenses	17,572	141,419	1,579	160,571
Net results of insurance operations	5,744	17,086	3,492	26,321
Unallocated expenses				(27,371)
Unallocated other income				108
Investment income				3,882
Surplus from insurance operations				2,940

	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
As at 30 September 2014				
Insurance operations' assets				
Reinsurer's share of unearned premiums	-	5	6,974	6,979
Reinsurer's share of outstanding claims	506	921	11,484	12,911
Deferred policy acquisition costs	824	3,974	643	5,441
Unallocated assets				235,579
Total insurance operations' assets				260,910
Insurance operations' liabilities				
Unearned premiums	16,313	133,169	9,069	158,550
Outstanding claims	9,537	32,623	16,029	58,189
Unearned commission income	-	1	1,899	1,900
Provision for premium deficiency	2,635	2,330	868	5,833
Unallocated liabilities and surplus				41,739
Total insurance operations' liabilities and surplus				260,910

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

11. SEGMENTAL INFORMATION (continued)

For the three-month period ended 30 September 2013	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
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	741	38,542
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 – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

11. SEGMENTAL INFORMATION (continued)

For the nine-month period ended 30 September 2013	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
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)

As at 31 December 2013 – audited	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	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

SALAMA COOPERATIVE INSURANCE COMPANY – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

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 September 2014.

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held as FVIS - Insurance Operations	-	74,920	-	74,920
Financial assets held as FVIS - Shareholders' Operations	-	14,946	-	14,946
Financial investments held as available-for-sale - Shareholders' Operations	-	5,527	-	5,527
Balance at the end of the period	-	95,393	-	95,393

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

	Level 1	Level 2	Level 3	Total
Financial assets				
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.

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 September 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 September 2014 (30 September 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 XXX October 2014, corresponding to XXX Dhul Hijja 1435H.

Salama Cooperative Insurance Company
(Formerly 'Saudi IAIC Cooperative Insurance Company')
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
AND INDEPENDENT JOINT AUDITORS' REPORT
31 DECEMBER 2013



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INDEPENDENT JOINT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY (FORMERLY 'SAUDI IAIC COOPERATIVE INSURANCE COMPANY') (A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying statement of financial position of Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – a Saudi Joint Stock Company – (the "Company") as at 31 December 2013, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the year then ended and attached notes 1 to 31 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and the Company's By-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and;
- comply with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matter

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

We further draw attention to:

- Note 3 to the accompanying financial statements, which refers to the Company's accumulated losses at 31 December 2013, amounting to SR 74.850 million at that date (31 December 2012: SR 32.705 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 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.

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013	2012
		SR'000	SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4(a)	36,465	37,289
Term deposits	4(b)	10,576	20,648
Premiums receivable, net	5	37,998	34,339
Reinsurance receivables, net	6	4,750	12,328
Deferred policy acquisition costs	8	2,402	2,046
Prepayments and other receivables	11	10,783	11,363
Amount due from a related party	21	6,759	6,759
FVIS investments	10(a)	60,659	3,131
Reinsurers' share of unearned premiums	7	3,235	9,306
Reinsurers' share of outstanding claims	9	15,980	14,193
Held to maturity investments	10(b)	26,663	13,685
Furniture, fittings and office equipment	12	3,197	4,172
Total insurance operations' assets		219,467	169,259
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4(a)	33	12,749
Term deposits	4(b)	-	20,000
FVIS investments	10(a)	4,846	14,496
Available for sale investments	10(c)	6,976	8,582
Prepayments and other receivables	11	82	482
Due from insurance operations		4,565	4,531
Held to maturity investments	10(b)	3,719	3,731
Statutory deposit	16	10,886	10,771
Total shareholders' assets		31,107	75,342
TOTAL ASSETS		250,574	244,601

The accompanying notes 1 to 31 form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2013

	Notes	2013	2012
		SR'000	SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	7	99,732	81,302
Premium deficiency reserve	13	5,833	221
Unearned commission income	14	916	1,174
Outstanding claims	9	77,221	50,236
Policyholders' claims		6,441	7,726
Reinsurance payables		2,083	3,470
Accruals and other payables	15	14,326	11,105
Due to shareholders' operations		4,565	4,531
Employees' end of service benefits		5,336	6,480
		216,453	166,245
Insurance operations' surplus			
Accumulated surplus from insurance operations		3,014	3,014
Total insurance operations' liabilities and surplus		219,467	169,259
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables	15	1,730	1,606
Zakat provision	20	2,174	2,756
Amount due to a related party	21	-	2,026
Total shareholders' liabilities		3,904	6,388
Shareholders' equity			
Share capital	17	100,000	100,000
Available for sale investments reserve		2,053	1,659
Accumulated losses		(74,850)	(32,705)
Total shareholders' equity		27,203	68,954
Total shareholders' liabilities and equity		31,107	75,342
TOTAL LIABILITIES, SURPLUS AND EQUITY		250,574	244,601

The accompanying notes 1 to 31 form part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2013

	Notes	2013	2012
		SR'000	SR'000
REVENUE			
Gross premiums written	7	218,299	204,258
Less: Reinsurance premiums ceded	7	(12,016)	(25,070)
Less: Excess of loss premiums	7	(3,406)	(2,962)
Net premiums written		202,877	176,226
Changes in net unearned premiums		(24,501)	16,557
Net premiums earned	7	178,376	192,783
Reinsurance commissions earned	14	3,628	5,150
Net revenue		182,004	197,933
COSTS AND EXPENSES			
Gross claims paid	9	168,161	177,742
Less: Reinsurers' share	9	(13,006)	(27,756)
Net claims paid		155,155	149,986
Changes in net outstanding claims and IBNR		25,198	4,326
Net claims incurred	9	180,353	154,312
Provision for premium deficiency	13	5,612	158
Policy acquisition costs	8	5,560	14,341
Other operating expenses		4,625	4,630
Net costs and expenses		196,150	173,441
Net results of insurance operations		(14,146)	24,492
General and administration expenses	22	(36,229)	(41,982)
Other income		399	210
Investment income		1,349	1,258
Deficit from insurance operations		(48,627)	(16,022)
Shareholders' share of insurance operations' deficit	2	48,627	16,022
Policyholders' share of surplus for the year	2	-	-
Accumulated surplus at the beginning of the year		3,014	3,014
Accumulated surplus at the end of the year		3,014	3,014

The accompanying notes 1 to 31 form part of these financial statements.

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

**STATEMENT OF SHAREHOLDERS' OPERATIONS
For the year ended 31 December 2013**

	Notes	2013	2012
		SR' 000	SR' 000
REVENUES			
Shareholders' share of insurance operations' deficit		(48,627)	(16,022)
Unrealised gain on re-measurement of FVIS investments		6,584	605
Income from held to maturity investments		224	346
Income from term deposits		256	711
Gain on sale of available for sale investments	10c (ii)	170	3,602
Other income		--	66
		(41,393)	(10,692)
EXPENSES			
General and administrative expenses	22	(152)	(465)
Net loss for the year before Zakat		(41,545)	(11,157)
Zakat	20	(600)	(1,800)
Net loss for the year		(42,145)	(12,957)
Loss per share – (SR)	23	(4.21)	(1.30)

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

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	SR'000	SR'000
Net loss for the year	(42,145)	(12,957)
Items that are or may be reclassified subsequently to profit or loss:		
Change in fair value of available for sale investments (Note 10 (c))	564	522
Net change in available for sale investments reclassified to statement of shareholders' operations (Note 10 (c) (ii))	(170)	(3,602)
Total comprehensive loss for the year	(41,751)	(16,037)

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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2013**

	Share capital SR'000	AFS invest- ments reserve SR'000	Accumulated losses SR'000	Total SR'000
Balance as at 1 January 2012	100,000	4,739	(19,748)	84,991
Net loss for the year	-	-	(12,957)	(12,957)
Other comprehensive loss for the year				
Change in fair value of available for sale investments (Note 10 (c))	-	522	-	522
Net change in available for sale investments reclassified to statement of shareholders' operations (Note 10 (c) (ii))	-	(3,602)	-	(3,602)
	-	(3,080)	-	(3,080)
Balance at 31 December 2012	100,000	1,659	(32,705)	68,954
Net loss for the year	-	-	(42,145)	(42,145)
Other comprehensive loss for the year				
Change in fair value of available for sale investments (Note 10 (c))	-	564	-	564
Net change in available for sale investments reclassified to statement of shareholders' operations (Note 10 (c) (ii))	-	(170)	-	(170)
	-	394	-	394
Balance at 31 December 2013	100,000	2,053	(74,850)	27,203

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

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
For the year ended 31 December 2013

	Notes	2013	2012
		SR'000	SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the year		-	-
Adjustments to reconcile Policyholders' share of the surplus for the year to net cash from operating activities:			
Unrealized gain on FVIS investments	10(a)	(98)	(54)
Amortization related to held to maturity investments	10(b)	22	12
Provision for premium deficiency	13	5,612	158
Write off of furniture, fittings and office equipment		-	1,235
Provision for doubtful reinsurance receivables	6	472	1,062
Provision for doubtful premium receivables	5	1,015	5,358
Write off of doubtful premium receivables	5	(4,411)	-
Depreciation		1,965	2,581
		4,577	10,352
Changes in operating assets and liabilities:			
Premium receivables, net		(263)	(47)
Reinsurance receivables, net		7,106	(4,871)
Policy acquisition costs		(356)	8,063
Prepayments and other receivables		580	(6,886)
Reinsurers share of unearned premiums		6,071	4,752
Reinsurers share of outstanding claims		(1,787)	935
Unearned premiums		18,430	(21,309)
Unearned commission income		(258)	(8)
Outstanding claims		26,985	3,391
Policyholders' claims		(1,285)	(635)
Reinsurance payables		(1,387)	(1,408)
Accruals and other payables		3,221	2,912
Due to shareholders' operations		34	(2,287)
Employees' end of service benefits, net		(1,144)	451
Net cash flows from / (used in) operating activities		60,524	(7,657)
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment	12	(990)	(1,959)
Transfer of FVIS investments from shareholders' operations	10 (a)	(13,974)	-
Purchase of FVIS investments	10 (a)	(46,591)	-
Purchase of held to maturity investments	10 (b)	(20,000)	-
Proceeds from maturity of term deposits		10,072	3,345
Proceeds from maturity of held to maturity investments	10 (b)	7,000	-
Proceeds from disposal of FVIS investments	10 (a)	3,135	-
Net cash flows (used in)/ from investing activities		(61,348)	1,386
NET DECREASE IN CASH AND CASH EQUIVALENTS		(824)	(6,271)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		37,289	43,560
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4(a)	36,465	37,289

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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**STATEMENT OF SHAREHOLDER OPERATIONS' CASH FLOWS
At 31 December 2013**

	Notes	2013	2012
		SR'000	SR'000
OPERATING ACTIVITIES			
Net loss for the year before Zakat		(41,545)	(11,157)
Adjustments to reconcile net loss for the year before Zakat to net cash used in operating activities:			
Unrealized gain on FVIS investments	10(a)	(6,584)	(605)
Gain on disposal of available for sale investments	10(c)(ii)	(170)	(3,602)
Amortization of held to maturity investments	10(b)	12	11
		(48,287)	(15,353)
Changes in operating assets and liabilities:			
Prepayment and other receivables		400	(403)
Due from insurance operations		(34)	2,287
Statutory deposit		(115)	(128)
Accruals and other payables		124	(464)
Amount due to a related party		(2,026)	2,009
Zakat paid	20	(1,182)	(1,255)
Net cash flows used in operating activities		(51,120)	(13,307)
INVESTING ACTIVITIES			
Investment in term deposits		-	(10,000)
Transfer of FVIS investments to insurance operations	10(a)	13,974	-
Purchase of FVIS investments	10(a)	(4,702)	(10,000)
Proceeds from maturity of term deposits		20,000	-
Proceeds from disposal of FVIS investments	10(a)	6,962	-
Proceeds from disposal of available for sale investments	10(c)	2,170	12,325
Proceed From maturity of held to maturity investments		-	4,980
Net cash flows from / (used in) investing activities		38,404	(2,695)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,716)	(16,002)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE			
	YEAR		
		12,749	
		28,751	
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4(a)	33	12,749
MAJOR NON-CASH TRANSACTIONS			
Change in fair value of available for sale investments	10(c)	564	522

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') (the "Company") is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 112/K dated 29 Rabi Al-Thani (corresponding to 16 May 2007). During last year, as per the shareholders resolution dated 23 June 2012, the name of the Company was changed from Saudi IAIC Cooperative Insurance Company to Salama Cooperative Insurance Company. Legal formalities to change the name of the Company were completed during 2012.

The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awal 1428H (corresponding to 23 May 2007). The Registered Office address of the Company is Al-Amir Muhammed bin Abdulaziz Street, Bin Hamran Center, P.O. Box 122392, Jeddah 21332, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Market on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

In 2010, the Company entered into an agreement with Islamic Arab Insurance Company BSC ("the Seller") pursuant to which it acquired the Seller's insurance operations in the Kingdom of Saudi Arabia, effective from 1 October 2009, at a goodwill amount of SR 7,140 thousands, as approved by Saudi Arabian Monetary Agency ("SAMA"). The portfolio valuation date, for the purpose of the transfer, was 31 December 2008. No payment in respect of goodwill has been made till 31 December 2012. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and also subject to SAMA approval. In case the Company is not able to pay the goodwill before the end of 2015, the goodwill will be set off against the amount payable for goodwill. The Company is not expected to fulfil the requirements of SAMA in respect of goodwill payment, before the end of year 2015. The management discussed this matter with the Seller and Seller agreed and relinquished all their rights in respect of goodwill payment. As no amounts were expected to be paid to the Seller, the goodwill amount was offset against the amount payable to the Seller, during year ended 31 December 2012.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of measurement

These financial statements are prepared under the historical cost basis except for FVIS investments and available for sale investments which are measured at fair value.

b) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

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.

The Company presents its 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 reporting date.

c) Functional and presentation currency

The 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.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

d) Surplus distribution

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

Shareholders	90%
Policyholders	10%
	100%

If the insurance operations result in a deficit, the entire deficit is borne by Shareholder's Operations.

e) Summary of significant accounting policies

The accounting policies adopted by the Company for preparation of these financial statements are consistent with those of the previous year except for the adoption of following new standards and amendments to existing standards and interpretations mentioned below which had no significant impact on the financial statements of the Company.

New standards

IFRS 13 Fair value measurement: Replaces the guidance on the fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair values, provides guidance on how to determine fair values and requires disclosure about fair value measurements.

Amendments to existing standards

- Amendments to IAS 1 Presentation of the Financial Statements: amends IAS 1 to revise the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS-7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of the IAS 32 and also requires disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.
- IAS 19 Employee Benefits – Amendments: The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e. the corridor mechanism. All changes in the value of the defined benefit plans will be recognised in the profit or loss and other comprehensive income.
- The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:
 - Ø IAS 1 – Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes
 - Ø IAS 16 – property, plant and equipments: classification of servicing equipment:
 - Ø IAS 34 – Interim Financial Reporting: Segment assets and liabilities

The Company has not early adopted any other standard, interpretation or amendment that has been issued for early adoption but is not yet effective.

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

e) Summary of significant accounting policies (continued)

Insurance contracts (continued)

Insurance contracts are principally divided into medical, marine, property, motor, engineering and accident and liability and are principally short-term insurance contracts.

Medical insurance is designed to compensate policy holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties. Customers could also receive compensation for the loss of earnings through loss of profit and business interruption. For property insurance contracts the main risks are fire, natural perils, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. The Company also issues comprehensive motor policies. Various extensions cover natural perils, personal accident benefits and dealer repairs.

General accident insurance includes money, fidelity guarantee, personal accident, jeweler block, jewelry all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types:

(a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs.

(b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and Business Interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have an original maturity of three months or less.

Premiums receivable

Premiums receivable are non derivative financial assets with fixed or determined payments.

Premiums receivable are stated at original invoice amount less an allowance for any uncollectible amounts (impairment). An allowance for impairment is made when collection of the full amount is no longer probable and charged to statement of insurance operations and accumulated surplus. Bad debts are written off when there is no possibility of recovery.

Deferred policy acquisition costs

Those direct costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, these costs are amortized on a straight-line basis based on the term of expected future premiums except for marine cargo where the deferred portion is computed based on last three months of the total cost incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

e) Summary of significant accounting policies (continued)

Investments

All investments are initially recognised at cost, being the fair value of consideration given. Financial assets are initially recognised at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

FVIS investments

Investments are classified as Fair Value through Statement of Income (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investments classified as FVIS are initially recognised at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of shareholders' operations and statement of insurance operations and accumulated surplus.

Available for sale investments

After initial recognition, investments which are classified as "available for sale" (AFS) are normally remeasured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes are included in statement of shareholders' comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported within statement of comprehensive income, is included in the statement of shareholders' operations.

Investments held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity and are classified as held to maturity investments.

Held to maturity investments are initially recorded at cost, being fair value of consideration given. Subsequently these are measured at amortized cost (using effective interest rate) less impairment losses.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations and accumulated surplus or shareholders' operations as impairment.

Furniture, fittings and office equipment

Furniture, fittings and office equipment are measured at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis over following estimated useful lives of the assets.

Motor vehicle	5 years
Furniture and fittings	5 years
Computers and office equipment	3 years

The carrying values of furniture, fittings and office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of furniture, fittings and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture, fittings and equipment. All other expenditure is recognised in the statement of insurance operations and accumulated surplus as the expense is incurred.

Any gain or loss on disposal of an item of furniture, fixtures and office equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of insurance operations and accumulated surplus.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

e) Summary of significant accounting policies (continued)

Goodwill

Goodwill represented the amount paid / to be paid by the Company in excess of the fair value of the net identifiable assets and liabilities acquired from Islamic Arab Insurance Company as approved by SAMA. Following initial recognition, goodwill was measured at cost less any accumulated impairment losses. Goodwill was tested for impairment, annually at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (note 1).

Liability adequacy test

At each reporting date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus, and a provision for premium deficiency is created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. Provisions are not recognized for future operating losses.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service subject to the completion of a minimum service period. Provision is made for the amounts payable under Saudi Arabian Labour law applicable to employees accumulated periods of service at the statement of financial position date. The expense for the year is charged to the statement of insurance operations and accumulated surplus.

Zakat

Zakat are provided for in accordance with the Saudi Arabian Zakat Regulations. Zakat is accrued and charged to statement of shareholders' operations.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised for insurance operations' assets in the statement of insurance operations and accumulated surplus, and for shareholders' assets in the statement of shareholders' operations.

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised.
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the asset's original effective interest rate.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

e) Summary of significant accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value

less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property, if any, previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Derecognition of financial instruments

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

e) Summary of significant accounting policies (continued)

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Revenue Recognition

Premiums and commissions earned

Gross premiums written and commission income are taken into income over the term of the policies to which they relate on a pro-rata basis. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and unearned commission income, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents last three months of the total premiums written during the current financial period. The change in the unearned premiums is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognized over the period of risk.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Commission income

Commission income on term deposits is recognised using the effective yield method.

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to statement of insurance operations and accumulated surplus as incurred. Claims comprise the estimated amounts payable in respect of claims reported to the Company and those not reported at the reporting date.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date together with the related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims but not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on Management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date ("IBNR") including related claims handling costs and the expected value of salvage and other recoveries at the reporting date.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Reinsurance contracts held

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers.

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

e) Summary of significant accounting policies (continued)

Reinsurance contracts held (continued)

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of insurance operations and accumulated surplus or the statement of shareholders' operations as appropriate.

Expenses

Due to the nature of the Company' business, all expenses incurred are considered to be general and administrative expenses and are classified as such.

Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions. For management purposes, the Company is organized into business units based on their products and services and has the following major reportable segments:

- Medical provides compensation to policy holders for expenses incurred in treatment of a disease, illness or injury.
- Motor provides coverage against losses and liability related to motor vehicles.
- Other includes property, marine, engineering, accident and liability and miscellaneous categories.

Shareholders' operations' is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

Fair values of financial instruments

Financial instruments comprise cash and cash equivalents, term deposits, premiums receivable, reinsurance receivables, amounts receivable from related party, investments, outstanding claims, reinsurance share of outstanding claims, reinsurance payables and certain other assets and liabilities.

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

e) Summary of significant accounting policies (continued)

Fair values of financial instruments (continued)

Fair value of FVIS investments is determined on the basis of net assets value of the respective funds at the end of the reporting period. For FVIS or AFS investments, where there is no active market the fair value is determined by using valuation technique, except for unquoted equity investments which are held at cost. Such technique includes using recent arm's length transactions, reference to current market value of another instrument, which is substantially the same and or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management best estimate and discount rate used is a market related rate for similar assets.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

f) Use of estimates and judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. In particular, estimates have to be made to calculated ultimate cost of claims. Incurred but not yet reported (IBNR) at reporting date are derived by deducting paid and outstanding claim at reporting date from ultimate cost of claim. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. These provisions are not discounted for the time value of money.

Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred on a monthly basis, and claims incurred but not reported on a quarterly basis. The provision for outstanding claims as at 31 December 2012 and 2013 were also verified and certified by an independent actuary.

Premium deficiency reserve

Estimation of the premium deficiency is highly sensitive to a number of assumptions as to the future events and conditions. It is based on expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and premiums relationship which is expected to apply on month to month basis. Based on actuary's suggestion, the management has used different possibilities for projecting the expected trends in loss ratio. The key assumption used by the management is that past claims pattern are stable and will continue in future. The following table represents sensitivity of premium deficiency reserve and its effect on net loss for the year based on an increase of 10% in outstanding claim reserve and increase of 15 % in IBNR (scenario 1) and decrease of 10% in outstanding claim reserve and decrease of 15 % in IBNR (scenario 2).

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

f) Use of estimates and judgments (continued)

Premium deficiency reserve (continued)

Assumptions	Scenario 1	Scenario 2
Class wise net implied loss ratios		
Fire	138%	114%
General Accident	97%	82%
Medical	91%	80%
Motor	81%	78%
Currently the management has based the working of premium deficiency reserve for the year ended 31 December 2013 on following loss ratios.		
Class wise net implied loss ratios		
Fire	126%	
General Accident	89%	
Medical	85%	
Motor	78%	
Keeping other variable constant the loss before Zakat for the year ended 31 December 2013 would increase by SR 3,029 thousand under scenario 1 and would increase by SR 3,060 thousand in case of scenario 2.		

Allowance for impairment of premiums receivable

The Company makes portfolio provision, estimated on a group basis, based on the ageing profile of the premiums receivable. Such estimates involve various degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

Useful lives of furniture, fittings and equipment

The Company's management determines the estimated useful lives of its furniture, fittings and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Classification of investments:

The management designates at the time of acquisition of investment securities whether these should be classified as FVIF or held to maturity or available for sale securities. In judging whether investment in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS.

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

f) Use of estimates and judgments (continued)

Impairment of available-for-sale equity investments

The Company determines that available-for-sale equity investments assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Fair values of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

3 GOING CONCERN

The Company incurred a loss of SR 42.15 million during the year ended 31 December 2013 (2012: SR 12.96 million) and accumulated losses amounted to SR 74.850 million at that date (31 December 2012: SR 32.705 million). The Company's ability to continue as a going concern is dependent upon future profitable operations and continued financial support from shareholders in order to enable it to cover its losses and settle its liabilities. Further, as at 31 December 2013, the Company is not in full compliance with Article 66 of SAMA Insurance Implementing Regulations in relation to its solvency requirements (refer note 19).

The above mentioned conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. However, whilst approving the financial statements of the Company on 25 February 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 financial statements is appropriate.

These 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.

4 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

	2013 SR'000	2012 SR'000
(a) Cash and cash equivalents Insurance Operations		
Cash on hand and at banks	36,465	37,289
Shareholders' Operations		
Cash at banks	33	12,749
(b) Term deposits		
Insurance Operations		
Term deposits	10,576	20,648
Shareholders' Operations		
Term deposits	-	20,000

The term deposits are held with the commercial banks and earn commission at market rates. 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.

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5 PREMIUMS RECEIVABLE, NET

	2013 SR'000	2012 SR'000
Due from policyholders	44,071	54,574
Due from policyholders - related party (see note 21)	17,563	6,797
Allowance for doubtful premium receivable (see below)	(23,636)	(27,032)
	37,998	34,339

Movements in allowance of doubtful premiums receivable were as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	27,032	21,674
Provided during the year (note 22)	1,015	5,358
Written off during the year	(4,411)	-
Balance at the end of the year	23,636	27,032

The age analysis of unimpaired premiums receivable arising from insurance contracts is as follows:

	<i>Past due but not impaired</i>				<i>Total</i>
	<i>Up to three months</i>	<i>Above three and up to six months</i>	<i>Above six and less than twelve months</i>	<i>Twelve months and above</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	
2013	25,662	3,113	6,230	2,993	37,998
2012	18,549	6,439	7,191	2,160	34,339

Past due but not impaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured. In respect of premiums receivable, the five largest customer balances accounted for approximately 39% of this balance as at 31 December 2013 (2012: 29%). Premiums receivable comprise a large number of customers and insurance companies all within the Kingdom of Saudi Arabia.

6 REINSURANCE RECEIVABLES, NET

	2013 SR'000	2012 SR'000
Reinsurance receivables	8,293	15,399
Allowance for doubtful insurance receivable (see below)	(3,543)	(3,071)
	4,750	12,328

Movements in allowance of doubtful reinsurance receivables were as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	3,071	2,009
Provided during the year (note 22)	472	1,062
Balance at the end of the year	3,543	3,071

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At 31 December 2013

6 REINSURANCE RECEIVABLES, NET (continued)

	<i>Past due but not impaired</i>				<i>Total</i>
	<i>Up to three months</i>	<i>Above three and up to six months</i>	<i>Above six and less than twelve months</i>	<i>Twelve months and above</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
2013	1,609	2,287	327	527	4,750
2012	4,432	7,140	133	623	12,328

Past due but not impaired reinsurance receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over reinsurance receivables and the vast majority is, therefore, unsecured. In respect of reinsurance receivables, the five largest customer balances accounted for approximately 65% of gross reinsurance receivables balance as at 31 December 2013 (2012: 85%). Geographical concentration of reinsurance receivables at year end is as follows:

	2013 SR'000	2012 SR'000
Within Kingdom of Saudi Arabia	2,781	1,144
Outside Kingdom of Saudi Arabia	5,512	14,255
	8,293	15,399

7 NET PREMIUMS EARNED

	2013 SR'000	2012 SR'000
Gross written premiums	218,299	204,258
Gross unearned premiums at the beginning of the year	81,302	102,611
	299,601	306,869
Gross unearned premiums at the end of the year	(99,732)	(81,302)
Gross premiums earned	199,869	225,567
Reinsurance premium ceded	(12,016)	(25,070)
Excess of loss premiums	(3,406)	(2,962)
Reinsurers' share of unearned premiums at the beginning of the year	(9,306)	(14,058)
	(24,728)	(42,090)
Reinsurers' share of unearned premiums at the end of the year	3,235	9,306
Insurance premiums ceded to reinsurers	(21,493)	(32,784)
Net premiums earned	178,376	192,783

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8 DEFERRED POLICY ACQUISITION COSTS

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	2,046	10,109
Expenses incurred during the year	5,916	6,278
Amortisation for the year	(5,560)	(14,341)
Balance at the end of the year	2,402	2,046

9 CLAIMS INCURRED

	2013 SR'000	2012 SR'000
Gross claims paid	168,161	177,742
Gross outstanding claims at the end of the year (see note (i) below)	77,221	50,236
	245,382	227,978
Gross outstanding claims at the beginning of the year	(50,236)	(46,845)
Gross claims incurred	195,146	181,133
Reinsurance recoveries	(13,006)	(27,756)
Reinsurers' share of outstanding claims at the end of the year (see note (ii) below)	(15,980)	(14,193)
	(28,986)	(41,949)
Reinsurers' share of outstanding claims at the beginning of the year	14,193	15,128
Reinsurers' share of claims	(14,793)	(26,821)
Net claims incurred	180,353	154,312

(i) Gross outstanding claims as at 31 December 2013 include provision for IBNR amounting to SR 34,992 thousand (2012: 23,711 thousand).

(ii) Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the reporting date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

(iii) Management believes that uncertainty about the amount and timing of its claims payments is typically being resolved within one year and accordingly, the claims development table is not required to be disclosed in the financial statements.

10 INVESTMENTS

	2013 SR'000	2012 SR'000
Insurance Operations		
FVIS investments (see (a) below)	60,659	3,131
Held to Maturity Investments (see (b) below)	26,663	13,685
Shareholders' Operations		
FVIS investments (see (a) below)	4,846	14,496
Held to Maturity investments (see (b) below)	3,719	3,731
Available for sale investments (see (c) below)	6,976	8,582

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10 INVESTMENTS (continued)

a) FVIS investments

Insurance operations

Movements in FVIS investments is as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	3,131	3,077
Purchased during the year	46,591	
Disposals during the year	(3,135)	-
Transfer of FVIS investments from Shareholders' Operations	13,974	-
Changes in fair value of investments	98	54
Balance at the end of the year	60,659	3,131

The management of the Company transferred certain FVIS investments from Shareholders' Operations to Insurance Operations.

Shareholders' operations

Movements in FVIS investments is as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	14,496	3,891
Purchases during the year	4,702	10,000
Transfer of FVIS investments to Insurance Operations (refer note 10(a) – insurance operations)	(13,974)	-
Disposals during the year	(6,962)	-
Changes in fair value of investments	6,584	605
Balance at the end of the year	4,846	14,496

b) Held to maturity investments

Insurance operations

Movements in investments held to maturity is as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	13,685	13,697
Purchases during the year	20,000	-
Matured during the year	(7,000)	-
Amortised during the year	(22)	(12)
Balance at the end of the year	26,663	13,685

Shareholders operations

Movements in investments held to maturity is as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	3,731	8,722
Matured during the year	-	(4,980)
Amortized during the year	(12)	(11)
Balance at the end of the year	3,719	3,731

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10 INVESTMENTS (continued)

c) Available for sale investments

Shareholders' operations

Movements in available for sale investments are as follows:

2013	Quoted securities SR'000	Unquoted securities SR'000	Total 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	5,053	1,923	6,976

2012	Quoted securities SR'000	Unquoted securities SR'000	Total SR'000
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	6,659	1,923	8,582

(i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (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 year ended 31 December 2013, the Company sold investment at a price of SR 2,000 thousand (2012: SR 8,723 thousand) for SR 2,170 thousand (2012: SR 12,325 thousand). The realized gain of SR 170 thousand (2012: SR 3,602 thousand) has been transferred from available for sale investment reserve to statement of shareholders' operations.

11 PREPAYMENTS AND OTHER RECEIVABLES

	2013 SR'000	2012 SR'000
Insurance Operations		
Prepayments	2,457	2,420
Other receivables	8,326	8,943
	10,783	11,363
Shareholders' Operations		
Other receivables	82	482

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12 FURNITURE, FITTINGS AND OFFICE EQUIPMENT

	Motor vehicles SR'000	Furniture and fittings SR'000	Computers and office equipment SR'000	Total SR'000
Insurance Operations				
Cost:				
At 1 January 2013	59	5,537	5,215	10,811
Additions during the year	-	461	529	990
At 31 December 2013	59	5,998	5,744	11,801
Accumulated Depreciation:				
At 1 January 2013	59	2,724	3,856	6,639
Charge for the year (see note 22)	-	1,051	914	1,965
At 31 December 2013	59	3,775	4,770	8,604
Carrying amount:				
At 31 December 2013	-	2,223	974	3,197
At 31 December 2012	-	2,813	1,359	4,172

13 PREMIUM DEFICIENCY RESERVE

As at 31 December 2013 the Company held provision amounting to SR 5,833 thousand (2012: SR 221 thousand) in respect of premium deficiency for its motor, medical, fire, engineering and general accident class of business. The Company created this provision based on the assumption that the premiums for these classes will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of the policies in force at date of statement of financial position.

Movements in provision for premium deficiency reserve is as follows:	2013 SR'000	2012 SR'000
Balance at the beginning of the year	221	63
Provided during the year	5,612	158
Balance at the end of the year	5,833	221

14 UNEARNED COMMISSION INCOME

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	1,174	1,182
Commission received during the year	3,370	5,142
Commission earned during the year	(3,628)	(5,150)
Balance at the end of the year	916	1,174

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15 ACCRUALS AND OTHER PAYABLES

	2013 SR'000	2012 SR'000
Insurance Operations		
Accrued expenses	8,139	2,383
Other payables	6,187	8,722
	14,326	11,105

Shareholders' Operations	2013 SR'000	2012 SR'000
Accrued expenses	844	835
Other payables	886	771
	1,730	1,606

16 STATUTORY DEPOSIT

	2013 SR'000	2012 SR'000
Statutory deposit	10,886	10,771

As required by Saudi Arabian Insurance Regulations, the Company has deposited 10% of its paid up capital, amounting to SR 10 million in a bank designated by the Saudi Arabian Monetary Agency ("SAMA"). The return on this deposit during the year ended 31 December 2013, which is payable to SAMA, is SR 115 thousand (2012: SR 128 thousand). A corresponding liability to SAMA has been recorded for the return on this deposit, as the Company does not have any entitlement to it. This statutory deposit cannot be withdrawn without the consent of SAMA.

17 SHARE CAPITAL

The share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each. As at 31 December 2013, the founding shareholders of the Company held three million shares with a nominal value of SR 10 each, which represents 30% of the shares of the Company. The remaining seven million shares with a nominal value of SR 10 each, which represents 70% of the shares of the Company, are held by the public.

18 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"), 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. As the Company has accumulated losses at year end, no transfer to statutory reserve has been made.

19 REGULATORY REQUIREMENT

As required by Saudi Arabian Insurance Regulations (Article 66 of Implementation Regulations issued by SAMA), the Company is required to maintain minimum Solvency Margin equivalent to the highest of minimum capital requirement, premium solvency margin or claims solvency margin. As at 31 December 2013, 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 is in the process of submission of action plan to SAMA to achieve the solvency margin. The Board of Directors is confident that the action plan will be considered favorably by the SAMA.

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20 ZAKAT

Charge for the year	2013 SR'000	2012 SR'000
Current year provision	600	1,323
Relating to prior years	-	477
Charge for the year	600	1,800

The current year provision is based on the following:

	2013 SR'000	2012 SR'000
Equity	67,295	80,252
Opening provision and adjustments	34,211	28,405
Net book value of long term assets	(34,491)	(59,182)
Available for sale investments reserve	2,053	1,659
	69,068	51,134
Adjusted (loss) / income for the year	(45,068)	1,792
Zakat base	24,000	52,926

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the year	2013 SR'000	2012 SR'000
Balance at the beginning of the year	2,756	2,211
Charge for the year	600	1,800
Payment made during the year	(1,182)	(1,255)
Balance at the end of the year	2,174	2,756

Zakat status

The Company has filed its Zakat declarations for the period from 16 May 2007 to 31 December 2008 and for the years ended 31 December 2009 through 2011 and obtained restricted Zakat certificates.

The Department of Zakat and Income Tax ("DZIT") raised initial 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 appeal against this demand and is confident of a favorable outcome. Zakat assessments for years ended 31 December 2009 through 2011 have not yet been raised. However during the year, the DZIT issued initial assessment for the year 2011, disallowing investments and statutory deposit from Zakat base and requested additional Zakat of SR 1,376 thousand. The Company has filed an appeal against DZIT's initial assessment and is confident of a favorable outcome.

The declaration for year 2012 is filed with DZIT. The DZIT's review is awaited.

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21 RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of transaction	Transactions for the year ended 31 December 2013 SR'000	Transactions for the year ended 31 December 2012 SR'000	Balance as at 31 December 2013 SR'000	Balance as at 31 December 2012 SR'000
(a) Insurance Operations					
Major shareholder					
Islamic Arab Insurance Company (B.S.C.)	General and administrative expenses directly paid on behalf of the Company.	-	-	6,759	6,759
Related parties of key management personnel					
Tajeer Co	Insurance policies issued.	100,300	85,389	17,563	6,797
Chairman of the Board	Insurance policies issued.	223	194	133	114
Rusd Global Company	Insurance policies issued.	533	464	38	23
Technology Establishment	Insurance policies issued.	197	-	16	-
Alawwal Financial Services	Insurance policies issued.	-	18	(20)	(20)
Al-Shaer Company	Insurance policies issued.	-	6	159	369
Key management personnel	Long-term benefit	207	176	888	1,251
	Short-term benefit	2,724	2,960	33	622
(b) Shareholder operations					
Major shareholder					
Islamic Arab Insurance Company	Collection on behalf of the founder shareholder/ Company	-	(2,009)	-	(2,026)
Board of directors	Remunerations	55	123	-	-
Board of committees	Remunerations	16	216	-	-

(c) Terms of transactions with related parties are approved by the management of the Company. In addition to disclosures set out in note 2(d) and 5 the year end balances of transactions with related parties are disclosed in the statement of financial position.

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22 GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
	SR'000	SR'000
Insurance Operations		
Employees' costs	23,882	23,010
Office rent	3,390	3,553
Information technology	1,932	1,079
Allowance for doubtful premium receivable (see note 5)	1,015	5,358
Allowance for reinsurance receivables (see note 6)	472	1,062
Depreciation (see note 12)	1,965	2,581
Telephone	319	738
Printing and stationary	611	351
Annual subscription	414	344
Water and electricity	208	208
Others	2,021	3,698
	36,229	41,982
Shareholders' Operations		
Board of director's remuneration (see note a below)	55	123
Board attendance fees (see note b below)	81	128
Committee expenses (see note c below)	16	214
	152	465

- a) Board of Directors' remuneration is paid in accordance with the by-laws of the Company.
- b) Board attendance fees represent allowances for attending board meetings and sub-committee meetings.
- c) Committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

23 LOSS PER SHARE

Loss per share for the year have been calculated by dividing the net loss for the year by the weighted average number of shares in issue during the year (10,000 thousand shares) (2012: 10,000 thousand shares). Diluted earnings per share are not applicable to the Company.

24 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

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 i.e. medical, motor and others.

Segment results do not include general and administrative expenses and investment income. Segment assets do not include cash and cash equivalents, term deposits, net premiums receivable, reinsurance receivable, prepayments and other receivables, amount due from a related party, investments and furniture, fittings and office equipment.

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

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24 SEGMENTAL INFORMATION (continued)

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 year ended 31 December 2013	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Gross premium written	25,558	175,855	16,886	218,299
Less: Reinsurance premiums ceded	(284)	(78)	(11,654)	(12,016)
Less: Excess of loss premiums	(390)	(2,222)	(794)	(3,406)
Net premiums written	24,884	173,555	4,438	202,877
Changes in net unearned premiums	(3,661)	(21,271)	431	(24,501)
Net premiums earned	21,223	152,284	4,869	178,376
Reinsurance commissions earned	-	10	3,618	3,628
Net revenue	21,223	152,294	8,487	182,004
Gross claims paid	27,651	135,561	4,949	168,161
Less: Reinsurers share	(11,110)	-	(1,896)	(13,006)
Net claims paid	16,541	135,561	3,053	155,155
Changes in net outstanding claims	2,733	22,620	(155)	25,198
Net claims incurred	19,274	158,181	2,898	180,353
Premium deficiency reserve	2,477	2,330	805	5,612
Policy acquisition costs	1,240	3,213	1,107	5,560
Other operating expenses	1,937	2,508	180	4,625
Net costs and expenses	24,928	166,232	4,990	196,150
Net results of insurance operations	(3,705)	(13,938)	3,497	(14,146)
Unallocated expenses				(36,229)
Unallocated other income				399
Investment income				1,349
Deficit from insurance operations				(48,627)

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

24 SEGMENTAL INFORMATION (continued)

As at 31 December 2013	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	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
Premium deficiency reserve	2,635	2,330	868	5,833
Unallocated liabilities and surplus	-	-	-	35,765
Total insurance operations' liabilities and surplus				219,467

For the year ended 31 December 2012	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Gross premiums written	35,473	153,608	15,177	204,258
Less: Reinsurance premiums ceded	(14,028)	-	(11,042)	(25,070)
Less: Excess of loss premiums	-	(2,023)	(939)	(2,962)
Net premiums written	21,445	151,585	3,196	176,226
Changes in net unearned premiums	8,214	8,632	(289)	16,557
Net premiums earned	29,659	160,217	2,907	192,783
Reinsurance commissions earned	2,146	-	3,004	5,150
Net revenue	31,805	160,217	5,911	197,933
Gross claims paid	53,408	122,430	1,904	177,742
Less: Reinsurers share	(26,715)	(57)	(984)	(27,756)
Net claims paid	26,693	122,373	920	149,986
Changes in outstanding claims	(1,666)	4,439	1,553	4,326
Net claims incurred	25,027	126,812	2,473	154,312
Premium deficiency reserve	158	-	-	158
Policy acquisition costs	2,567	10,962	812	14,341
Other operating expenses	2,795	1,524	311	4,630
Net costs and expenses	30,547	139,298	3,596	173,441
Net results of insurance operations	1,258	20,919	2,315	24,492
Unallocated expenses				(41,982)
Unallocated other income				210
Investment income				1,258
Deficit from insurance operations				(16,022)

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

24 SEGMENTAL INFORMATION (continued)

As at 31 December 2012	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	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
Premium deficiency reserve	158	-	63	221
Unallocated liabilities and surplus	-	-	-	36,326
Total insurance operations' liabilities and surplus				169,259

25 CAPITAL COMMITMENTS

At 31 December 2013, the Company had outstanding capital commitments amounting to SR NIL million (2012: SR 0.5 million).

26 CONTINGENT LIABILITIES

Company's bankers have given guarantees to non-government customers amounting to SR 0.8 million (2012: SR 0.8 million) in respect of motor insurance.

27 RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through strategic planning process.

Risk management structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Audit committee

The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

The risks facing the Company and the way these risks are mitigated by management are summarised below:

Insurance risk

The risk under an insurance policy is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such policies is that the actual claims and benefit payments exceed the carrying amount of insurance reserves. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient resources are available to cover claims.

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

27 RISK MANAGEMENT (continued)

Insurance risk (continued)

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance policies as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Certain portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

The insurance claim liabilities are sensitive to various assumptions mentioned in note 2(f).

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors such as flood, environmental and economical, atmospheric disturbance and concentration of risk etc. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Geographical concentration of risks

The Company's insurance risk exposure relating to contract holders is concentrated in Kingdom of Saudi Arabia.

The company monitors concentration of risk primarily by class of business. The major concentration lies in motor and medical line of business.

Independent actuarial review of claims and claims reserves

In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modeling and claims projections as well as verifying the closing position claims reserves are adequate.

Key assumptions

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

Sensitivities

The company believes that claim liabilities under insurance contract (Gross outstanding claim less reinsurance share of outstanding claim) outstanding at the year-end are adequate. However these amounts are not certain and actual payments may differ from claim liabilities provided in the financial statements. The insurance claim liabilities are sensitive to various assumptions. Sensitivity of loss for the year before Zakat to change in claim liabilities and IBNR based on an increase / decrease of 10% in outstanding claim reserve and increase / decrease of 15 % in IBNR is given below for each business segment.

Outstanding claim net of reinsurance	2013 SR'000		2012 SR'000	
	Effect of 10% increase	Effect of 10% decrease	Effect of 10% increase	Effect of 10% decrease
Motor	(888)	888	(1,120)	1,120
Medical	(355)	355	(195)	195
Others	(436)	436	(509)	509
	(1,679)	1,679	(1,824)	1,824

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

27 RISK MANAGEMENT (continued)

Insurance risk (continued)

IBNR	2013 SR'000		2012 SR'000	
	Effect of 15% increase	Effect of 15% decrease	Effect of 15% increase	Effect of 15% decrease
Motor	(3,866)	3,791	(1,849)	1849
Medical	(905)	905	(736)	736
Others	(68)	68	(87)	87
	(4,839)	4,764	(2,672)	2,672

Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurers are selected using the following parameters and guidelines set by the Company's management. The criteria may be summarized as follows:

- a) Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB.
- b) Reputation of particular reinsurance companies.
- c) Existing or past business relationship with the reinsurer.

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local Insurance Regulator. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities.

The operations of the Company are also subject to regulatory requirements within the jurisdiction it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Capital management risk

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares, if required in future.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

27 RISK MANAGEMENT (continued)

Capital management risk (continued)

The table below summarizes the minimum regulatory capital of the Company:

	2013 SR'000	2012 SR'000
Minimum regulatory capital (Minimum capital basis)	100,000	100,000

As at 31 December 2013, the Company's capital was less than the minimum regulatory capital requirement, and the Company has communicated this matter to SAMA (see note 19).

Financial risk

The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, cash and cash equivalents, term deposits, investments, other receivables, outstanding claims and policy holder claims, reinsurance payable and certain other assets and liabilities. The main risks arising from the Company's financial instruments are market risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused either by factors specific to the individual security, the issuer of the security, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its FIVS investments. Market risk is managed by investing in reputed funds which maintain investments in diversified portfolios and equity shares and by continuous monitoring of developments in equity markets. In addition, the key factors that affect stock market movements are monitored, including analysis of the operational and financial performance of investees. A 5% increase / (decrease) in net asset value of these funds can impact statement of insurance operations and accumulated surplus by SR 3,033 thousand (2012: SR 156 thousand) and statement of shareholder operations by SR 242 thousand (2012: SR 724 thousand).

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its held to maturity investments and term deposits.

The Company is subject to commission rate fair value risk on its fixed rate murabaha deposits classified as term deposits in the statement of financial position. The company does not account for fixed commission rate instrument as held for trading or as FVIS investment. Accordingly there is no impact on the income or equity of reasonably possible change in commission rate.

The Company is required to maintain a restricted deposit in accordance with insurance regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk of other financial instruments by monitoring changes in commission rates in the currencies in which its financial instruments are denominated.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

27 RISK MANAGEMENT (continued)

Financial risk (continued)

Commission rate risk (continued)

Insurance Operations

Details of maturities of the major classes of commission bearing securities for insurance operations as at 31 December 2013 and 2012 are as follows:

	2013 SR '000			
	Less than 1 year	1 to 5 years	over 5 years	Total
Investments held to maturity (note 10(b))	6,000	7,000	13,663	26,663
	6,000	7,000	13,663	26,663

	2012 SR '000			
	Less than 1 year	1 to 5 Years	over 5 years	Total
Investments held to maturity (note 10(b))	-	10,000	3,685	13,685
	-	10,000	3,685	13,685

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date.

The effective interest rates for the commission bearing financial instruments, were as follows:

	2013	2012
Saudi Riyal denominated financial assets	3.33%	1.76%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2013	2012
	SR'000	SR'000
	Effect on profit	Effect on profit
Saudi Riyals:		
Increase in interest rates by 100 basis points	267	136
Decrease in interest rates by 100 basis points	(267)	(136)

Details of maturities of the major classes of commission bearing securities for shareholders' operations as at 31 December 2013 and 2012 are as follows:

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

27 RISK MANAGEMENT (continued)

Financial risk (continued)

Commission rate risk (continued)

Shareholder Operations

	2013 SR '000			
	Less than 1 year	1 to 5 years	over 5 years	Total
Investments held to maturity	3,719	-	-	3,719
	3,719	-	-	3,719

	2012 SR '000			
	Less than 1 year	1 to 5 Years	over 5 years	Total
Investments held to maturity	-	3,731	-	3,731
	-	3,731	-	3,731

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date. The effective interest rates for the commission bearing financial instruments, were as follows:

	2013	2012
Foreign currency denominated financial assets	6.4%	6.4%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2013	2012
	SR'000	SR'000
	Effect on profit	Effect on profit
Saudi Riyals:		
Increase in interest rates by 100 basis points	37	37
Decrease in interest rates by 100 basis points	(37)	(37)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the insurance operations and shareholders' operations primarily deal in Saudi Riyals and in US Dollar which is pegged to Saudi Riyals.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. All of the Company's underwriting activities are carried out in Saudi Arabia. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

The Company seeks to limit its credit risk with respect to customers by following the credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

27 RISK MANAGEMENT (continued)

Credit risk (continued)

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2013	2012
	SR' 000	SR' 000
Insurance' Operations		
Cash and cash equivalents	36,465	37,289
Term deposits	10,576	20,648
Premiums receivable, net	37,998	34,339
Held to maturity investments	26,663	13,685
Reinsurance receivables, net	4,750	12,328
Other receivables	8,326	8,943
Amount due from a related party	6,759	6,759
Reinsurer share of outstanding claims	15,890	14,193
	147,427	148,184
Shareholders' Operations	2013	2012
	SR' 000	SR' 000
Cash and cash equivalents	33	12,749
Term deposits	-	20,000
Other receivables	82	482
Held to maturity investments	3,719	3,731
	3,834	36,962

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All of the Company's financial assets and financial liabilities are expected to be realised and settled, respectively within 12 months from the reporting date, except for statutory deposit, which has no term (see note 14), and held to maturity assets, which are expected to be held until their maturities as mentioned in commission rate risk disclosure above. All financial liabilities are non-interest bearing.

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The Company's financial assets consist of cash and cash equivalents, term deposits, investments, premiums receivable, reinsurance receivables, other receivables, amount due from related parties and reinsurance share of outstanding claims and its financial liabilities consist of outstanding claims, policyholders' claims, reinsurance payable, other payables and amount due to a related party. The fair values of financial assets and liabilities, except for held to maturity investments, are not materially different from their carrying values at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy

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

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

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

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

The table below presents the financial instruments at their fair values as at 31 December 2013 and 2012:

2013	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
FVIS investments				
- Policyholders operations	-	60,659	-	60,659
- Shareholders operations	-	4,846	-	4,846
Available for sale investments				
- Shareholders operations	-	5,053	-	5,053
Total	-	70,558	-	70,558
2012	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
FVIS investments				
- Policyholders operations	-	3,131	-	3,131
- Shareholders operations	-	14,496	-	14,496
Available for sale investments				
- Shareholders operations	-	6,659	-	6,659
Total	-	24,286	-	24,286

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

29 NEW IFRS, IFRIC AND AMENDMENTS THEREOF, 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 those standards when they become effective.

Standard/ Interpre- tation	Description	Effective from periods beginning on or after the fol- lowing date
IFRS 9	Financial Instruments – Classification & Measurement	To be announced
IFRS 10	Amendment to IFRS 10 - Consolidated Financial Statements – Investment entities	1 January 2014
IFRS 12	Amendment to IFRS 12 - Disclosure of Interest in Other Parties – Investment entities	1 January 2014
IAS 27	Amendment to IAS 27 - Separate Financial Statements – Investment entities	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 FINANCIAL STATEMENTS

At 31 December 2013

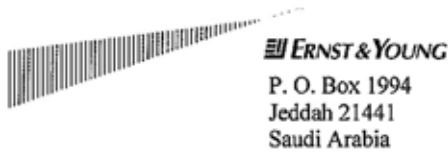
30 COMPARATIVE FIGURES

Certain of prior period figures have been re-classified to conform to presentation in current year.

31 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 25 February 2014 (corresponding to 25 Rabi Al Thani 1435 H).

Salama Cooperative Insurance Company
(Formerly 'Saudi IAIC Cooperative Insurance Company')
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
AND AUDITORS' REPORT
31 DECEMBER 2012



Al Bassam

Certified Public Accountants & Consultants

P. O. Box 15651
Jeddah 21454
Saudi Arabia

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY (FORMERLY 'SAUDI IAIC COOPERATIVE INSURANCE COMPANY') (A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying statement of financial position of Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') – a Saudi Joint Stock Company – (the "Company") as at 31 December 2012, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended. These financial statements are the responsibility of the Company's Board of Directors and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
- comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matter

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Husam Faisal Bawared
Certified Public Accountant
Licence No. 393

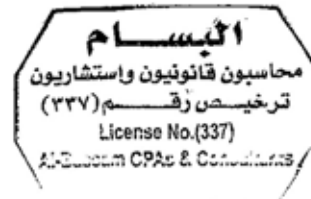
for Al Bassam

Certified Public Accountants & Consultants

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



14 Rabi Al Thani 1434 H
24 February 2013
Jeddah, Saudi Arabia



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

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	31 December 2012	31 December 2011
		SR'000	SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3(a)	37,289	43,560
Term deposits	3(b)	20,648	23,993
Premiums receivable, net	4	34,339	39,650
Reinsurance receivables		12,328	7,457
Deferred policy acquisition costs	6	2,046	10,109
Prepayments and other receivables	9	11,363	4,477
Amount due from a related party	18	6,759	6,759
FVIS investments	8	3,131	3,077
Reinsurers' share of unearned premiums	5	9,306	14,058
Reinsurers' share of outstanding claims	7	13,522	15,128
Held to maturity investments	8	13,685	13,697
Furniture, fittings and office equipment	10	4,172	6,029
Total insurance operations' assets		168,588	187,994
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3(a)	13,371	29,373
Term deposits	3(b)	20,000	10,000
FVIS investments	8	13,874	3,269
Available for sale investments	8	8,582	20,385
Prepayments and other receivables	9	482	79
Due from insurance operations		5,359	6,818
Held to maturity investments	8	3,731	8,722
Goodwill	1	-	7,140
Statutory deposit	13	10,771	10,643
Total shareholders' assets		76,170	96,429
TOTAL ASSETS		244,758	284,423

The accompanying notes 1 to 27 form part of these financial statements.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2012

	Notes	31 December 2012	31 December 2011
		SR'000	SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	5	81,302	102,611
Provision for premium deficiency		63	63
Unearned commission income	11	1,174	1,182
Outstanding claims	7	48,895	46,845
Policyholders' claims		7,726	8,361
Reinsurance payables		3,470	4,878
Accruals and other payables	12	11,105	8,193
Due to shareholders' operations		5,359	6,818
Employees' terminal benefits		6,480	6,029
		165,574	184,980
Insurance operations' surplus			
Accumulated surplus from insurance operations		3,014	3,014
Total insurance operations' liabilities and surplus		168,588	187,994
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables	12	1,606	2,070
Zakat provision	17	2,756	2,211
Amount due to a related party	18	2,026	17
Amount due to a related party in respect of goodwill	1&18	-	7,140
Total shareholders' liabilities		6,388	11,438
Shareholders' equity			
Share capital	14	100,000	100,000
Accumulated losses		(31,877)	(19,748)
Available for sale investments reserve		1,659	4,739
Total shareholders' equity		69,782	84,991
Total shareholders' liabilities and equity		76,170	96,429
TOTAL LIABILITIES, SURPLUS AND EQUITY		244,758	284,423

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the year ended 31 December 2012

	Notes	2012	2011
		SR'000	SR'000
REVENUE			
Gross premiums written	5	204,258	218,663
Less: Reinsurance premiums ceded	5	(25,070)	(35,554)
Less: Excess of loss premiums	5	(2,962)	(2,725)
Net premiums written		176,226	180,384
Changes in net unearned premiums		16,557	(47,983)
Net premiums earned	5	192,783	132,401
Reinsurance commissions earned	11	5,150	3,591
Net revenue		197,933	135,992
COSTS AND EXPENSES			
Gross claims paid	7	177,742	131,490
Less: Reinsurers' share	7	(27,756)	(36,973)
Net claims paid		149,986	94,517
Changes in net outstanding claims		3,656	(10,754)
Net claims incurred	7	153,642	83,763
Policy acquisition costs	6	14,341	11,977
Other operating expenses		4,630	6,838
Net costs and expenses		172,613	102,578
Net results of insurance operations		25,320	33,414
General and administration expenses	19	(41,982)	(34,452)
Other income		210	4,928
Investment income		1,258	1,021
(Deficit)/ surplus from insurance operations		(15,194)	4,911
Shareholders' share of insurance operations' deficit/ (surplus)	2	15,194	(4,420)
Policyholders' share of surplus for the year	2	-	491
Accumulated surplus at the beginning of the year		3,014	2,523
Accumulated surplus at the end of the year		3,014	3,014

The accompanying notes 1 to 27 form part of these financial statements.

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

**STATEMENT OF SHAREHOLDERS' OPERATIONS
For the year ended 31 December 2012**

	Notes	2012	2011
		SR' 000	SR' 000
REVENUE/ (LOSS)			
Shareholders' share of insurance operations' (deficit)/ surplus		(15,194)	4,420
Investment income		1,662	537
Gain on sale of available for sale investments	8c (ii)	3,602	-
Other income		66	20
Total (loss)/ revenue		(9,864)	4,977
EXPENSES			
General and administration	19	(465)	(906)
Net (loss)/ profit for the year before zakat		(10,329)	4,071
Zakat	17	(1,800)	(1,800)
Net (loss)/ profit for the year		(12,129)	2,271
Weighted average number of ordinary shares outstanding (in thousands)		10,000	10,000
Basic and diluted (loss)/ earnings per share – (SR)	20	(1.21)	0.23

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 SR' 000	2011 SR' 000
Net (loss)/ profit for the year	(12,129)	2,271
Change in value of available for sale investments (note 8(c))	522	253
Total comprehensive (loss)/ income for the year	(11,607)	2,524

The accompanying notes 1 to 27 form part of these financial statements.

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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2012**

	Share capital SR'000	Accumulated losses SR'000	Available for sale investments reserve SR'000	Total SR'000
Balance as at 31 December 2010	100,000	(22,019)	4,486	82,467
Net profit for the year	-	2,271	-	2,271
Other comprehensive income	-	-	253	253
Balance at 31 December 2011	100,000	(19,748)	4,739	84,991
Net loss for the year	-	(12,129)	-	(12,129)
Other comprehensive income	-	-	522	522
Transfer to statement of shareholders' Operations (note 8c (ii))	-	-	(3,602)	(3,602)
Balance at 31 December 2012	100,000	(31,877)	1,659	69,782

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
For the year ended 31 December 2012

	Notes	2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Surplus for the period from the insurance operations		-	491
Adjustments for:			
Deferred policy acquisition costs		8,063	(8,042)
Unrealized gain on FVIS investments	8(a)	(54)	(33)
Gain on disposal of FVIS investments	8(a)	-	(54)
Amortization of held to maturity investments		12	-
Reinsurers share of unearned premiums		4,752	(1,956)
Unearned premiums		(21,309)	49,939
Unearned commission income		(8)	12
Write off of furniture, fittings and office equipment		1,235	-
Depreciation	10	2,581	1,210
Employees' terminal benefits, net		451	715
		(4,277)	42,282
Changes in operating assets and liabilities:			
Term deposits		3,345	(13,993)
Premium receivables, net		5,311	(2,353)
Reinsurance receivables		(4,871)	(3,775)
Prepayments and other receivables		(6,886)	(845)
Amount due from a related party		-	34
Reinsurers share of outstanding claims		1,606	11,500
Outstanding claims		2,050	(22,254)
Policyholders' claims		(635)	1,092
Reinsurance payables		(1,408)	(6,307)
Other payables		2,912	(2,374)
Due to shareholders' fund		(1,459)	2,492
Net cash (used in)/ from operating activities		(4,312)	5,499
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment	10	(1,959)	(1,038)
Purchase of investments held to maturity	8(b)	-	(3,697)
Disposal of FVIS investments		-	5,107
Cash (used in)/ from investing activities		(1,959)	372
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,271)	5,871
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		43,560	37,689
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3(a)	37,289	43,560

The accompanying notes 1 to 27 form part of these financial statements.

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

**STATEMENT OF SHAREHOLDERS' CASH FLOWS
For the year ended 31 December 2012**

	Notes	2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Net (loss)/profit for the period before Zakat		(10,329)	4,071
Adjustments for:			
Unrealized gain on FVIS investments	8(a)	(605)	(12)
Gain on sale of available for sale investments		(3,602)	-
Amortisation of held to maturity investments		11	-
		(14,525)	4,059
Changes in operating assets and liabilities:			
Term deposits		(10,000)	(10,000)
Prepayment and other receivables		(403)	(34)
Due from insurance operations' fund		1,459	(2,492)
Statutory deposit		(128)	(122)
Accruals and other payables		(464)	636
Amount due to a related party		2,009	(105)
Zakat paid	17	(1,255)	(1,362)
Net cash used in operating activities		(23,307)	(9,420)
INVESTING ACTIVITIES			
Purchase of FVIS investments	8(a)	(10,000)	-
Redemption of held to maturity investments	8(b)	4,980	-
Purchase of held to maturity investments	8(b)	-	(3,742)
Disposal of available for sale investments	8(c)	12,325	-
Net cash from/ (used in) investing activities		7,305	(3,742)
DECREASE IN CASH AND CASH EQUIVALENTS		(16,002)	(13,162)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		29,373	42,535
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3(a)	13,371	29,373
Major non-cash transactions			
Change in fair value of available for sale investments	8(c)	522	253

The accompanying notes 1 to 27 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company') (the "Company") is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 112/K dated 29 Rabi Al-Thani (corresponding to 16 May 2007). During the 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 have been completed during 2012.

The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awal 1428H (corresponding to 23 May 2007). The Registered Office address of the Company is Al-Amir Muhammed bin Abdulaziz Street, Bin Hamran Center, P.O. Box 122392, Jeddah 21332, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

In 2010, the Company entered into an agreement with Islamic Arab Insurance Company BSC ("the Seller") pursuant to which it acquired the Seller's insurance operations in the Kingdom of Saudi Arabia, effective from 1 October 2009, at a goodwill amount of SR 7,140 thousands, as approved by Saudi Arabian Monetary Agency ("SAMA"), along with related insurance assets and liabilities of an equivalent amount (SR 30,075 thousands). The portfolio valuation date, for the purpose of the transfer, was 31 December 2008. No payment in respect of goodwill has been made till 31 December 2012.

The goodwill payments are governed by rules and regulations issued by SAMA in this regard and also subject to SAMA approval. In case the Company is not able to pay the goodwill before the end of 2015, the goodwill will be set off against the amount payable for goodwill. The Company is not expected to fulfil the requirements of SAMA in respect of goodwill payment, before the end of year 2015; hence the management discussed this matter with the Seller and Seller agreed and relinquished all their rights in respect of goodwill payment. As no amounts are expected to be paid to the Seller, the goodwill amount is offset against the amount payable to the Seller, as at 31 December 2012.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The accounting policies adopted by the Company for the preparation of these financial statements are in accordance with International Financial Reporting Standards ("IFRS")

b) Basis of presentation

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

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

Shareholders	90%
Policyholders	10%
	100%

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

The Company presents its 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 reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

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

c) Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of FVIS investments and available for sale investments.

d) Summary of significant accounting policies

The accounting policies adopted by the Company for preparation of these financial statements are consistent with those of the previous year. The new standards, amendments to standards and interpretations, which are effective for annual period beginning after 1 January 2012 (see note 2(f)) have not had a significant effect on the financial statements of the Company.

The significant accounting policies adopted by the Company are summarized as follows:

Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are principally divided into medical, marine, property, motor, engineering and accident and liability and are principally short term insurance contracts.

Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties. Customers could also receive compensation for the loss of earnings through loss of profit and business interruption. For property insurance contracts the main risks are fire, natural perils, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. The Company also issues comprehensive motor policies. Various extensions cover natural perils, personal accident benefits and dealer repairs.

General accident insurance includes money, fidelity guarantee, personal accident, jeweler block, jewelery all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types:

(a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs.

(b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and Business Interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

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

d) Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have an original maturity of three months or less when purchased.

Premiums receivable

Premiums receivable are non derivative financial assets with fixed or determined payments.

Premiums receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An allowance for impairment is made when collection of the full amount is no longer probable and charged to statement of insurance operations and accumulated surplus. Bad debts are written off when there is no possibility of recovery.

Deferred policy acquisition costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis based on the term of expected future premiums except for marine cargo where the deferred portion is computed based on last three months of the total cost incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

Investments

All investments are initially recognised at cost, being the fair value consideration given including acquisition charges associated with the investment. Financial assets are initially recognised at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. The fair value of commission bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

FVIS Investments

Investments are classified as Fair Value through Statement of Income (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investments classified as FVIS are initially recognised at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of shareholders' operations and statement of insurance operations and accumulated surplus.

Available for sale investments

After initial recognition, investments which are classified as "available for sale" are normally remeasured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes are included in statement of comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported within statement of comprehensive income, is included in the statement of shareholders' operations.

Investments held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity and are classified as held to maturity investments.

Held to maturity investments are recorded at cost, adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders's operations as impairment charges.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

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

d) Summary of significant accounting policies (continued)

Furniture, fittings and office equipment

Furniture, fittings and office equipment are measured at cost less accumulated depreciation and any impairment in value. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Motor vehicle	5 years (2011: 4 years)
Furniture and fittings	4 years (2011: 10 years)
Computers and office equipment	3 years (2011: 7 years)

Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis over the estimated useful lives of the assets (see note 10(a)).

The carrying values of furniture, fittings and office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of furniture, fittings and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture, fittings and equipment. All other expenditure is recognised in the statement of insurance operations and accumulated surplus as the expense is incurred.

Goodwill

Goodwill represents the amount to be paid by the Company in excess of the net fair value of the identifiable assets and liabilities acquired from Islamic Arab Insurance Company as approved by SAMA. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (note 1).

Liability adequacy test

At each reporting date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus, and a provision for premium deficiency is created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. Provisions are not recognized for future operating losses.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service subject to the completion of a minimum service period. Provision is made for the amounts payable under Saudi Arabian Labour law applicable to employees accumulated periods of service at the statement of financial position date. The expense for the year is charged to the statement of insurance operations and accumulated surplus.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

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

d) Summary of significant accounting policies (continued)

Zakat

The Company is subject to Zakat in accordance with the regulations of Department of Zakat and Income tax (DZIT). Zakat is accrued and charged to statement of shareholders' operations.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised for insurance operations' assets in the statement of insurance operations and accumulated surplus, and for shareholders' assets in the statement of shareholders' operations.

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised.
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property, if any, previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

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

d) Summary of significant accounting policies (continued)

Derecognition of financial instruments

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Revenue Recognition

Premiums and commissions earned

Gross premiums written and commission income are taken into income over the term of the policies to which they relate on a pro-rata basis. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and unearned commission income, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents last three months of the total premiums written during the current financial period. The change in the unearned premiums is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognized over the period of risk.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Commission income

Commission income on term deposits is recognised using the effective yield method.

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to statement of insurance operations and accumulated surplus as incurred. Claims comprise the estimated amounts payable in respect of claims reported to the Company and those not reported at the reporting date.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date together with the related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims but not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on Management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date ("IBNR") including related claims handling costs and the expected value of salvage and other recoveries at the reporting date.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

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

d) Summary of significant accounting policies (continued)

Claims (continued)

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Reinsurance contracts held

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of insurance operations and accumulated surplus or the statement of shareholders' operations as appropriate.

Expenses

Due to the nature of the Company' business, all expenses incurred are considered to be general and administration expenses and are classified as such.

Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following major reportable segments:

- Medical provides compensation to holders for expenses incurred in treatment of a disease, illness or injury.
- Motor provides coverage against losses and liability related to motor vehicles.
- Other includes property, marine, engineering, accident and liability and miscellaneous categories.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

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

d) Summary of significant accounting policies (continued)

Fair values of financial instruments

Financial instruments comprise cash and cash equivalents, premiums receivable, reinsurance receivables, investments, outstanding claims, reinsurance payables and certain other assets and liabilities.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of all other financial instruments are estimated using methods such as net present values of future cash flows.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. For an unquoted equity investment, fair value is determined by reference to the market value of a similar investment or based on the expected discounted cash flows.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

e) Use of estimates and judgments

Estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. These provisions are not discounted for the time value of money.

Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred on a monthly basis, and claims incurred but not reported on a quarterly basis. The provision for outstanding claims as at 31 December 2012 is also verified and certified by an independent actuary.

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

e) Use of estimates and judgments (continued)

Estimation uncertainty (continued)

Allowance for impairment of premiums receivable

The Company makes portfolio provision, estimated on a group basis, based on the ageing profile of the premiums receivable. Such estimates involve various degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

Useful lives of furniture, fittings and equipment

The Company's management determines the estimated useful lives of its furniture, fittings and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Fair values of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

f) New IFRS, 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):

Standard/ Interpretation	Description
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets
7 IFRS	Financial Instruments: Disclosures (Transfers of Financial Assets)
IAS 24	Related Party Disclosures (Definition of Related Party)

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.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

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

g) 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.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013
IAS 32	Financial Instruments: Presentation (offsetting financial assets and financial liabilities)	1 January 2014
IAS 16	Amendments to classification of servicing equipments	1 January 2013
IAS 32	Amendments to tax effects of distribution to holders of equity instruments	1 January 2013
IAS 34	Amendments to interim financial reporting and segment information for total assets and liabilities	1 January 2013

3 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

a) Cash and Cash Equivalents

	2012 SR'000	2011 SR'000
Insurance Operations		
Cash on hand and at banks	37,289	43,560
Shareholders' Operations		
Cash at banks	12,749	13,758
Money market funds	622	15,615
	13,371	29,373

b) Term Deposits

Insurance Operations

Term Deposits	20,648	23,993
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Shareholders' Operations

Term Deposits	20,000	10,000
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Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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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.⁴ PREMIUMS RECEIVABLE, NET

	2012 SR'000	2011 SR'000
Due from policyholders	54,574	52,676
Due from policyholders - related party (see note 18)	6,797	8,648
Allowance for doubtful receivable (see below)	(27,032)	(21,674)
	34,339	39,650

Movements in allowance of doubtful premiums receivable were as follows:

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	21,674	23,308
Additional allowance during the year (note 19)	5,358	-
Reversals during the year	-	(1,634)
Balance at the end of the year	27,032	21,674

The age analysis of unimpaired premium receivables arising from insurance contracts is as follows:

	<i>Past due but not impaired</i>				<i>Total</i>
	<i>Up to three months</i>	<i>Above three and up to six months</i>	<i>Above six and less than twelve months</i>	<i>Twelve months and above</i>	
	SR'000	SR'000	SR'000	SR'000	SR'000
2012	18,549	6,439	7,191	2,160	34,339
2011	18,656	4,396	10,836	5,762	39,650

Past due but not impaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured. In respect of premiums receivable, the five largest customer balances accounted for approximately 29% of this balance as at 31 December 2012 (2011: 22%). Receivables comprise a large number of customers and insurance companies all within the Kingdom of Saudi Arabia.

5 NET PREMIUMS EARNED

	2012 SR'000	2011 SR'000
Gross written premiums	204,258	218,663
Gross unearned premiums at the beginning of the year	102,611	52,672
	306,869	271,335
Gross unearned premiums at the end of the year	(81,302)	(102,611)
Gross premiums earned	225,567	168,724
Reinsurance premium ceded	(25,070)	(35,554)
Excess of loss premiums	(2,962)	(2,725)
Reinsurers' share of unearned premiums at the beginning of the year	(14,058)	(12,102)
	(42,090)	(50,381)
Reinsurers' share of unearned premiums at the end of the year	9,306	14,058
Insurance premiums ceded to reinsurers	(32,784)	(36,323)
Net premiums earned	192,783	132,401

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At 31 December 2012

6 DEFERRED POLICY ACQUISITION COSTS

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	10,109	2,067
Expenses incurred during the year	6,278	20,019
Amortisation for the year	(14,341)	(11,977)
Balance at the end of the year	2,046	10,109

7 CLAIMS INCURRED

	2012 SR'000	2011 SR'000
Gross claims paid	177,742	131,490
Gross outstanding claims at the end of the year	48,895	46,845
	226,637	178,335
Gross outstanding claims at the beginning of the year	(46,845)	(69,099)
Gross claims incurred	179,792	109,236
Reinsurance recoveries	(27,756)	(36,973)
Reinsurers' share of outstanding claims at the end of the year	(13,522)	(15,128)
	(41,278)	(52,101)
Reinsurers' share of outstanding claims at the beginning of the year	15,128	26,628
Reinsurers' share of claims	(26,150)	(25,473)
Net claims incurred	153,642	83,763

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the reporting date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

8 INVESTMENTS

	2012 SR'000	2011 SR'000
Insurance Operations		
FVIS investments (see (a) below)	3,131	3,077
Held to maturity Investments (see (b) below)	13,685	13,697
Shareholders' Operations		
FVIS investments (see (a) below)	13,874	3,269
Held to maturity investments (see (b) below)	3,731	8,722
Available for sale investments (see (c) below)	8,582	20,385

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At 31 December 2012

8 INVESTMENTS (continued)

a) FVIS investments

Insurance operations

Movements in FVIS investments is as follows:

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	3,077	8,097
Disposals during the year	-	(5,107)
Gain on disposal of investments	-	54
Changes in fair value of investments	54	33
Balance at the end of the year	3,131	3,077

Shareholders' operations

Movements in FVIS investments is as follows:

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	3,269	3,257
Purchases during the year	10,000	-
Changes in fair value of investments	605	12
Balance at the end of the year	13,874	3,269

b) Held to maturity investments

Insurance operations

Movements in investments held to maturity is as follows:

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	13,697	10,000
Purchases during the year	-	3,697
Amortised during the year	(12)	-
Balance at the end of the year	13,685	13,697

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

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At 31 December 2012

8 INVESTMENTS (continued)

b) Held to maturity investments (continued)

Shareholders operations

Movements in investments held to maturity is as follows:

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	8,722	4,980
Purchases during the year	-	3,742
Matured during the year	(4,980)	-
Amortized during the year	(11)	-
Balance at the end of the year	3,731	8,722

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

Movements in available for sale investments are as follows:

2012	Quoted securities SR'000	Unquoted securities SR'000	Total SR'000
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	6,659	1,923	8,582

2011	Quoted securities SR'000	Unquoted securities SR'000	Total SR'000
Balance at the beginning of the year	18,209	1,923	20,132
Changes in fair value of investments	253	-	253
Balance at the end of the year	18,462	1,923	20,385

(i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (2011: 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 year ended 31 December 2012, the Company sold investment with a cost price of SR 8,723 thousand for SR 12,325 thousand. The realised gain of SR 3,602 thousand has been transferred from available for sale investment reserve to interim statement of shareholders' operations.

**Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012⁹ PREPAYMENTS AND OTHER RECEIVABLES

	2012 SR'000	2011 SR'000
Insurance Operations		
Prepayments	2,420	2,157
Other receivables (note 25)	8,943	2,320
	11,363	4,477
Shareholders' Operations		
Other receivables (note 25)	482	79

10 FURNITURE, FITTINGS AND OFFICE EQUIPMENT

	Motor vehicle SR'000	Furniture and fittings SR'000	Computers and office equip- ment SR'000	Total SR'000
Insurance Operations				
Cost:				
At 1 January 2011	59	6,328	4,118	10,505
Additions during the year	-	603	435	1,038
At 31 December 2011	59	6,931	4,553	11,543
Additions during the year	-	1,297	662	1,959
Disposals during the year	-	(2,691)	-	(2,691)
At 31 December 2012	59	5,537	5,215	10,811
Accumulated Depreciation:				
At 1 January 2011	43	2,105	2,156	4,304
Charge for the year (see note 19)	14	647	549	1,210
At 31 December 2011	57	2,752	2,705	5,514
Charge for the year (see note 19)	2	1,428	1,151	2,581
Relating to disposals	-	(1,456)	-	(1,456)
At 31 December 2012	59	2,724	3,856	6,639
Carrying amount:				
At 31 December 2012	-	2,813	1,359	4,172
At 31 December 2011	2	4,179	1,848	6,029

- (a) During the year, the management reassessed the useful lives of all its furniture, fittings, computers and office equipment. The revised useful lives are detailed in note 2(d). As a result of this reassessment, the depreciation charge for the year, deficit from insurance operations, net loss for the year and accumulated losses as at 31 December 2012 are higher by SR 1,766 thousands.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

11 UNEARNED COMMISSION INCOME

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	1,182	1,170
Commission received during the year	5,142	3,603
Commission earned during the year	(5,150)	(3,591)
Balance at the end of the year	1,174	1,182

12 ACCRUALS AND OTHER PAYABLES

	2012 SR'000	2011 SR'000
Insurance Operations		
Accrued expenses	2,383	2,689
Other payables	8,722	5,504
	11,105	8,193
Shareholders' Operations		
Accrued expenses	835	1,428
Other payables	771	642
	1,606	2,070

13 STATUTORY DEPOSIT

	2012 SR'000	2011 SR'000
Statutory deposit	10,771	10,643

As required by Saudi Arabian Insurance Regulations, the Company has deposited 10% of its paid up capital, amounting to SR 10 million in a bank designated by the Saudi Arabian Monetary Agency ("SAMA"). The return on this deposit during the year ended 31 December 2012, which is payable to SAMA, is SR 128 thousand (2011: SR 122 thousand). A corresponding liability to SAMA has been recorded for the return on this deposit, as the Company does not have any entitlement to it.

This statutory deposit cannot be withdrawn without the consent of SAMA.

14 SHARE CAPITAL

The share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for six million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company. The remaining four million shares with a nominal value of SR 10 each, which represents 40% of the shares of the Company, have been subscribed by the public.

15 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"), 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. No transfer to statutory reserve has been made during the year because of accumulated losses.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

16 REGULATORY REQUIREMENT

As required by Saudi Arabian Insurance Regulations (Article 66 of the Implementation Regulations), the Company is required to maintain minimum capital requirement of SR 100 million. As at 31 December 2012, the Company's solvency level is less than the minimum solvency margin required by the Saudi Arabian Insurance Regulations. The Company had communicated this matter to SAMA, and also provided an action plan to achieve the solvency margin requirement. The management is confident that their action plan is being considered favorably by SAMA.

17 ZAKAT

Charge for the year

	2012 SR'000	2011 SR'000
Current year provision	1,323	1,208
Relating to prior years	477	592
Charge for the year	1,800	1,800

The current year provision is based on the following:

	2012 SR'000	2011 SR'000
Equity	100,000	100,000
Opening provision and adjustments	28,404	31,380
Net book value of long term assets	(78,929)	(91,591)
Unrealized gain on available for sale investments	1,659	4,739
	51,134	44,528
Adjusted income for the year	1,792	3,793
Zakat base	52,926	48,321

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the year

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	2,211	1,773
Provided during the year	1,800	1,800
Paid amount during the year	(1,255)	(1,362)
Balance at the end of the year	2,756	2,211

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17 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 2011 and obtained restricted zakat certificates.

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

18 RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of transaction	Transactions for the year ended 31 December 2012 SR'000	Transactions for the year ended 31 December 2011 SR'000	Balance as at 31 December 2012 SR'000	Balance as at 31 December 2011 SR'000
Insurance Operations					
Major shareholder					
Islamic Arab Insurance Company (B.S.C.)	General and administrative expenses directly paid on behalf of the Company.	-	(34)	6,759	6,759
Related parties					
Chairman of the Board	Insurance policies issued.	194	271	114	188
Tajeer Co	Insurance policies issued.	85,389	68,095	6,797	8,028
Rusd Global Company	Insurance policies issued.	464	231	23	65
Technology Establishment	Insurance policies issued.	-	-	-	29
Alawwal Financial Services	Insurance policies issued.	18	(17)	(20)	(37)
Al-Shaer Company	Insurance policies issued.	6	-	369	375
	Total (see note 4)			7,283	8,648
Key management	Short term benefit	2,960	4,612	622	734
personnel	Long term benefit	176	610	1,251	1,989
				1,873	2,723

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At 31 December 2012

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Transactions for the year ended 31 December 2012	Transactions for the year ended 31 December 2011	Balance as at 31 December 2012	Balance as at 31 December 2011
Shareholders' Operations	Nature of transaction	SR'000	SR'000	SR'000	SR'000
Major shareholder					
Islamic Arab Insurance Company (Salama)	Collection on behalf of the founder shareholder/ Company	(2,009)	105	(2,026)	(17)

Amounts due from and due to related parties are disclosed in the statement of financial position and in note 4.

19 GENERAL AND ADMINISTRATION EXPENSES

Insurance Operations	2012	2011
	SR'000	SR'000
Employees' costs	23,010	24,119
Office rent	3,553	2,896
Information technology	1,079	870
Allowance for doubtful debts (see note 4)	5,358	-
Allowance for reinsurance receivables	1,062	-
Depreciation (see note 10)	2,581	1,210
Telephone	738	799
Printing and stationary	351	379
Annual subscription	344	406
Water and electricity	208	166
Other	3,698	3,607
	41,982	34,452
Shareholders' Operations		
Board of director's remuneration (see note a below)	123	742
Board attendance fees (see note b below)	128	106
Committee expenses (see note c below)	214	58
	465	906

- a) Board of Directors' remuneration is paid in accordance with the by-laws of the Company.
b) Board attendance fees represent allowances for attending board meetings and sub-committee meetings.
c) Committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

20 EARNINGS/ (LOSS) PER SHARE

Earnings/(loss) per share for the year have been calculated by dividing the net profit/ (loss) for the year by the weighted average number of shares in issue during the year. Diluted earnings per share are not applicable to the Company.

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At 31 December 2012

21 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, pre-payments and other receivables, amount due from a related party, investments and furniture, fittings and office equipment.

Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables, employees' terminal benefits and due to shareholders' 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 year ended 31 December 2012	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Gross premium written	35,473	153,608	15,177	204,258
Less: Reinsurance premiums ceded	(14,028)	-	(11,042)	(25,070)
Less: Excess of loss premiums	-	(2,023)	(939)	(2,962)
Net premium written	21,445	151,585	3,196	176,226
Changes in net unearned premiums	8,214	8,632	(289)	16,557
Net premiums earned	29,659	160,217	2,907	192,783
Net reinsurance commissions earned	2,146	-	3,004	5,150
Net revenue	31,805	160,217	5,911	197,933
Gross claims paid	53,408	122,430	1,904	177,742
Less: Reinsurers share	(26,715)	(57)	(984)	(27,756)
Net claims paid	26,693	122,373	920	149,986
Changes in outstanding claims	(2,336)	4,439	1,553	3,656
Net claims incurred	24,357	126,812	2,473	153,642
Policy acquisition costs	2,567	10,962	812	14,341
Other operating expenses	2,795	1,524	311	4,630
Net costs and expenses	29,719	139,298	3,596	172,613
Net results of insurance operations	2,086	20,919	2,315	25,320
Unallocated expenses				(41,982)
Unallocated other income				210
Investment income				1,258
Deficit from insurance operations				(15,194)

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

21 SEGMENTAL INFORMATION (continued)

As at 31 December 2012	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Insurance operations' assets				
Reinsurer's share of unearned premiums	4,942	-	4,364	9,306
Reinsurer's share of outstanding claims	6,178	-	7,344	13,522
Deferred policy acquisition costs	658	1,060	328	2,046
Unallocated assets	-	-	-	143,714
Total insurance operations' assets				168,588
Insurance operations' liabilities and surplus				
Unearned premium	12,755	62,336	6,211	81,302
Outstanding claims	12,356	23,532	13,007	48,895
Unearned commission income	-	-	1,174	1,174
Provision for premium deficiency	-	-	63	63
Unallocated liabilities and surplus	-	-	-	37,154
Total insurance operations' liabilities and surplus				168,588

For the year ended 31 December 2011	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Gross premium written	60,203	140,510	17,950	218,663
Less: Reinsurance premiums ceded	(22,958)	(19)	(12,577)	(35,554)
Less: Excess of loss premium	-	(1,179)	(1,546)	(2,725)
Net premium written	37,245	139,312	3,827	180,384
Changes in net unearned premiums	(3,480)	(44,655)	152	(47,983)
Net premiums earned	33,765	94,657	3,979	132,401
Reinsurance commissions received	-	1	3,590	3,591
Net revenues	33,765	94,658	7,569	135,992
Gross claims paid	35,067	80,699	15,724	131,490
Less: Reinsurers share	(17,493)	(6,957)	(12,523)	(36,973)
Net claims paid	17,574	73,742	3,201	94,517
Changes in outstanding claims	759	(8,383)	(3,130)	(10,754)
Net claims incurred	18,333	65,359	71	83,763
Policy acquisition costs	3,322	7,482	1,173	11,977
Other operating expenses	5,030	1,322	486	6,838
Net costs and expenses	26,685	74,163	1,730	102,578
Net results of insurance operations	7,080	20,495	5,839	33,414
Unallocated expenses				(34,452)
Unallocated other income				4,928
Unallocated investment income				1,021
Surplus from insurance operations				4,911

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

21 SEGMENTAL INFORMATION (continued)

As at 31 December 2011	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Insurance operations' assets				
Reinsurer's share of unearned premiums	9,774	7	4,277	14,058
Reinsurer's share of outstanding claims	8,514	419	6,195	15,128
Deferred policy acquisition costs	1,622	8,247	240	10,109
Unallocated assets	-	-	-	148,699
Total insurance operations' assets				187,994
Insurance operations' liabilities and surplus				
Unearned premium	25,801	70,975	5,835	102,611
Outstanding claims	17,028	19,510	10,307	46,845
Unearned commission income	-	-	1,182	1,182
Provision for premium deficiency	-	-	63	63
Unallocated liabilities and surplus	-	-	-	37,293
Total insurance operations' liabilities and surplus				187,994

22 CAPITAL COMMITMENTS

At 31 December 2012, the Company had outstanding capital commitments amounting to SR 0.5 million (31 December 2011: SR 0.15 million).

23 CONTINGENT LIABILITIES

Company's bankers have given guarantees to non-government customers amounting to SR 0.8 million (31 December 2011: SR 0.4 million) in respect of motor insurance.

24 SHARIA'A COMMITTEE

The Company's business activities are subject to the supervision of a Sharia'a Committee appointed by the Board of Directors. The Sharia'a Committee performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Sharia'a rules and principles.

25 RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through strategic planning process.

Risk management structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Audit committee

The Audit Committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

The risks facing the Company and the way these risks are mitigated by management are summarised below:

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

25 RISK MANAGEMENT (continued)

Insurance risk

The risk under an insurance policy is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such policies is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance policies as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

Geographical concentration of risks

Company's insurance risk exposure relating to contract holders is concentrated in Kingdom of Saudi Arabia.

Sensitivities

The impact of reasonably possible changes in ultimate loss ratios on net results, net liabilities and equity of the Company is not expected to be material.

Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers are selected using the following parameters and guidelines set by the Company's management. The criteria may be summarized as follows:

- a) Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB.
- b) Reputation of particular reinsurance companies.
- c) Existing or past business relationship with the reinsurer.

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local Insurance Regulator. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities.

The operations of the Company are also subject to regulatory requirements within the jurisdiction it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Salama Cooperative Insurance Company (Formerly 'Saudi IAIC Cooperative Insurance Company')
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

25 RISK MANAGEMENT (continued)

Capital management risk

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares, if required in future.

The table below summarizes the minimum regulatory capital of the Company:

	2012 SR'000	2011 SR'000
Minimum regulatory capital (Minimum capital basis)	100,000	100,000

As at 31 December 2012, the Company's capital was less than the minimum regulatory capital requirement, and the Company has communicated this matter to SAMA (see note 16).

Financial risk

The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, cash and cash equivalents, outstanding claims and certain other assets and liabilities.

The main risks arising from the Company's financial instruments are market risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused either by factors specific to the individual security, the issuer of the security, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments. Market risk is managed by investing in reputed funds which maintain investments in diversified portfolios and equity shares and by continuous monitoring of developments in equity markets. In addition, the key factors that affect stock market movements are monitored, including analysis of the operational and financial performance of investees.

A 5% change in the net asset value of funds, with all other variables held constant, would impact the shareholders operations by SR 725 thousand (2011: SR 944 thousand) and insurance operations by SR 157 thousand (2011: SR 341 thousand).

A 5% change in net asset value of funds, classified as available for sale investments, would impact the equity by SR 333 thousand (2011: SR 923 thousand).

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its held to maturity investments.

The Company is subject to commission rate fair value risk on its fixed rate murabaha deposits and bonds classified as term deposits and investments held to maturity, respectively in the statement of financial position. There is no impact on the income or equity of reasonably possible change in commission rate, as murabaha deposits and sukuk are measured at cost in the statement of financial position.

The Company is required to maintain a restricted deposit in accordance with insurance regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk of other financial instruments by monitoring changes in commission rates in the currencies in which its financial instruments are denominated.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

25 RISK MANAGEMENT (continued)

Commission rate risk (continued)

Details of maturities of the major classes of commission bearing securities for insurance operations as at 31 December 2012 and 2011 are as follows:

Insurance Operations	2012 SR '000			
	Less than 3 months	1 to 5 years	No fixed ma- turity	Total
Investments held to maturity (note8(b)) 88888(b))	-	10,000	-	10,000
	-	10,000	-	10,000

	2011 SR '000			
	Less than 3 months	1 to 5 years	No fixed ma- turity	Total
Investments held to maturity (note 8(b))	-	10,000	-	10,000
	-	10,000	-	10,000

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date.

The effective interest rates for the commission bearing financial instruments, were as follows:

	2012	2011
Insurance operations		
Saudi Riyal denominated financial assets	1.76%	2.07%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2012	2011
	SR'000	SR'000
	Effect on profit	Effect on profit
Insurance operations		
Saudi Riyals:		
Increase in interest rates by 100 basis points	100	100
Decrease in interest rates by 100 basis points	(100)	(100)

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

25 RISK MANAGEMENT (continued)

Commission rate risk (continued)

Details of maturities of the major classes of commission bearing securities for shareholders' operations as at 31 December 2012 and 2011 are as follows:

Shareholders' operations	2012 SR '000			Total
	Less than 3 months	1 to 5 years	No fixed maturity	
Investments held to maturity (note 8(b))	-	-	-	-
	-	-	-	-

	2011 SR '000			Total
	Less than 3 months	1 to 5 years	No fixed maturity	
Investments held to maturity(note 8(b))	-	4,980	-	4,980
	-	4,980	-	4,980

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date.

The effective interest rates for the commission bearing financial instruments, were as follows:

	2012	2011
Shareholders' operations		
Saudi Riyal denominated financial assets	1.89%	1.63%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2012	2011
	SR'000	SR'000
	Effect on profit	Effect on profit
Shareholders' operations		
Saudi Riyals:		
Increase in interest rates by 100 basis points	-	50
Decrease in interest rates by 100 basis points	-	(50)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of losses due to exchange rate fluctuations as the insurance operations and shareholders' operations primarily deal in Saudi Riyals and in US Dollar which is pegged to Saudi Riyals.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in Saudi Arabia.

For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

25 RISK MANAGEMENT (continued)

Credit risk (continued)

The Company seeks to limit its credit risk with respect to customers by following the credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2012	2011
	SR' 000	SR' 000
Insurance' Operations		
Cash and cash equivalents	37,289	43,560
Term deposits	20,648	23,993
Premiums receivable, net	34,339	39,650
Held to maturity investments	13,685	13,697
Reinsurance receivables	12,328	7,457
Other receivables (note 9)	8,943	2,320
Amount due from a related party	6,759	6,759
	133,991	137,436
Shareholders' Operations		
Cash and cash equivalents	13,371	29,373
Term deposits	20,000	10,000
Held to maturity investments	3,731	8,722
Due from insurance operations	5,359	6,818
Other receivables (note 9)	482	79
	42,943	54,992

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All of the Company's financial assets and financial liabilities are expected to be realised and settled, respectively within 12 months from the reporting date, except for statutory deposit, which has no term (see note 13), and held to maturity assets, which are expected to be held until their maturities as mentioned in note 8 (b). All financial liabilities are non-interest bearing.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The Company's financial assets consist of cash and cash equivalents, investments, premiums receivable, reinsurance receivables, amount due from related parties and other receivables and its financial liabilities consist of outstanding claims, policyholders' claims, reinsurance payable, other payables and amount due to a related party.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

Determination of fair value and fair value hierarchy

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

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

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

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

The table below presents the financial instruments at their fair values as at 31 December 2012 and 2011:

2012	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
FVIS investments				
- Policyholders	3,131	-	-	3,131
- Shareholders	13,874	-	-	13,874
Available for sale investments				
- Shareholders	6,659	-	1,923	8,582
Total	23,664	-	1,923	25,587
2011				
FVIS investments				
- Policyholders	3,077	-	-	3,077
- Shareholders	3,269	-	-	3,269
Available for sale investments				
- Shareholders	18,462	-	1,923	20,385
Total	24,808	-	1,923	26,731

27 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on O/S.

SAUDI IAIC COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS

AND AUDITORS' REPORT

31 DECEMBER 2011



ERNST & YOUNG

P. O. Box 1994
Jeddah 21441
Saudi Arabia

Al Bassam

Certified Public Accountants & Consultants

P. O. Box 15651
Jeddah 21454
Saudi Arabia

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI IAIC COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying statement of financial position of Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company – (“the Company”) as at 31 December 2011, and the related statements of insurance operations and accumulated surplus, shareholders’ operations, comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the year then ended. These financial statements are the responsibility of the Company’s Board of Directors and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
- comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matter

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Registration No. 356



Al Bassam
Certified Public Accountants & Consultants

Ibrahim A. Al Bassam
Certified Public Accountant
Registration No. 337

26 Rabi Al Awal 1433 H
18 February 2012
Jeddah, Saudi Arabia



Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	31 December 2011	31 December 2010
		SR'000	SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3(a)	43,560	37,689
Term deposits	3(b)	23,993	10,000
Premiums receivable, net	4	39,650	37,297
Reinsurance receivables		7,457	3,682
Deferred policy acquisition costs	6	10,109	2,067
Prepayments and other receivables	9	4,477	3,632
Amounts due from a related party	18	6,759	6,793
FVIS investments	8	3,077	8,097
Reinsurers' share of unearned premiums	5	14,058	12,102
Reinsurers' share of outstanding claims	7	15,128	26,628
Held to maturity investments	8	13,697	10,000
Furniture, fittings and office equipment	10	6,029	6,201
Total insurance operations' assets		187,994	164,188
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3(a)	29,373	42,535
Term deposits		10,000	-
FVIS investments	8	3,269	3,257
Available for sale investments	8	20,385	20,132
Prepayments and other receivables	9	79	45
Due from insurance operations		6,818	4,326
Statutory deposit	13	10,643	10,521
Held to maturity investments	8	8,722	4,980
Goodwill	1	7,140	7,140
Total shareholders' assets		96,429	92,936
TOTAL ASSETS		284,423	257,124

The accompanying notes 1 to 28 form part of these financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2011

	Note	31 December 2011	31 December 2010
		SR'000	SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	5	102,611	52,672
Provision for premium deficiency		63	63
Unearned commission income	11	1,182	1,170
Outstanding claims	7	46,845	69,099
Policyholders' claims		8,361	7,269
Reinsurance payables		4,878	11,185
Accruals and other payables	12	8,193	10,567
Due to shareholders' operations		6,818	4,326
Employees' terminal benefits		6,029	5,314
		184,980	161,665
Insurance operations' surplus			
Accumulated surplus from insurance operations		3,014	2,523
Total insurance operations' liabilities and surplus		187,994	164,188
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables	12	2,070	1,434
Zakat provision	17	2,211	1,773
Amount due to a related party - other	18	17	122
Amount due to a related party in respect of goodwill	1&18	7,140	7,140
Total shareholders' liabilities		11,438	10,469
Shareholders' equity			
Share capital	14	100,000	100,000
Accumulated losses		(19,748)	(22,019)
Available for sale investments reserve		4,739	4,486
Total shareholders' equity		84,991	82,467
Total shareholders' liabilities and equity		96,429	92,936
TOTAL LIABILITIES, SURPLUS AND EQUITY		284,423	257,124

The accompanying notes 1 to 28 form part of these financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2011

	Note	2011	2010
		SR'000	SR'000
REVENUE			
Gross premiums written	5	218,663	139,188
Less: Reinsurance premiums ceded	5	(35,554)	(33,241)
Less: Excess of loss premiums	5	(2,725)	(1,816)
Net premiums written		180,384	104,131
Changes in net unearned premiums		(47,983)	28,709
Net premiums earned	5	132,401	132,840
Reinsurance commissions earned	11	3,591	5,416
Net revenue		135,992	138,256
COSTS AND EXPENSES			
Gross claims paid	7	131,490	103,764
Less: Reinsurers' share	7	(36,973)	(19,629)
Net claims paid		94,517	84,135
Changes in net outstanding claims		(10,754)	(3,434)
Net claims incurred	7	83,763	80,701
Provision for premium deficiency		-	63
Policy acquisition costs	6	11,977	16,528
Other operating expenses		6,838	4,588
Net costs and expenses		102,578	101,880
Net results of insurance operations		33,414	36,376
General and administration expenses	19	(34,452)	(39,188)
Other income		4,928	11,579
Investment income		1,021	779
Surplus from insurance operations		4,911	9,546
Shareholders' share of insurance operations' surplus	2	(4,420)	(8,591)
Policyholders' share of surplus for the year	2	491	955
Accumulated surplus at the beginning of the year		2,523	1,568
Accumulated surplus at the end of the year		3,014	2,523

The accompanying notes 1 to 28 form part of these financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2011

	Note	2011	2010
		SR' 000	SR' 000
REVENUE			
Shareholders' share of insurance operations' surplus		4,420	8,591
Investment income		537	744
Other income		20	-
Total revenue		4,977	9,335
EXPENSES			
General and administration expenses	19	(906)	(952)
Net profit for the year before Zakat		4,071	8,383
Zakat	17	(1,800)	(1,794)
Net profit for the year		2,271	6,589
Weighted average number of ordinary shares outstanding		10,000	10,000
Basic and diluted earnings per share – (SR)	20	0.23	0.66

The accompanying notes 1 to 28 form part of these financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	SR' 000	SR' 000
Net profit for the year	2,271	6,589
Change in value of available for sale investments (note 8(c))	253	2,024
Total comprehensive income for the year	2,524	8,613

The accompanying notes 1 to 28 form part of these financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2011

	Share capital	Accumulated losses	Available for sale investments reserve	Total
	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2009	100,000	(28,608)	2,462	73,854
Net profit for the year	-	6,589	-	6,589
Other comprehensive income	-	-	2,024	2,024
Balance at 31 December 2010	100,000	(22,019)	4,486	82,467
Net profit for the year	-	2,271	-	2,271
Other comprehensive income	-	-	253	253
Balance at 31 December 2011	100,000	(19,748)	4,739	84,991

The accompanying notes 1 to 28 form part of these financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2011

	Note	2011 SR'000	2010 SR'000
OPERATING ACTIVITIES			
Surplus for the year from the insurance operations		491	955
Adjustments for:			
Deferred policy acquisition costs		(8,042)	10,751
Unrealized gain on FVIS investments	8(a)	(33)	(73)
Gain on disposal of FVIS investments	8(a)	(54)	(7)
Reinsurers share of unearned premiums		(1,956)	(2,262)
Unearned premiums		49,939	(26,447)
Provision for premium deficiency		-	63
Unearned commission income		12	(1,227)
Loss on disposal of furniture, fitting and office equipment		-	4
Depreciation	10	1,210	1,209
Employees' terminal benefits, net		715	(276)
		42,282	(17,310)
Changes in operating assets and liabilities:			
Term deposits		(13,993)	(10,000)
Premiums receivable, net		(2,353)	18,423
Reinsurance receivables		(3,775)	-
Prepayments and other receivables		(845)	68
Amount due from a related party		34	683
Purchase of FVIS investments		-	(5,000)
Sale of FVIS investment		5,107	2,000
Reinsurers share of outstanding claims		11,500	(15,260)
Outstanding claims		(22,254)	11,826
Policyholders' claims		1,092	(4,129)
Reinsurer payables		(6,307)	(19,690)
Other payables		(2,374)	1,054
Due to shareholders' operations		2,492	4,593
Net cash from/ (used in) from operating activities		10,606	(32,742)
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment	10	(1,038)	(249)
Purchase of held to maturity investments	8(b)	(3,697)	-
Cash used in investing activities		(4,735)	(249)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		37,689	70,680
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3(a)	43,560	37,689

The accompanying notes 1 to 28 form part of these financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2011

	Note	2011 SR'000	2010 SR'000
OPERATING ACTIVITIES			
Net profit for the year before Zakat		4,071	8,383
Adjustments for:			
Unrealized gain on FVIS investments	8(a)	(12)	(352)
		4,059	8,031
Changes in operating assets and liabilities:			
Term deposits		(10,000)	-
Prepayments and other receivables		(34)	(15)
Due from insurance operations		(2,492)	(4,593)
Statutory deposit		(122)	(89)
Accruals and other payables		636	(180)
Amount due to a related party - other		(105)	717
Cash (used in)/from operations		(8,058)	3,871
Zakat paid	17	(1,362)	(1,410)
Net cash (used in)/from operating activities		(9,420)	2,461
INVESTING ACTIVITIES			
Purchase of held to maturity investments	8(b)	(3,742)	-
Purchase of available for sale investments	8(c)	-	(2,000)
Cash used in investing activities		(3,742)	(2,000)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(13,162)	461
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		42,535	42,074
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3(a)	29,373	42,535
Major non-cash transaction:			
Change in value of available for sale investments	8(c)	253	2,024

The accompanying notes 1 to 28 form part of these financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi IAIC Cooperative Insurance Company (“the Company”) is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 112/K dated 29 Rabi Al-Thani (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awal 1428H (corresponding to 23 May 2007). The Registered Office address of the Company is Al-Amir Muhammed bin Abdulaziz Street, Bin Hamran Center, P.O. Box 122392, Jeddah 21332, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

In 2010, the Company entered into an agreement with Islamic Arab Insurance Company BSC (“the Seller”) pursuant to which it acquired the Seller’s insurance operations in the Kingdom of Saudi Arabia, effective from 1 October 2009, at a goodwill amount of SR 7,140 thousands, as approved by Saudi Arabian Monetary Agency (“SAMA”), along with related insurance assets and liabilities of an equivalent amount (SR 30,075 thousands). The portfolio valuation date, for the purpose of the transfer, was 31 December 2008.

Furthermore, no payment in respect of goodwill has been made till 31 December 2011. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and also subject to SAMA approval. In case the Company is not able to pay the goodwill before the end of 2015, the goodwill will be set off against the amount payable in this behalf.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The accounting policies adopted by the Company for the preparation of these financial statements are in accordance with International Financial Reporting Standards (“IFRS”)

Basis of presentation

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

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

Shareholders	90%
Policyholders	10%
	100%

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

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in the respective notes.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

a) Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of FVIS investments and available for sale investments.

b) Summary of significant accounting policies

The accounting policies adopted by the Company for preparation of these financial statements are consistent with those of the previous year.

The significant accounting policies adopted by the Company are summarized as follows:

Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. Insurance contracts can also transfer financial risk.

a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are principally divided into medical, marine, property, motor, engineering and accident and liability and are principally short term insurance contracts.

Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties. Customers could also receive compensation for the loss of earnings through loss of profit and business interruption. For property insurance contracts the main risks are fire, natural perils, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. The Company also issues comprehensive motor policies. Various extensions cover natural perils, personal accident benefits and dealer repairs.

General accident insurance includes money, fidelity guarantee, personal accident, jeweler block, jewelery all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types:

(a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs.

(b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and Business Interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

d) Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have an original maturity of three months or less when purchased.

Premiums receivable

Premiums receivable are non derivative financial assets with fixed or determined payments.

Premiums receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An allowance for impairment is made when collection of the full amount is no longer probable and charged to statement of insurance operations and accumulated surplus. Bad debts are written off when there is no possibility of recovery.

Deferred policy acquisition costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis based on the term of expected future premiums except for marine cargo where the deferred portion is computed based on last three months of the total cost incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

Investments

All investments are initially recognised at cost, being the fair value consideration given including acquisition charges associated with the investment. Financial assets are initially recognised at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. The fair value of commission bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

FVIS Investments

Investments are classified as Fair Value through Statement of Income (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investments classified as FVIS are initially recognised at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of shareholders' operations and statement of insurance operations and accumulated surplus.

Available for sale investments

After initial recognition, investments which are classified as "available for sale" are normally remeasured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes are included in statement of comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported within statement of comprehensive income, is included in the statement of shareholders' operations.

Investments held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity and are classified as held to maturity investments.

Held to maturity investments are recorded at cost, adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders's operations as impairment charges.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

d) Summary of significant accounting policies (continued)

Furniture, fittings and office equipment

Furniture, fittings and office equipment are measured at cost less accumulated depreciation and any impairment in value. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Motor vehicle	4 years
Furniture and fittings	10 years
Computers and office equipment	7 years

Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis over the estimated useful lives of the assets.

The carrying values of furniture, fittings and office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of furniture, fittings and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture, fittings and equipment. All other expenditure is recognised in the statement of insurance operations and accumulated surplus as the expense is incurred.

Goodwill

Goodwill represents the amount to be paid by the Company in excess of the net fair value of the identifiable assets and liabilities acquired from Islamic Arab Insurance Company as approved by SAMA. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (note 1).

Liability adequacy test

At each reporting date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus, and a provision for premium deficiency is created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service subject to the completion of a minimum service period. Provision is made for the amounts payable under Saudi Arabian Labour law applicable to employees accumulated periods of service at the statement of financial position date. The expense for the year is charged to the statement of insurance operations and accumulated surplus.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

d) Summary of significant accounting policies (continued)

Zakat

The Company is subject to Zakat in accordance with the regulations of Department of Zakat and Income tax (DZIT). Zakat is accrued and charged to statement of shareholders' operations.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised for insurance operations' assets in the statement of insurance operations and accumulated surplus, and for shareholders' assets in the statement of shareholders' operations.

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised.
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property, if any, previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

d) Summary of significant accounting policies (continued)

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Revenue Recognition

Premiums and commissions earned

Gross premiums written and commission income are taken into income over the term of the policies to which they relate on a pro-rata basis. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and unearned commission income, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents last three months of the total premiums written during the current financial period. The change in the unearned premiums is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognized over the period of risk.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Commission income

Commission income on term deposits is recognised using the effective yield method.

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Reinsurance contracts held

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

d) Summary of significant accounting policies (continued)

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to statement of insurance operations and accumulated surplus as incurred. Claims comprise the estimated amounts payable in respect of claims reported to the Company and those not reported at the reporting date.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date together with the related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims but not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on Management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date ("IBNR") including related claims handling costs and the expected value of salvage and other recoveries at the reporting date.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of insurance operations and accumulated surplus or the statement of shareholders' operations as appropriate.

Expenses

Due to the nature of the Company' business, all expenses incurred are considered to be general and administration expenses and are classified as such.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

d) Summary of significant accounting policies (continued)

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following major reportable segments:

- Medical provides compensation to holders for expenses incurred in treatment of a disease, illness or injury.
- Motor provides coverage against losses and liability related to motor vehicles.
- Other includes property, marine, engineering, accident and liability and miscellaneous categories.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

Fair values of financial instruments

Financial instruments comprise cash and cash equivalents, premiums receivable, reinsurance receivables, investments, outstanding claims, reinsurance payables and certain other assets and liabilities.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of all other financial instruments are estimated using methods such as net present values of future cash flows.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. For an unquoted equity investment, fair value is determined by reference to the market value of a similar investment or based on the expected discounted cash flows.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

e) Use of estimates and judgments

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

e) Use of estimates and judgments (continued)

Estimation uncertainty (continued)

Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

Useful lives of furniture, fittings and equipment

The Company's management determines the estimated useful lives of its furniture, fittings and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

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

g) Standards issued but not yet effective

Standards issued but not yet effective up to date of issuance of the Company financial statements are listed below. The listing 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 become effective.

Standard/ Interpretation	Description	Effective date
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets	1 January 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013

3 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

a) Cash and Cash Equivalents

	2011 SR'000	2010 SR'000
Insurance Operations		
Cash on hand and at banks	43,560	37,585
Money market funds	-	104
	43,560	37,689
Shareholders' Operations		
Cash at banks	13,758	26,872
Money market funds	15,615	15,663
	29,373	42,535

b) Term Deposits

Insurance Operations

Term Deposits	23,993	10,000
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Shareholders' Operations

Term Deposits	10,000	-
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Term deposits of insurance operations include an amount of SR 3,750 thousand (2010: Nil) being the carrying value of the host contract in respect of a structured deposit. The deposit is 100% principal protected and the maturity date is 5 July 2012.

The return on the deposit is linked to a basket of different currencies and the characteristics of this embedded derivative are not closely related to the host contract. The fair value of the embedded derivative as at 31 December 2011 is negative and immaterial in value. However, as the deposit is 100% principal protected, it will have no impact on the financial statements of the Company.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

4 PREMIUMS RECEIVABLE, NET

	2011 SR'000	2010 SR'000
Due from policyholders	52,676	50,334
Due from policyholders - related parties (see note 18)	8,648	10,271
Allowance for premiums receivable (see below)	(21,674)	(23,308)
	39,650	37,297

Movements in allowance of doubtful premiums receivable were as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	23,308	15,558
Additional allowance during the year (note 19)	-	7,750
Reversals during the year	(1,634)	-
Balance at the end of the year	21,674	23,308

5 NET PREMIUMS EARNED

	2011 SR'000	2010 SR'000
Gross written premiums	218,663	139,188
Gross unearned premiums at the beginning of the year	52,672	79,119
	271,335	218,307
Gross unearned premiums at the end of the year	(102,611)	(52,672)
Gross premiums earned	168,724	165,635
Reinsurance contracts premium ceded	(38,279)	(35,057)
Reinsurers' share of unearned premiums at the beginning of the year	(12,102)	(9,840)
	(50,381)	(44,897)
Reinsurers' share of unearned premiums at the end of the year	14,058	12,102
Insurance premiums ceded to reinsurers	(36,323)	(32,795)
Net premiums earned	132,401	132,840

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

6 DEFERRED POLICY ACQUISITION COSTS

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	2,067	12,818
Expenses incurred during the year	20,019	5,777
Amortisation for the year	(11,977)	(16,528)
Balance at the end of the year	10,109	2,067

7 CLAIMS INCURRED

	2011 SR'000	2010 SR'000
Gross claims paid	131,490	103,764
Gross outstanding claims at the end of the year	46,845	69,099
	178,335	172,863
Gross outstanding claims at the beginning of the year	(69,099)	(58,978)
Gross claims incurred	109,236	113,885
Reinsurance recoveries	(36,973)	(19,629)
Reinsurers' share of outstanding claims at the end of the year	(15,128)	(26,628)
	(52,101)	(46,257)
Reinsurers' share of outstanding claims at the beginning of the year	26,628	13,073
Reinsurers' share of claims	(25,473)	(33,184)
Net claims incurred	83,763	80,701

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the reporting date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

8 INVESTMENTS

	2011 SR'000	2010 SR'000
Insurance Operations		
FVIS investments (see (a) below)	3,077	8,097
Held to maturity Investments (see (b) below)	13,697	10,000
Shareholders' Operations		
FVIS investments (see (a) below)	3,269	3,257
Available for sale investments (see (c) below)	20,385	20,132
Held to maturity investments (see (b) below)	8,722	4,980

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At 31 December 2011

8 INVESTMENTS (continued)

a) FVIS investments

Insurance operations

Movements in FVIS investments is as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	8,097	5,017
Purchases during the year	-	5,000
Disposals during the year	(5,107)	(2,000)
Gain on disposal of investments	54	7
Changes in fair value of investments	33	73
Balance at the end of the year	3,077	8,097

Shareholders' operations

Movements in FVIS investments is as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	3,257	2,905
Changes in fair value of investments	12	352
Balance at the end of the year	3,269	3,257

b) Held to maturity investments

Insurance operations

Movements in investments held to maturity is as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	10,000	10,000
Purchases during the year	3,697	-
Balance at the end of the year	13,697	10,000

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 FINANCIAL STATEMENTS

At 31 December 2011

8 INVESTMENTS (continued)

b) Held to maturity investments (continued)

Shareholders operations

Movements in investments held to maturity is as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	4,980	4,980
Purchases during the year	3,742	-
Balance at the end of the year	8,722	4,980

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

Movements in available for sale investments are as follows:

2011	Quoted securities SR'000	Unquoted securities SR'000	Total SR'000
Balance at the beginning of the year	18,209	1,923	20,132
Changes in fair value of investments	253	-	253
Balance at the end of the year	18,462	1,923	20,385

2010	Quoted securities SR'000	Unquoted securities SR'000	Total SR'000
Balance at the beginning of the year	14,185	1,923	16,108
Purchases	2,000	-	2,000
Changes in fair value of investments	2,024	-	2,024
Balance at the end of the year	18,209	1,923	20,132

Available for sale investments, having a carrying value of SR 20,385 thousand (2010: SR 20,132 thousand) have been measured at fair value, except of SR 1,923 thousand (2010: SR 1,923 thousand) which has been 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.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

9 PREPAYMENTS AND OTHER RECEIVABLES

	2011 SR'000	2010 SR'000
Insurance Operations		
Prepayments	2,157	1,743
Other receivables (note 25)	2,320	1,889
	4,477	3,632
Shareholders' Operations		
Other receivables (note 25)	79	45
	79	45

10 FURNITURE, FITTINGS AND OFFICE EQUIPMENT

	Motor vehicle SR'000	Furniture and fittings SR'000	Computers and office equipment SR'000	Total SR'000
Insurance Operations				
Cost:				
At 1 January 2010	59	6,260	3,942	10,261
Additions during the year		68	181	249
Disposals during the year	-	-	(5)	(5)
At 31 December 2010	59	6,328	4,118	10,505
Additions during the year	-	603	435	1,038
At 31 December 2011	59	6,931	4,553	11,543
Accumulated Depreciation:				
At 1 January 2010	27	1,473	1,596	3,096
Charge for the year (see note 19)	16	632	561	1,209
Relating to disposals	-	-	(1)	(1)
At 31 December 2010	43	2,105	2,156	4,304
Charge for the year (see note 19)	14	647	549	1,210
At 31 December 2011	57	2,752	2,705	5,514
Carrying amount:				
At 31 December 2011	2	4,179	1,848	6,029
At 31 December 2010	16	4,223	1,962	6,201

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

11 UNEARNED COMMISSION INCOME

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	1,170	2,397
Commission received during the year	3,603	4,189
Commission earned during the year	(3,591)	(5,416)
Balance at the end of the year	1,182	1,170

12 ACCRUALS AND OTHER PAYABLES

	2011 SR'000	2010 SR'000
Insurance Operations		
Accrued expenses	2,689	4,802
Other payables	5,504	5,765
	8,193	10,567
Shareholders' Operations		
Accrued expenses	1,428	914
Other payables	642	520
	2,070	1,434

13 STATUTORY DEPOSIT

	2011 SR'000	2010 SR'000
Statutory deposit	10,643	10,521

As required by Saudi Arabian Insurance Regulations, the Company has deposited 10% of its paid up capital, amounting to SR 10 million in a bank designated by the Saudi Arabian Monetary Agency ("SAMA"). The return on this deposit during the year ended 31 December 2011 is SR 122 thousand (2010: SR 89 thousand). A corresponding liability to SAMA has been recorded for the return on this deposit, as the Company does not have any entitlement to it.

This statutory deposit cannot be withdrawn without the consent of SAMA.

14 SHARE CAPITAL

The share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for six million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company. The remaining four million shares with a nominal value of SR 10 each, which represents 40% of the shares of the Company, have been subscribed by the public.

15 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"), 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. No transfer to statutory reserve has been made during the year because of accumulated losses.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

16 REGULATORY REQUIREMENT

As required by Saudi Arabian Insurance Regulations (Article 66 of the Implementation Regulations), the Company is required to maintain minimum capital requirement of SR 100 million. As at 31 December 2011, the Company's solvency level is less than the minimum solvency margin required by the Saudi Arabian Insurance Regulations. The Company, during the year, has communicated this matter to SAMA, and also provided an action plan to achieve the solvency margin requirement. The management is confident that their action plan will be considered favorably by SAMA.

17 ZAKAT

Charge for the year

	2011 SR'000	2010 SR'000
Current year provision	1,208	1,794
Relating to prior years	592	-
Charge for the year	1,800	1,794

The current year provision is based on the following:

	2011 SR'000	2010 SR'000
Equity	100,000	100,000
Opening provision and adjustments	31,380	23,038
Net book value of long term assets	(91,591)	(70,442)
Unrealized gain on available for sale investments	4,739	4,486
	44,528	57,082
Adjusted income for the year	3,793	14,667
Zakat base	48,321	71,749

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the year

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	1,773	1,389
Provided during the year	1,800	1,794
Paid amount during the year	(1,362)	(1,410)
Balance at the end of the year	2,211	1,773

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

17 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 and 2010 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 favourable outcome. Zakat assessments for years ended 31 December 2009 and 2010 have not yet been raised.

18 RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of transaction	Transactions for the year ended 31 December 2011 SR'000	Transactions for the year ended 31 December 2010 SR'000	Balance as at 31 December 2011 SR'000	Balance as at 31 December 2010 SR'000
Insurance Operations					
Major shareholder					
Islamic Arab Insurance Company (B.S.C.)	General and administrative expenses directly paid on behalf of the Company.	(34)	(871)		
	Claims recovered from reinsurers on behalf of the Company.	-	167		
	Premiums and Salvage collection on behalf of the Company.	-	83		
				6,759	6,793
Related parties					
Chairman of the Board	Insurance policies issued.	271	83	188	45
Tajeer Co	Insurance policies issued.	68,095	42,746	8,028	9,813
Rusd Global Company	Insurance policies issued.	231	222	65	29
Technology Establishment	Insurance policies issued.	-	-	29	29
Alawwal Financial Services	Insurance policies issued.	(17)	(2)	(37)	(20)
Al-Shaer Company	Insurance policies issued.	-	-	375	375
	Total (see note 4)			8,648	10,271
Key management	Short term benefit	4,612	3,253	734	482
personnel	Long term benefit	610	1,669	1,989	1,379
				2,723	1,861

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Transactions for the year ended 31 December 2011	Transactions for the year ended 31 December 2010	Balance as at 31 December 2011	Balance as at 31 December 2010
Shareholders' Operations	Nature of transaction	SR'000	SR'000	SR'000	SR'000
Major shareholder					
Islamic Arab Insurance Company (Salama)	Collection on behalf of the founder shareholder./ Company	105	(19)	(17)	(122)
	Goodwill payable (note 1)	-	-	(7,140)	(7,140)
Related parties					
Rusd Global Co	Expenses directly paid on behalf of the affiliated company	-	-	-	717

Amounts due from and due to related parties are disclosed in the statement of financial position and in note 4.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

19 GENERAL AND ADMINISTRATION EXPENSES

Insurance Operations	2011	2010
	SR'000	SR'000
Employees' costs	24,119	19,807
Office rent	2,896	3,259
Information technology	870	1,117
Allowance for doubtful debts (see note 4)	-	7,750
Depreciation (see note 10)	1,210	1,209
Telephone	799	791
Printing and stationary	379	357
Annual subscription	406	304
Water and electricity	166	136
Other	3,607	4,458
	34,452	39,188
Shareholders' Operations		
Allowance for doubtful debts	-	717
Board of director's remuneration (see note a below)	742	91
Board attendance fees (see note b below)	106	102
Committee expenses (see note c below)	58	42
	906	952

- a) Board of Directors' remuneration is paid in accordance with the by-laws of the Company.
- b) Board attendance fees represent allowances for attending board meetings and sub-committee meetings.
- c) Committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

20 EARNINGS PER SHARE

Earnings per share for the year have been calculated by dividing the net profit for the year by the weighted average number of shares in issue during the year. Diluted earnings per share are not applicable to the Company.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

21 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.

Segment assets do not include cash and cash equivalents, net premiums receivable, reinsurance receivable, prepayments and other receivables, amount due from a related party, investments and furniture, fittings and office equipment.

Segment liabilities do not include policyholders' claims, reinsurance payables and accruals and other payables, employees' terminal 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 year ended 31 December 2011	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Gross premium written	60,203	140,510	17,950	218,663
Less: Reinsurance premiums ceded	(22,958)	(19)	(12,577)	(35,554)
Less: Excess of loss premium	-	(1,179)	(1,546)	(2,725)
Net premium written	37,245	139,312	3,827	180,384
Changes in net unearned premiums	(3,480)	(44,655)	152	(47,983)
Net premiums earned	33,765	94,657	3,979	132,401
Reinsurance commissions received	-	1	3,590	3,591
Net revenues	33,765	94,658	7,569	135,992
Gross claims paid	35,067	80,699	15,724	131,490
Less: Reinsurers share	(17,493)	(6,957)	(12,523)	(36,973)
Net claims paid	17,574	73,742	3,201	94,517
Changes in outstanding claims	759	(8,383)	(3,130)	(10,754)
Net claims incurred	18,333	65,359	71	83,763
Policy acquisition costs	3,322	7,482	1,173	11,977
Other operating expenses	5,030	1,322	486	6,838
Net costs and expenses	26,685	74,163	1,730	102,578
Net results of insurance operations	7,080	20,495	5,839	33,414
Unallocated expenses				(34,452)
Unallocated other income				4,928
Unallocated investment income				1,021
Surplus from insurance operations				4,911

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

21 SEGMENTAL INFORMATION (continued)

As at 31 December 2011	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Insurance operations' assets				
Reinsurer's share of unearned premiums	9,774	7	4,277	14,058
Reinsurer's share of outstanding claims	8,514	419	6,195	15,128
Deferred policy acquisition costs	1,622	8,247	240	10,109
Unallocated assets				148,699
Total insurance operations' assets				187,994
Insurance operations' liabilities and surplus				
Unearned premium	25,801	70,975	5,835	102,611
Outstanding claims	17,028	19,510	10,307	46,845
Unearned commission income	-	-	1,182	1,182
Provision for premium deficiency	-	-	63	63
Unallocated liabilities and surplus	-	-	-	37,293
Total insurance operations' liabilities and surplus				187,994

For the year ended 31 December 2010	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Gross premium written	43,908	72,985	22,295	139,188
Less: Reinsurance premiums ceded	(17,256)	-	(15,985)	(33,241)
Less: Excess of loss premium	-	(901)	(915)	(1,816)
Net premium written	26,652	72,084	5,395	104,131
Changes in net unearned premiums	(5,941)	34,844	(194)	28,709
Net premiums earned	20,711	106,928	5,201	132,840
Reinsurance commissions received	-	-	5,416	5,416
Net revenues	20,711	106,928	10,617	138,256
Gross claims paid	20,317	75,094	8,353	103,764
Less: Reinsurers share	(11,962)	(1,489)	(6,178)	(19,629)
Net claims paid	8,355	73,605	2,175	84,135
Changes in outstanding claims	6,247	(13,018)	3,337	(3,434)
Net claims incurred	14,602	60,587	5,512	80,701
Provision for premium deficiency	-	-	63	63
Policy acquisition costs	1,453	13,850	1,225	16,528
Other operating expenses	3,210	373	1,005	4,588
Net costs and expenses	19,265	74,810	7,805	101,880
Net results of insurance operations	1,446	32,118	2,812	36,376
Unallocated expenses				(39,188)
Unallocated other income				11,579
Unallocated investment income				779
Surplus from insurance operations				9,546

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

21 SEGMENTAL INFORMATION (continued)

As at 31 December 2010	Medical	Motor	Other	Total
	SR'000	SR'000	SR'000	SR'000
Insurance operations' assets				
Reinsurer's share of unearned premiums	8,043	-	4,059	12,102
Reinsurer's share of outstanding claims	6,802	3,784	16,042	26,628
Deferred policy acquisition costs	1,173	576	318	2,067
Unallocated assets				123,391
Total insurance operations' assets				164,188
Insurance operations' liabilities and surplus				
Unearned premium	20,591	26,312	5,769	52,672
Outstanding claims	14,557	31,259	23,283	69,099
Unearned commission income	-	-	1,170	1,170
Provision for premium deficiency	-	-	63	63
Unallocated liabilities and surplus				41,184
Total insurance operations' liabilities and surplus				164,188

22 CAPITAL COMMITMENTS

At 31 December 2011, the Company had outstanding capital commitments amounting to SR 0.15 million (31 December 2010: SR 0.15 million).

23 CONTINGENT LIABILITIES

One of the Company's bankers has given guarantees to non-government customers amounting to SR 0.40 million (31 December 2010: SR 0.49 million) in respect of motor insurance.

24 SHARIA'A COMMITTEE

The Company's business activities are subject to the supervision of a Sharia'a Committee appointed by the Board of Directors. The Sharia'a Committee performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Sharia'a rules and principles.

25 RISK MANAGEMENT

The risks facing the Company and the way these risks are mitigated by management are summarised below:

Insurance risk

The risk under an insurance policy is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such policies is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance policies as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

25 RISK MANAGEMENT (continued)

Insurance risk (continued)

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

Geographical concentration of risks

The Company's insurance risk exposure relating to contract holders is concentrated in Kingdom of Saudi Arabia.

Sensitivities

The impact of reasonably possible changes in ultimate loss ratios on net results, net liabilities and equity of the Company is not expected to be material.

Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers are selected using the following parameters and guidelines set by the Company's management. The criteria may be summarized as follows:

- a) Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB.
- b) Reputation of particular reinsurance companies.
- c) Existing or past business relationship with the reinsurer.

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local Insurance Regulator. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities.

The operations of the Company are also subject to regulatory requirements within the jurisdiction it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2011

25 RISK MANAGEMENT (continued)

Capital management risk

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares, if required in future.

The table below summarizes the minimum regulatory capital of the Company:

	2011 SR'000	2010 SR'000
Minimum regulatory capital (Minimum capital basis)	100,000	100,000

As at 31 December 2011, the Company's capital was less than the minimum regulatory capital requirement, and the Company has communicated this matter to SAMA (see note 16).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of losses due to exchange rate fluctuations as the insurance operations and shareholders' operations primarily deal in Saudi Riyals and in US Dollar which is pegged to Saudi Riyals.

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its held to maturity investments.

The Company is subject to commission rate fair value risk on its fixed rate murabaha deposits and bonds classified as term deposits and investments held to maturity, respectively in the statement of financial position. There is no impact on the income or equity of reasonably possible change in commission rate, as murabaha deposits and bonds are measured at cost in the statement of financial position.

The Company is required to maintain a restricted deposit in accordance with insurance regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk of other financial instruments by monitoring changes in commission rates in the currencies in which its financial instruments are denominated.

Details of maturities of the major classes of commission bearing securities for insurance operations as at 31 December 2011 and 2010 are as follows:

Insurance Operations	2011 SR '000			
	Less than 3 months	1 to 5 years	No fixed maturity	Total
Investments held to maturity (note 8(b)) 88888(b))	-	10,000	-	10,000
	-	10,000	-	10,000

	2010 SR '000			
	Less than 3 months	1 to 5 years	No fixed maturity	Total
Investments held to maturity (note 8(b))	-	10,000	-	10,000
	-	10,000	-	10,000

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25 RISK MANAGEMENT (continued)

Commission rate risk (continued)

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date.

The effective interest rates for the commission bearing financial instruments, were as follows:

	2011	2010
Insurance operations		
Saudi Riyal denominated financial assets	2.07%	2.80%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2011	2010
	SR'000	SR'000
	Effect on profit	Effect on profit
Insurance operations		
Saudi Riyals:		
Increase in interest rates by 100 basis points	100	100
Decrease in interest rates by 100 basis points	(100)	(100)

Details of maturities of the major classes of commission bearing securities for shareholder's operations as at 31 December 2011 and 2010 are as follows:

Shareholders' operations	2011 SR '000			
	Less than 3 months	1 to 5 years	No fixed maturity	Total
Investments held to maturity (note 8(b))	-	4,980	-	4,980
	-	4,980	-	4,980

	2010 SR '000			
	Less than 3 months	1 to 5 years	No fixed maturity	Total
Investments held to maturity(note 8(b))	-	4,980	-	4,980
	-	4,980	-	4,980

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date.

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25 RISK MANAGEMENT (continued)

Commission rate risk (continued)

The effective interest rates for the commission bearing financial instruments, were as follows:

	2011	2010
Shareholders' operations		
Saudi Riyal denominated financial assets	1.63%	2.56%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2011	2010
	SR'000	SR'000
	Effect on profit	Effect on profit
Shareholders' operations		
Saudi Riyals:		
Increase in interest rates by 100 basis points	50	50
Decrease in interest rates by 100 basis points	(50)	(50)

Financial risk

The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, statutory deposit, cash and cash equivalents, outstanding claims and certain other assets and liabilities.

The main risks arising from the Company's financial instruments are market risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused either by factors specific to the individual security, the issuer of the security, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments. Market risk is managed by investing in reputed funds which maintain investments in diversified portfolios and equity shares and by continuous monitoring of developments in equity markets. In addition, the key factors that affect stock market movements are monitored, including analysis of the operational and financial performance of investees.

A 5% change in the net asset value of funds, with all other variables held constant, would impact the shareholders operations by SR 944 thousand (2010: SR 946 thousand) and insurance operations by SR 341 thousand (2010: SR 410 thousand).

A 5% change in net asset value of funds, classified as available for sale investments, would impact the equity by SR 923 thousand (2010: SR 910 thousand).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in Saudi Arabia.

For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

The Company seeks to limit its credit risk with respect to customers by following the credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

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At 31 December 2011

25 RISK MANAGEMENT (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2011	2010
	SR' 000	SR' 000
Insurance' Operations		
Cash and cash equivalents	43,560	37,689
Term deposits	23,993	10,000
Premiums receivable, net	39,650	37,297
Held to maturity investments	13,697	10,000
Reinsurance receivables	7,457	3,682
Other receivables (note 9)	2,320	1,889
	130,677	100,557
Shareholders' Operations		
Cash and cash equivalents	29,373	42,535
Term deposits	10,000	-
Available for sale investments	20,385	20,132
Held to maturity investments	8,722	4,980
Due from insurance operations	6,818	4,326
Other receivables (note 9)	79	45
	75,377	72,018

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All of the Company's financial assets and financial liabilities are expected to be realised and settled, respectively within 12 months from the reporting date, except for statutory deposit, which has no term (see note 13), and held to maturity assets, which are expected to be held until their maturities as mentioned in note 8 (b). All financial liabilities are non-interest bearing.

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26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The Company's financial assets consist of cash and cash equivalents, investments, premiums receivable, reinsurance receivables, amount due from related parties and prepayments other receivables and its financial liabilities consist of outstanding claims, policyholders' claims, reinsurance payable, accruals and other payables and amount due to a related party.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

Determination of fair value and fair value hierarchy

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

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

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

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

The table below presents the financial instruments at their fair values as at 31 December 2011 and 2010:

2011	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
FVIS investments				
Policyholders	3,077	-	-	3,077
Shareholders	3,269	-	-	3,269
Available for sale investments				
Shareholders	18,462	-	1,923	20,385
Total	24,808	-	1,923	26,731
2010				
FVIS investments				
Policyholders	8,097	-	-	8,097
Shareholders	3,257	-	-	3,257
Available for sale investments				
Shareholders	18,209	-	1,923	20,132
Total	29,563	-	1,923	31,486

27 COMPARATIVE FIGURES

Certain of prior period amounts have been reclassified to conform to the presentation in the current period.

28 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on O/S February 2012.

