

**SANAD COOPERATIVE INSURANCE AND
REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and six month period ended 30 June 2013
together with the
Independent auditors' review report**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Sanad Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2013 and the related interim statements of comprehensive income of insurance operations and shareholders' operations for the three and six month periods then ended and the interim statements of changes in shareholders' equity, cash flows of insurance operations and shareholders operations for the six month period then ended and the related notes 1 to 11 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 limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures 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 regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

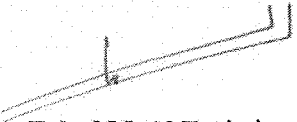
CONCLUSION:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.


EMPHASIS OF A MATTER:

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

Ernst & Young
P. O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia


Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

Aldar Audit Bureau
Abdullah Al Basri & Co
P. O. Box 2195
Riyadh 11451
Kingdom of Saudi Arabia


Abdullah M. Al Basri
Certified Public Accountant
Registration No. 171

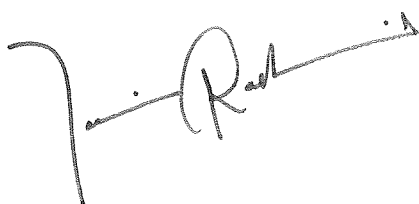
7 Ramadan 1434H
(15 July 2013)



SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2013
(Amount in Saudi Riyals)

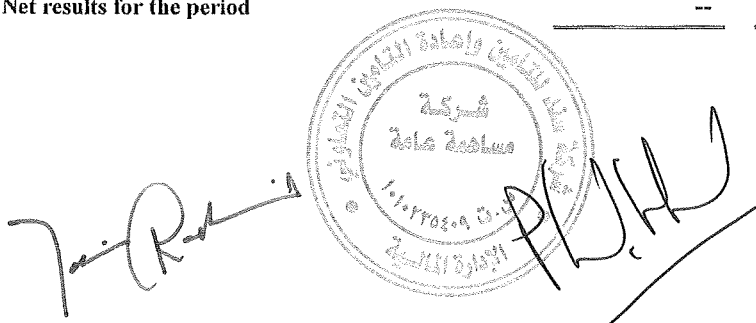
	<i>Note</i>	30 June 2013 <u>(Unaudited)</u>	31 December 2012 <u>(Audited)</u>
ASSETS			
<u>Assets - insurance operations</u>			
Cash and cash equivalents		60,989,206	65,479,976
Premiums receivable, net	7	75,870,045	63,395,494
Reinsurers' balance receivable, net	8	10,332,240	9,735,595
Reinsurers' share of outstanding claims and other technical reserves	6	28,093,256	37,611,190
Reinsurers' share of unearned premium		17,242,834	13,562,340
Deferred policy acquisition cost		10,794,149	7,027,284
Due from shareholders' operations		6,029,673	--
Prepayments and other assets		13,531,104	9,669,101
Property and equipment, net		4,517,134	3,486,781
Total assets - insurance operations		<u>227,399,641</u>	<u>209,967,761</u>
<u>Assets - shareholders' operations</u>			
Cash and bank balances		41,247,726	49,940,289
Statutory deposit		20,918,419	20,918,419
Investments - available for sale	5	43,148,957	40,145,978
Loan receivable		500,000	500,000
Due from insurance operations		--	4,901,022
Prepayments and other assets		776,040	19,111
Total assets - shareholders' operations		<u>106,591,142</u>	<u>116,424,819</u>
TOTAL ASSETS		<u>333,990,783</u>	<u>326,392,580</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
<u>Liabilities - insurance operations</u>			
Unearned premium reserve		100,919,145	67,695,866
Reinsurers' balances payable		13,787,667	3,404,068
Accrued expenses and other liabilities		32,673,276	37,484,048
Outstanding claims and other technical reserves	6	72,514,852	90,709,402
Unearned commission income		4,600,207	3,282,388
End-of-service indemnities		2,904,494	2,490,967
Due to shareholders' operations		--	4,901,022
Total liabilities - insurance operations		<u>227,399,641</u>	<u>209,967,761</u>
<u>Liabilities - shareholders' operations</u>			
Accrued expenses and other liabilities		238,525	387,025
Zakat payable		10,375,439	9,935,141
Due to insurance operations		6,029,673	--
Total liabilities - shareholders' operations		<u>16,643,637</u>	<u>10,322,166</u>
Total liabilities		<u>244,043,278</u>	<u>220,289,927</u>
<u>Shareholders' equity</u>			
Share capital		200,000,000	200,000,000
Accumulated deficit		(114,319,867)	(105,306,937)
Fair value reserve on investment	5	4,267,372	11,409,590
Total shareholders' equity		<u>89,947,505</u>	<u>106,102,653</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>333,990,783</u>	<u>326,392,580</u>

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.




SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS
(Amount in Saudi Riyals)

<i>Note</i>	Three Months ended 30 June 2013	Six Months ended 30 June 2013	Three Months ended 30 June 2012	Six Months ended 30 June 2012
Gross insurance premiums written	42,345,230	123,155,861	35,808,982	120,017,800
Gross inward reinsurance premiums written	17,122	118,214	52,443	1,072,847
Total gross written premium	42,362,352	123,274,075	35,861,425	121,090,647
Reinsurance premiums ceded	(9,040,594)	(30,853,521)	(9,885,404)	(33,788,974)
Net written premiums	33,321,758	92,420,554	25,976,021	87,301,673
Changes in unearned premiums	1,019,349	(33,250,651)	14,522,797	(13,523,546)
Changes in reinsurance unearned premiums	(2,103,220)	3,680,494	(6,269,853)	(1,228,918)
Net earned premiums	32,237,887	62,850,397	34,228,965	72,549,209
Reinsurance commission	2,480,779	6,199,098	2,186,926	4,992,746
Policy fee	88,618	28,377	51,907	118,429
Underwriting revenue	34,807,284	69,077,872	36,467,798	77,660,384
Gross claims paid	(35,327,626)	(68,889,261)	(36,587,385)	(80,033,120)
Reinsurance share of claims paid	7,277,778	13,969,169	7,814,033	16,042,049
Net claims paid	(28,049,848)	(54,920,092)	(28,773,352)	(63,991,071)
Net changes in outstanding claim reserve	(594,314)	4,834,137	3,731,127	13,796,669
Net changes in claims technical reserve	963,130	3,842,479	2,982,015	3,564,739
Net claims incurred	(27,681,032)	(46,243,476)	(22,060,210)	(46,629,663)
Policy acquisition costs	(4,602,062)	(9,634,514)	(6,159,754)	(13,261,387)
Other underwriting expenses, net	(2,113,190)	(3,156,541)	(270,121)	(1,205,435)
Impairment allowance against doubtful receivables	(4,186,488)	(4,278,329)	(4,365,462)	(3,177,073)
Underwriting expenses	(38,582,772)	(63,312,860)	(32,855,547)	(64,273,558)
Underwriting results	(3,775,488)	5,765,012	3,612,251	13,386,826
General and administration expenses	(13,569,885)	(23,767,620)	(10,034,111)	(20,815,686)
Deficit from insurance operations	(17,345,373)	(18,002,608)	(6,421,860)	(7,428,860)
Gain on sale of property and equipment	2,550	12,500	--	--
Other income	65,083	139,417	103,917	276,839
Net deficit from insurance operations	(17,277,740)	(17,850,691)	(6,317,943)	(7,152,021)
Transfer of comprehensive deficit to shareholders' operations	17,277,740	17,850,691	6,317,943	7,152,021
Net results for the period	--	--	--	--



The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.



SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
(Amount in Saudi Riyals)

<i>Note</i>	Three Months ended 30 June 2013	Six Months ended 30 June 2013	Three Months ended 30 June 2012	Six Months ended 30 June 2012
INCOME				
Commission income	129,256	267,713	138,028	334,447
Dividend income from investments	403,607	819,779	492,500	955,000
Gain on sale of investments	--	10,070,314	--	--
	<u>532,863</u>	<u>11,157,806</u>	<u>630,528</u>	<u>1,289,447</u>
Transfer of loss from insurance operations	(17,277,740)	(17,850,691)	(6,317,943)	(7,152,021)
General and administration expenses	(496,085)	(985,995)	(394,638)	(824,258)
NET LOSS FOR THE PERIOD BEFORE ZAKAT	<u>(17,240,962)</u>	<u>(7,678,880)</u>	<u>(6,082,053)</u>	<u>(6,686,832)</u>
Zakat	(595,232)	(1,334,050)	(729,584)	(1,383,485)
NET LOSS FOR THE PERIOD	<u>(17,836,194)</u>	<u>(9,012,930)</u>	<u>(6,811,637)</u>	<u>(8,070,317)</u>
<i>Other comprehensive income:</i>				
5				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Changes in fair value of available for sale investments, net	1,162,472	2,928,096	(1,194,774)	3,758,639
Transferred to interim statement of income:				
On sale of available for sale investments	--	(10,070,314)	--	--
	<u>1,162,472</u>	<u>(7,142,218)</u>	<u>(1,194,774)</u>	<u>3,758,639</u>
Total comprehensive loss for the period	<u>(16,673,722)</u>	<u>(16,155,148)</u>	<u>(8,006,411)</u>	<u>(4,311,678)</u>
Basic and diluted loss per share	(0.89)	(0.45)	(0.34)	(0.40)
Weighted average number of shares in issue	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

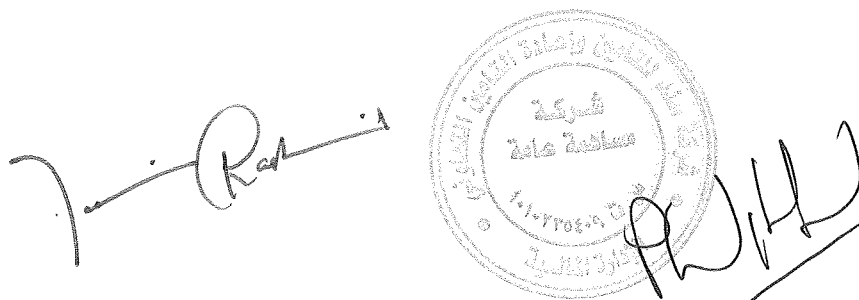
	Share Capital	Accumulated deficit	Fair value reserve on Investment	Total
2013				
Balance at 1 January 2013	200,000,000	(105,306,937)	11,409,590	106,102,653
Net loss for the period	--	(9,012,930)	--	(9,012,930)
Other comprehensive loss for the period	--	--	(7,142,218)	(7,142,218)
Total comprehensive loss for the period	--	(9,012,930)	(7,142,218)	(16,155,148)
Balance at 30 June 2013	200,000,000	(114,319,867)	4,267,372	89,947,505
2012				
Balance at 1 January 2012	200,000,000	(97,977,041)	5,086,116	107,109,075
Net loss for the period	--	(8,070,317)	--	(8,070,317)
Other comprehensive income for the period	--	--	3,758,639	3,758,639
Total comprehensive loss for the period	--	(8,070,317)	3,758,639	(4,311,678)
Balance at 30 June 2012	200,000,000	(106,047,358)	8,844,755	102,797,397

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)
(Amount in Saudi Riyals)

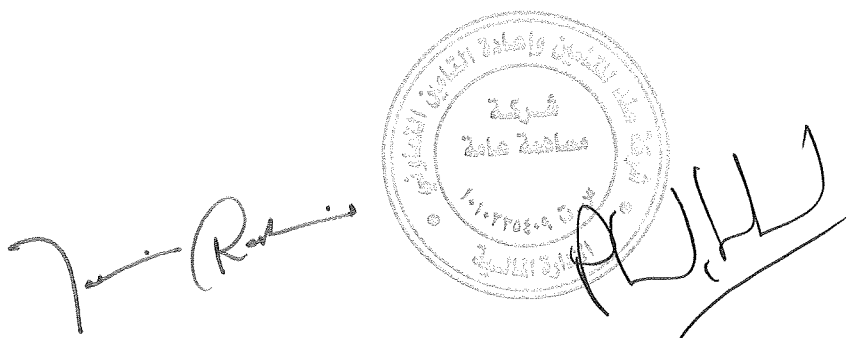
	Six months ended 30 June 2013	Six months ended 30 June 2012
Operating Activities		
Net results for the period	--	--
<i>Adjustments for non-cash items:</i>		
Transfer of loss to shareholders' operations	(17,850,691)	(7,152,021)
Depreciation	1,072,129	1,054,380
Provision for employees' end of service benefits	799,889	1,096,897
Charge of impairment allowance against doubtful receivables	4,278,329	3,177,073
(Gain) / loss on sale of property and equipment	(12,500)	57,162
Changes in operating assets and liabilities:		
Premiums receivable	(16,410,423)	(20,523,567)
Deferred policy acquisition costs	(3,766,865)	(1,593,991)
Prepayments and other assets	(3,862,003)	(1,837,987)
Unearned premium reserves, net	29,542,785	14,752,464
Unearned commission income	1,317,819	870,030
Reinsurers' balances payable	10,383,599	(20,406,963)
Accrued and other liabilities	(4,810,772)	(1,254,563)
Outstanding claims and other technical reserves, net	(8,676,616)	(17,361,408)
Due to shareholders' operations	6,919,996	(11,163,817)
Reinsurance balance receivable	(939,102)	4,602,166
Cash used in operating activities	(2,014,426)	(55,684,145)
Employees' end of service benefits paid	(386,362)	(150,324)
Net cash used in operating activities	(2,400,788)	(55,834,469)
Investing Activities		
Additions to property and equipment	(2,102,482)	(651,962)
Sale proceed from disposal of property and equipment	12,500	25,000
Net cash used in investing activities	(2,089,982)	(626,962)
Net changes in cash and cash equivalents	(4,490,770)	(56,461,431)
Cash and cash equivalents, beginning of the period	65,479,976	118,055,360
Cash and cash equivalents, end of the period	60,989,206	61,593,929



The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)
(Amount in Saudi Riyals)

	Six months ended 30 June 2013	Six months ended 30 June 2012
Operating Activities		
Net loss for the period before zakat	(7,678,880)	(6,686,832)
<i>Adjustments for non-cash items:</i>		
Transferred from insurance operations	17,850,691	7,152,021
Gain on sale of investments	(10,070,314)	--
Changes in operating assets and liabilities:		
Accrued expenses and other liabilities	(148,500)	(91,502)
Prepayments and other assets	(756,929)	(1,049,878)
Due from insurance operations	(6,919,996)	11,163,817
Cash (used in) / from operating activities	(7,723,928)	11,363,565
Zakat paid	(893,752)	(893,416)
Net cash (used in) / from operating activities	(8,617,680)	9,594,210
Investing Activities		
Purchase of investments	(9,504,969)	--
Disposal of investments	9,430,086	--
Net cash used in investing activities	(74,883)	--
Net changes in cash and cash equivalents	(8,692,563)	9,594,210
Cash and cash equivalents, beginning of the period	49,940,289	34,655,033
Cash and cash equivalents, end of the period	41,247,726	44,249,243
Non – cash supplemental information:		
Change in fair value of investments – available for sale	(7,142,218)	3,758,639



The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Sanad Cooperative Insurance & Reinsurance Company ("the Company") is a Saudi Joint Stock Company incorporated under Ministerial Resolution dated 15 Jumada II, 1428 H, (corresponding to 30 June 2007). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010235409 dated 23 Jumada Al Thani, 1428 H (corresponding to 8 July 2007). 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 21 July 2007.

The Registered Office of the Company is located at Daren Center, Al Ahsa Street, Riyadh, 11417, Kingdom of Saudi Arabia. These interim condensed financial statements cover the period from 01 January 2013 to 30 June 2013 (the "period").

2 BASIS OF PREPARATION

2.1 *Basis of measurement*

The interim condensed financial statements have been prepared under the historical cost convention, except for the measurement of available-for-sale investments at fair value.

As at 30 June 2013, the Company's solvency margin is below the limit prescribed by Saudi Arabian Monetary Agency (SAMA). However, based on Company's negotiations with SAMA, future business prospects and improvement in net results of the Company, the management believes that the going concern assumption is valid and has therefore prepared the financial statements on a going concern basis.

2.2 *Statement of compliance*

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

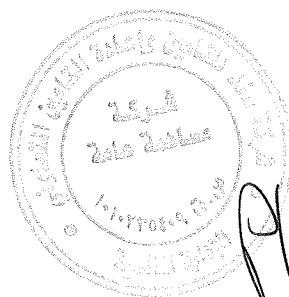
As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective books. The basis of allocation of common expenses from joint operations is determined and approved by the management and Board of Directors.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 December 2012.

In management's 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 period presented. The Company's interim results may not be indicative of its annual results.

2.3 *Functional and presentation currency*

The interim condensed financial statements have been presented in Saudi Riyals, being the functional currency of the Company. Amounts are rounded to nearest Riyal unless otherwise indicated.



SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013

2 BASIS OF PREPARATION (Continued)

2.4 *Use of accounting judgements, estimates and assumptions in the preparation of interim condensed financial statements*

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenue and expenses during the reporting period.

Although these judgments, estimates and assumptions are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the current and future periods if the revision affects both current and future periods.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Unearned premium reserve
- Outstanding claims and other technical reserve
- Impairment of receivables
- Impairment in value of investment – available for sale

3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES

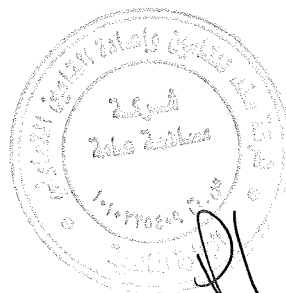
The accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2012, except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect/no financial impact on the condensed interim financial statements of the Company on the current period or prior period and is expected to have an insignificant effect in future periods:

a) New standards

- IFRS 13 Fair value measurements: Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

b) Amendments to existing standards

- Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.



SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES(Continued)

- 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 IAS 32 and also require 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.

4 RELATED PARTY TRANSACTIONS

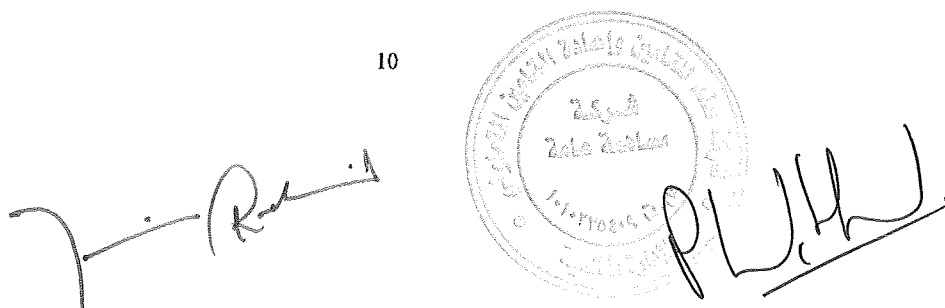
Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management. The related parties of the Company are as follows:

Nature of relationship	Name of related party
<i>10% founding shareholder and common directorship</i>	- Saudi Continental Insurance Company
<i>90% shareholder in Saudi Continental Insurance Company and have a common directorship</i>	- Aggad Investment Company
<i>Common directorship and control</i>	- Arabian Tiles Company - Medical Supplies and Services Company Limited (MEDISERV) - National Advanced Systems Company Limited (NASCO) - United Motors Company

a) Transactions with related parties:

Details of significant transactions carried out during the period with related parties are as follows:

<u>Name of related party</u>	Six months ended June 2013		Six months ended June 2012	
	<u>Gross written premium</u>	<u>Gross claims paid</u>	<u>Gross written premium</u>	<u>Gross claims paid</u>
Aggad Investment Company	160,085	228,058	432,305	157,160
Arabian Tiles Company	173,235	360,527	120,101	527,113
Medical Supplies and Services Company Limited (MEDISERV)	713,433	1,283,039	239,849	2,064,255
National Advanced Systems Company Limited (NASCO)	836,924	2,307,359	686,532	2,211,749
United Motors Company	10,061,317	6,502,414	9,807,365	4,570,279



SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

4 RELATED PARTY TRANSACTIONS (Continued)

b) Balances with related parties:


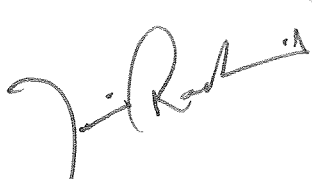

Details of significant receivables from and payables to the related parties are as follows:

<u>Related party</u>	<u>30 June 2013</u>		<u>31 December 2012</u>	
	<u>Premiums receivable</u>	<u>Outstanding claims</u>	<u>Premiums receivable</u>	<u>Outstanding claims</u>
Aggad Investment Company	81,492	68,613	145,219	134,874
Arabian Tiles Company	514,518	314,429	863,451	268,828
Medical Supplies and Services Company Limited (MEDISERV)	375,719	1,876,843	1,040,606	2,348,997
National Advanced Systems Company Limited (NASCO)	1,678,888	6,454,855	2,990,210	4,428,705
United Motors Company	5,888,544	6,094,897	4,100,196	3,461,209

c) Compensation of key management personnel:

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows:

	<u>Six months ended June 2013</u>	<u>Six months ended June 2012</u>
Salaries and other short term benefits	2,571,410	2,387,410
End of service benefit	127,475	89,475
	<u>2,698,885</u>	<u>2,476,885</u>

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

5 INVESTMENTS




Investments in available for sale securities

Investment in available for sale securities comprise of the following:

	30 June 2013			31 December 2012
	Cost	Market value	Unrealised gain	Market value
<u>Quoted/ Published prices</u>				
Mutual Funds	6,625,998	6,970,030	344,032	6,947,506
Global Sukuk Fund deposits	9,450,000	10,817,848	1,367,848	10,996,789
Equities	<u>20,882,509</u>	<u>23,438,001</u>	<u>2,555,492</u>	<u>20,278,605</u>
	<u>36,958,507</u>	<u>41,225,879</u>	<u>4,267,372</u>	<u>38,222,900</u>
<u>Unquoted</u>				
Equities	1,923,078	1,923,078	--	1,923,078
Total investments in available for sale	<u>38,881,585</u>	<u>43,148,957</u>	<u>4,267,372</u>	<u>40,145,978</u>

Movements in available for sale investments are as follows:

	30 June 2013	30 June 2012
At the beginning of the period	40,145,978	43,702,108
Addition during the period	19,575,283	--
Disposals during the period	(9,430,086)	--
Change in fair value	(7,142,218)	3,758,639
At the end of the period	<u>43,148,957</u>	<u>47,460,747</u>

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

6 OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

	30 June 2013		
	<u>Gross</u>	<u>Reinsurers' Share</u>	<u>Net</u>
Outstanding claim reserves	52,582,132	(21,331,161)	31,250,971
Incurred but not reported reserve	17,628,886	(6,762,095)	10,866,791
Unallocated loss adjustment expense reserve	2,303,834	--	2,303,834
Outstanding claims and other technical reserves	<u>72,514,852</u>	<u>(28,093,256)</u>	<u>44,421,596</u>
	31 December 2012		
	<u>Gross</u>	<u>Reinsurers' Share</u>	<u>Net</u>
Outstanding claim reserves	64,285,225	(28,200,117)	36,085,108
Incurred but not reported reserve	23,808,330	(9,411,073)	14,397,257
Unallocated loss adjustment expense reserve	2,615,847	--	2,615,847
Outstanding claims and other technical reserves	<u>90,709,402</u>	<u>(37,611,190)</u>	<u>53,098,212</u>

7 PREMIUMS RECEIVABLE

	30 June 2013	31 December 2012
Premiums receivable	104,443,897	88,033,474
Less : Impairment against doubtful receivables	(28,573,852)	(24,637,980)
	<u>75,870,045</u>	<u>63,395,494</u>

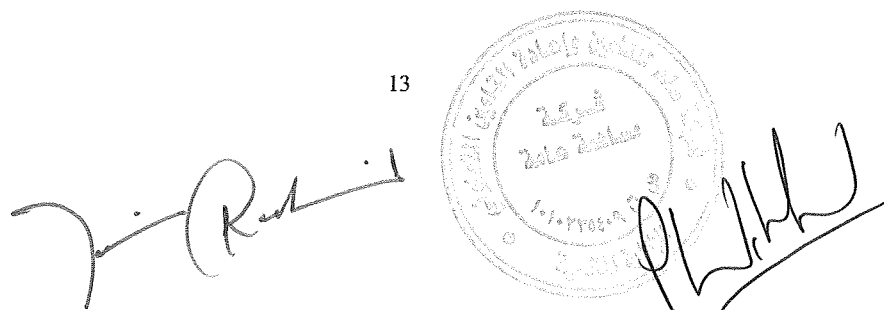
	Total	Neither past due nor impaired	Past due but not impaired	Past due and impaired
30 June 2013	104,443,897	23,761,186	52,108,859	28,573,852
31 December 2012	88,033,474	24,922,401	38,473,093	24,637,980

The Company classifies receivable balances as 'past due and impaired' on a case to case basis, impairment against which is recorded in the 'statement of comprehensive income - insurance operations'. The Company does not obtain collateral against premium receivables. Amount which are neither past due nor considered impaired by management, in respect of premium receivables, are from individuals and unrated corporate policy holders.

8 REINSURERS' BALANCE RECEIVABLE

	30 June 2013	31 December 2012
Reinsurers' balance receivable	10,973,104	10,034,002
Less: Impairment against doubtful receivables	(640,864)	(298,407)
	<u>10,332,240</u>	<u>9,735,595</u>

	Total	Past due but not impaired	Past due and impaired
30 June 2013	10,973,104	10,332,240	640,864
31 December 2012	10,034,002	9,735,595	298,407



SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

9 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include general and administration expenses and other income.

Segment assets do not include property and equipment, prepayments and other assets, premiums receivable, reinsurances' balance receivables and cash and cash equivalents. Accordingly they are included in unallocated assets.

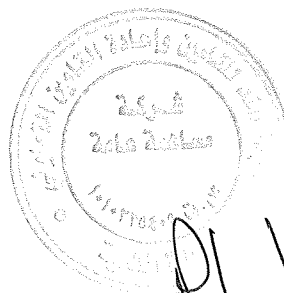
Segment liabilities do not include due to shareholders operations, end-of-service indemnities, reinsurers' balances payable, accrued expenses and other liabilities.

All unallocated assets and liabilities are reported to chief operating decision maker as unallocated assets and liabilities and are monitored on a centralized basis.

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

a) Statement of results for insurance operations

	For the three months ended 30 June 2013					
	Medical	Motor	Marine	Engineering	Others	Total
Gross written premiums	12,246,774	21,478,165	3,271,882	2,322,674	3,042,857	42,362,352
Reinsurance premiums ceded	<u>(1,029,047)</u>	<u>(1,240,439)</u>	<u>(2,384,089)</u>	<u>(2,117,998)</u>	<u>(2,269,021)</u>	<u>(9,040,594)</u>
Net written premiums	11,217,727	20,237,726	887,793	204,676	773,836	33,321,758
Net changes in unearned premiums	<u>(1,745,094)</u>	530,496	20,670	26,417	83,640	<u>(1,083,871)</u>
Net earned premiums	9,472,633	20,768,222	908,463	231,093	857,476	32,237,887
Reinsurance commission earned	--	--	837,639	900,881	742,259	2,480,779
Other underwriting income	1,300	64,173	14,820	1,325	7,000	88,618
Total underwriting revenue	<u>9,473,933</u>	<u>20,832,395</u>	<u>1,760,922</u>	<u>1,133,299</u>	<u>1,606,735</u>	<u>34,807,284</u>
Gross claims paid	<u>(13,588,500)</u>	<u>(16,648,653)</u>	<u>(2,582,816)</u>	<u>(404,502)</u>	<u>(2,103,155)</u>	<u>(35,327,626)</u>
Reinsurance share of claims paid	2,887,151	147,000	2,079,368	389,000	1,775,259	7,277,778
Net claims paid	<u>(10,701,349)</u>	<u>(16,501,653)</u>	<u>(503,448)</u>	<u>(15,502)</u>	<u>(327,896)</u>	<u>(28,049,848)</u>
Net changes in outstanding claims and other technical reserves	1,044,587	<u>(1,083,196)</u>	400,380	<u>(155,152)</u>	162,197	368,816
Net claims cost	<u>(9,656,762)</u>	<u>(17,584,849)</u>	<u>(103,068)</u>	<u>(170,654)</u>	<u>(165,699)</u>	<u>(27,681,032)</u>
Policy acquisition costs	<u>(625,976)</u>	<u>(2,706,346)</u>	<u>(343,189)</u>	<u>(485,463)</u>	<u>(441,088)</u>	<u>(4,602,062)</u>
Other underwriting expenses, net	<u>(447,466)</u>	<u>(772,769)</u>	<u>(410,230)</u>	<u>(242,209)</u>	<u>(240,516)</u>	<u>(2,113,190)</u>
Reversal of / (addition to) impairment allowance against doubtful receivables	<u>(1,427,022)</u>	<u>(2,759,466)</u>	--	--	--	<u>(4,186,488)</u>
Total underwriting expenses	<u>(12,157,226)</u>	<u>(23,823,430)</u>	<u>(856,487)</u>	<u>(898,326)</u>	<u>(847,303)</u>	<u>(38,582,772)</u>
Underwriting surplus / (deficit) before administration expenses	<u>(2,683,293)</u>	<u>(2,991,035)</u>	<u>904,435</u>	<u>234,973</u>	<u>759,432</u>	<u>(3,775,488)</u>
Unallocated income						67,633
Unallocated expenses						<u>(13,569,885)</u>
Net deficit from insurance operations						<u>(17,277,740)</u>








SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

9 SEGMENT INFORMATION (Continued)

a) Statement of results for insurance operations (continued)

	For the six months ended 30 June 2013					
	Medical	Motor	Marine	Engineering	Others	Total
Gross written premiums	23,009,872	67,979,632	12,863,891	8,502,003	10,918,677	123,274,075
Reinsurance premiums ceded	(2,007,044)	(1,700,689)	(10,678,597)	(7,948,725)	(8,518,466)	(30,853,521)
Net written premiums	21,002,828	66,278,943	2,185,294	553,278	2,400,211	92,420,554
Net changes in unearned premiums	(2,147,305)	(26,477,126)	27,009	(146,563)	(826,172)	(29,570,157)
Net earned premiums	18,855,523	39,801,817	2,212,303	406,715	1,574,039	62,850,397
Reinsurance commission earned	--	--	3,049,768	1,651,749	1,497,581	6,199,098
Other underwriting income	5,000	(31,098)	28,325	3,350	22,800	28,377
Total underwriting revenue	18,860,523	39,770,719	5,290,396	2,061,814	3,094,420	69,077,872
Gross claims paid	(29,574,933)	(32,718,925)	(3,541,558)	(708,012)	(2,345,833)	(68,889,261)
Reinsurance share of claims paid	8,372,792	224,879	2,800,142	651,373	1,919,983	13,969,169
Net claims paid	(21,202,141)	(32,494,046)	(741,416)	(56,639)	(425,850)	(54,920,092)
Net changes in outstanding claims and other technical reserves	7,997,250	224,755	376,220	(141,179)	219,570	8,676,616
Net claims cost	(13,204,891)	(32,269,291)	(365,196)	(197,818)	(206,280)	(46,243,476)
Policy acquisition costs	(963,430)	(5,288,055)	(1,486,315)	(974,588)	(922,126)	(9,634,514)
Other underwriting expenses, net	(878,808)	(1,276,772)	(456,828)	(268,980)	(275,152)	(3,156,541)
Reversal of / (addition to) impairment allowance against doubtful receivables	(2,677,197)	(1,601,132)	--	--	--	(4,278,329)
Total underwriting expenses	(17,724,326)	(40,435,250)	(2,308,340)	(1,441,386)	(1,403,558)	(63,312,860)
Underwriting surplus / (deficit) before administration expenses	1,136,197	(664,531)	2,982,056	620,428	1,690,862	5,765,012
Unallocated income						151,917
Unallocated expenses						(23,767,620)
Net deficit from insurance operations						(17,850,691)








SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

9 SEGMENT INFORMATION (Continued)

a) Statement of results for insurance operations (continued)

	For the three months ended 30 June 2012					Total
	Medical	Motor	Marine	Engineering	Others	
Total gross written premiums	4,346,676	22,725,278	2,843,275	2,014,044	3,932,152	35,861,425
Reinsurance premiums ceded	(1,960,124)	(494,768)	(2,246,173)	(1,940,415)	(3,243,924)	(9,885,404)
Net written premiums	2,386,552	22,230,510	597,102	73,629	688,228	25,976,021
Net changes in unearned premiums	14,009,004	(5,862,586)	27,672	14,209	64,645	8,252,944
Net earned premiums	16,395,556	16,367,924	624,774	87,838	752,873	34,228,965
Reinsurance commission earned	--	--	680,353	740,008	766,565	2,186,926
Other underwriting income	2,100	28,087	13,495	925	7,300	51,907
Total underwriting revenue	16,397,656	16,396,011	1,318,622	828,771	1,526,738	36,467,798
Gross claims paid	(18,407,473)	(12,923,260)	(1,866,576)	(979,919)	(2,410,157)	(36,587,385)
Reinsurance share of claims paid	5,580,468	101,030	(509,692)	975,529	1,666,698	7,814,033
Net claims paid	(12,827,005)	(12,822,230)	(2,376,268)	(4,390)	(743,459)	(28,773,352)
Net changes in outstanding claims and other technical reserves	7,020,294	(2,323,850)	1,367,949	(200,996)	849,745	6,713,142
Net claims cost	(5,806,711)	(15,146,080)	(1,008,319)	(205,386)	106,286	(22,060,210)
Policy acquisition costs	(2,112,449)	(2,551,572)	(387,773)	(507,721)	(600,239)	(6,159,754)
Other underwriting expenses, net	(87,145)	(114,529)	(14,102)	(10,942)	(43,403)	(270,121)
Reversal of / (addition to) impairment allowance against doubtful receivables	(1,369,228)	(2,996,234)	--	--	--	(4,365,462)
Total underwriting expenses	(9,375,533)	(20,808,415)	(1,410,194)	(724,049)	(537,356)	(32,855,547)
Underwriting surplus / (deficit) before administration expenses	7,022,123	(4,412,404)	(91,572)	104,722	989,382	3,612,251
Unallocated income						103,917
Unallocated expenses						(10,034,111)
Net deficit from insurance operations						(6,317,943)

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

9 SEGMENT INFORMATION (Continued)

a) Statement of results for insurance operations (continued)

	For the six months ended 30 June 2012					
	Medical	Motor	Marine	Engineering	Others	Total
Total gross written premiums	41,120,816	53,098,293	8,804,076	7,771,488	10,295,974	121,090,647
Reinsurance premiums ceded	(10,513,070)	(984,468)	(6,659,340)	(7,335,466)	(8,296,630)	(33,788,974)
Net written premiums	30,607,746	52,113,825	2,144,736	436,022	1,999,344	87,301,673
Net changes in unearned premiums	5,650,647	(20,119,763)	93,646	306,234	(683,228)	(14,752,464)
Net earned premiums	36,258,393	31,994,062	2,238,382	742,256	1,316,116	72,549,209
Reinsurance commission earned	--	--	1,929,814	1,479,814	1,583,118	4,992,746
Other underwriting income	7,700	59,649	28,649	2,560	19,871	118,429
Total underwriting revenue	36,266,093	32,053,711	4,196,845	2,224,630	2,919,105	77,660,384
Gross claims paid	(45,327,070)	(27,258,798)	(2,489,646)	(1,386,459)	(3,571,147)	(80,033,120)
Reinsurance share of claims paid	12,078,233	101,030	(37,727)	1,290,216	2,610,297	16,042,049
Net claims paid	(33,248,837)	(27,157,768)	(2,527,373)	(96,243)	(960,850)	(63,991,071)
Net changes in outstanding claims and other technical reserves	19,457,893	58,853	(1,287,379)	(750,049)	(117,910)	17,361,408
Net claims cost	(13,790,944)	(27,098,915)	(3,814,752)	(846,292)	(1,078,760)	(46,629,663)
Policy acquisition costs	(4,720,442)	(5,087,951)	(1,192,939)	(1,021,912)	(1,238,143)	(13,261,387)
Other underwriting expenses, net	(768,582)	(281,470)	(43,906)	(36,814)	(74,663)	(1,205,435)
Reversal of / (addition to) impairment allowance against doubtful receivables	(290,987)	(2,886,086)	--	--	--	(3,177,073)
Total underwriting expenses	(19,570,955)	(35,354,422)	(5,051,597)	(1,905,018)	(2,391,566)	(64,273,558)
Underwriting surplus / (deficit) before administration expenses	16,695,138	(3,300,711)	(854,752)	319,612	527,539	13,386,826
Unallocated income						276,839
Unallocated expenses						(20,815,686)
Net deficit from insurance operations						(7,152,021)



SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

9 SEGMENT INFORMATION (Continued)

b) Insurance operations' assets and liabilities

	At 30 June 2013					Total
	Medical	Motor	Marine	Engineering	Others	
Assets – insurance operations						
Reinsurers' share of unearned premium	149,827	--	3,208,236	6,927,433	6,957,338	17,242,834
Reinsurers' share of outstanding claims and other technical reserves	4,152,898	2,977,970	5,390,548	11,930,571	3,641,269	28,093,256
Deferred policy acquisition cost	1,722,927	6,346,614	475,658	1,119,258	1,129,692	10,794,149
Allocated assets	<u>6,025,652</u>	<u>9,324,584</u>	<u>9,074,442</u>	<u>19,977,262</u>	<u>11,728,299</u>	56,130,239
Unallocated assets						171,269,402
Total insurance operations assets						<u>227,399,641</u>
Liabilities – insurance operations						
Unearned premium reserves	26,106,686	53,889,214	3,959,512	7,428,134	9,535,599	100,919,145
Outstanding claims and other technical reserves	16,870,758	31,252,655	6,917,706	12,942,922	4,530,811	72,514,852
Unearned commission income	--	--	991,173	1,763,547	1,845,487	4,600,207
Allocated liabilities	<u>42,977,444</u>	<u>85,141,869</u>	<u>11,868,391</u>	<u>22,134,603</u>	<u>15,911,897</u>	178,034,204
Unallocated liabilities						49,365,437
Total insurance operations liabilities						<u>227,399,641</u>

	At 31 December 2012					Total
	Medical	Motor	Marine	Engineering	Others	
Assets – insurance operations						
Reinsurers' share of unearned premium	1,733,029	--	2,497,098	5,087,342	4,244,871	13,562,340
Reinsurers' share of outstanding claims and other technical reserves	14,344,401	4,937,249	5,009,030	7,498,132	5,822,378	37,611,190
Deferred policy acquisition cost	1,104,460	3,888,894	389,745	835,848	808,337	7,027,284
Allocated assets	<u>17,181,890</u>	<u>8,826,143</u>	<u>7,895,873</u>	<u>13,421,322</u>	<u>10,875,586</u>	58,200,814
Unallocated assets						151,766,947
Total insurance operations assets						<u>209,967,761</u>
Liabilities – insurance operations						
Unearned premium reserves	25,542,582	27,439,460	3,275,384	5,441,480	5,996,960	67,695,866
Outstanding claims and other technical reserves	35,059,512	33,436,689	6,912,409	8,369,304	6,931,488	90,709,402
Unearned commission income	--	--	779,059	1,338,964	1,164,365	3,282,388
Allocated liabilities	<u>60,602,094</u>	<u>60,876,149</u>	<u>10,966,852</u>	<u>15,149,748</u>	<u>14,092,813</u>	161,687,656
Unallocated liabilities						48,280,105
Total insurance operations liabilities						<u>209,967,761</u>

The page contains a handwritten signature in the bottom left corner and a circular official stamp in the bottom right corner. The stamp contains Arabic text and a date, likely indicating the date of approval or issuance of the financial statements.

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

9 SEGMENT INFORMATION (Continued)

c) Outstanding claims and other technical reserves

	At 30 June 2013					
	Medical	Motor	Marine	Engineering	Others	Total
Outstanding claim reserve	8,660,540	25,874,886	4,824,878	10,936,799	2,285,029	52,582,132
IBNR reserve	7,592,112	4,402,945	1,863,494	1,741,136	2,029,199	17,628,886
ULAE reserve	618,106	974,824	229,335	264,987	216,582	2,303,834
Total outstanding claims and other technical reserves	16,870,758	31,252,655	6,917,707	12,942,922	4,530,810	72,514,852

	At 31 December 2012					
	Medical	Motor	Marine	Engineering	Others	Total
Outstanding claim reserve	22,785,934	26,238,939	4,819,580	6,363,181	4,077,591	64,285,225
IBNR reserve	11,343,460	6,222,926	1,863,494	1,741,136	2,637,315	23,808,331
ULAE reserve	930,118	974,824	229,335	264,987	216,582	2,615,846
Total outstanding claims and other technical reserves	35,059,512	33,436,689	6,912,409	8,369,304	6,931,488	90,709,402

10 FAIR VALUES 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 Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables.

Investments on the balance sheet are carried at fair value. The Company is of the view that the fair value of the financial assets other than investments and financial liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2013
(Amount in Saudi Riyals)

10 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Quoted investments</i>				
Equities	23,438,001	--	--	23,438,001
Other quoted investments	--	17,787,878	--	17,787,878
Unquoted equities	--	--	1,923,078	1,923,078
	<u>23,438,001</u>	<u>17,787,878</u>	<u>1,923,078</u>	<u>43,148,957</u>

11 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 15 July 2013 corresponding to 7 Ramadan 1434.

