

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
LIMITED REVIEW REPORT**

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2014**

Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

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**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Saudi Arabian Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2014 and the related interim statements of insurance income and shareholders' comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six-month period then ended and the related notes 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.

EMPHASES OF MATTERS:

We draw attention to the following:

- 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.
- Note 2 to these interim condensed financial statements in relation to the Company's Board of Directors' resolution to formalize the cancellation of the Asset Purchase Agreement (the "Agreement") between the Company and Saudi Arabian Insurance Company B.S.C. (C), a shareholder, and to commence with obtaining the necessary approvals from the Company's shareholders, the Saudi Arabian Monetary Agency and other regulatory authorities in order to proceed with all required legal formalities in respect of the cancellation of the said Agreement.
- Note 11 to these interim condensed financial statements discloses the Company's Board of Directors recommendation in their meeting held on 23 June 2014 to increase the authorized share capital from Saudi Riyals 100 million to Saudi Riyals 250 million through a rights issue of Saudi Riyals 150 million.


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23 Ramadan, 1435 H
(20 July 2014)




Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
	Notes		
INSURANCE OPERATIONS' ASSETS			
Property and equipment, net		6,770,611	7,791,588
Due from shareholders' operations		-	8,831,970
Reinsurers' share of outstanding claims		327,792,065	265,096,871
Reinsurers' share of unearned premiums		109,010,256	67,085,081
Deferred policy acquisition costs		27,747,157	21,489,351
Premiums and reinsurance balances receivable	7	138,259,849	107,482,046
Available for sale investment	8	1,923,080	1,923,080
Prepayments and other assets		22,761,200	7,608,009
Due from related parties	9	50,310,483	51,803,212
Time deposits	6	112,000,000	82,000,000
Cash and cash equivalents	5	92,001,263	95,744,470
TOTAL INSURANCE OPERATIONS' ASSETS		888,575,964	716,855,678
SHAREHOLDERS' ASSETS			
Statutory deposit		10,000,000	10,000,000
Due from insurance operations		5,893,573	-
Prepayments and other assets		1,498,464	1,243,094
Time deposits	6	41,930,000	31,100,000
Cash and cash equivalents	5	1,538,365	20,513,348
TOTAL SHAREHOLDERS' ASSETS		60,860,402	62,856,442
TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS		949,436,366	779,712,120


ABDULAZIZ A. ABUSSAUD
BOARD MEMBER


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER



HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 JUNE 2014

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
INSURANCE OPERATIONS' LIABILITIES		
Employees' end-of-service benefits	6,654,986	6,755,639
Insurance operations' surplus distribution payable	1,900,554	1,900,554
Due to shareholders' operations	5,893,573	-
Gross outstanding claims	478,954,764	397,826,663
Gross unearned premiums	315,239,347	219,475,708
Unearned commission income	21,385,010	18,161,317
Reinsurance balances payable	32,023,786	37,921,002
Accrued expenses and other liabilities	25,622,000	34,814,795
TOTAL INSURANCE OPERATIONS' LIABILITIES	887,674,020	716,855,678
INSURANCE OPERATIONS' SURPLUS		
Net surplus from insurance operations after shareholders' appropriation	901,944	-
TOTAL INSURANCE OPERATIONS' LIABILITIES & SURPLUS	888,575,964	716,855,678
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Due to insurance operations	-	8,831,970
Provision for zakat	786,784	1,426,951
Accounts payable	1,301,973	859,385
TOTAL SHAREHOLDERS' LIABILITIES	2,088,757	11,118,306
SHAREHOLDERS' EQUITY		
Share capital	100,000,000	100,000,000
Accumulated losses	(41,228,355)	(48,261,864)
TOTAL SHAREHOLDERS' EQUITY	58,771,645	51,738,136
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	60,860,402	62,856,442
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY AND SURPLUS	949,436,366	779,712,120


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER

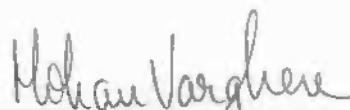

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

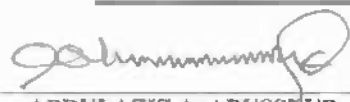
The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

	Three month period ended 30 June 2014 (Unaudited) SR	Three month period ended 30 June 2013 (Unaudited) SR	Six month period ended 30 June 2014 (Unaudited) SR	Six month period ended 30 June 2013 (Unaudited) SR
REVENUE				
Gross written premiums	150,199,705	114,184,517	422,076,924	383,789,602
Reinsurance premiums ceded	(33,356,273)	(27,512,444)	(150,771,923)	(163,234,826)
Excess of loss / stop loss premiums	(7,543,393)	(2,739,928)	(8,613,622)	(9,202,125)
NET WRITTEN PREMIUMS	109,300,039	83,932,145	262,691,379	211,352,651
Movement in unearned premiums, net	(3,355,250)	2,027,186	(53,838,469)	(46,518,042)
NET EARNED PREMIUMS	105,944,789	85,959,331	208,852,910	164,834,609
Commission income	9,700,034	14,148,613	20,972,991	33,499,116
Other income	2,023,985	998,885	3,992,681	1,148,933
Special commission income	222,776	175,801	549,098	339,122
TOTAL INSURANCE REVENUES	117,891,584	101,282,630	234,367,680	199,821,780
COST AND EXPENSES				
Gross claims paid	105,457,412	87,215,743	185,737,030	201,789,780
Reinsurers' share of claims paid	(20,079,971)	(24,939,167)	(37,925,449)	(67,534,120)
NET CLAIMS PAID	85,377,441	62,276,576	147,811,581	134,255,660
Movement in outstanding claims, net	(2,673,027)	15,504,582	18,432,910	10,285,495
NET CLAIMS INCURRED	82,704,414	77,781,158	166,244,491	144,541,155
Policy acquisition costs	13,837,526	14,107,184	28,006,898	28,209,611
General and administration expenses	14,564,955	15,716,377	29,171,324	35,479,671
Reversal of provision for doubtful receivables	(34,253)	(512,373)	(1,605,337)	(3,821,438)
Inspection and supervision fees	1,457,654	1,133,431	3,530,865	2,916,947
TOTAL COSTS AND EXPENSES	112,530,296	108,225,777	225,348,241	207,325,946
NET SURPLUS / (DEFICIT) FOR THE PERIOD FROM INSURANCE OPERATIONS	5,361,288	(6,943,147)	9,019,439	(7,504,166)
Shareholders' appropriation from (surplus) / deficit	(4,825,159)	6,943,147	(8,117,495)	7,504,166
Net surplus for the period from insurance operations after shareholders' appropriation	536,129	-	901,944	-


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSOUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

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Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

	Three month ended 30 June 2014 (Unaudited) SR	Three month ended 30 June 2013 (Unaudited) SR	Six month ended 30 June 2014 (Unaudited) SR	Six month ended 30 June 2013 (Unaudited) SR
Appropriation of surplus / (deficit) from insurance operations	4,825,159	(6,943,147)	8,117,495	(7,504,166)
Special commission income	76,356	150,681	196,743	323,567
General and administration expenses	(333,980)	(6,089)	(555,064)	(292,007)
INCOME / (LOSS) BEFORE ZAKAT	4,567,535	(6,798,555)	7,759,174	(7,472,606)
Zakat	(363,165)	(408,492)	(725,665)	(916,608)
NET INCOME / (LOSS) FOR THE PERIOD	4,204,370	(7,207,047)	7,033,509	(8,389,214)
OTHER COMPREHENSIVE INCOME				
Change in fair value of available for sale investment	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	4,204,370	(7,207,047)	7,033,509	(8,389,214)
EARNINGS / (LOSS) / PER SHARE				
Basic and diluted earnings / (loss) per share (in SR)	12 0.42	(0.72)	0.70	(0.84)
Weighted average number of shares in issue throughout the period (in thousands)	10,000	10,000	10,000	10,000


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Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

	<i>Share Capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
<i>Unaudited</i> Balance as at 1 January 2013	100,000,000	(21,307,501)	78,692,499
Total comprehensive loss for the period	-	(8,389,214)	(8,389,214)
Balance as at 30 June 2013	100,000,000	(29,696,715)	(70,303,285)
<i>Unaudited</i> Balance as at 1 January 2014	100,000,000	(48,261,864)	51,738,136
Total comprehensive income for the period	-	7,033,509	7,033,509
Balance as at 30 June 2014	100,000,000	(41,228,355)	58,771,645


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER





ABDULAZIZ A. ABUSSUUB
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
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Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

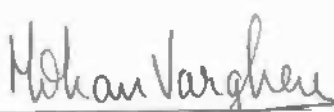
	Six month period ended 30 June 2014 (Unaudited) SR	Six month period ended 30 June 2013 (Unaudited) SR
<i>Note</i>		
OPERATING ACTIVITIES		
Net surplus from insurance operations after shareholders' appropriation	901,944	-
Adjustments for:		
Depreciation	2,336,834	2,271,407
Reversal of provision for doubtful receivables	(1,605,337)	(3,821,438)
Employees' end-of-service benefits, net	(100,653)	1,166,650
Shareholders' appropriation from surplus / (deficit)	8,117,495	(7,504,166)
Income / (Loss) before changes in operating assets and liabilities	9,650,283	(7,887,547)
Changes in operating assets and liabilities:		
Reinsurers' share of outstanding claims	(62,695,194)	(3,203,931)
Reinsurers' share of unearned premiums	(41,925,175)	(20,731,304)
Deferred policy acquisition costs	(6,257,806)	(4,074,061)
Premiums and insurance balances receivable	(29,172,466)	2,126,117
Prepayments and other assets	(15,153,191)	(726,480)
Due from related parties	1,492,729	(15,554,578)
Gross outstanding claims	81,128,101	13,489,426
Gross unearned premiums	95,763,639	67,249,346
Unearned commission income	3,223,693	1,980,531
Due to a related party	-	(328,695)
Reinsurance balances payable	(5,897,216)	(25,068,987)
Accrued expenses and other liabilities	(9,192,795)	7,772,201
Net cash from operating activities	20,964,602	15,042,038
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,315,857)	(3,576,061)
Time deposits, net	(30,000,000)	(21,942,769)
Net cash used in investing activities	(31,315,857)	(25,518,830)
FINANCING ACTIVITY		
Due to shareholders' operations, net	6,608,048	(3,907,022)
Net cash from / (used in) financing activity	6,608,048	(3,907,022)
DECREASE IN CASH AND CASH EQUIVALENTS	(3,743,207)	(14,383,814)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	95,744,470	42,370,837
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD 5	92,001,263	27,987,023
NON CASH TRANSACTIONS:		
Available for sale investment	-	1,923,080
Loan to Najm	-	500,000
 MOHAN VARGHESE CHIEF FINANCIAL OFFICER	 ABDULAZIZ A. ABUSSUUD BOARD MEMBER	 HASSAN ABDULLA DORAR ALI PRESIDENT & CEO

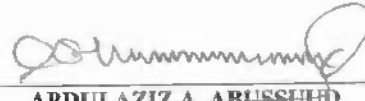
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Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

	<i>Six month period ended 30 June 2014 (Unaudited) SR</i>	<i>Six month period ended 30 June 2013 (Unaudited) SR</i>
OPERATING ACTIVITIES		
Income / (loss) before zakat	7,759,174	(7,472,606)
Adjustment for:		
Appropriation of (surplus) / deficit from insurance operations	(8,117,495)	7,504,166
(loss) / Income before changes in operating assets and liabilities	(358,321)	31,560
Changes in operating assets and liabilities:		
Prepayments and other assets	(255,370)	(65,894)
Accounts payable	442,588	(866,544)
Cash used in operations	(171,103)	(900,878)
Zakat paid	(1,365,832)	(2,139,266)
Net cash used in operating activities	(1,536,935)	(3,040,144)
INVESTING ACTIVITY		
Time deposits, net	(10,830,000)	(702,356)
Net cash used in investing activity	(10,830,000)	(702,356)
FINANCING ACTIVITY		
Due from insurance operations, net	(6,608,048)	3,907,022
Net cash (used in) / from financing activity	(6,608,048)	3,907,022
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(18,974,983)	164,522
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	20,513,348	532,174
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5 1,538,365	696,696


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
30 JUNE 2014**

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010237214 dated 7 Shaban 1428H (corresponding to 20 August 2007). The registered office address of the Company is P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange (Tadawul) on 3 September 2007.

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry ("MOCI") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H (corresponding to 5 August 2007).

On 29 Shaban 1428H (corresponding to 11 September 2007), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business, thus authorising the Company to commence operations as soon as product approval and related formalities are completed.

2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

In 2009, the Company entered into an Asset Purchase Agreement (the "Agreement") with Saudi Arabian Insurance Company B.S.C. (C), a shareholder, for the purchase of the insurance portfolio and related net assets of the Saudi Operations of the latter. The related assets and liabilities were to be determined and valued in accordance with the valuation program issued by the Saudi Arabian Monetary Agency ("SAMA"). The transfer of the portfolio was to take effect when all required legal formalities have been completed.

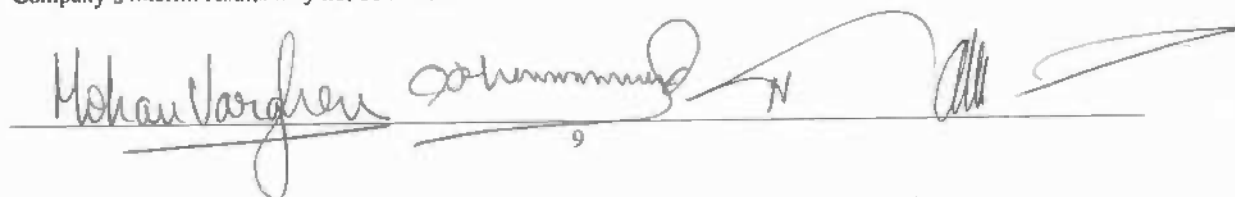
On 23 June 2014, the Saudi Arabian Insurance Company B.S.C. (C) informed the Company that they will not pursue the transfer of the insurance portfolio and related net assets of Saudi operations to the Company. Consequently, in the meeting held on 23 June 2014, the Board of Directors of the Company resolved to formalize the cancellation of the Agreement and agreed to commence with obtaining the necessary approvals from the Company's shareholders, the SAMA and other regulatory authorities to proceed with all required legal formalities in respect of the cancellation of the said Agreement.

3 BASIS OF PREPARATION

The interim condensed financial statements for the six month period ended 30 June 2014 have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS - 34). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, i.e., in accordance with Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

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 annual financial statements for the year ended 31 December 2013. In addition to the policies disclosed in the Company's annual financial statements for the year ended 31 December 2013, available for sale investment is carried at cost as the fair value is not readily available.

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 periods presented. The Company's interim results may not be indicative of its annual results.


9

Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 JUNE 2014

4 NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 1 January 2014.

The nature and the impact of each new standard/amendment is summarized as follows:

Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities

The amendments do not change the current offsetting model in IAS 32, which requires an entity to offset a financial asset and financial liability in the statement of financial position only when the entity currently has a legally enforceable right of set-off and intends either to settle the asset and liability on a net basis or to realize the asset and settle the liability simultaneously. The amendments clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.

Amendments to IAS 36, 'Impairment of assets'

The IASB has amended IAS 36 as follows:

- (a) to remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment;
- (b) to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- (c) to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

In addition to the above, the Company has chosen not to early adopt IFRS 9 (2010) – Financial instruments which will not be effective until January 1, 2018.

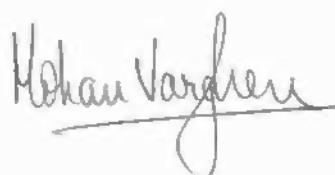
5 CASH AND CASH EQUIVALENTS

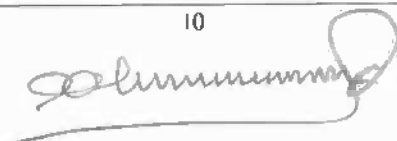
For the purpose of the Interim statements of insurance operations' cash flows and shareholders' cash flows, cash and cash equivalents comprise of the following:

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Insurance Operations SR	Shareholders' Operations SR	Insurance Operations SR	Shareholders' Operations SR
Cash at banks	46,960,464	1,538,365	55,712,170	1,121,151
Cash in hand	40,799	-	32,300	-
Short term deposits	45,000,000	-	40,000,000	19,392,197
	92,001,263	1,538,365	95,744,470	20,513,348

Cash at banks are placed with counterparties who have investment grade credit ratings. The short-term deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three month depending on the immediate cash requirements of the Company.

The Company holds an amount of SR 158,812 (31 December 2013 – SR 1,485,227) in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly, such amount is not accounted for in these interim condensed financial statements.







Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 JUNE 2014

6 TIME DEPOSITS

Time deposits represent deposits with local banks that have investment grade credit ratings and have an original maturity of more than three month from date of acquisition.

7 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

Insurance operations receivables are comprised of net amounts due from the following:

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Premiums receivable	144,203,018	114,900,530
Reinsurers and others	7,370,870	7,500,892
Total premiums and reinsurance balances receivable	151,573,888	122,401,422
Provision for doubtful receivables	(13,314,039)	(14,919,376)
	<u>138,259,849</u>	<u>107,482,046</u>

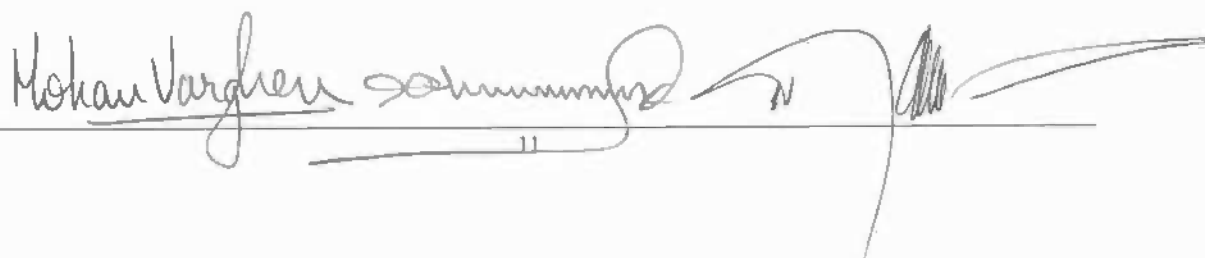
The movement in the provision for doubtful receivables is as follows:

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Beginning balance	14,919,376	17,462,377
Reversal made during the period / year	(1,605,337)	(2,543,001)
Ending balance	<u>13,314,039</u>	<u>14,919,376</u>

8 AVAILABLE FOR SALE INVESTMENT

Available for sale investment comprises of SR 1,923,080 in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85 % equity holding in Najm. In assessing the relationship of unobservable inputs to fair value, management considered the Company's long-term revenue growth rates. As at 30 June 2014, management believes that the carrying amount of the available for sale investment is a reasonable estimate of its fair value (Note 13).

Moham Varghem



Saudi Arabian Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 JUNE 2014

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company and companies where they are principal owners and other entities significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

a) Transactions with related parties

The following are the details of major related parties transactions during the period:




<i>Related parties</i>	<i>Nature of transactions</i>	<i>Six month period ended 30 June 2014 (Unaudited) SR</i>	<i>Six month period ended 30 June 2013 (Unaudited) SR</i>
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Amounts (paid) / received on behalf of SAICO B.S.C (C), net	(2,628,138)	512,423
ACE Insurance Agents Limited ("Agent") (Affiliate)	Premiums received through Agent	8,640,461	10,478,610
	Claims paid through Agent	24,565	107,622
	Commission expense	1,193,085	1,481,185
ACE Limited (Affiliate)	Premiums and claims, net	(715,550)	938,168
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums received through Broker, net	123,442,935	110,184,563
	Commission expense	11,686,599	11,041,599
	Premiums ceded through Broker	68,183,954	66,340,038
	Commission received	3,944,113	3,780,874

b) Balances with related parties

The above transactions with the related parties resulted in the following balances as at the interim statement of financial position date:

		<i>30 June 2014 (Unaudited) SR</i>	<i>31 December 2013 (Audited) SR</i>
<i>Due from related parties:</i>			
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Insurance operations	40,711,764	40,358,517
ACE Insurance Agents Limited ("Agent") (Affiliate)	Insurance operations	7,841,062	7,058,900
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Insurance operations	1,757,657	4,385,795
		<u>50,310,483</u>	<u>51,803,212</u>

Outstanding balances at the interim financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment was made at the financial reporting date. This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 JUNE 2014

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Compensation of key management personnel

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

	<i>Six month period ended 30 June 2014 (Unaudited) SR</i>	<i>Six month period ended 30 June 2013 (Unaudited) SR</i>
Short-term benefits	1,981,668	4,407,783
Employees' end-of-service benefits	134,370	249,519
Bonus	-	583,730
	2,116,038	5,241,032

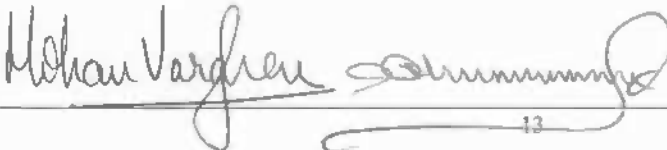
10 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating 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, provision for doubtful receivables, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and insurance balances receivable, time deposits and cash and cash equivalents. Accordingly, they are included in unallocated assets.

Segment liabilities do not include insurance operations' due to shareholders' operations, due to related parties, employees' end-of-service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly, they are included in unallocated liabilities.

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


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Saudi Arabian Cooperative Insurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
30 JUNE 2014

10 SEGMENT INFORMATION (continued)

Three month period ended
30 June 2014 (Unaudited)

OPERATING SEGMENTS

	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
REVENUE									
Gross written premiums	71,913	37,657	12,480	8,336	11,895	3,516	1,696	2,706	150,199
Reinsurance premiums ceded	-	(190)	(11,165)	(7,454)	(11,458)	(828)	(1,347)	(914)	(33,356)
Excess of loss/stop loss premiums	(5,683)	(826)	(483)	(311)	(164)	(60)	-	(16)	(7,543)
Net written premiums	66,230	36,641	832	571	273	2,628	349	1,776	109,300
Movement in unearned premiums, net	692	(3,926)	137	(75)	(61)	(662)	171	369	(3,355)
Net earned premiums	66,922	32,715	969	496	212	1,966	520	2,145	105,945
Commission income	-	33	3,813	2,876	1,066	313	1,468	131	9,700
Total allocated revenue	66,922	32,748	4,782	3,372	1,278	2,279	1,988	2,276	115,645
Unallocated revenue									2,247
Total revenue									117,892
COSTS AND EXPENSES									
Gross claims paid	63,630	21,873	14,225	1,618	626	145	1,016	2,324	105,457
Reinsurers' share of claims Paid	(203)	(1,706)	(13,939)	(1,464)	(599)	(27)	(545)	(1,597)	(20,080)
Net claims paid	63,427	20,167	286	154	27	118	471	727	85,377
Movement in outstanding claims, net	(6,991)	2,696	2,105	304	(1,123)	257	20	59	(2,673)
Net claims incurred	56,436	22,863	2,391	458	(1,096)	375	491	786	82,704
Policy acquisition costs	3,880	4,412	2,851	990	549	400	274	482	13,838
Total allocated costs and expenses	60,316	27,275	5,242	1,448	(547)	775	765	1,268	96,542
Unallocated expenses									15,989
Total costs and expenses									112,531
Net surplus from insurance operations									5,361

Moham Vargher

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Saudi Arabian Cooperative Insurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
30 JUNE 2014

10 SEGMENT INFORMATION (continued)

Three month period ended
30 June 2013 (Unaudited)

OPERATING SEGMENTS

	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
REVENUE									
Gross written premiums	59,143	24,338	11,984	7,574	4,852	2,359	1,218	2,716	114,184
Reinsurance premiums ceded	(1,896)	(294)	(10,691)	(6,776)	(4,535)	(846)	(875)	(1,599)	(27,512)
Excess of loss premiums	(1,273)	(668)	(258)	(325)	(152)	(39)	-	(25)	(2,740)
Net written premiums	55,974	23,376	1,035	473	165	1,474	343	1,092	83,932
Movement in unearned premiums, net	(3,172)	3,854	769	21	166	163	161	65	2,027
Net earned premiums	52,802	27,230	1,804	494	331	1,637	504	1,157	85,959
Commission income	651	49	4,471	2,723	3,535	326	1,497	897	14,149
Total allocated revenue	53,453	27,279	6,275	3,217	3,866	1,963	2,001	2,054	100,108
Unallocated revenue									1,175
Total revenue									101,283
COSTS AND EXPENSES									
Gross claims paid	48,144	22,224	11,908	2,633	683	3	411	1,210	87,216
Reinsurers' share of claims Paid	(8,593)	322	(12,522)	(2,304)	(577)	28	(339)	(954)	(24,939)
Net claims paid	39,551	22,546	(614)	329	106	31	72	256	62,277
Movement in outstanding claims, net	10,973	(704)	4,769	(79)	265	(26)	371	(65)	15,504
Net claims incurred	50,524	21,842	4,155	250	371	5	443	191	77,781
Policy acquisition costs	4,160	3,766	2,886	1,018	1,153	405	281	438	14,107
Total allocated costs and expenses	54,684	25,608	7,041	1,268	1,524	410	724	629	91,888
Unallocated expenses									16,338
Total costs and expenses									108,226
Net deficit from insurance Operations									(6,943)

Moham Varghere

Saudi Arabian Cooperative Insurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 JUNE 2014

10 SEGMENT INFORMATION (continued)

Six month period ended
30 June 2014 (Unaudited)

OPERATING SEGMENTS

	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
REVENUE									
Gross written premiums	166,981	87,961	100,263	15,293	23,538	7,806	11,457	8,778	422,077
Reinsurance premiums ceded	(575)	(411)	(96,318)	(13,611)	(22,369)	(3,313)	(10,433)	(3,742)	(150,772)
Excess of loss premiums	(4,092)	(1,929)	(1,517)	(489)	(428)	(101)	-	(58)	(8,614)
Net written premiums	162,314	85,621	2,428	1,193	741	4,392	1,024	4,978	262,691
Movement in unearned premiums, net	(25,744)	(24,491)	(1,211)	(211)	(87)	(1,286)	(2)	(806)	(53,838)
Net earned premiums	136,570	61,130	1,217	982	654	3,106	1,022	4,172	208,853
Commission income	25	79	7,079	4,705	4,220	1,179	2,782	904	20,973
Total allocated revenue	136,595	61,209	8,296	5,687	4,874	4,285	3,804	5,076	229,826
Unallocated revenue									4,541
Total revenue									234,367
COSTS AND EXPENSES									
Gross claims paid	105,597	42,608	25,521	2,715	5,646	145	1,114	2,391	185,737
Reinsurers' share of claims paid	(1,625)	(1,743)	(24,423)	(2,417)	(5,402)	(27)	(638)	(1,650)	(37,925)
Net claims paid	103,972	40,865	1,098	298	244	118	476	741	147,812
Movement in outstanding claims, net	12,405	1,190	2,013	773	312	1,312	201	227	18,433
Net claims incurred	116,377	42,055	3,111	1,071	556	1,430	677	968	166,245
Policy acquisition cost	7,808	8,162	5,190	1,782	2,104	1,280	540	1,141	28,007
Total allocated costs and expenses	124,185	50,217	8,301	2,853	2,660	2,710	1,217	2,109	194,252
Unallocated expenses									31,096
Total costs and expenses									225,348
Net surplus from insurance operations									9,019

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
30 JUNE 2014

10 SEGMENT INFORMATION (continued)

Six month period
ended 30 June 2013 (Unaudited)

OPERATING SEGMENTS

REVENUE	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
Gross written premiums	136,217	72,623	102,583	15,196	18,680	8,043	21,184	9,264	383,790
Reinsurance premiums ceded	(3,599)	(457)	(97,670)	(13,541)	(17,893)	(4,364)	(20,038)	(5,673)	(163,235)
Excess of loss premiums	(5,439)	(1,557)	(1,290)	(490)	(286)	(81)	-	(59)	(9,202)
Net written premiums	127,179	70,609	3,623	1,165	501	3,598	1,146	3,532	211,353
Movement in unearned premiums, net	(27,036)	(17,316)	(1,407)	146	161	(429)	(178)	(459)	(46,518)
Net earned premiums	100,143	53,293	2,216	1,311	662	3,169	968	3,073	164,835
Commission income	6,936	99	8,686	5,627	6,088	678	3,138	2,247	33,499
Total allocated revenue	107,079	53,392	10,902	6,938	6,750	3,847	4,106	5,320	198,334
Unallocated revenue									1,488
Total revenue									199,822
COSTS AND EXPENSES									
Gross claims paid	100,147	45,015	47,731	4,541	2,232	5	595	1,524	201,790
Reinsurers' share of claims paid	(18,743)	299	(41,578)	(3,985)	(1,899)	28	(456)	(1,200)	(67,534)
Net claims paid	81,404	45,314	6,153	556	333	33	139	324	134,256
Movement in outstanding claims, net	14,195	(859)	(4,243)	493	89	(29)	624	15	10,285
Net claims incurred	95,599	44,455	1,910	1,049	422	4	763	339	144,541
Policy acquisition cost	8,095	7,396	5,674	2,084	2,423	818	567	1,153	28,210
Total allocated costs and expenses	103,694	51,851	7,584	3,133	2,845	822	1,330	1,492	172,751
Unallocated expenses									34,575
Total costs and expenses									207,326
Net deficit from insurance operations									(7,504)

Moham Varghese

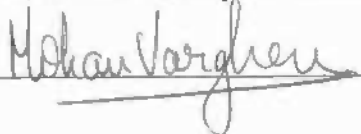
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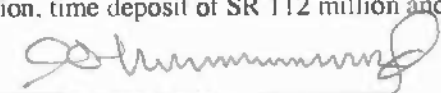
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
30 JUNE 2014

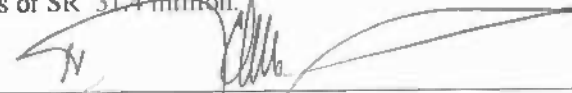
10 SEGMENT INFORMATION (Continued)

<i>As at 30 June 2014 (Unaudited)</i>									
OPERATING SEGMENTS	<i>Medical</i> SR'000	<i>Motor</i> SR'000	<i>Fire & burglary</i> SR'000	<i>Marine</i> SR'000	<i>Engineering</i> SR'000	<i>Public liability</i> SR'000	<i>General accident</i> SR'000	<i>Others</i> SR'000	<i>Total</i> SR'000
ASSETS									
Reinsurers' share of outstanding claims	162	1,256	85,404	59,749	50,239	711	127,362	2,909	327,792
Reinsurers' share of unearned premiums	-	301	55,582	6,739	34,700	2,760	7,649	1,279	109,010
Deferred policy acquisition costs	6,412	9,172	4,701	964	4,729	791	526	452	27,747
SEGMENT ASSETS	6,574	10,729	145,687	67,452	89,668	4,262	135,537	4,640	464,549
Unallocated assets									424,027
TOTAL ASSETS									888,576
LIABILITIES									
Gross outstanding claims	104,028	26,938	97,296	63,138	51,923	2,236	129,383	4,013	478,955
Gross unearned premium	122,867	71,237	58,329	7,615	36,707	6,818	8,364	3,302	315,239
Unearned commission Income	-	87	7,422	2,099	8,869	686	2,055	167	21,385
SEGMENT LIABILITIES	226,895	98,262	163,047	72,852	97,499	9,740	139,802	7,482	815,579
Unallocated liabilities									72,997
TOTAL LIABILITIES									888,576

Unallocated assets at 30 June 2014 consists mainly of premiums and insurance receivables of SR 138.3 million, due from related parties of SR 50.3 million, cash and cash equivalents of SR 92 million, time deposit of SR 112 million and other assets of SR 31.4 million.







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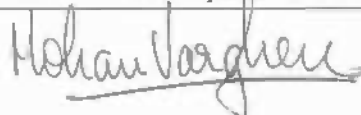
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
30 JUNE 2014

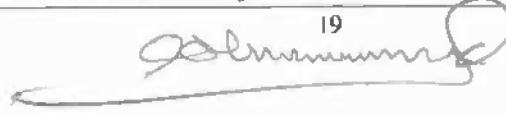
10 SEGMENT INFORMATION (Continued)


As at 31 December 2013 (Audited)

OPERATING SEGMENTS	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
ASSETS									
Reinsurers' share of outstanding claims	1,766	2,900	120,248	20,861	36,293	845	80,922	1,262	265,097
Reinsurers' share of unearned premiums	-	164	14,010	7,410	32,894	2,811	8,830	966	67,085
Deferred policy acquisition costs	5,966	6,055	2,155	861	4,636	1,231	246	339	21,489
SEGMENT ASSETS	7,732	9,119	136,413	29,132	73,823	4,887	89,998	2,567	353,671
Unallocated assets									363,185
TOTAL ASSETS									716,856
LIABILITIES									
Gross outstanding claims	93,227	27,393	130,129	23,496	37,656	1,058	82,727	2,141	397,827
Gross unearned premium	97,124	46,609	15,546	8,075	34,815	5,583	9,543	2,181	219,476
Unearned commission Income	-	46	3,277	1,904	8,772	1,252	2,433	477	18,161
SEGMENT LIABILITIES	190,351	74,048	148,952	33,475	81,243	7,893	94,703	4,799	635,464
Unallocated liabilities									81,392
TOTAL LIABILITIES									716,856

Unallocated assets at 31 December 2013 consists mainly of premiums and insurance receivables of SR 107.5 million, due from related parties of SR 51.8 million, cash and cash equivalents of SR 95.7 million, time deposit of SR 82 million and other assets of SR 26.2 million.







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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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11 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each (31 December 2012: SR 100 million divided into 10 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 6 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's capital and the remaining 4 million shares with a nominal value of SR 10 each have been subscribed by the public.

The Company's Board of Directors recommended in their meeting held on 23 June 2014 (corresponding to 25 Shaaban 1435 H) to increase the authorized share capital of the Company from SR 100 million to SR 250 million through a rights issue of SR 150 million.

12 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share for the period have been calculated by dividing the total comprehensive income / (loss) for the period by the weighted average number of shares in issue throughout the period of 10 million shares.

13 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 in the principal (or the most advantageous) market between market participants at the measurement date, under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of the Company's recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable), and

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

During the six month period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table summarizes the financial assets recorded at fair value as of December 31, 2013 by level of the fair value hierarchy.

At 30 June 2014 and 31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investments available for sale	-	-	1,923,080	1,923,080
Total	-	-	1,923,080	1,923,080

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 JUNE 2014

14 CONTINGENCIES AND COMMITMENTS

a) *Legal proceedings and regulations*

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b) *Operating lease commitments*

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SR 1.2 million for the six month period ended 30 June 2014 (Six month period ended 30 June 2013: SR 1.1 million) are recognised in the interim statement of insurance income.

Future minimum lease payments under the operating lease arrangements as at the interim statement of financial position date are as follows:

Years	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
2014	1,319,891	2,043,764
2015	1,996,209	1,996,209
2016	1,929,542	1,948,959
2017	618,116	613,207
	5,863,758	6,602,139

15 NET UNDERWRITING SURPLUS

Net underwriting surplus as defined by the management of the Company for the period is as follows:

	Three month ended 30 June 2014 (Unaudited) SR	Three month ended 30 June 2013 (Unaudited) SR	Six month ended 30 June 2014 (Unaudited) SR	Six month ended 30 June 2013 (Unaudited) SR
Net earned premiums	105,944,789	85,959,331	208,852,910	164,834,609
Commission income	9,700,034	14,148,613	20,972,991	33,499,116
Policy acquisition costs	(13,837,526)	(14,107,184)	(28,006,898)	(28,209,611)
Net claims incurred	(82,704,414)	(77,781,158)	(166,244,491)	(144,541,155)
Net underwriting surplus	19,102,883	8,219,602	35,574,512	25,582,959

16 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on Ramadan 23, 1435 H (corresponding to July 20, 2014).

Moham Varghese