

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013**

**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED JUNE 30-2013**

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KPMG Al Fozan & Al Sadhan



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

**SCOPE OF REVIEW:**

We have reviewed the accompanying statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at June 30, 2013; and the related: statement of income - insurance operations and accumulated surplus; and statement of comprehensive income - shareholders, for the three month and six month periods then ended; and statements of cash flows for insurance operations and shareholders' operations; and statement of changes in shareholders' equity for the six months period then ended and notes 1 to 14 which form an integral part of these condensed interim financial statements. These condensed interim financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" 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 auditing standards generally accepted in Saudi Arabia, 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 condensed interim financial statements for them to be in conformity with IAS 34.

**EMPHASIS OF MATTER:**

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

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July 18, 2013



**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**

	Notes	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		SR '000	
<b><u>ASSETS - INSURANCE OPERATIONS</u></b>			
Property and equipment, net		248,996	235,787
Investment property		9,861	9,861
Investments in associates		104,571	105,487
Available for sale investments	4(i)	1,809,736	1,702,569
Prepaid expenses and other assets		361,234	284,534
Deferred policy acquisition costs		175,081	179,493
Reinsurers' share of outstanding claims, net	5	938,620	598,050
Reinsurers' share of unearned premium		594,711	524,777
Receivables, net	3	1,799,430	1,863,276
Cash and cash equivalents		355,065	473,239
<b>Total assets - Insurance operations</b>		<b>6,397,305</b>	<b>5,977,073</b>
<b><u>ASSETS - SHAREHOLDERS</u></b>			
Due from insurance operations		13,180	35,597
Accrued investment income		6,141	9,536
Investments in associates		60,326	53,790
Available for sale investments	4(ii)	1,959,053	1,944,067
Statutory deposit	8	100,000	75,000
Cash and cash equivalents		30,418	122,781
<b>Total assets - Shareholders</b>		<b>2,169,118</b>	<b>2,240,771</b>
<b>TOTAL ASSETS</b>		<b>8,566,423</b>	<b>8,217,844</b>

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION (Continued)**

	Notes	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		SR '000	
<b><u>LIABILITIES AND SURPLUS – INSURANCE OPERATIONS</u></b>			
Liabilities - Insurance operations:			
Surplus distribution payable		26,191	27,201
Due to shareholders' operations		13,180	35,597
Accrued expenses and other liabilities		1,156,015	1,241,171
Reserve for Takaful activities		13,624	13,730
Reserve for discontinued operations		10,800	11,402
Outstanding claims	5	1,803,559	1,161,282
Unearned commission income		63,738	68,751
Unearned premiums		2,743,646	2,969,711
Reinsurers' balances payable		504,651	381,591
Total liabilities - Insurance operations		6,335,404	5,910,436
Surplus - Insurance operations:			
Fair value reserve on investments		61,901	66,637
<b>Total liabilities and surplus - Insurance operations</b>		<b>6,397,305</b>	<b>5,977,073</b>
<b><u>LIABILITIES AND EQUITY - SHAREHOLDERS</u></b>			
Shareholders' liabilities:			
Accrued expenses and other liabilities		972	858
Dividends payable		5,182	5,368
Zakat		88,463	91,607
Total liabilities - Shareholders		94,617	97,833
Shareholders' equity:			
Share capital	6	1,000,000	750,000
Legal reserve	9	651,756	651,756
Fair value reserve on investments		201,823	198,418
Retained earnings		220,922	542,764
Total Shareholders' equity		2,074,501	2,142,938
Total Shareholders' liabilities and equity		2,169,118	2,240,771
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>8,566,423</b>	<b>8,217,844</b>

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS**  
**(UNAUDITED)**

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
	SR' 000			
<b>REVENUES</b>				
Gross premiums written	1,521,710	1,382,550	2,732,969	2,461,756
Less: Reinsurance ceded	(377,019)	(396,582)	(552,098)	(600,761)
Net premiums written	1,144,691	985,968	2,180,871	1,860,995
Changes in unearned premiums	200,008	(68,642)	295,999	(16,566)
Net premiums earned	1,344,699	917,326	2,476,870	1,844,429
Reinsurance commissions	31,705	31,156	64,719	65,929
Investment income, net	11,156	15,282	49,552	37,394
Other income, net	3,419	3,386	6,413	3,484
<b>Total revenues</b>	<b>1,390,979</b>	<b>967,150</b>	<b>2,597,554</b>	<b>1,951,236</b>
<b>COSTS AND EXPENSES</b>				
Gross claims paid	1,286,682	1,004,993	2,473,202	1,798,807
Less: Reinsurance share	(241,821)	(168,970)	(498,505)	(274,560)
Net claims paid	1,044,861	836,023	1,974,697	1,524,247
Changes in outstanding claims	148,498	(86,541)	301,707	10,144
Net claims incurred	1,193,359	749,482	2,276,404	1,534,391
Policy acquisition costs	103,083	94,579	207,949	187,555
Excess of loss expenses	7,927	14,695	34,827	27,187
Changes in reserves for takaful activities	(246)	(612)	(106)	(189)
Other underwriting expenses	19,407	17,318	37,665	38,204
Operating and selling expenses	68,852	63,751	143,264	112,877
Other general and administrative expenses	10,138	9,823	19,475	27,213
<b>Total costs and expenses</b>	<b>1,402,520</b>	<b>949,036</b>	<b>2,719,478</b>	<b>1,927,238</b>
(Deficit) / surplus from insurance operations	(11,541)	18,114	(121,924)	23,998
Shareholders' appropriation from (deficit) / surplus	11,541	(16,302)	121,924	(21,598)
Surplus from insurance operations after shareholders' appropriation	-	1,812	-	2,400
Accumulated surplus, beginning of period	-	588	-	-
<b>ACCUMULATED SURPLUS, END OF PERIOD</b>	<b>-</b>	<b>2,400</b>	<b>-</b>	<b>2,400</b>

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS (UNAUDITED)**

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Notes	<b>SR '000</b>			
Appropriation of (deficit) / surplus from insurance operations	(11,541)	16,302	(121,924)	21,598
Investment income, net	18,884	18,760	68,181	75,743
Other expenses, net	(574)	(150)	(124)	(408)
Income / (loss) from operations before Zakat	6,769	34,912	(53,867)	96,933
Zakat	(8,998)	(6,880)	(16,775)	(16,178)
Net (loss) / income for the period	(2,229)	28,032	(70,642)	80,755
<b>Other comprehensive income:</b>				
Will be reclassified subsequently to profit or loss when specific conditions are met:				
- Change in fair value of investments	(18,570)	(54,763)	3,405	(19,990)
<b>Total comprehensive (loss) / income for the period</b>	<b>(20,799)</b>	<b>(26,731)</b>	<b>(67,237)</b>	<b>60,765</b>
<b>(Loss) / earnings per share:</b>				
Basic and diluted (loss) / earnings per share (SR)	(0.02)	0.28	(0.71)	0.81
Weighted average number of shares in issue	6 & 13 100,000,000	100,000,000	100,000,000	100,000,000

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**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

		Share capital	Legal reserve	Fair value reserve on investments	Retained earnings	Total
	Notes	SR '000				
Balance at January 1, 2012		750,000	587,812	160,159	550,887	2,048,858
Dividends		-	-	-	(262,500)	(262,500)
Board of Directors' remuneration	10	-	-	-	(1,400)	(1,400)
Net income for the period		-	-	-	80,755	80,755
Other comprehensive loss for the period		-	-	(19,990)	-	(19,990)
Balance at June 30, 2012		750,000	587,812	140,169	367,742	1,845,723
Balance at January 1, 2013		750,000	651,756	198,418	542,764	2,142,938
Issuance of bonus shares	6	250,000	-	-	(250,000)	-
Board of Directors' remuneration	10	-	-	-	(1,200)	(1,200)
Net loss for the period		-	-	-	(70,642)	(70,642)
Other comprehensive loss for the period		-	-	3,405	-	3,405
Balance at June 30, 2013		1,000,000	651,756	201,823	220,922	2,074,501

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.



**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS (UNAUDITED)**

	Six months ended June 30, 2013	Six months ended June 30, 2012
	SR '000	
<b>Cash flows from operating activities:</b>		
Surplus from insurance operations after shareholders' appropriation	-	2,400
Adjustments to reconcile surplus from insurance operations to net cash from operating activities:		
Shareholders' appropriation from surplus	(121,924)	21,598
Depreciation	5,834	7,617
Gain on sale of investments	(32,020)	(13,235)
Share of profit from investments in associates, net	(4,855)	(5,508)
Operating surplus before changes in operating assets and liabilities	(152,965)	12,872
Changes in operating assets and liabilities:		
Receivables, net	63,846	(174,994)
Reinsurers' share of outstanding claims	(340,570)	73,941
Reinsurers' share of unearned premiums	(69,934)	14,959
Deferred policy acquisition costs	4,412	(282)
Prepaid expenses and others assets	(76,700)	(89,775)
Reinsurers' balances payable	123,060	184,162
Unearned premium income	(226,065)	1,607
Unearned commission income	(5,013)	(53)
Outstanding claims	642,277	(63,797)
Reserve for discontinued operations	(602)	1,178
Reserve for takaful activities	(106)	(189)
Accrued expenses and other liabilities	(85,156)	188,977
Due to shareholders'	99,507	(10,000)
Net cash (used in) / from operating activities	(24,009)	138,606
<b>Cash flows from investing activities:</b>		
Proceeds from sale of and matured investments	330,504	545,579
Purchase of investments	(413,616)	(450,853)
Property and equipment, net	(19,043)	(46,809)
Dividends received from investments in associates	9,000	9,000
Net cash (used in) / from investing activities	(93,155)	56,917
<b>Cash flows from financing activities</b>		
Surplus paid to policyholders	(1,010)	(731)
Net cash used in financing activities	(1,010)	(731)
<b>Net change in cash and cash equivalents</b>	(118,174)	194,792
Cash and cash equivalents, beginning of period	473,239	143,231
<b>Cash and cash equivalents, end of period</b>	355,065	338,023
<b>Non-cash supplemental information:</b>		
Changes in fair value of investments	(4,736)	13,106

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS - SHAREHOLDERS (UNAUDITED)**

Note	Six month ended June 30, 2013	Six months ended June 30, 2012
	SR '000	
<b>Cash flows from operating activities:</b>		
Net (loss) / income for the period	(70,642)	80,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Appropriation of surplus from insurance operations	121,924	(21,598)
Gain on sale of investments	(36,741)	(50,602)
Share of profit from investments in associates, net	(7,948)	(6,792)
Operating income before changes in operating assets and liabilities	6,593	1,763
Changes in operating assets and liabilities:		
Accrued investment income	3,395	(2,021)
Due from insurance operations	(99,507)	10,000
Accrued expenses and other liabilities	114	114
Zakat, net	(3,144)	(2,216)
Net cash (used in) / from operating activities	(92,549)	7,640
<b>Cash flows from investing activities:</b>		
Statutory deposit	(25,000)	-
Proceeds from sale and matured investments	636,359	771,932
Purchase of investments	(613,511)	(621,723)
Dividends received from investment in associates	3,724	7,455
Net cash from investing activities	1,572	157,664
<b>Cash flows from financing activities:</b>		
Dividends paid	(186)	(261,538)
Board of Directors' remuneration	(1,200)	(1,400)
Net cash used in financing activities	(1,386)	(262,938)
<b>Net change in cash and cash equivalents</b>	<b>(92,363)</b>	<b>(97,634)</b>
Cash and cash equivalents, beginning of period	122,781	110,524
<b>Cash and cash equivalents, end of period</b>	<b>30,418</b>	<b>12,890</b>
<b>Non-cash supplemental information:</b>		
Changes in fair value of investments	3,405	(19,990)

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013 (UNAUDITED)**

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**1. GENERAL**

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumad Awal 8, 1406H under Commercial Registration No. 1010061695. The Company's head office is located on King Fahad Road, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003 corresponding to Jumad Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Agency ("SAMA") as the principal agency responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004 the Company amended its Articles of Association giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the disposition of the surplus from insurance operations in accordance with the implementing regulations issued by the SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%.

**2. BASIS OF PREPARATION**

**(a) Basis of presentation**

The condensed interim financial statements for the six months period ended June 30, 2013 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The condensed interim financial statements are prepared under the going concern basis and the historical cost convention except for the measurement at fair value of available for sale investments.

The Company's Articles of Association require that separate accounts be maintained for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013 (UNAUDITED)**

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**2. BASIS OF PREPARATION (continued)**

**(b) Critical accounting judgments, estimates and assumptions**

The preparation of the condensed interim financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

The estimate and judgments used by management in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2012.

**(c) Significant accounting policies**

The accounting and risk management policies adopted in the preparation of these condensed interim 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. These changes have an insignificant effect on the condensed interim financial statements of the Company on the current and prior period and is expected to have an insignificant effect in future periods:

*i) 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. As a result, the Company has adopted a new definition of fair value, as set out in Note 11. However, IFRS 13 had no impact on the measurement of Company's assets and liabilities. The Company has included new disclosures in the financial statements which are required under IFRS 13.

*ii) Amendments to existing standards*

- Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of 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.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013 (UNAUDITED)**

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**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies (continued)**

- The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:
  - IAS 1 – Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;
  - IAS 34 – Interim Financial Reporting: Segment assets and liabilities.

The Company has not early adopted any other standard, interpretation or amendment that has been issued for early adoption but is not yet effective.

These condensed interim financial statements for the six month period ended June 30, 2013 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2012. In management's opinion, the condensed interim financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the six month period presented.

**(d) Segmental reporting**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has three reportable segments as follows:

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.

Operating segments do not include shareholders' operations of the Company.

Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the condensed interim financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the condensed interim financial statements of the Company.

**(e) Seasonality of operations**

There are no seasonal changes that affect insurance operations.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013 (UNAUDITED)**

**3. RECEIVABLES, NET**

Receivables of insurance operations are comprised of net amounts due from the following:

	June 30 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Policyholders	1,100,387	1,579,286
Agents	457,551	275,178
Related party (Note 10)	7,307	2,258
	<u>1,565,245</u>	<u>1,856,722</u>
Receivable from reinsurers	357,484	85,597
Administrative Service Plan	13,609	24,184
	<u>1,936,338</u>	<u>1,966,503</u>
Provision for doubtful receivables	(136,908)	(103,227)
Net receivables	<u>1,799,430</u>	<u>1,863,276</u>

**4. AVAILABLE FOR SALE INVESTMENTS**

**i) Insurance operations:**

Available for sale investments of the insurance operations are comprised of following:

	June 30, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Local / regional money market and fixed income investments	1,603,811	1,409,674
Local / regional equity and equity funds	128,541	220,249
Foreign equity and equity funds	77,384	72,646
Total	<u>1,809,736</u>	<u>1,702,569</u>

**ii) Shareholders:**

Shareholders' available for sale investments are comprised of the following:

	June 30, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Local / regional money market and fixed income investments	894,747	884,256
Local / regional equity and equity funds	227,664	213,008
Foreign money market and fixed income investments	367,956	329,116
Foreign equity and equity funds	468,686	517,687
Total	<u>1,959,053</u>	<u>1,944,067</u>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013 (UNAUDITED)**

**5. OUTSTANDING CLAIMS, NET**

Outstanding claims, net are comprised of the following:

	June 30, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Gross outstanding claims	1,455,022	982,033
Less: realizable value of salvage and subrogation	(128,467)	(164,857)
Add: Incurred but not reported	477,004	344,106
Outstanding claims	1,803,559	1,161,282
Less: reinsurers' share of outstanding claims, net	(938,620)	(598,050)
Net outstanding claims	864,939	563,232

**6. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company is SR 1 billion at June 30, 2013 (2012: SR 750 million) consisting of 100 million shares of SR 10 each (2012: 75 million shares).

A bonus issue of one share for every three shares held was approved by the shareholders in their general assembly meeting held on 22 April 2013. The bonus shares have been issued to the shareholders effective from 22 April 2013. As a result of bonus issue, the share capital of the Company has increased to SR 1 billion comprising of 100 million issued and paid up shares.

**7. CONTINGENT LIABILITIES**

As at June 30, 2013, the Company was contingently liable for letters of credit and guarantees amounting to SR 160 million (December 31, 2012 - SR 144 million) occurring in the normal course of business.

**8. STATUTORY DEPOSIT**

In compliance with Article 58 of the Insurance Implementing Regulations of the SAMA, the Company has deposited 10 percent of its Share capital, amounting to SR 100 million in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

**9. LEGAL RESERVE**

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the legal reserve until it equals to the share capital. The legal reserve is not available for distribution to shareholders until liquidation of the Company.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of the major related party transactions during the year and the related balances:

	Transactions for the six months ended		Balance receivable / (payable) as at	
	June 30, 2013 SR'000 (Unaudited) SR'000	June 30, 2012 SR'000 (Unaudited) SR'000	June 30, 2013 SR'000 (Unaudited) SR'000	December 31, 2012 SR'000 (Audited) SR'000
<b>Major shareholders</b>				
Amount of claims pertaining to owned hospitals	27,926	21,761	(2,227)	(2,497)
Medical insurance premiums	7,612	7,056	(1,489)	2,015
Rent expenses	2,301	6,709	(835)	(855)
Stationery	675	637	(38)	-
<b>Associates</b>				
Insurance premiums	24,921	204	7,307	243
Rent expenses paid	2,245	7,409	(521)	-

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration up to 10% of the remaining profit from shareholders' operations, as defined, based on a decision by the General Assembly. Such remuneration is reflected in the statement of changes in shareholders' equity when approved by the General Assembly.

11. 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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. Consequently, differences can arise between the carrying values and fair value estimates. The Company's financial assets consist of cash and cash equivalents, receivables, other assets, investments, statutory deposits and accrued income and its financial liabilities consist of outstanding claims, reinsurance balance payable and accrued expenses and other liabilities.

The fair values of financial assets that are traded in active market are based on quoted market prices or dealer price quotations. For all other financial instruments the fair value is based on other valuation techniques. These are not materially different from their carrying values at the financial position date.



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**11. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

The fair value of derivatives held by the Company as of June 30, 2013 and December 31, 2012 is immaterial to the Company's financial statements.

**Determination of fair value and fair value hierarchy**

The Company uses the following hierarchy method for determining and disclosing the fair value of financial instruments at the reporting period end.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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).

The table below analyses the financial instruments measured at fair value at the end of the reporting period June 30, 2013 and December 31, 2012 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	(SR'000)			
<b>June 30, 2013 (Unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available for sale financial assets				
- Insurance operations	1,269,112	-	540,624	1,809,736
- Shareholders	1,675,418	-	283,635	1,959,053
<b>Total</b>	<b>2,944,530</b>	<b>-</b>	<b>824,259</b>	<b>3,768,789</b>
<b>December 31, 2012 (Audited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available for sale financial assets				
- Insurance operations	1,361,944	-	340,625	1,702,569
- Shareholders	1,662,012	-	282,055	1,944,067
<b>Total</b>	<b>3,023,956</b>	<b>-</b>	<b>622,680</b>	<b>3,646,636</b>

There were no transfers between the levels of fair value hierarchies during the period.

Level 3 investments comprise investment in Private Equity Funds and Debt Instruments. The fair value of Private Equity Funds computed is based on the funds latest reported net assets as at the financial position date. Further, the Debt Instruments are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value.

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**11. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

June 30, 2013 (Unaudited)	Balance January 1	Purchases	Sales	Total gain or loss		Balance June 30
				in profit or loss	in other comprehensive income	
Insurance operations	340,625	200,000	(1)	-	-	540,624
Shareholders	282,055	6,164	(10,522)	1,957	3,981	283,635
<b>Total</b>	<b>622,680</b>	<b>206,164</b>	<b>(10,523)</b>	<b>1,957</b>	<b>3,981</b>	<b>824,259</b>
December 31, 2012 (Audited)						
Insurance operations	375,300	66,000	(107,715)	7,715	(675)	340,625
Shareholders	287,726	89,770	(118,251)	5,937	16,873	282,055
<b>Total</b>	<b>663,026</b>	<b>155,770</b>	<b>(225,966)</b>	<b>13,652</b>	<b>16,198</b>	<b>622,680</b>

**12. OPERATING SEGMENTS**

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. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, receivables, net and cash and cash equivalents. Accordingly they are included in unallocated assets. Segment liabilities do not include due to shareholders' operations, reinsurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premium receivable and depreciation on the property and equipments) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**12. OPERATING SEGMENTS (continued)**

Operating Segments	For the three month period ended June 30, 2013			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	725,612	-	-	-
Non- Compulsory	188,672	-	-	-
<b>Total Gross premiums written</b>	<b>914,284</b>	<b>264,991</b>	<b>342,435</b>	<b>1,521,710</b>
Net premiums written	856,299	245,291	43,101	1,144,691
Net premiums earned	1,035,333	276,592	32,774	1,344,699
Reinsurance commissions	4,551	5,496	21,658	31,705
Net claims incurred	(933,086)	(223,518)	(36,755)	(1,193,359)
Policy acquisition costs	(50,206)	(42,072)	(10,805)	(103,083)
Excess of loss expenses	(4,635)	(4,630)	1,338	(7,927)
Changes in reserve for Takaful activities	246	-	-	246
Other underwriting expenses	(14,843)	(2,332)	(2,232)	(19,407)
General, administrative, selling and marketing expenses	(40,446)	(20,833)	(17,711)	(78,990)
<b>Loss from Insurance Operations</b>	<b>(3,086)</b>	<b>(11,297)</b>	<b>(11,733)</b>	<b>(26,116)</b>
Investment income, net				11,156
Other income, net				3,419
<b>Deficit from Insurance Operations</b>				<b>(11,541)</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**12. OPERATING SEGMENTS (continued)**

Operating Segments	For the three month period ended June 30, 2012			Total
	Medical	Motor	Property & casualty	
	SR' 000			
Gross premiums written				
Compulsory	616,535	-	-	-
Non- Compulsory	137,266	-	-	-
<b>Total Gross premiums written</b>	<b>753,801</b>	<b>278,951</b>	<b>349,798</b>	<b>1,382,550</b>
<b>Net premiums written</b>	<b>684,368</b>	<b>263,507</b>	<b>38,093</b>	<b>985,968</b>
Net premiums earned	622,103	259,964	35,259	917,326
Reinsurance commissions	3,467	4,416	23,273	31,156
Net claims incurred	(545,951)	(191,130)	(12,401)	(749,482)
Policy acquisition cost	(38,646)	(44,466)	(11,467)	(94,579)
Excess of loss expenses	(10,862)	(1,362)	(2,471)	(14,695)
Changes in reserve for Takaful activities	612	-	-	612
Other underwriting expenses	(13,316)	(2,135)	(1,867)	(17,318)
General, administrative, selling and marketing expenses	(33,203)	(18,373)	(21,998)	(73,574)
<b>(Loss) / profit from Insurance Operations</b>	<b>(15,796)</b>	<b>6,914</b>	<b>8,328</b>	<b>(554)</b>
Investment income, net				15,282
Other income, net				3,386
<b>Surplus from Insurance Operations</b>				<b>18,114</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**12. OPERATING SEGMENTS (continued)**

Operating Segments	For the Six months ended June 30, 2013			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	1,432,601	-	-	-
Non- Compulsory	236,223	-	-	-
Total Gross premiums written	<u>1,668,824</u>	<u>571,231</u>	<u>492,914</u>	<u>2,732,969</u>
Net premiums written	<u>1,567,688</u>	<u>528,808</u>	<u>84,375</u>	<u>2,180,871</u>
Net premiums earned	1,859,901	548,674	68,295	2,476,870
Reinsurance commissions	3,577	10,831	50,311	64,719
Net claims incurred	(1,725,098)	(500,898)	(50,408)	(2,276,404)
Policy acquisition costs	(99,137)	(85,593)	(23,219)	(207,949)
Excess of loss expenses	(11,944)	(15,676)	(7,207)	(34,827)
Changes in reserve for Takaful activities	106	-	-	106
Other underwriting expenses	(28,243)	(5,025)	(4,397)	(37,665)
General, administrative, selling and marketing expenses	<u>(92,130)</u>	<u>(39,454)</u>	<u>(31,155)</u>	<u>(162,739)</u>
<b>(Loss) / profit from Insurance Operations</b>	<u>(92,968)</u>	<u>(87,141)</u>	<u>2,220</u>	<u>(177,889)</u>
Investment income, net				49,552
Other income, net				6,413
<b>Deficit from Insurance Operations</b>				<u>(121,924)</u>

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**12. OPERATING SEGMENTS (continued)**

Operating Segments	For the Six months ended June 30, 2012			Total
	Medical	Motor	Property & casualty	
SR' 000				
Gross premiums written				
Compulsory	1,221,494	-	-	-
Non- Compulsory	193,347	-	-	-
<b>Total Gross premiums written</b>	<b>1,414,841</b>	<b>559,586</b>	<b>487,329</b>	<b>2,461,756</b>
Net premiums written	1,260,119	527,210	73,666	1,860,995
Net premiums earned	1,213,707	548,590	82,132	1,844,429
Reinsurance commissions	7,491	9,105	49,333	65,929
Net claims incurred	(1,141,983)	(369,559)	(22,849)	(1,534,391)
Policy acquisition costs	(75,298)	(87,392)	(24,865)	(187,555)
Excess of loss expenses	(18,700)	(2,996)	(5,491)	(27,187)
Changes in reserve for Takaful activities	189	-	-	189
Other underwriting expenses	(28,820)	(4,438)	(4,946)	(38,204)
General, administrative, selling and marketing expenses	(67,179)	(36,750)	(36,161)	(140,090)
<b>(Loss) / profit from Insurance Operations</b>	<b>(110,593)</b>	<b>56,560</b>	<b>37,153</b>	<b>(16,880)</b>
Investment income, net				37,394
Other income, net				3,484
<b>Surplus from Insurance Operations</b>				<b>23,998</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**12. OPERATING SEGMENTS (continued)**

	As at June 30, 2013			Total
	Medical	Motor	Property & casualty	
<b>Assets - Insurance operations</b>	SR '000			
Reinsurers' share of unearned premium	89,368	40,301	465,042	594,711
Reinsurers' share of outstanding claims, net	11,376	18,151	909,093	938,620
Deferred policy acquisition costs	70,498	83,331	21,252	175,081
Investments				1,924,168
Receivables, net				1,799,430
Unallocated assets				965,295
<b>Total assets</b>				<b>6,397,305</b>
<b>Liabilities and surplus - Insurance operations</b>				
Unearned premiums	1,612,293	543,203	588,150	2,743,646
Outstanding claims	687,624	77,684	1,038,251	1,803,559
Unearned commission income	7,887	10,702	45,149	63,738
Reserve for Takaful activities	13,624	-	-	13,624
Unallocated liabilities and surplus				1,772,738
<b>Total liabilities and surplus</b>				<b>6,397,305</b>
	As at December 31, 2012 (Audited)			
	Medical	Motor	Property & casualty	Total
<b>Assets - Insurance operations</b>	SR '000			
Reinsurers' share of unearned premium	132,158	37,475	355,144	524,777
Reinsurers' share of outstanding claims, net	10,671	13,237	574,142	598,050
Deferred policy acquisition costs	71,560	83,984	23,949	179,493
Investments				1,817,917
Receivables, net				1,863,276
Unallocated assets				993,560
<b>Total assets</b>				<b>5,977,073</b>
<b>Liabilities and surplus - Insurance operations</b>				
Unearned premium income	1,947,081	560,458	462,172	2,969,711
Outstanding claims	471,118	19,795	670,369	1,161,282
Unearned commission income	8,602	10,939	49,210	68,751
Reserve for Takaful activities	13,730			13,730
Unallocated liabilities and surplus				1,763,599
<b>Total liabilities and surplus</b>				<b>5,977,073</b>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**13. EARNINGS PER SHARE**

Earnings per share has been calculated by dividing the net income for the periods ended June 30, 2013 and 2012 by 100 million shares to give retroactive effect of change in share capital as a result of bonus share issue.

**14. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements have been approved by the Board of Directors on Ramadan 10, 1434H, corresponding to July 18, 2013.

