

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2013
AND FOR THE PERIOD FROM 8 FEBRUARY 2012 TO 31 MARCH 2013**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2013
AND FOR THE PERIOD FROM 8 FEBRUARY 2012 TO 31 MARCH 2013**

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P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia



Al Fozan & Al Sadhan
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
License No.46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

THE SHAREHOLDERS
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
KINGDOM OF SAUDI ARABIA

Scope of review

We have reviewed the accompanying interim statement of financial position of Saudi Enaya Cooperative Insurance Company - A Saudi Joint Stock Company (the "Company") as at 31 March 2013, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three month period ended 31 March 2013 and for the period from 8 February 2012 to 31 March 2013, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the period from 8 February 2012 to 31 March 2013. 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 (IAS) 34: Interim Financial Reporting and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA). A 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 in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Emphasis of matter

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



for KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382



Jeddah, Kingdom of Saudi Arabia
7 Jumada Al Thani 1434H
17 April 2013

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

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2013

	<u>Notes</u>	<u>SR'000</u>
INSURANCE OPERATIONS' ASSETS		
Cash and cash equivalents	3(a)	1,068
Premiums receivable		543
Reinsurance receivable		25
Reinsurers' share of unearned premium		650
Reinsurer's share of outstanding claims		117
Deferred policy acquisition costs		38
Prepayments and other assets		2,800
Intangible assets		1,617
Furniture, fittings and office equipment		11,107
Total insurance operations' assets		17,965
SHAREHOLDERS' ASSETS		
Cash and cash equivalents	3(a)	75,398
Murabaha deposits	3(b)	135,000
Investments	4	90,112
Prepayments and other assets		266
Amounts due from a related party		339
Amounts due from insurance operations		11,842
Statutory deposit	9	40,000
Total shareholders' assets		352,957
TOTAL ASSETS		370,922


Chairman


Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

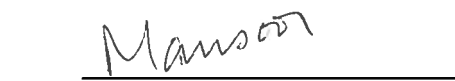
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)

As at 31 March 2013

	<u>Notes</u>	SR'000
INSURANCE OPERATIONS' LIABILITIES		
Insurance operations' liabilities		
Unearned premiums		1,510
Outstanding claims		234
Reinsurance balance payable		752
Amounts due to shareholders' operations		11,842
Accrued expenses and other liabilities		3,627
Total insurance operations' liabilities		17,965
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders' liabilities		
Accrued expenses and other liabilities		1,120
Accrued Zakat	7	5,362
Amounts due to related parties	8	22
Total shareholders' liabilities		6,504
Shareholders' equity		
Share capital	5	400,000
Loss for the period		(53,547)
Total shareholders' equity		346,453
Total shareholders' liabilities and equity		352,957
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		370,922


Chairman


Chief Executive Officer

PP 
Chief Financial Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.


SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS (UNAUDITED)

	<i>For the three month period ended 31 March 2013 SR'000</i>	<i>For the period from 8 February 2012 to 31 March 2013 SR'000</i>
REVENUE		
Gross written premiums	1,745	1,745
Less: Reinsurance ceded	(752)	(752)
Net written premiums	993	993
Net movement in unearned premiums	(859)	(859)
Net premiums earned	134	134
CLAIMS		
Gross claims paid	50	50
Less: Claims recovered	(25)	(25)
Net claims paid	25	25
Net movement in outstanding claims	117	117
Net claims incurred	142	142
Net underwriting result	(8)	(8)
Other income	9	9
EXPENSES		
Selling and marketing	(163)	(163)
General and administration	(8,486)	(8,486)
DEFICIT FROM INSURANCE OPERATIONS	(8,648)	(8,648)
Shareholders' share of deficit from insurance operations	2(a) 8,648	8,648
Policyholders' share of deficit from insurance operations	-	-


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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

		<i>For the three month period ended 31 March 2013 SR'000</i>	<i>For the period from 8 February 2012 to 31 March 2013 SR'000</i>
	<i>Note</i>		
REVENUE (LOSS)			
Shareholders' share of deficit from insurance operations	2(a)	(8,648)	(8,648)
EXPENSES			
General and administration		(686)	(24,923)
Pre-incorporation expenses written-off	6	-	(9,170)
		(686)	(34,093)
Investment income		1,203	1,591
NET LOSS FOR THE PERIOD		(8,131)	(41,150)
Weighted average number of ordinary shares outstanding (in thousands)		40,000	40,000
Basic and diluted loss per share (in Saudi Arabian Riyals)		(0.20)	(1.03)

Chairman

Chief Executive Officer

Chief Financial Officer

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<i>For the three month period ended 31 March 2013 SR'000</i>	<i>For the period from 8 February 2012 to 31 March 2013 SR'000</i>
NET LOSS FOR THE PERIOD	(8,131)	(41,150)
Other comprehensive income/(loss)	-	-
Zakat for the period (note 7)	(1,500)	(5,362)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(9,631)</u>	<u>(46,512)</u>


Chairman


Chief Executive Officer


PP Chief Financial Officer

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the period from 8 February 2012 to 31 March 2013

	<i>Share capital SR'000</i>	<i>Loss for the period SR'000</i>	<i>Total SR'000</i>
Issue of share capital	400,000	-	400,000
Transaction costs	-	(7,035)	(7,035)
Net loss for the period	-	(41,150)	(41,150)
Zakat for the period	-	(5,362)	(5,362)
Balance at 31 March 2013	400,000	(53,547)	346,453


Chairman


Chief Financial Officer


Chief Executive Officer

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(UNAUDITED)**

For the period from 8 February 2012 to 31 March 2013

	<u>Notes</u>	<u>SR '000</u>
OPERATING ACTIVITIES		
Policyholders' share of deficit for the period		-
Adjustment for:		
Depreciation	2(a)	901
Amortization of intangible assets	2(a)	104
		<u>1,005</u>
Changes in assets and liabilities:		
Premiums receivable		(543)
Reinsurance receivable		(25)
Reinsurers' share of unearned premium		(650)
Reinsurer's share of outstanding claims		(117)
Deferred policy acquisition costs		(38)
Prepayments and other assets		(2,526)
Unearned premiums		1,510
Outstanding claims		234
Reinsurance balance payable		752
Amounts due to shareholders' operations		2,681
Accrued expenses and other liabilities		(997)
Net cash from operating activities		<u>1,286</u>
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment		(36)
Intangible assets acquired		(183)
Net cash used in investing activities		<u>(219)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>1,067</u>
CASH AND CASH EQUIVALENTS TRANSFERRED FROM SHAREHOLDERS' OPERATIONS	2(a)	<u>1</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u><u>1,068</u></u>
Non-cash transactions:		
Insurance related assets and liabilities transferred from shareholders' operations excluding cash and cash equivalents	2(a)	<u><u>9,160</u></u>

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

For the period from 8 February 2012 to 31 March 2013

	<u>Notes</u>	<u>SR '000</u>
OPERATING ACTIVITIES		
Net loss for the period before zakat		(41,150)
Adjustment for:		
Unrealized gain on investments		(539)
Depreciation	2(a)	2,360
Amortization	2(a)	63
Employees' end of service benefits	2(a)	529
		<u>(38,737)</u>
Changes in assets and liabilities:		
Prepayments and other assets		(540)
Amounts due from related parties		(339)
Amounts due from insurance operations		(2,681)
Accrued expenses and other liabilities		5,215
Amounts due to related parties		22
		<u>1,677</u>
Net cash used in operating activities		<u>(37,060)</u>
INVESTING ACTIVITIES		
Purchase of furniture, fittings and equipment	2(a)	(14,332)
Intangible assets acquired		(1,601)
Purchase of Murabaha deposits		(135,000)
Purchase of investments		(89,573)
Statutory deposit	9	(40,000)
Net cash used in investing activities		<u>(280,506)</u>
FINANCING ACTIVITIES		
Issue of share capital	5	400,000
Transaction costs	5	(7,035)
Net cash from financing activities		<u>392,965</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>75,399</u>
CASH AND CASH EQUIVALENTS TRANSFERRED TO INSURANCE OPERATIONS		<u>(1)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u><u>75,398</u></u>

Non-cash transactions:

Insurance related assets and liabilities transferred to insurance operations excluding cash and cash equivalents	2(a)	<u>9,160</u>
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Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of three interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Enaya Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 98/Q dated 16 Rabi Awwal 1433 H (corresponding to 8 February 2012). The Commercial Registration number of the Company is 4030223528 dated 27 Rabi Awwal 1433 H (corresponding to 19 February 2012). The Registered Office address of the Company is:

Ahmed Ghalib Al-Esayi Building
P.O. Box 8583,
Jeddah 21481
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/49 dated 27 Rajab 1432 H (corresponding to 29 June 2011) pursuant to the Council of Ministers' Resolution No 224 dated 25 Rajab 1432 H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi founding shareholders and the general public and 23% owned by non-Saudi founding shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 February 2012.

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and brokerage, in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only. The Company commenced its commercial operations on 7 January 2013.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF PREPARATION

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

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 preparation of interim condensed financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of interim condensed financial statements and the reported amounts of revenues and expenses during the interim 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013 (Unaudited)

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

a. BASIS OF PREPARATION (continued)

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with IFRS.

As per the Company's bye-laws and articles of association, the Company's first fiscal period commenced on the issuance date of the Ministerial Resolution declaring the formation of the Company, which was dated 16 Rabi Awwal 1433 H (corresponding to 8 February 2012), and will end on 31 December the following Gregorian year (being 31 December 2013). These interim condensed financial statements cover the three-month period ended 31 March 2013 and the period from 8 February 2012 to 31 March 2013.

As the Company was incorporated on 8 February 2012 and these interim condensed financial statements cover the first financial period of the Company, no comparative information is presented.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of account for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective books of account. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors.

Consequent to commencement of commercial operations, the shareholders' operations transferred the following insurance assets and liabilities to the insurance operations as at 1 January 2013:

	SR '000
Cash and cash equivalents	1
Prepayments and other assets	274
Furniture, fittings and office equipment	11,972
Intangible assets	1,538
Accrued expenses	(4,095)
End of service benefits provision	(529)
	9,161

In accordance with the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	100%

In case of deficit arising from the Insurance Operations, the entire deficit is allocated and transferred to Shareholders' Operations.

The interim condensed financial statements are presented in Saudi Riyals ("SR"), being the functional currency of the Company, and have been rounded off to the nearest thousand, unless otherwise specified.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. BASIS OF PREPARATION (continued)

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities except for investments held to maturity, are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

b. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY

The significant accounting policies adopted by the Company for preparing these interim condensed financial statements as a result of commencement of insurance operations are set out below:

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and time deposits that have original maturity periods not exceeding three months.

Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortised cost using the effective yield method, less any impairment in value.

Premiums receivable

Premiums receivable are non derivative financial assets with fixed or determined payments.

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. An allowance for impairment is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Intangible assets

Intangible assets are non-monetary assets which have no physical existence but are independently identifiable and capable of supply of future economic benefits and the Company has earned the right due to events which have occurred in the past. They are acquired for cash and measured at the purchase price and all other directly attributable costs. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

Amortization is recognized in the statement of shareholders' operations on a straight line basis over the estimated period of economic benefits associated with intangible assets, from the date that they are available for use.

The estimated period of benefits associated with intangible assets are as follows:

	Years
Software	4
Licenses	4

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY (continued)

Furniture, fittings and equipment

Furniture, fittings and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	<u>Years</u>
Leasehold improvements	3
Computer equipment	4
Motor vehicles	5
Furniture, fittings and office equipment	4 – 10

Residual values, useful lives and the method of the depreciation are reviewed and adjusted if appropriate at the end of each financial period. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the period is recognised in the statement of shareholders' operations on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of shareholders' operations.

Expenditure for repair and maintenance is charged to the statement of shareholders' operations. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Investments

All investments are initially recognised at cost, being the fair value consideration given including acquisition charges associated with the investment. Financial assets are initially recognised at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. The fair value of commission bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics

FVIS investments

Investments are classified as Fair Value through Statement of Income (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investments classified as FVIS are initially recognised at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of shareholders' operations.

Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity investments, when the Company has the positive intent and ability to hold to maturity.

Held to maturity investments are recorded at cost, adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method.

Any permanent decline in value of investments is adjusted for and reported in the statement of shareholders' operations as impairment charges.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY (continued)

Deferred policy acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

Impairment and uncollectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of shareholders' operations. Impairment is determined as follows:

- (a) for assets carried at fair value, impairment is the difference between cost and fair value;
- (b) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (c) for assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property previously revalued and where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY (continued)

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of shareholders' operations unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. The charge for the period is transferred to the statement of shareholders operations on an actual basis.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY (continued)

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. Zakat is debited to the Saudi founding shareholders and general public equity accounts while income tax is debited to the non-Saudi founding shareholders' equity account. Additional amounts, if any, that may become due on finalisation of an assessment are recorded in the year in which the assessment is finalised.

As all Zakat and income tax charges will be recovered from the shareholders, no adjustments are made in the financial statements to account for the effects of deferred income taxes.

Liability adequacy test

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

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Revenue Recognition

Premiums earned

The Company only issues insurance contracts for providing health care services ('medical insurance') in the Kingdom of Saudi Arabia. Premiums are taken to income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognised over the period of risk.

Investment income

Investment income or loss comprises of unrealised and realised gains and losses on investments. Commission income on Murabaha deposits is recognised using the effective yield method.

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Claims

Claims, comprising amounts payable to contract holders and third parties, net of volume rebates and other recoveries, are charged to the statement of insurance operations and accumulated surplus as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those incurred but not reported ("IBNR") at the statement of financial position date.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY (continued)

Claims (continued)

The Company scientifically estimates its claims based on previous experience. In addition a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year. The outstanding claims are shown on a gross basis and the related share of reinsurers is shown separately.

Reinsurance contracts held

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is affected under treaty contracts.

Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Expenses

Due to the nature of the Company's operations, all expenses incurred are considered to be general and administration and are classified as such.

Operating leases

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

Pre-incorporation expenses

Pre-incorporation expenses that are not of economic benefit beyond the current period are charged to the statement of shareholders' operations.

Transaction costs

Transaction costs to raise capital are incremental costs that are directly attributable to the issue of share capital and are accounted for as a deduction from equity.

Foreign currencies

The accounting records of the Company are maintained in Saudi Arabian Riyals. Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of shareholders' operations.

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY (continued)

Fair values of financial instruments

Financial instruments include cash and cash equivalents, murabaha deposits, investments, premiums receivable, reinsurers' share of outstanding claims, amount due from a related party, reinsurance balance payable, amounts due to related parties, payables and certain other assets and liabilities.

The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics. The fair values of all financial instruments are estimated using methods such as net present values of future cash flows.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Segmental reporting

A segment is a distinguishable component of the Company portfolio 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.

c. USE OF ESTIMATES AND JUDGEMENTS

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of furniture, fittings and equipment

The Company's management determines the estimated useful lives of its furniture, fittings and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Useful lives of intangible assets

The Company's management determines the estimated useful lives of its intangible assets for calculating amortization. These estimates are determined after considering the expected usage of the assets. Management reviews the residual value and useful lives annually and future amortization charges would be adjusted where the management believes the useful lives differ from previous estimates.

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. USE OF ESTIMATES AND JUDGEMENTS (continued)

Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of the insurance industry in the Kingdom of Saudi Arabia. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. Any difference between the provisions at the interim statement of financial position date and settlements and provisions in the following period is included in the interim statement of insurance operations and accumulated surplus for that period.

Allowance for doubtful receivable

A provision for impairment of premiums receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the premiums receivable is impaired.

Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the interim statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the interim statement of insurance operations and accumulated surplus.

d. NEW IFRS, INTERNATIONAL FINANCIAL REPORTING AND INTERPRETATIONS COMMITTEE'S INTERPRETATIONS (IFRIC) AND AMENDMENTS THEREOF, ADOPTED BY THE COMPANY

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<i>Standard/ Interpretation</i>	<i>Description</i>
IFRS 7	Amendments to IFRS 7 Disclosure – offsetting financial assets and financial liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair Value Measurement
IAS 1	Amendments to IAS 1 Presentation of items of Other Comprehensive Income
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in associates & joint ventures
IAS 32	Amendment to IAS 32 Tax effects of distributions to holders of equity instruments
IAS 34	Amendment to IAS 34 Interim financial reporting and segment information for total assets and liabilities

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013 (Unaudited)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments – Classification & Measurement	1 January 2015
IFRS 10, IFRS 12 & IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

3. CASH AND CASH EQUIVALENTS

	<i>SR'000</i>
<i>Insurance Operations</i>	
Cash in banks	1,065
Petty cash	3
	<hr/>
	1,068
	<hr/>
	<i>SR'000</i>
<i>Shareholders' Operations</i>	
Cash in bank	30,033
Murabaha deposits (see note (a) below)	45,365
	<hr/>
	75,398
	<hr/>

- a) The Murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These Murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity of not exceeding three months.
- b) Murabaha deposits having original maturity of more than three months, amounting to SR 135 million, which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia, are presented in the statement of financial position of the shareholders separately.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013 (Unaudited)

4. INVESTMENTS

SR'000

Investments held to maturity	59,578
FVIS Investments	30,534
	<u>90,112</u>

Investments as at 31 March 2013 are all related to shareholders' operations.

Investments held to maturity

Movement in investments classified as held to maturity is as follows:

*For the period
from 8 February
2012 to 31 March
2013
SR'000*

Purchases during the period	59,573
Changes in fair value during the period	5
	<u>59,578</u>

During the period from 8 February 2012 to 31 March 2013, the Company invested SR 59.573 million in fixed rate bonds maturing in March 2014.

FVIS Investments

Movement in investments classified as fair value through income statement ("FVIS") is as follows:

*For the period
from 8 February
2012 to 31 March
2013
SR'000*

Purchases during the period	30,000
Changes in fair value during the period	534
	<u>30,534</u>

During the period from 8 February 2012 to 31 March 2013, the Company invested SR 15 million in Saudi Fransi Emerging Markets Fixed Income Fund and SR 15 million in Saudi Istithmar Equity Fund. The fair values of these investments, as at 31 March 2013, amounted to SR 14.987 million and SR 15.547 million, respectively.

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013 (Unaudited)

5. SHARE CAPITAL

The share capital of the Company is SR 400 million, divided into forty million shares of SR 10 each, and subscribed by the following:

	Percentage Holding	SR'000
Founding shareholders	60%	240,000
General public	40%	160,000
	100%	400,000

The Company incurred a sum of SR 7.04 million as transaction costs to raise capital of SR 160 million through an IPO (see above) and this amount has been deducted from equity. An amount of SR 3.91 million, included in SR 7.04 million mentioned above, was paid on behalf of the Company by a founding shareholder. (See note 8)

6. PRE-INCORPORATION EXPENSES WRITTEN-OFF

	<i>For the period from 8 February 2012 to 31 March 2013 SR'000</i>
Employee costs	4,171
Legal and professional fees (see note (b) below)	2,768
Office rent (see note (c) below)	1,800
Others	431
	9,170

- Pre-incorporation expenses represent costs incurred by a founding shareholder on behalf of the Company, and subsequently recharged to the Company, for the period up to 8 February 2012, being the date of the issuance of the Ministerial Resolution declaring the incorporation of the Company (note 8).
- Legal and professional fees include an amount of SR 2.3 million paid to a founding shareholder.
- Office rent include an amount of SR 0.76 million, paid to a founding shareholder.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013 (Unaudited)

7. ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimate of the management.

Charge for the period

	<i>For the three month period ended 31 March 2013 SR'000</i>	<i>For the period from 8 February 2012 to 31 March 2013 SR'000</i>
Current period provision	<u><u>1,500</u></u>	<u><u>5,362</u></u>

Zakat status

The Company has been registered with the DZIT and has obtained the registration certificate.

Income tax

As the Company has incurred a loss during the period from 8 February 2012 to 31 March 2013, no provision has been established in respect of income tax in these interim condensed financial statements.

Status of income tax assessments

The Company is in the process of filing its zakat and tax return for the period ended 31 December 2012.

During 2012, the Company has received a letter from the Department of Zakat and Income Tax ("DZIT"), claiming zakat amount of SR 9.72 million for the period from 6 June 2010 to 5 June 2012. The management has filed a reply against the subject letter and a response from the DZIT is awaited. Accordingly, no provision has been made in these interim condensed financial statements.

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013 (Unaudited)

8. TRANSACTIONS WITH RELATED PARTIES

- a) In addition to note 6, following are the details of major related party transactions during the three month period ended 31 March 2013 and period from 8 February 2012 to 31 March 2013 and the related balance at the period end:

<u><i>Related party</i></u>	<u><i>Nature of transaction</i></u>	<u><i>Amount of transaction for the three month period ended 31 March 2013</i></u> <u><i>SR'000</i></u>	<u><i>Amount of transaction for the period from 8 February 2012 to 31 March 2013</i></u> <u><i>SR'000</i></u>
Founding shareholders (Munich Re and Khaled Juffali Company)	Transaction costs paid on behalf of the Company and recharged to the Company (see note 5)	-	3,908
	Pre-incorporation expenses paid on behalf of the Company and recharged to the Company (see note 6)	-	9,170
	Furniture, fittings and office equipment acquired on behalf of the Company and recharged to the Company	-	16,800
	General and administration expenses incurred on behalf of the Company and recharged to the Company	20	6,537
	Office rent	-	31
	Service charges	-	84
Affiliate (Saudi Business Machine)	Purchase of computer equipment, licenses and other services	784	10,306
Key management personnel	Short-term benefits	624	4,076
	Long-term benefits	31	162

- b) The Company is in the process of entering into two agreements with a related party for software license and software implementation. The Company had notified about the draft agreements to SAMA. The software implementation is in progress as at 31 March 2013. The related party has raised invoices approximating to SR 13 million in this regard. As certain legal formalities are yet to be finalised, these transactions have not yet been accounted for in these interim condensed financial statements. Legal formalities are expected to be finalised in the near future.
- c) Amount due from / to related parties are disclosed in the statement of financial position.

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013 (Unaudited)

9. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 40 million, in a bank designated by Saudi Arabian Monetary Agency ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA.

10. SEGMENT INFORMATION

The Company only issues insurance contracts for providing health care services ('medical insurance'). All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. Since the operations of the company have just started in the current quarter, the operations are not monitored in different categories.

11. LOSS PER SHARE

The loss per share has been calculated by dividing the net loss for the period by the weighted average number of ordinary shares issued and outstanding at the period end. Diluted earnings per share are not applicable for the company.

12. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements were authorized for issue by the Board of Directors on 16 April 2013 (corresponding to 6 Jumad Thani 1434 H).