

**SANAD COOPERATIVE INSURANCE AND  
REINSURANCE COMPANY  
(A Saudi Joint Stock Company)  
INTERIM CONDENSED FINANCIAL STATEMENTS  
For the three month period ended 31 March 2013  
together with the  
Independent auditors' review report**



**Aldar Audit Bureau**  
Abdullah AlBasri & Co.



**KPMG Al Fozan & Al Sadhan**

**INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED  
FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF  
SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**SCOPE OF REVIEW:**

We have reviewed the accompanying interim statement of financial position of Sanad Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2013, and the related interim statements of comprehensive income of insurance and shareholders' operations for the three month period then ended and the statements of changes in shareholders' equity, and cash flows of insurance and shareholders' operations for three month period then ended and notes 1 to 11 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard (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 Reporting 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 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 review, we are not aware of any material modification 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 Reporting issued by SOCPA.

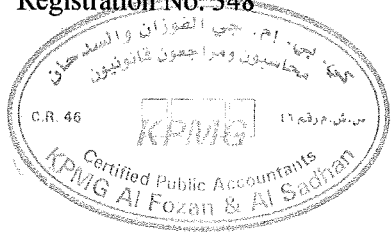
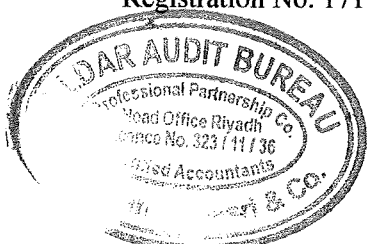
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Certified Public Accountant  
Registration No. 348

Date: 4 Jumada Al-Akhir 1434H  
Corresponding to: 14 April 2013





**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 March 2013  
(Amount in Saudi Riyals)

|  | <u>Note</u> | 31 March<br>2013<br>(Unaudited) | 31 December<br>2012<br>(Audited) |
|--|-------------|---------------------------------|----------------------------------|
| <b>ASSETS</b>  |             |                                 |                                  |
| <b><u>Assets - insurance operations</u></b>                          |             |                                 |                                  |
| Cash and cash equivalents  |             | 68,072,876                      | 65,479,976                       |
| Premiums receivable, net   | 7           | 89,099,243                      | 63,395,494                       |
| Reinsurers' balance receivable, net                                  | 8           | 9,838,152                       | 9,735,595                        |
| Reinsurers' share of outstanding claims and other technical reserves | 6           | 35,056,240                      | 37,611,190                       |
| Reinsurers' share of unearned premium                                |             | 19,346,055                      | 13,562,340                       |
| Deferred policy acquisition cost                                     |             | 10,564,788                      | 7,027,284                        |
| Prepayments and other assets   |             | 11,643,599                      | 9,669,101                        |
| Property and equipment, net  |             | 3,485,647                       | 3,486,781                        |
| <b>Total assets - insurance operations</b>                           |             | <b>247,106,600</b>              | <b>209,967,761</b>               |
| <b><u>Assets - shareholders' operations</u></b>                      |             |                                 |                                  |
| Cash and bank balances   |             | 42,362,817                      | 49,940,289                       |
| Statutory deposit  |             | 20,918,419                      | 20,918,419                       |
| Investments – available for sale                                     | 5           | 41,986,485                      | 40,145,978                       |
| Loan receivable  |             | 500,000                         | 500,000                          |
| Due from insurance operations  |             | 11,347,480                      | 4,901,022                        |
| Prepayments and other assets   |             | 406,510                         | 19,111                           |
| <b>Total assets - shareholders' operations</b>                       |             | <b>117,521,711</b>              | <b>116,424,819</b>               |
| <b>TOTAL ASSETS</b>  |             | <b>364,628,311</b>              | <b>326,392,580</b>               |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                          |             |                                 |                                  |
| <b><u>Liabilities - insurance operations</u></b>                     |             |                                 |                                  |
| Unearned premium reserve   |             | 101,965,866                     | 67,695,866                       |
| Reinsurers' balances payable   |             | 11,971,536                      | 3,404,068                        |
| Accrued expenses and other liabilities                               |             | 34,135,649                      | 37,484,048                       |
| Outstanding claims and other technical reserves                      | 6           | 79,846,652                      | 90,709,402                       |
| Unearned commission income   |             | 5,043,864                       | 3,282,388                        |
| End-of-service indemnities   |             | 2,795,553                       | 2,490,967                        |
| Due to shareholders' operations                                      |             | 11,347,480                      | 4,901,022                        |
| <b>Total liabilities - insurance operations</b>                      |             | <b>247,106,600</b>              | <b>209,967,761</b>               |
| <b><u>Liabilities - shareholders' operations</u></b>                 |             |                                 |                                  |
| Accrued expenses and other liabilities                               |             | 226,525                         | 387,025                          |
| Zakat payable  |             | 10,673,959                      | 9,935,141                        |
| <b>Total liabilities - shareholders' operations</b>                  |             | <b>10,900,484</b>               | <b>10,322,166</b>                |
| <b>Total liabilities</b>   |             | <b>258,007,084</b>              | <b>220,289,927</b>               |
| <b><u>Shareholders' equity</u></b>                                   |             |                                 |                                  |
| Share capital  |             | 200,000,000                     | 200,000,000                      |
| Accumulated deficit  |             | (96,483,673)                    | (105,306,937)                    |
| Fair value reserve on investment                                     | 5           | 3,104,900                       | 11,409,590                       |
| <b>Total shareholders' equity</b>                                    |             | <b>106,621,227</b>              | <b>106,102,653</b>               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                    |             | <b>364,628,311</b>              | <b>326,392,580</b>               |

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



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

| <u>Note</u>   | <u>Three Months ended<br/>31 March 2013</u> | <u>Three Months ended<br/>31 March 2012</u> |
|---|---|---|
| Gross insurance premiums written  | 80,810,631                                  | 84,208,818                                  |
| Gross inward reinsurance premiums written                                     | 101,092                                     | 1,020,404                                   |
| <b>Total gross written premium</b>  | <b>80,911,723</b>                           | <b>85,229,222</b>                           |
| Reinsurance premiums ceded  | (21,812,927)                                | (23,903,570)                                |
| <b>Net written premiums</b>   | <b>59,098,796</b>                           | <b>61,325,652</b>                           |
| Changes in unearned premiums  | (34,270,000)                                | (28,046,343)                                |
| Changes in reinsurance unearned premiums                                      | 5,783,714                                   | 5,040,936                                   |
| <b>Net earned premiums</b>  | <b>30,612,510</b>                           | <b>38,320,245</b>                           |
| Reinsurance commission  | 3,718,319                                   | 2,805,820                                   |
| Policy fee  | (60,241)                                    | 66,522                                      |
| <b>Underwriting revenue</b>   | <b>34,270,588</b>                           | <b>41,192,587</b>                           |
| <br>  |   |   |
| Gross claims paid   | (33,561,635)                                | (43,445,734)                                |
| Reinsurance share of claims paid  | 6,691,391                                   | 8,228,016                                   |
| <b>Net claim paid</b>   | <b>(26,870,244)</b>                         | <b>(35,217,718)</b>                         |
| Net changes in outstanding claim reserve                                      | 5,428,451                                   | 10,265,542                                  |
| Net changes in other technical reserve  | 2,879,349                                   | 382,723                                     |
| <b>Net claims incurred</b>  | <b>(18,562,444)</b>                         | <b>(24,569,453)</b>                         |
| Policy acquisition costs  | (5,032,452)                                 | (7,101,633)                                 |
| Other underwriting expenses, net  | (1,043,351)                                 | (935,314)                                   |
| Reversal of / (addition to) impairment allowance against doubtful receivables | (91,841)                                    | 1,188,388                                   |
| <b>Underwriting expenses</b>  | <b>(24,730,088)</b>                         | <b>(31,418,012)</b>                         |
| <br>  |   |   |
| <b>Underwriting results</b>   | <b>9,540,500</b>                            | <b>9,774,575</b>                            |
| <br>  |   |   |
| General and administration expenses   | (10,197,734)                                | (10,781,575)                                |
| <b>Deficit from insurance operations</b>                                      | <b>(657,234)</b>                            | <b>(1,007,000)</b>                          |
| Gain / (loss) on sale of property and equipment                               | 9,950                                       | (57,162)                                    |
| Other income  | 74,333                                      | 230,084                                     |
| <b>Net deficit from insurance operations</b>                                  | <b>(572,951)</b>                            | <b>(834,078)</b>                            |
| Other comprehensive income  | --  | --  |
| <br>  |   |   |
| <b>Total comprehensive loss from insurance operations</b>                     | <b>(572,951)</b>                            | <b>(834,078)</b>                            |
| Transfer of comprehensive deficit to shareholders' operations                 | 572,951                                     | 834,078                                     |
| <b>Net results for the period</b>   | <b>--</b>                                   | <b>--</b>                                   |

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

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

| <u>Note</u>  | <u>Three Months<br/>ended 31<br/>March 2013</u> | <u>Three Months<br/>ended 31<br/>March 2012</u> |
|--|---|---|
| <b>INCOME</b>  |   |   |
| Commission income  | 138,457   | 196,419   |
| Dividend income from investments   | 416,172   | 462,500   |
| Gain on sale of investments  | 10,070,314                                      | --  |
|  | <u>10,624,943</u>                               | <u>658,919</u>                                  |
| <b>EXPENSES</b>  |   |   |
| Transfer of loss from insurance operations                                   | (572,951)                                       | (834,078)                                       |
| General and administration expenses  | (489,910)                                       | (429,620)                                       |
|  | <u>9,562,082</u>                                | <u>(604,779)</u>                                |
| <b>NET PROFIT / (LOSS) FOR THE PERIOD BEFORE ZAKAT</b>                       |   |   |
| Zakat  | (738,818)                                       | (653,901)                                       |
|  | <u>8,823,264</u>                                | <u>(1,258,680)</u>                              |
| <b>NET PROFIT / (LOSS) FOR THE PERIOD AFTER ZAKAT</b>                        |   |   |
| <i>Other comprehensive income:</i>   |   |   |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> |   |   |
| Changes in fair value of available for sale investments, net                 | 5 (8,304,690)                                   | 4,953,413                                       |
| <b>Total comprehensive profit for the period</b>                             | <u>518,574</u>                                  | <u>3,694,733</u>                                |
| Basic and diluted earnings / (loss) per share                                | 0.44  | (0.06)  |
| <b>Weighted average number of shares in issue</b>                            | <u>20,000,000</u>                               | <u>20,000,000</u>                               |

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

*Taim Rashid*

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**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2013**  
*(Amount in Saudi Riyals)*

|   | <u>Share<br/>Capital</u> | <u>Accumulated<br/>deficit</u> | <u>Fair value<br/>reserve on<br/>Investment</u> | <u>Total</u>       |
|---|--------------------------|--------------------------------|---|--------------------|
| <b>2013</b>                               |                          |                                |   |                    |
| Balance at 1 January 2013                 | 200,000,000              | (105,306,937)                  | 11,409,590                                      | 106,102,653        |
| Profit for the period                     | --                       | 8,823,264                      | --  | 8,823,264          |
| Other comprehensive loss for the period   | --                       | --                             | (8,304,690)                                     | (8,304,690)        |
| <b>Balance at 31 March 2013</b>           | <u>200,000,000</u>       | <u>(96,483,673)</u>            | <u>3,104,900</u>                                | <u>106,621,227</u> |
| <b>2012</b>                               |                          |                                |   |                    |
| Balance at 1 January 2012                 | 200,000,000              | (97,977,041)                   | 5,086,116                                       | 107,109,075        |
| Loss for the period                       | --                       | (1,258,680)                    |   | (1,258,680)        |
| Other comprehensive income for the period | --                       | --                             | 4,953,413                                       | 4,953,413          |
| Balance at 31 March 2012                  | <u>200,000,000</u>       | <u>(99,235,721)</u>            | <u>10,039,529</u>                               | <u>110,803,808</u> |

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*Tamim Rashid*

*[Signature]*



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

|  | <b>Three months<br/>ended<br/>31 March 2013</b> | <b>Three months<br/>ended<br/>31 March 2012</b> |
|--|---|---|
| <b>Operating Activities</b>  |   |   |
| Net results for the period   | --  | --  |
| <i>Adjustments for non-cash items:</i>                                   |   |   |
| Transfer of loss to shareholders' operations                             | (572,951)                                       | (834,078)                                       |
| Depreciation   | 417,264   | 544,052   |
| Provision for employees' end of service benefits                         | 338,257   | 382,155   |
| Charge / (reversal) of impairment allowance against doubtful receivables | 91,841  | (1,188,388)                                     |
| (Gain) / loss on sale of property and equipment                          | (9,950)   | 57,162  |
| <b>Changes in operating assets and liabilities:</b>                      |   |   |
| Premiums receivable  | (25,853,245)                                    | (31,294,920)                                    |
| Deferred policy acquisition costs, net                                   | (3,537,504)                                     | (2,898,219)                                     |
| Prepayments and other assets   | (1,974,498)                                     | (604,482)                                       |
| Unearned premium reserves, net   | 28,486,286                                      | 23,005,407                                      |
| Unearned commission income   | 1,761,476                                       | 1,139,584                                       |
| Reinsurers' balances payable   | 8,567,468                                       | (3,420,319)                                     |
| Accrued and other liabilities  | (3,348,400)                                     | 9,945,795                                       |
| Outstanding claims and other technical reserves, net                     | (8,307,800)                                     | (10,648,265)                                    |
| Due to shareholders' operations  | 7,019,409                                       | (11,736,218)                                    |
| Reinsurance balance receivable   | (44,902)  | 3,742,884                                       |
| <b>Cash from / (used in) operating activities</b>                        | <b>3,032,751</b>                                | <b>(23,807,850)</b>                             |
| Employees' end of service benefits paid                                  | (33,671)  | (48,387)  |
| <b>Net cash from / (used in) operating activities</b>                    | <b>2,999,080</b>                                | <b>(23,856,237)</b>                             |
| <b>Investing Activities</b>  |   |   |
| Additions to property and equipment                                      | (416,130)                                       | (620,362)                                       |
| Sale proceed from disposal of property and equipment                     | 9,950   | 25,000  |
| <b>Net cash used in investing activities</b>                             | <b>(406,180)</b>                                | <b>(595,362)</b>                                |
| <b>Net changes in cash and cash equivalents</b>                          | <b>2,592,900</b>                                | <b>(24,451,599)</b>                             |
| <b>Cash and cash equivalents, beginning of the period</b>                | <b>65,479,976</b>                               | <b>118,055,360</b>                              |
| <b>Cash and cash equivalents, end of the period</b>                      | <b>68,072,876</b>                               | <b>93,603,761</b>                               |

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

*Tamim Rashid*

*[Signature]*



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

|   | <u>Three months ended<br/>31 March 2013</u> | <u>Three months ended<br/>31 March 2012</u> |
|---|---|---|
| <b>Operating Activities</b>                               |   |   |
| Net profit / (loss) for the period before zakat           | 9,562,082                                   | (604,779)                                   |
| <i>Adjustments for non-cash items:</i>                    |   |   |
| Transferred from insurance operations                     | 572,951                                     | 834,078                                     |
| Gain on sale of investments                               | (10,070,314)                                | --  |
| <b>Changes in operating assets and liabilities:</b>       |   |   |
| Accrued expenses and other liabilities                    | (160,499)                                   | (91,500)                                    |
| Prepayments and other assets                              | (387,400)                                   | (510,452)                                   |
| Due from insurance operations                             | (7,019,409)                                 | 11,736,218                                  |
| <b>Cash (used in) / from operating activities</b>         | <u>(7,502,589)</u>                          | <u>11,363,565</u>                           |
| Zakat paid  | --  | (893,416)                                   |
| <b>Net cash (used in) / from operating activities</b>     | <u>(7,502,589)</u>                          | <u>10,470,149</u>                           |
| <b>Investing Activities</b>                               |   |   |
| Purchase of investments                                   | (9,504,969)                                 | --  |
| Disposal of investments                                   | 9,430,086                                   | --  |
| <b>Net cash used in investing activities</b>              | <u>(74,883)</u>                             | <u>--</u>                                   |
| <b>Net changes in cash and cash equivalents</b>           | <u>(7,577,472)</u>                          | <u>10,470,149</u>                           |
| <b>Cash and cash equivalents, beginning of the period</b> | <u>49,940,289</u>                           | <u>34,655,033</u>                           |
| <b>Cash and cash equivalents, end of the period</b>       | <u>42,362,817</u>                           | <u>45,125,182</u>                           |
| <b>Non – cash supplemental information:</b>               |   |   |
| Change in fair value of investments – available for sale  | <u>(8,304,690)</u>                          | <u>4,953,413</u>                            |

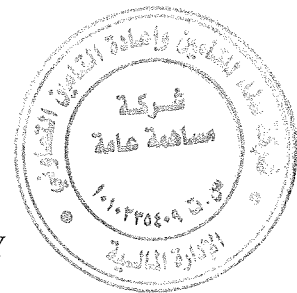
The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Tariq Rashid

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**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2013**

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

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

The Registered Office of the Company is located at Dareen Center, Al Ahsa Street, Riyadh, 11417, Kingdom of Saudi Arabia. These interim condensed financial statements cover the period from 01 January 2013 to 31 March 2013 (the "period").

**2 BASIS OF PREPARATION**

**2.1 *Basis of measurement***

The interim condensed financial statements have been prepared under the historical cost convention, except for the available-for-sale investments measured at fair value and going concern concept.

As at 31 March 2013, the Company's solvency margin is below the limit prescribed by Saudi Arabian Monetary Agency (SAMA). However, based on Company's negotiations with SAMA, future business prospects and improvement in net results of the Company the management believes that the going concern assumption is valid and has therefore prepared the financial statements on a going concern basis.

**2.2 *Statement of compliance***

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

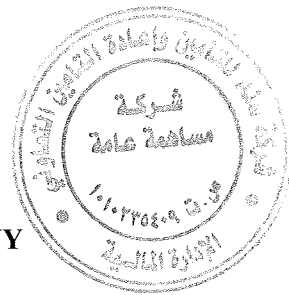
As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective books. The basis of allocation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

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

In management's opinion the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The Company's interim results may not be indicative of its annual results.

**2.3 *Functional and presentation currency***

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



**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2013**

**2 BASIS OF PREPARATION (Continued)**

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

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

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

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

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES**

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

*a) New standards*

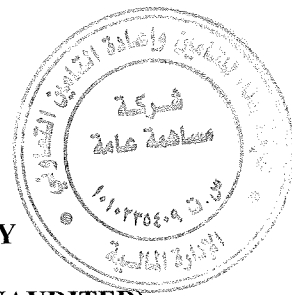
- IFRS 13 Fair value measurements: Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does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

*b) Amendments to existing standards*

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

*Tariq Rashid*

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**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
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**3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES(Continued)**

- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.

**4 RELATED PARTY TRANSACTIONS**

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

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

**a) Transactions with related parties:**

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

| <b><u>Name of related party</u></b>                      | <b>Three months ended<br/>March 2013</b> |                                 | <b>Three months ended<br/>March 2012</b> |                                 |
|--|--|---------------------------------|--|---------------------------------|
|  | <b><u>Gross written premium</u></b>      | <b><u>Gross claims paid</u></b> | <b><u>Gross written premium</u></b>      | <b><u>Gross claims paid</u></b> |
| Aggad Investment Company                                 | <b>83,238</b>                            | <b>107,806</b>                  | 361,867                                  | 113,526                         |
| Arabian Tiles Company                                    | <b>135,258</b>                           | <b>190,503</b>                  | 100,136                                  | 346,353                         |
| Medical Supplies and Services Company Limited (MEDISERV) | <b>265,782</b>                           | <b>391,474</b>                  | 148,026                                  | 599,178                         |
| National Advanced Systems Company Limited (NASCO)        | <b>179,673</b>                           | <b>1,306,834</b>                | 384,751                                  | 1,274,808                       |
| United Motors Company                                    | <b>7,992,491</b>                         | <b>2,671,598</b>                | 7,205,739                                | 2,035,280                       |

*Jan (Rahil)*

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**4 RELATED PARTY TRANSACTIONS (Continued)**

**b) Balances with related parties:**

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

| <u>Related party</u>                                     | <u>31 March 2013</u>       |                           | <u>31 December 2012</u>    |                           |
|--|----------------------------|---------------------------|----------------------------|---------------------------|
|  | <u>Premiums receivable</u> | <u>Outstanding claims</u> | <u>Premiums receivable</u> | <u>Outstanding claims</u> |
| Aggad Investment Company                                 | 141,497                    | 142,225                   | 145,219                    | 134,874                   |
| Arabian Tiles Company                                    | 818,701                    | 211,725                   | 863,451                    | 268,828                   |
| Medical Supplies and Services Company Limited (MEDISERV) | 912,897                    | 2,344,627                 | 1,040,606                  | 2,348,997                 |
| National Advanced Systems Company Limited (NASCO)        | 2,123,747                  | 4,698,426                 | 2,990,210                  | 4,428,705                 |
| United Motors Company                                    | 11,365,641                 | 5,367,684                 | 4,100,196                  | 3,461,209                 |

**c) Compensation of key management personnel:**

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

|  | <u>Three months ended March 2013</u> | <u>Three months ended March 2012</u> |
|--|--------------------------------------|--------------------------------------|
| Salaries and other short term benefits | 1,078,205                            | 1,098,071                            |
| End of service benefit                 | 53,988                               | 73,615                               |
|  | <u>1,132,193</u>                     | <u>1,171,686</u>                     |



*Tari Rashid*

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**5 INVESTMENTS**

*Investments in available for sale securities*

Investment in available for sale securities comprise of the following:

|  | 31 March 2013     |                   |                  | 31 December 2012  |
|--|-------------------|-------------------|------------------|-------------------|
|  | Cost              | Market value      | Unrealised gain  | Market value      |
| <b>Quoted</b>                                  |                   |                   |                  |                   |
| Mutual Funds                                   | 6,625,998         | 6,959,569         | 333,571          | 6,947,506         |
| Global Sukuk Fund deposits                     | 9,450,000         | 11,065,659        | 1,615,659        | 10,996,789        |
| Equities                                       | 20,882,509        | 22,038,179        | 1,155,670        | 20,278,605        |
|  | <u>36,958,507</u> | <u>40,063,407</u> | <u>3,104,900</u> | <u>38,222,900</u> |
| <b>Unquoted</b>                                |                   |                   |                  |                   |
| Equities                                       | 1,923,078         | 1,923,078         | --               | 1,923,078         |
| <b>Total investments in available for sale</b> | <u>38,881,585</u> | <u>41,986,485</u> | <u>3,104,900</u> | <u>40,145,978</u> |

Movements in available for sale investments are as follows:

|                                | 31 March 2013     | 31 March 2012     |
|--------------------------------|-------------------|-------------------|
| At the beginning of the period | 40,145,978        | 43,702,108        |
| Addition during the period     | 19,575,283        | --                |
| Disposals during the period    | (9,430,086)       | --                |
| Change in fair value           | (8,304,690)       | 4,953,413         |
| At the end of the period       | <u>41,986,485</u> | <u>48,655,521</u> |



*Yasir Rashid*



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**6 OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES**

|  | 31 March 2013     |                          |                   |
|--|-------------------|--------------------------|-------------------|
|  | <u>Gross</u>      | <u>Reinsurers' Share</u> | <u>Net</u>        |
| Outstanding claim reserves                             | 55,740,277        | (25,083,620)             | 30,656,657        |
| Incurred but not reported reserve                      | 21,524,828        | (9,972,620)              | 11,552,208        |
| Unallocated loss adjustment expense reserve            | 2,581,547         | --                       | 2,581,547         |
| <b>Outstanding claims and other technical reserves</b> | <b>79,846,652</b> | <b>(35,056,240)</b>      | <b>44,790,412</b> |

|  | 31 December 2012  |                          |                   |
|--|-------------------|--------------------------|-------------------|
|  | <u>Gross</u>      | <u>Reinsurers' Share</u> | <u>Net</u>        |
| Outstanding claim reserves                             | 64,285,225        | (28,200,117)             | 36,085,108        |
| Incurred but not reported reserve                      | 23,808,330        | (9,411,073)              | 14,397,257        |
| Unallocated loss adjustment expense reserve            | 2,615,847         | --                       | 2,615,847         |
| <b>Outstanding claims and other technical reserves</b> | <b>90,709,402</b> | <b>(37,611,190)</b>      | <b>53,098,212</b> |

**7 PREMIUMS RECEIVABLE**

|  | 31 March 2013     | 31 December 2012  |
|--|-------------------|-------------------|
| Premiums receivable                            | 113,886,719       | 88,033,474        |
| Less : Impairment against doubtful receivables | (24,787,476)      | (24,637,980)      |
|  | <b>89,099,243</b> | <b>63,395,494</b> |

|                      | Total              | Neither past due nor impaired | Past due but not impaired | Past due and impaired |
|----------------------|--------------------|-------------------------------|---------------------------|-----------------------|
| <b>31 March 2013</b> | <b>113,886,719</b> | <b>33,007,086</b>             | <b>56,092,157</b>         | <b>24,787,476</b>     |
| 31 December 2012     | 88,033,474         | 24,922,401                    | 38,473,093                | 24,637,980            |

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

**8 REINSURERS' BALANCE RECEIVABLE**

|   | 31 March 2013    | 31 December 2012 |
|---|------------------|------------------|
| Reinsurers' balance receivable                | 10,078,904       | 10,034,002       |
| Less: Impairment against doubtful receivables | (240,752)        | (298,407)        |
|   | <b>9,838,152</b> | <b>9,735,595</b> |

|                      | Total             | Past due but not impaired | Past due and impaired |
|----------------------|-------------------|---------------------------|-----------------------|
| <b>31 March 2013</b> | <b>10,078,904</b> | <b>9,838,152</b>          | <b>240,752</b>        |
| 31 December 2012     | 10,034,002        | 9,735,595                 | 298,407               |

*Jamir Rakhil*

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**9 SEGMENT INFORMATION**

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

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

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

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

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

**a) Statement of results for insurance operations**

|   | For the three months ended 31 March 2013 |              |             |             |             |                  |
|---|--|--------------|-------------|-------------|-------------|------------------|
|   | Medical                                  | Motor        | Marine      | Engineering | Others      | Total            |
| <b>Gross written premiums</b>   | 10,763,098                               | 46,501,467   | 9,592,009   | 6,179,329   | 7,875,820   | 80,911,723       |
| Reinsurance premiums ceded  | (977,997)                                | (460,250)    | (8,294,508) | (5,830,727) | (6,249,445) | (21,812,927)     |
| <b>Net written premiums</b>   | 9,785,101                                | 46,041,217   | 1,297,501   | 348,602     | 1,626,375   | 59,098,796       |
| Net changes in unearned premiums  | (402,211)                                | (27,007,622) | 6,339       | (172,980)   | (909,812)   | (28,486,286)     |
| <b>Net earned premiums</b>  | 9,382,890                                | 19,033,595   | 1,303,840   | 175,622     | 716,563     | 30,612,510       |
| Reinsurance commission earned   | --                                       | --           | 2,212,129   | 750,868     | 755,322     | 3,718,319        |
| Other underwriting income   | 3,700                                    | (95,271)     | 13,505      | 2,025       | 15,800      | (60,241)         |
| <b>Total underwriting revenue</b>   | 9,386,590                                | 18,938,324   | 3,529,474   | 928,515     | 1,487,685   | 34,270,588       |
| Gross claims paid   | (15,986,433)                             | (16,070,272) | (958,742)   | (303,510)   | (242,678)   | (33,561,635)     |
| Reinsurance share of claims paid  | 5,485,641                                | 77,879       | 720,774     | 262,373     | 144,724     | 6,691,391        |
| <b>Net claims paid</b>  | (10,500,792)                             | (15,992,393) | (237,968)   | (41,137)    | (97,954)    | (26,870,244)     |
| Net changes in outstanding claims and other technical reserves                | 6,952,663                                | 1,307,951    | (24,160)    | 13,973      | 57,373      | 8,307,800        |
| <b>Net claims cost</b>  | (3,548,129)                              | (14,684,442) | (262,128)   | (27,164)    | (40,581)    | (18,562,444)     |
| Policy acquisition costs  | (337,454)                                | (2,581,709)  | (1,143,126) | (489,125)   | (481,038)   | (5,032,452)      |
| Other underwriting expenses, net  | (431,342)                                | (504,003)    | (46,599)    | (26,771)    | (34,636)    | (1,043,351)      |
| Reversal of / (addition to) impairment allowance against doubtful receivables | (1,250,175)                              | 1,158,334    | --          | --          | --          | (91,841)         |
| <b>Total underwriting expenses</b>  | (5,567,100)                              | (16,611,820) | (1,451,853) | (543,060)   | (556,255)   | (24,730,088)     |
| <b>Underwriting surplus / (deficit) before administration expenses</b>        | 3,819,490                                | 2,326,504    | 2,077,621   | 385,455     | 931,430     | 9,540,500        |
| Unallocated income  |  |              |             |             |             | 84,283           |
| Unallocated expenses  |  |              |             |             |             | (10,197,734)     |
| <b>Net deficit from insurance operations</b>                                  |  |              |             |             |             | <u>(572,951)</u> |

*Tawfiq Khan*

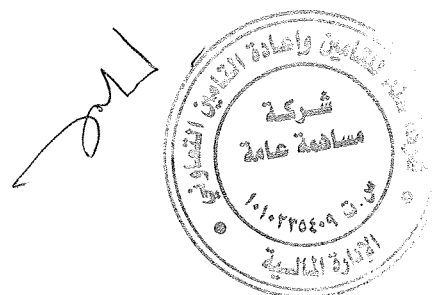
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**9 SEGMENT INFORMATION (Continued)**

**a) Statement of results for insurance operations (continued)**

|   | For the three months ended 31 March 2012 |              |             |             |             |              |
|---|--|--------------|-------------|-------------|-------------|--------------|
|   | Medical                                  | Motor        | Marine      | Engineering | Others      | Total        |
| <b>Total gross written premiums</b>   | 36,774,139                               | 30,373,015   | 5,960,801   | 5,757,444   | 6,363,823   | 85,229,222   |
| Reinsurance premiums ceded  | (8,552,946)                              | (489,700)    | (4,413,167) | (5,395,051) | (5,052,706) | (23,903,570) |
| <b>Net written premiums</b>   | 28,221,193                               | 29,883,315   | 1,547,634   | 362,393     | 1,311,117   | 61,325,652   |
| Net changes in unearned premiums  | (8,358,357)                              | (14,257,177) | 65,975      | 292,025     | (747,873)   | (23,005,407) |
| <b>Net earned premiums</b>  | 19,862,836                               | 15,626,138   | 1,613,609   | 654,418     | 563,244     | 38,320,245   |
| Reinsurance commission earned   | --                                       | --           | 1,249,111   | 739,806     | 816,903     | 2,805,820    |
| Other underwriting income   | 5,600                                    | 31,562       | 15,155      | 1,635       | 12,570      | 66,522       |
| <b>Total underwriting revenue</b>   | 19,868,436                               | 15,657,700   | 2,877,875   | 1,395,859   | 1,392,717   | 41,192,587   |
| Gross claims paid   | (26,919,598)                             | (14,335,538) | (623,070)   | (406,541)   | (1,160,987) | (43,445,734) |
| Reinsurance share of claims paid  | 6,497,765                                | --           | 471,965     | 314,687     | 943,599     | 8,228,016    |
| <b>Net claims paid</b>  | (20,421,833)                             | (14,335,538) | (151,105)   | (91,854)    | (217,388)   | (35,217,718) |
| Net changes in outstanding claims and other technical reserves                | 12,437,600                               | 2,382,703    | (2,655,328) | (529,053)   | (987,657)   | 10,648,265   |
| <b>Net claims cost</b>  | (7,984,233)                              | (11,952,835) | (2,806,433) | (620,907)   | (1,205,045) | (24,569,453) |
| Policy acquisition costs  | (2,607,994)                              | (2,536,379)  | (805,166)   | (514,190)   | (637,904)   | (7,101,633)  |
| Other underwriting expenses, net  | (681,437)                                | (166,940)    | (29,804)    | (25,872)    | (31,261)    | (935,314)    |
| Reversal of / (addition to) impairment allowance against doubtful receivables | 1,078,240                                | 110,148      | --          | --          | --          | 1,188,388    |
| <b>Total underwriting expenses</b>  | (10,195,424)                             | (14,546,006) | (3,641,403) | (1,160,969) | (1,874,210) | (31,418,012) |
| <b>Underwriting surplus / (deficit) before administration expenses</b>        | 9,673,012                                | 1,111,694    | (763,528)   | 234,890     | (481,493)   | 9,774,575    |
| Unallocated income  |  |              |             |             |             | 172,922      |
| Unallocated expenses  |  |              |             |             |             | (10,781,575) |
| <b>Net Deficit from insurance operations</b>                                  |  |              |             |             |             | (834,078)    |



*Yar-Rashid*





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**9 SEGMENT INFORMATION (Continued)**

**b) Insurance operations' assets and liabilities**

|  | At 31 March 2013  |                   |                   |                   |                   |                    |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
|  | Medical           | Motor             | Marine            | Engineering       | Others            | Total              |
| <b>Assets – insurance operations</b>                                 |                   |                   |                   |                   |                   |                    |
| Reinsurers' share of unearned premium                                | 493,803           | --                | 3,472,584         | 7,871,808         | 7,507,860         | 19,346,055         |
| Reinsurers' share of outstanding claims and other technical reserves | 10,328,826        | 5,141,885         | 6,882,265         | 8,042,457         | 4,660,807         | 35,056,240         |
| Deferred policy acquisition cost                                     | 1,405,502         | 6,267,185         | 465,036           | 1,279,096         | 1,147,969         | 10,564,788         |
| Allocated assets   | <u>12,228,131</u> | <u>11,409,070</u> | <u>10,819,885</u> | <u>17,193,361</u> | <u>13,316,636</u> | 64,967,083         |
| Unallocated assets   |                   |                   |                   |                   |                   | <u>182,139,517</u> |
| Total insurance operations assets                                    |                   |                   |                   |                   |                   | <u>247,106,600</u> |
| <b>Liabilities – insurance operations</b>                            |                   |                   |                   |                   |                   |                    |
| Unearned premium reserves  | 24,705,567        | 54,447,082        | 4,244,531         | 8,398,926         | 10,169,760        | 101,965,866        |
| Outstanding claims and other technical reserves                      | 24,091,273        | 32,333,374        | 8,809,804         | 8,899,656         | 5,712,545         | 79,846,652         |
| Unearned commission income   | --                | --                | 1,068,352         | 1,998,198         | 1,977,314         | 5,043,864          |
| Allocated liabilities  | <u>48,796,840</u> | <u>86,780,456</u> | <u>14,122,687</u> | <u>19,296,780</u> | <u>17,859,619</u> | 186,856,382        |
| Unallocated liabilities  |                   |                   |                   |                   |                   | <u>60,250,218</u>  |
| Total insurance operations liabilities                               |                   |                   |                   |                   |                   | <u>247,106,600</u> |
| At 31 December 2012  |                   |                   |                   |                   |                   |                    |
|  | Medical           | Motor             | Marine            | Engineering       | Others            | Total              |
| <b>Assets – insurance operations</b>                                 |                   |                   |                   |                   |                   |                    |
| Reinsurers' share of unearned premium                                | 1,733,029         | --                | 2,497,098         | 5,087,342         | 4,244,871         | 13,562,340         |
| Reinsurers' share of outstanding claims and other technical reserves | 14,344,401        | 4,937,249         | 5,009,030         | 7,498,132         | 5,822,378         | 37,611,190         |
| Deferred policy acquisition cost                                     | 1,104,460         | 3,888,894         | 389,745           | 835,848           | 808,337           | 7,027,284          |
| Allocated assets   | <u>17,181,890</u> | <u>8,826,143</u>  | <u>7,895,873</u>  | <u>13,421,322</u> | <u>10,875,586</u> | 58,200,814         |
| Unallocated assets   |                   |                   |                   |                   |                   | <u>151,766,947</u> |
| Total insurance operations assets                                    |                   |                   |                   |                   |                   | <u>209,967,761</u> |
| <b>Liabilities – insurance operations</b>                            |                   |                   |                   |                   |                   |                    |
| Unearned premium reserves  | 25,542,582        | 27,439,460        | 3,275,384         | 5,441,480         | 5,996,960         | 67,695,866         |
| Outstanding claims and other technical reserves                      | 35,059,512        | 33,436,689        | 6,912,409         | 8,369,304         | 6,931,488         | 90,709,402         |
| Unearned commission income   | --                | --                | 779,059           | 1,338,964         | 1,164,365         | 3,282,388          |
| Allocated liabilities  | <u>60,602,094</u> | <u>60,876,149</u> | <u>10,966,852</u> | <u>15,149,748</u> | <u>14,092,813</u> | 161,687,656        |
| Unallocated liabilities  |                   |                   |                   |                   |                   | <u>48,280,105</u>  |
| Total insurance operations liabilities                               |                   |                   |                   |                   |                   | <u>209,967,761</u> |

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**9 SEGMENT INFORMATION (Continued)**

**c) Outstanding claims and other technical reserves**

|  | At 31 March 2013  |                   |                  |                  |                  | Total             |
|--|-------------------|-------------------|------------------|------------------|------------------|-------------------|
|  | Medical           | Motor             | Marine           | Engineering      | Others           |                   |
| Outstanding claim reserve                                    | 11,707,401        | 26,955,605        | 6,716,975        | 6,893,533        | 3,466,764        | 55,740,278        |
| IBNR reserve   | 11,488,054        | 4,402,945         | 1,863,494        | 1,741,136        | 2,029,199        | 21,524,828        |
| ULAE reserve   | 895,818           | 974,824           | 229,335          | 264,987          | 216,582          | 2,581,546         |
| <b>Total outstanding claims and other technical reserves</b> | <b>24,091,273</b> | <b>32,333,374</b> | <b>8,809,804</b> | <b>8,899,656</b> | <b>5,712,545</b> | <b>79,846,652</b> |

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

**10 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables.

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

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

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

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

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

*Yamin Rashed*

*[Handwritten Signature]*



**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2013**  
*(Amount in Saudi Riyals)*

**10 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

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

|                           | <u>Level 1</u>    | <u>Level 2</u>    | <u>Total</u>      |
|---------------------------|-------------------|-------------------|-------------------|
| <u>Quoted investments</u> |                   |                   |                   |
| Equities                  | 22,038,179        | --                | 22,038,179        |
| Other quoted investments  | --                | 18,025,228        | 18,025,228        |
|                           | <u>22,038,179</u> | <u>18,025,228</u> | <u>40,063,407</u> |

**11 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 14 April 2013 corresponding to 03 Jumada Al-Akhir 1434.