

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT  
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2015**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2015**

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

**SCOPE OF REVIEW**

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at 30 June 2015, and the related interim statements of income – insurance operations and accumulated surplus, interim statements of comprehensive income for insurance operations and shareholders for the three month and six month periods then ended, the related interim statement of changes in shareholders' equity and interim statements of cash flows for insurance operations and shareholders for the six month period then ended, and the related notes which form an integral part of these interim condensed financial statements.

These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.


**CONCLUSION**

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

**EMPHASIS OF MATTER**

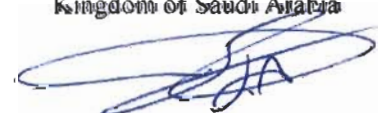
We draw attention that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

PKF Al-Bassam & Al-Nemer  
Allied Accountants  
P. O. Box 28355  
Riyadh 11433  
Kingdom of Saudi Arabia

  
Ibrahim A. Al Bassam  
Certified Public Accountant  
Registration No. 337



Dr. Mohamed Al-Amri & Co.  
Accountants & Consultants  
P. O. Box 8736  
Riyadh 11492  
Kingdom of Saudi Arabia

  
Gihad Al-Amri  
Certified Public Accountant  
Registration No. 362



Ramadan 27, 1436H  
July 14, 2015G

**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF FINANCIAL POSITION**

	Notes	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
		SR '000	
<b><u>ASSETS - INSURANCE OPERATIONS</u></b>			
Due from Shareholders' operations		-	46,139
Property and equipment, net		297,003	273,860
Investment property		9,861	9,861
Investments in associates		12,472	9,558
Available for sale investments	4(i)	3,482,691	2,869,000
Prepaid expenses and other assets		406,771	429,017
Deferred policy acquisition costs		207,157	173,633
Reinsurers' share of outstanding claims	5	1,915,549	1,200,247
Reinsurers' share of unearned premiums		617,811	443,940
Receivables, net	3	1,264,280	1,529,113
Cash and cash equivalents		378,153	700,550
<b>Total assets - Insurance operations</b>		<b>8,591,748</b>	<b>7,684,918</b>
<b><u>ASSETS - SHAREHOLDERS</u></b>			
Due from Insurance operations		268,123	-
Investments in associates		78,845	79,843
Available for sale investments	4(ii)	1,825,839	2,047,555
Accrued investment income		4,176	5,607
Statutory deposit	8	100,000	100,000
Cash and cash equivalents		28,020	20,583
<b>Total assets - Shareholders</b>		<b>2,305,003</b>	<b>2,253,588</b>
<b>TOTAL ASSETS</b>		<b>10,896,751</b>	<b>9,938,506</b>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.




**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

	Notes	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
SR '000			
<b><u>LIABILITIES AND SURPLUS – INSURANCE OPERATIONS</u></b>			
<b>Liabilities - Insurance operations:</b>			
Surplus distribution payable		46,895	46,895
Claims payable, accrued expenses and other liabilities		1,078,827	1,296,263
Due to Shareholders' operations		268,123	-
Reserve for Takaful activities		16,364	16,340
Reserve for discontinued operations		10,823	11,211
Gross outstanding claims and reserves	5	3,340,603	2,662,501
Unearned commission income		55,076	41,554
Gross unearned premiums		3,512,691	3,290,900
Reinsurers' balances payable		222,174	313,900
<b>Total liabilities - Insurance operations</b>		<b>8,551,576</b>	<b>7,679,564</b>
<b>Surplus - Insurance operations:</b>			
Accumulated surplus		21,516	-
Fair value reserve for available for sale investments		18,656	5,354
<b>Total liabilities and surplus - Insurance operations</b>		<b>8,591,748</b>	<b>7,684,918</b>
<b><u>LIABILITIES AND EQUITY – SHAREHOLDERS</u></b>			
<b>Shareholders' liabilities:</b>			
Due to Insurance operations		-	46,139
Accrued expenses and other liabilities		1,561	1,434
Dividends payable		5,652	5,014
Zakat		132,818	124,626
<b>Total liabilities – Shareholders</b>		<b>140,031</b>	<b>177,213</b>
<b>Shareholders' equity:</b>			
Share capital	6	1,000,000	1,000,000
Legal reserve	9	763,779	763,779
Fair value reserve for available for sale investments		105,035	163,874
Retained earnings		296,158	148,722
<b>Total Shareholders' equity</b>		<b>2,164,972</b>	<b>2,076,375</b>
<b>Total Shareholders' liabilities and equity</b>		<b>2,305,003</b>	<b>2,253,588</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>10,896,751</b>	<b>9,938,506</b>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.




**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED**  
**SURPLUS**

	Three months ended June 30, 2015 (Unaudited)	Three months ended June 30, 2014 (Unaudited)	Six months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2014 (Unaudited)
<b>SR '000</b>				
<b>REVENUES</b>				
Gross premiums written	1,802,264	1,478,443	3,307,768	2,972,145
Less: Reinsurance ceded	<u>(365,485)</u>	<u>(349,014)</u>	<u>(623,519)</u>	<u>(584,934)</u>
Net premiums written	1,436,779	1,129,429	2,684,249	2,387,211
Changes in unearned premiums	<u>(85,923)</u>	<u>53,097</u>	<u>(47,920)</u>	<u>(73,404)</u>
Net premiums earned	1,350,856	1,182,526	2,636,329	2,313,807
Reinsurance commissions	22,934	23,041	46,816	50,758
Investment income, net	49,068	19,841	75,838	26,844
Other income, net	<u>7,095</u>	<u>9,880</u>	<u>16,661</u>	<u>37,831</u>
<b>Total revenues</b>	<u>1,429,953</u>	<u>1,235,288</u>	<u>2,775,644</u>	<u>2,429,240</u>
<b>COSTS AND EXPENSES</b>				
Gross claims paid	1,194,934	1,326,670	2,455,993	2,482,245
Less: Reinsurance share	<u>(134,280)</u>	<u>(406,174)</u>	<u>(349,350)</u>	<u>(611,225)</u>
Net claims paid	1,060,654	920,496	2,106,643	1,871,020
Changes in outstanding claims and reserves	<u>(1,205)</u>	<u>55,369</u>	<u>(37,200)</u>	<u>91,308</u>
Net claims incurred	1,059,449	975,865	2,069,443	1,962,328
Policy acquisition costs	105,720	88,315	205,895	184,668
Excess of loss expenses	6,355	1,660	13,667	9,359
Changes in Takaful Reserves	232	1,244	24	1,232
Other underwriting expenses	27,060	16,170	60,914	34,130
Manafeth Insurance share (note 10)	7,132	-	15,412	-
Operating and selling expenses	76,402	51,365	146,808	97,795
Other general and administrative expenses	<u>20,189</u>	<u>8,154</u>	<u>48,325</u>	<u>19,552</u>
<b>Total costs and expenses</b>	<u>1,302,539</u>	<u>1,142,773</u>	<u>2,560,488</u>	<u>2,309,064</u>
Surplus from Insurance operations	127,414	92,515	215,156	120,176
Shareholders' appropriation from surplus	<u>(114,673)</u>	<u>(83,263)</u>	<u>(193,640)</u>	<u>(108,158)</u>
<b>Surplus from Insurance operations after Shareholders' appropriation</b>	12,741	9,252	21,516	12,018
Accumulated surplus, beginning of the period	<u>8,774</u>	<u>2,766</u>	<u>-</u>	<u>-</u>
<b>ACCUMULATED SURPLUS, END OF THE PERIOD</b>	<u>21,515</u>	<u>12,018</u>	<u>21,516</u>	<u>12,018</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.




**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS**

	Three months ended June 30, 2015 (Unaudited)	Three months ended June 30, 2014 (Unaudited)	Six months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2014 (Unaudited)
	<b>SR '000</b>			
Surplus from Insurance operations after Shareholders' appropriation	12,741	9,252	21,516	12,018
<b>Other comprehensive income:</b>				
Net changes in fair value of available for sale investments	7,080	(10,545)	13,302	3,704
<b>Total comprehensive income for the period</b>	<b>19,821</b>	<b>(1,293)</b>	<b>34,818</b>	<b>15,722</b>

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**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS**

	Three months ended June 30, 2015 (Unaudited)	Three months ended June 30, 2014 (Unaudited)	Six months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2014 (Unaudited)
Notes	SR '000			
Appropriation of surplus from Insurance operations	114,673	83,263	193,640	108,158
Investment income, net	105,009	110,103	122,283	124,886
Other income / expenses, net	1	(202)	-	(202)
<b>Income from operations before Zakat</b>	<b>219,683</b>	<b>193,164</b>	<b>315,923</b>	<b>232,842</b>
Zakat	(15,033)	(10,624)	(23,487)	(17,468)
<b>Net income for the period</b>	<b>204,650</b>	<b>182,540</b>	<b>292,436</b>	<b>215,374</b>
<b>Other comprehensive income:</b>				
Changes in fair value of available for sale investments	(49,625)	(74,592)	(58,839)	(34,930)
<b>Comprehensive income for the period</b>	<b>155,025</b>	<b>107,948</b>	<b>233,597</b>	<b>180,444</b>
<b>Earnings per share:</b>				
Basic and diluted earnings per share (in SR)	2.05	1.83	2.92	2.15
Weighted average number of shares in issue	6 & 14 100,000,000	100,000,000	100,000,000	100,000,000

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Legal reserve	Fair value reserve for available for sale investments	Retained earnings	Total
	SR'000				
<b>Unaudited</b>					
Balance at January 1, 2014	1,000,000	651,756	288,183	(299,371)	1,640,568
Comprehensive income:					
Net income for the period	-	-	-	215,374	215,374
Changes in fair value of available for sale investments	-	-	(34,930)	-	(34,930)
Total comprehensive income	-	-	(34,930)	215,374	180,444
Balance at June 30, 2014	1,000,000	651,756	253,253	(83,997)	1,821,012
<b>Unaudited</b>					
Balance at January 1, 2015	1,000,000	763,779	163,874	148,722	2,076,375
Dividend distribution	-	-	-	(145,000)	(145,000)
Comprehensive income:					
Net income for the period	-	-	-	292,436	292,436
Changes in fair value of available for sale investments	-	-	(58,839)	-	(58,839)
Total comprehensive income	-	-	(58,839)	292,436	233,597
Balance at June 30, 2015	1,000,000	763,779	105,035	296,158	2,164,972

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.




**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS**

	Six months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2014 (Unaudited)
	SR '000	
<b>Operating activities:</b>		
Surplus from Insurance operations after Shareholders' appropriation	21,516	12,018
Adjustments to reconcile surplus from Insurance operations to net cash from operating activities:		
Shareholders' appropriation from surplus	193,640	108,158
Depreciation	6,332	4,745
Gain on disposal of property and equipment	-	(24,016)
Gain on sale of available for sale investments	(20,147)	(18,135)
Share of profit from investments in associates, net	(2,914)	(2,397)
Operating surplus before changes in operating assets and liabilities	198,427	80,373
Changes in operating assets and liabilities:		
Prepaid expenses and others assets	22,246	(23,403)
Deferred policy acquisition costs	(33,524)	(11,833)
Reinsurers' share of outstanding claims	(715,302)	411,555
Reinsurers' share of unearned premiums	(173,871)	(104,646)
Receivables, net	264,833	(359,653)
Reinsurers' balances payable	(91,726)	620,960
Unearned premium income	221,791	178,050
Unearned commission income	13,522	4,463
Gross outstanding claims and reserves	678,102	(320,247)
Reserve for discontinued operations	(388)	(412)
Reserve for takaful activities	24	1,232
Accrued expenses and other liabilities	(217,436)	(42,535)
Due to Shareholders	120,622	(54,467)
Net cash from operating activities	287,320	379,437
<b>Investing activities:</b>		
Proceeds from sale of investments	1,783,008	548,288
Purchase of investments	(2,363,250)	(1,242,148)
Purchase of property and equipment	(29,475)	(33,316)
Proceeds from disposal of property and equipment	-	61,172
Net cash used in investing activities	(609,717)	(666,004)
<b>Net change in cash and cash equivalents</b>	<b>(322,397)</b>	<b>(286,567)</b>
Cash and cash equivalents, beginning of the period	700,550	792,078
<b>Cash and cash equivalents, end of the period</b>	<b>378,153</b>	<b>505,511</b>
<b>Non-cash supplemental information:</b>		
Changes in fair value of available for sale investments	13,302	3,704

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS**

Note	Six months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2014 (Unaudited)
	SR '000	
<b>Operating activities:</b>		
Net income for the period before zakat	315,923	232,842
Adjustments to reconcile net income before zakat to net cash (used in) / from operating activities:		
Appropriation of surplus from Insurance operations	(193,640)	(108,158)
Gain on sale of investments	(15,987)	(106,364)
Share of loss / (income) from investments in associates, net	998	(12,326)
Operating profit before changes in operating assets and liabilities	107,294	5,994
Changes in operating assets and liabilities:		
Accrued investment income	1,431	(496)
Due from Insurance operations	(120,622)	54,467
Accrued expenses and other liabilities	127	2,607
Zakat paid	(15,295)	(15,487)
Net cash (used in) / from operating activities	(27,065)	47,085
<b>Investing activities:</b>		
Proceeds from sale of/and matured investments	1,613,755	597,520
Purchase of investments	(1,434,891)	(827,923)
Dividends received from investment in associates	-	3,728
Net cash from / (used in) investing activities	178,864	(226,675)
<b>Financing activities:</b>		
Dividends paid	(144,362)	(60)
Net cash used in financing activities	(144,362)	(60)
Net change in cash and cash equivalents	7,437	(179,650)
Cash and cash equivalents, beginning of the period	20,583	198,766
Cash and cash equivalents, end of the period	28,020	19,116
<b>Non-cash supplemental information:</b>		
Changes in fair value of available for sale investments	(58,839)	(34,930)

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.




**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**June 30, 2015**

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**1. GENERAL**

The Company for Cooperative Insurance (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986, corresponding to Jumad Awal 8, 1406H, under Commercial Registration No. 1010061695. The Company's Head Office is located on Thumamah Road (at Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

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

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

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

On March 20, 2004, the Board of Directors approved the disposition of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the Shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the Policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the Shareholders' operations in full.

**2. BASIS OF PREPARATION**

**(a) Basis of presentation**

The interim condensed financial statements for the three and six months period ended June 30, 2015 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

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 audited financial statements for the year ended December 31, 2014.

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

As required by SAMA Implementing Regulations, the Company maintains separate accounts for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest thousand (SR '000).

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**(continued)**  
**June 30, 2015**

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

**(a) Basis of presentation (continued)**

In management's opinion, these 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.

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

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2014. Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

**Estimation of insurance contract reserves:**

Following are the critical areas of estimation and judgments for medical business (which represents the main line of business) for which the Company acquires the services of an independent actuary to determine such reserves.

*i) Incurred but not reported claims ("IBNR")*

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The claims reserves are sensitive to assumptions made about the number of months used to average the completion factors and the claims trend.

Based on the actuary's assessment, the Company believes that reserves for medical business are very sensitive, and which could be subject to changes in the assumptions used.

*ii) Premium deficiency reserve ("PDR")*

Estimation of the premium deficiency reserve for medical business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and premiums relationship which is expected to apply on a month to month basis.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**(continued)**  
**June 30, 2015**

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

**(c) Significant accounting policies**

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2014, except for the adoption of the following amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company:

*Amendments to existing standards*

- Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investments funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss, provided it fulfils certain conditions, with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.
- IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.
- IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed.
- IFRIC Interpretation 21 Levies (IFRIC 21)  
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.
- IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

*Standards issued but not yet effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**(continued)**  
**June 30, 2015**

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

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

*Standards issued but not yet effective (continued)*

- IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments:

Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

The Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

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

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

Annual improvements 2010-2012 Cycle *(continued)*

**IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

**IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.



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

**(d) Segmental reporting**

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

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Manafeth – third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.

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

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

No inter-segment transactions occurred during the period. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the interim condensed financial statements of the Company.

**(e) Seasonality of operations**

There are no seasonal changes that may affect insurance operations.

**3. RECEIVABLES, NET**

Receivables of Insurance operations are comprised of balances due from the following:

	<b>June 30, 2015 SR'000 (Unaudited)</b>	<b>December 31, 2014 SR'000 (Audited)</b>
Policyholders	1,094,037	1,167,451
Agents	166,576	186,166
Related parties (note 11)	7,469	106,603
	<b>1,268,082</b>	<b>1,460,220</b>
Receivables from reinsurers	92,200	158,459
Administrative Service Plan	20,581	12,817
	<b>1,380,863</b>	<b>1,631,496</b>
Provision for doubtful receivables	<b>(116,583)</b>	<b>(102,383)</b>
Receivables, net	<b>1,264,280</b>	<b>1,529,113</b>

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**4. AVAILABLE FOR SALE INVESTMENTS**

**i) Insurance operations:**

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

	<b>June 30, 2015 SR'000 (Unaudited)</b>	December 31, 2014 SR'000 (Audited)
Local / regional money market and fixed income investments	<b>2,356,283</b>	2,295,303
Local / regional equity and equity funds	<b>1,126,359</b>	476,761
Foreign equities and equity funds	<b>49</b>	96,936
<b>Total</b>	<b><u>3,482,691</u></b>	<u>2,869,000</u>

**ii) Shareholders:**

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

	<b>June 30, 2015 SR'000 (Unaudited)</b>	December 31, 2014 SR'000 (Audited)
Local / regional money market and fixed income investments	<b>1,283,723</b>	1,142,237
Local / regional equity and equity funds	<b>250,729</b>	290,130
Foreign money market and fixed income investments	<b>159,574</b>	311,823
Foreign equities and equity funds	<b>131,813</b>	303,365
<b>Total</b>	<b><u>1,825,839</u></b>	<u>2,047,555</u>

**5. OUTSTANDING CLAIMS AND RESERVES, NET**

Outstanding claims and reserves, net are comprised of the following:

	<b>June 30, 2015 (SR'000) (Unaudited)</b>	December 31, 2014 (SR'000) (Audited)
Gross outstanding claims	<b>2,312,310</b>	1,642,524
Less: Realizable value of salvage and subrogation	<b>(71,109)</b>	(65,781)
Add: Incurred but not reported claims	<b>1,057,112</b>	1,043,468
Add: Premium deficiency reserve	<b>42,290</b>	42,290
Outstanding claims and reserves	<b><u>3,340,603</u></b>	<u>2,662,501</u>
Less: Reinsurers' share of outstanding claims	<b>(1,915,549)</b>	(1,200,247)
<b>Net outstanding claims and reserves</b>	<b><u>1,425,054</u></b>	<u>1,462,254</u>

At June 30, 2015, the Company maintained a provision in respect of premium deficiency for medical business of SR 42 million. The Company created this provision in 2014 as it believes that the unearned premiums for medical business will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of the policies in force at the statement of financial position date.

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**6. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SR 1 billion at June 30, 2015 and December 31, 2014, consisting of 100 million shares of SR 10 each.

**7. CONTINGENT LIABILITIES**

As at June 30, 2015, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SR 160 million (December 31, 2014: SR 160 million) occurring in the normal course of business.

**8. STATUTORY DEPOSIT**

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

**9. LEGAL RESERVE**

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

**10. MANAFETH SHARED AGREEMENT**

The Company has signed Manafeth shared agreement effective from 1 January 2015 with 25 insurance companies on 13 January 2015 with regards to Manafeth third party liability motor insurance.

The main terms of the above mentioned agreement are the following:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is due to be shared equally by the Company and its related insurers.

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**11. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	Transactions for the period ended		Balance Receivable / (Payable) as at	
	June 30, 2015 (SR'000) (Unaudited)	June 30, 2014 (SR'000) (Unaudited)	June 30, 2015 (SR'000) (Unaudited)	December 31, 2014 (SR'000) (Audited)
<b>Major shareholders</b>				
Amount of claims to hospitals	18,246	15,877	(80)	(2,877)
Medical insurance premium	4,270	10,977	5,725	105,626
<b>Associates</b>				
Insurance premium	1,644	22,787	1,744	977
Rent expenses paid	551	2,526	-	-
Najm Fees	5,854	-	(17,554)	(4,778)

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration of up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

The remuneration of key management personnel during the period is as follows:

	Six months ended 30 June 2015 (Unaudited) (SR'000)	Six months ended 30 June 2014 (Unaudited) (SR'000)
Short term benefits	5,295	4,331
End of service indemnities	412	548

**12. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. Consequently, differences can arise between the carrying values and fair value estimates. The Company's financial assets consist of cash and cash equivalents, receivables, reinsurers' share of outstanding claims, other assets, available for sale investments, statutory deposits and accrued income. Its financial liabilities consist of outstanding claims, reinsurance balances payable and claims payable, accrued expenses and other liabilities.

The fair values of financial assets that are traded in an active market are based on quoted market prices or dealer price quotations. For all other financial instruments, the fair value is based on other valuation techniques.

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**12. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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

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

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

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

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

The table below analyses the financial instruments measured at fair value at the end of the reporting period June 30, 2015 and December 31, 2014 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	(SR'000)			
<u>June 30, 2015 (Unaudited)</u>	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	1,725,730	-	1,756,961	3,482,691
- Shareholders	1,270,607	-	555,232	1,825,839
<b>Total</b>	<b>2,996,337</b>	<b>-</b>	<b>2,312,193</b>	<b>5,308,530</b>
<u>December 31, 2014 (Audited)</u>				
Available for sale financial assets				
- Insurance operations	1,747,130	-	1,121,870	2,869,000
- Shareholders	1,638,000	-	409,555	2,047,555
<b>Total</b>	<b>3,385,130</b>	<b>-</b>	<b>1,531,425</b>	<b>4,916,555</b>

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

Level 3 investments comprise investment in Private Equity Funds and debt instruments. The valuation technique used to measure Private Equity Funds is NAV (net assets value). The fair value of Private Equity Funds computed is based on the latest reported net assets value as at the financial position date. Further, the Debt Instruments are measured at the fair value based on the discounted cash flow technique, which, as per the management, is the best estimate of the exit price i.e. fair value.

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**13. OPERATING SEGMENTS**

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in this note is based on current reporting to the chief operating decision maker.

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

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

For the three months ended June 30, 2015  
(Unaudited)

Operating Segments	Property & casualty				Total
	Medical	Motor	Manafeth SR' 000		
Gross premiums written:					
Compulsory	896,739				
Non – compulsory	175,266				
Total gross premiums written	<u>1,072,005</u>	<u>287,953</u>	<u>48,155</u>	<u>394,151</u>	<u>1,802,264</u>
Net premiums written	<u>1,060,162</u>	<u>287,953</u>	<u>48,155</u>	<u>40,509</u>	<u>1,436,779</u>
Net premiums earned	1,026,376	255,082	35,549	33,849	1,350,856
Reinsurance commissions	58	11	-	22,865	22,934
Net claims incurred	(843,658)	(185,038)	(16,542)	(14,211)	(1,059,449)
Policy acquisition costs	(56,908)	(33,178)	(5,935)	(9,699)	(105,720)
Excess of loss expenses	-	(2,799)	(582)	(2,974)	(6,355)
Changes in Takaful Reserve	(232)	-	-	-	(232)
Other underwriting expenses	(18,245)	(2,799)	(1,550)	(4,466)	(27,060)
General, administrative, operating and selling expenses	<u>(54,213)</u>	<u>(16,922)</u>	<u>(3,522)</u>	<u>(21,934)</u>	<u>(96,591)</u>
<b>Profit from Insurance Operations</b>	<u>53,178</u>	<u>14,357</u>	<u>7,418</u>	<u>3,430</u>	<u>78,383</u>
Investment gains					49,068
Other income					7,095
Manafeth Insurance share (Note 10)					(7,132)
<b>Net Surplus from Insurance Operations</b>					<u>127,414</u>

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**13. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months ended June 30, 2014 (Unaudited)			Total
	Medical	Motor	Property & casualty	
	SR' 000			
Gross premiums written:				
Compulsory	676,717			
Non- compulsory	164,397			
Total gross premiums written	<u>841,114</u>	<u>260,480</u>	<u>376,849</u>	<u>1,478,443</u>
Net premiums written	<u>828,172</u>	<u>260,502</u>	<u>40,755</u>	<u>1,129,429</u>
Net premiums earned	891,567	257,733	33,226	1,182,526
Reinsurance commissions	190	570	22,281	23,041
Net claims incurred	(785,334)	(173,173)	(17,358)	(975,865)
Policy acquisition costs	(44,058)	(35,582)	(8,675)	(88,315)
Excess of loss expenses	2,761	(2,454)	(1,967)	(1,660)
Changes in Takaful Reserve	(1,244)	-	-	(1,244)
Other underwriting expenses	(12,527)	(1,327)	(2,316)	(16,170)
General, administrative, operating and selling expenses	<u>(29,930)</u>	<u>(15,617)</u>	<u>(13,972)</u>	<u>(59,519)</u>
<b>Profit from Insurance Operations</b>	<u>21,425</u>	<u>30,150</u>	<u>11,219</u>	<u>62,794</u>
Investment income, net				19,841
Other income, net				<u>9,880</u>
<b>Surplus from Insurance Operations</b>				<u><b>92,515</b></u>

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**13. OPERATING SEGMENTS (continued)**

Operating Segments	For the six month ended June 30, 2015				Total
	Medical	Motor	Manafeth	Property & casualty	
	(Unaudited)				
	SR' 000				
Gross premiums written:					
Compulsory	1,736,459				
Non - compulsory	199,037				
Total gross premiums written	<u>1,935,496</u>	<u>590,278</u>	<u>99,927</u>	<u>682,067</u>	<u>3,307,768</u>
Net premiums written	<u>1,922,474</u>	<u>590,278</u>	<u>99,927</u>	<u>71,570</u>	<u>2,684,249</u>
Net premiums earned	2,006,740	497,965	65,377	66,247	2,636,329
Reinsurance commissions	(152)	26	-	46,942	46,816
Net claims incurred	(1,653,326)	(365,423)	(24,317)	(26,377)	(2,069,443)
Policy acquisition costs	(108,714)	(64,706)	(12,971)	(19,504)	(205,895)
Excess of loss expenses	-	(7,183)	(1,165)	(5,319)	(13,667)
Changes in Takaful Reserve	(24)	-	-	-	(24)
Other underwriting expenses	(36,771)	(8,341)	(3,328)	(12,474)	(60,914)
General, administrative, operating and selling expenses	(110,154)	(35,752)	(7,567)	(41,660)	(195,133)
<b>Profit from Insurance Operations</b>	<u>97,599</u>	<u>16,586</u>	<u>16,029</u>	<u>7,855</u>	<u>138,069</u>
Investment gains					75,838
Other income					16,661
Manafeth Insurance share (Note 10)					(15,412)
<b>Net Surplus from Insurance Operations</b>					<u>215,156</u>



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**13. OPERATING SEGMENTS (continued)**

Operating Segments	For the six month ended June 30, 2014 (Unaudited)			Total
	Medical	Motor	Property & casualty	
	SR' 000			
Gross premiums written:				
Compulsory	1,598,451			
Non- compulsory	200,594			
Total gross premiums written	1,799,045	538,216	634,884	2,972,145
Net premiums written	1,775,983	538,159	73,069	2,387,211
Net premiums earned	1,737,260	509,715	66,832	2,313,807
Reinsurance commissions	1,130	2,330	47,298	50,758
Net claims incurred	(1,584,274)	(345,420)	(32,634)	(1,962,328)
Policy acquisition costs	(94,664)	(71,531)	(18,473)	(184,668)
Excess of loss expenses	-	(6,387)	(2,972)	(9,359)
Changes in Takaful Reserve	(1,232)	-	-	(1,232)
Other underwriting expenses	(27,186)	(2,846)	(4,098)	(34,130)
General, administrative, operating and selling expenses	(55,769)	(30,010)	(31,568)	(117,347)
<b>(Loss) / profit from Insurance Operations</b>	<b>(24,735)</b>	<b>55,851</b>	<b>24,385</b>	<b>55,501</b>
Investment income, net				26,844
Other income, net				37,831
<b>Surplus from Insurance Operations</b>				<b>120,176</b>

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13. OPERATING SEGMENTS (continued)

Operating Segments	As at June 30, 2015 (Unaudited)				Total
	Medical	Motor	Manafeth	Property & casualty	
	SR' 000				
<b>Assets - Insurance operations</b>					
Reinsurer's share of unearned premium	11,594	5,253	-	600,964	617,811
Reinsurer's share of outstanding claims, net	167	13,072	-	1,902,310	1,915,549
Deferred policy acquisition costs	123,663	61,954	-	21,540	207,157
Investments					3,505,024
Receivables, net					1,264,280
Unallocated assets					1,081,927
<b>Total assets</b>					<b>8,591,748</b>
<b>Liabilities and surplus - Insurance operations</b>					
Unearned premium income	2,187,189	567,770	34,550	723,182	3,512,691
Gross outstanding claims and reserves	1,008,807	235,616	13,896	2,082,284	3,340,603
Unearned commission income	5,447	38	-	49,591	55,076
Reserve for Takaful activities	16,364	-	-	-	16,364
Unallocated liabilities and surplus					1,667,014
<b>Total liabilities and surplus</b>					<b>8,591,748</b>

Operating Segments	As at December 31, 2014 (Audited)				Total
	Medical	Motor		Property & casualty	
	SR' 000				
<b>Assets - Insurance operations</b>					
Reinsurer's share of unearned premiums	8,066	3,854		432,020	443,940
Reinsurer's share of outstanding claims, net	246	27,201		1,172,800	1,200,247
Deferred policy acquisition costs	107,231	47,880		18,522	173,633
Investments					2,888,419
Receivables, net					1,529,113
Unallocated assets					1,449,566
<b>Total assets</b>					<b>7,684,918</b>
<b>Liabilities and surplus - Insurance operations</b>					
Unearned premium income	2,267,928	474,058		548,914	3,290,900
Gross outstanding claims and reserves	1,077,703	236,956		1,347,842	2,662,501
Unearned commission income	4,412	64		37,078	41,554
Reserve for Takaful activities	16,340	-		-	16,340
Unallocated liabilities and surplus					1,673,623
<b>Total liabilities and surplus</b>					<b>7,684,918</b>

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**14. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated by dividing the net income for the period ended June 30, 2015 and June 30, 2014 by 100 million shares.

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

The interim condensed financial statements have been approved by the Audit Committee on behalf of the Board of Directors, on Ramadan 27, 1436H, corresponding to July 14, 2015G.