

**THE COMPANY FOR COOPERATIVE
INSURANCE**

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS'
LIMITED REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015**

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 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 31 March 2015, and the related interim statements of income – insurance operations and accumulated surplus, interim statements of comprehensive income for insurance operations and shareholders, interim statements of changes in shareholders' equity and interim statements of cash flows for insurance operations and shareholders for the three 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 the auditing standards generally accepted 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 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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Jumada II 27, 1436
April 16, 2015

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

	Notes	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
SR '000			
<u>ASSETS - INSURANCE OPERATIONS</u>			
Due from shareholder's operations		-	46,139
Property and equipment, net		287,461	273,860
Investment property		9,861	9,861
Investments in associates		10,937	9,558
Available for sale investments	4(i)	3,142,955	2,869,000
Prepaid expenses and other assets		349,231	429,017
Deferred policy acquisition costs		187,288	173,633
Reinsurers' share of outstanding claims	5	1,057,386	1,200,247
Reinsurers' share of unearned premiums		468,032	443,940
Receivables, net	3	1,391,339	1,529,113
Cash and cash equivalents		578,014	700,550
Total assets - Insurance operations		7,482,504	7,684,918
<u>ASSETS – SHAREHOLDERS</u>			
Due from insurance operations		16,980	-
Investments in associates		84,025	79,843
Available for sale investments	4(ii)	1,923,436	2,047,555
Accrued investment income		3,229	5,607
Statutory deposit	8	100,000	100,000
Cash and cash equivalents		22,587	20,583
Total assets – Shareholders		2,150,257	2,253,588
TOTAL ASSETS		9,632,761	9,938,506

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	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
		SR '000	
<u>LIABILITIES AND SURPLUS – INSURANCE OPERATIONS</u>			
Liabilities - Insurance operations:			
Surplus distribution payable		46,895	46,895
Claims payable, accrued expenses and other liabilities		1,358,728	1,296,263
Due to shareholders' operations		16,980	-
Reserve for takaful activities		16,130	16,340
Reserve for discontinued operations		10,823	11,211
Gross outstanding claims and reserves	5	2,483,645	2,662,501
Unearned commission income		48,084	41,554
Gross unearned premiums		3,276,989	3,290,900
Reinsurers' balances payable		203,880	313,900
Total liabilities - Insurance operations		7,462,154	7,679,564
Surplus - Insurance operations:			
Accumulated surplus		8,774	-
Fair value reserve for available for sale investments		11,576	5,354
Total liabilities and surplus - Insurance operations		7,482,504	7,684,918
<u>LIABILITIES AND EQUITY - SHAREHOLDERS</u>			
Shareholders' liabilities:			
Due to insurance operations		-	46,139
Accrued expenses and other liabilities		1,498	1,434
Dividends payable		5,751	5,014
Zakat		133,060	124,626
Total liabilities - Shareholders		140,309	177,213
Shareholders' equity:			
Share capital	6	1,000,000	1,000,000
Legal reserve	9	763,779	763,779
Fair value reserve for available for sale investments		154,660	163,874
Retained earnings		91,509	148,722
Total Shareholders' equity		2,009,948	2,076,375
Total Shareholders' liabilities and equity		2,150,257	2,253,588
TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY		9,632,761	9,938,506

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

	Notes	Three month ended	
		March 31,	
		2015	2014
		(Unaudited)	(Unaudited)
		SR '000	
<u>REVENUES</u>			
Gross premiums written		1,505,504	1,493,702
Less: Reinsurance ceded		(258,034)	(235,920)
Net premiums written		1,247,470	1,257,782
Changes in unearned premium		38,003	(126,501)
Net premiums earned		1,285,473	1,131,281
Reinsurance commissions		23,882	27,717
Investments gains, net		26,770	7,003
Other income (expenses), net		9,566	27,951
Total revenues		1,345,691	1,193,952
<u>COST AND EXPENSES</u>			
Gross claims paid		1,261,059	1,155,575
Less: Reinsurers' share		(215,070)	(205,051)
Net claims paid		1,045,989	950,524
Changes in outstanding claims		(35,995)	35,939
Net claims incurred		1,009,994	986,463
Policy acquisition costs		100,175	96,353
Excess of loss / Stop Loss expenses		7,312	7,699
Changes in reserve for Takaful activities		(208)	(12)
Other underwriting expenses		33,854	17,960
Manafith Shared Expenses	10	8,280	-
Operating & Selling expenses		70,406	46,430
Other general & administrative expenses		28,136	11,397
Total cost and expenses		1,257,949	1,166,290
Surplus from insurance operations		87,742	27,662
Shareholders' appropriation from surplus		(78,968)	(24,896)
Surplus from insurance operations after shareholders' appropriation		8,774	2,766
ACCUMULATED SURPLUS, END OF PERIOD		8,774	2,766

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 month ended	
	March 31,	
	2015	2014
	(Unaudited)	(Unaudited)
	SR '000	
Surplus from insurance operations after shareholder's appropriation	8,774	2,766
Other comprehensive income:		
Net change in fair value of available for sale investments	6,222	14,249
Total comprehensive income for the period	14,996	17,015

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 - SHAREHOLDERS

	Three month ended	
	March 31,	
	2015	2014
	(Unaudited)	(Unaudited)
	SR '000	
Appropriation of surplus from insurance operations	78,968	24,896
Investment income, net	17,274	14,783
Other income / (expenses), net	(1)	-
Income from operations before Zakat	96,241	39,679
Zakat	(8,454)	(6,844)
Net income for the period	87,787	32,835
Other comprehensive income:		
Changes in fair value of available for sale investments	(9,214)	39,662
Comprehensive income for the period	78,573	72,497
Earnings per share:		
Basic and diluted earnings per share (SR)	0.88	0.33
Weighted average number of shares in issue	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				
Unaudited					
Balance at January 1, 2014	1,000,000	651,756	288,183	(299,371)	1,640,568
Net income for the period	-	-	-	32,835	32,835
Changes in fair value of available for sale investments	-	-	39,662	-	39,662
Total Comprehensive income			39,662	32,835	72,497
Balance at March 31, 2014	1,000,000	651,756	327,845	(266,536)	1,713,065
Unaudited					
Balance at January 1, 2015	1,000,000	763,779	163,874	148,722	2,076,375
Dividend distribution	-	-	-	(145,000)	(145,000)
Net income for the period	-	-	-	87,787	87,787
Changes in fair value of Available for sale investments	-	-	(9,214)	-	(9,214)
Total Comprehensive income			(9,214)	87,787	78,573
Balance at March 31, 2015	1,000,000	763,779	154,660	91,509	2,009,948

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

	Three months ended March 31,	
	2015	2014
	(Unaudited)	(Unaudited)
	(SR'000)	
Operating activities:		
Surplus from insurance operations after Shareholders' appropriations	8,774	2,766
<u>Adjustments to reconcile surplus from insurance operations after Shareholders' appropriations to net cash provided by operating activities:</u>		
Shareholders' appropriation from surplus	78,968	24,896
Depreciation	2,749	2,489
Gain on sale of property and equipment	-	(24,016)
Gain from sale of available for sale investments	(25,391)	(82)
Income from investments in associates	(1,379)	(818)
Operating surplus after Shareholders' appropriations but before changes in operating assets and liabilities	63,721	5,235
<u>Changes in operating assets and liabilities:</u>		
Receivables, net	137,774	(5,429)
Reinsurers' share of outstanding claims	142,861	186,479
Reinsurers' share of unearned premiums	(24,092)	19,880
Deferred policy acquisition costs	(13,655)	(5,420)
Prepaid expenses and others assets	79,786	55,750
Reinsurer balances payable	(110,020)	193,409
Unearned premium income	(13,911)	106,621
Unearned commission income	6,530	(1,920)
Outstanding claims	(178,856)	(150,540)
Reserve for discontinued operations	(388)	(392)
Reserve for Takaful activities	(210)	(12)
Accrued expenses and other liabilities	62,465	(174,917)
Due to shareholders	(15,849)	(51,691)
Net cash provided by operating activities	136,156	177,053
Investing activities:		
Proceeds from sale of / matured investments	938,547	908
Purchase of investments	(1,180,889)	(472,222)
Proceeds from sale of property and equipment	-	61,172
Purchase of property and equipment	(16,350)	(21,604)
Net cash used in investing activities	(258,692)	(431,746)
Financing activities		
	-	-
Net change in cash and cash equivalents	(122,536)	(254,693)
Cash and cash equivalents, beginning of the period	700,550	792,078
Cash and cash equivalents, end of the period	578,014	537,385
Non-cash supplemental information:		
Net change in fair value of available for sale investments	6,222	14,249

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

	Three months ended March	
	31,	
	2015	2014
	(Unaudited)	(Unaudited)
	(SR'000)	
Operating activities:		
Net income from operations before Zakat	96,241	32,835
<u>Adjustments to reconcile net income to net cash from operating activities:</u>		
Appropriation of surplus from insurance operations	(78,968)	(24,896)
Gain from sale of investments	(17,274)	(353)
Income from investments in associates	(4,182)	(6,024)
Operating income before changes in operating assets and liabilities	(4,183)	1,562
<u>Changes in operating assets and liabilities:</u>		
Accrued investment income	2,378	404
Due from insurance operations	15,849	51,691
Accrued expenses and other liabilities	64	77
Zakat paid	(20)	6,844
Net cash provided by operating activities	14,088	60,578
Investing activities:		
Proceeds from sale of / matured investments	552,231	178,307
Purchase of investments	(420,052)	(428,661)
Dividends received from investments in associates	-	3,728
Net cash provided by / (used in) investing activities	132,179	(246,626)
Financing activities:		
Dividends paid	(144,263)	(5)
Net cash used in financing activities	(144,263)	(5)
Net change in cash and cash equivalents	2,004	(186,053)
Cash and cash equivalents, beginning of the period	20,583	198,766
Cash and cash equivalents, end of the period	22,587	12,713
Non-cash supplemental information:		
Change in fair value of available for sale investments	(9,214)	39,662

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)
MARCH 31, 2015

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 month period ended March 31, 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)
MARCH 31, 2015

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)
MARCH 31, 2015

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)
MARCH 31, 2015

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.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
MARCH 31, 2015

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.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
MARCH 31, 2015

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.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
MARCH 31, 2015

3. RECEIVABLES, NET

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

	March 31, 2015 SR'000 (Unaudited)	December 31, 2014 SR'000 (Audited)
Policyholders	1,119,128	1,167,451
Agents	160,092	186,166
Related parties (note 11)	24,832	106,603
	1,304,052	1,460,220
Receivables from reinsurers	156,191	158,459
Administrative Service Plan	18,782	12,817
	1,479,025	1,631,496
Provision for doubtful receivables	(87,686)	(102,383)
Receivables, net	1,391,339	1,529,113

4. AVAILABLE FOR SALE INVESTMENTS

i) Insurance operations:

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

	March 31, 2015 SR'000 (Unaudited)	December 31, 2014 SR'000 (Audited)
Local / regional money market and fixed income investments	1,878,658	2,295,303
Local / regional equity and equity funds	1,165,191	476,761
Foreign equities and equity funds	99,106	96,936
Total	3,142,955	2,869,000

ii) Shareholders:

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

	March 31, 2015 SR'000 (Unaudited)	December 31, 2014 SR'000 (Audited)
Local / regional money market and fixed income investments	974,329	1,142,237
Local / regional equity and equity funds	317,979	290,130
Foreign money market and fixed income investments	194,714	311,823
Foreign equities and equity funds	436,414	303,365
Total	1,923,436	2,047,555

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5. OUTSTANDING CLAIMS AND RESERVES, NET

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

	March 31, 2015 (SR'000) (Unaudited)	December 31, 2014 (SR'000) (Audited)
Gross outstanding claims	1,460,157	1,642,524
Less: Realizable value of salvage and subrogation	(66,474)	(65,781)
Add: Incurred but not reported claims	1,047,672	1,043,468
Add: Premium deficiency reserve	42,290	42,290
Outstanding claims and reserves	2,483,645	2,662,501
Less: Reinsurers' share of outstanding claims	(1,057,386)	(1,200,247)
Net outstanding claims and reserves	1,426,259	1,462,254

At March 31, 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.

6. SHARE CAPITAL

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

7. CONTINGENT LIABILITIES

As at March 31, 2015, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SR 154 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.

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

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	
	March 31, 2015 (SR'000) (Unaudited)	March 31, 2014 (SR'000) (Unaudited)	March 31, 2015 (SR'000) (Unaudited)	December 31, 2014 (SR'000) (Audited)
<u>Major shareholders</u>				
Amount of claims to hospitals	14,917	15,264	(2,850)	(2,877)
Medical insurance premium	13,490	14,215	24,673	105,626
Rent expenses	110	387	-	-
<u>Associates</u>				
Insurance premium	293	16,234	159	977
Rent expenses paid	-	874	-	-
Najm Fees	6,693	-	(11,631)	(4,778)

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11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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.

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.

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).

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

The table below analyses the financial instruments measured at fair value at the end of the reporting period March 31, 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)			
March 31, 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	1,577,936	-	1,565,019	3,142,955
- Shareholders	1,422,106	-	501,330	1,923,436
Total	3,000,042	-	2,066,349	5,066,391
December 31, 2014 (Audited)	Level 1	Level 2	Level 3	Total
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
Total	3,385,130	-	1,531,425	4,916,555

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.

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 premium 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.

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For the three-month period ended March 31, 2015
(Unaudited)

Operating Segments	Medical	Motor	Manafeth	Property	Total
				& casualty	
SR' 000					
Gross premiums written:					
Compulsory	839,720	-	-	-	-
Non - compulsory	23,771	-	-	-	-
Total gross premiums written	863,491	302,325	51,772	287,916	1,505,504
Net premiums written	862,312	302,325	51,772	31,061	1,247,470
Net premiums earned	980,364	242,883	29,828	32,398	1,285,473
Reinsurance commissions	(210)	15	-	24,077	23,882
Net claims incurred	(809,668)	(180,385)	(7,775)	(12,166)	(1,009,994)
Policy acquisition costs	(51,806)	(31,528)	(7,036)	(9,805)	(100,175)
Excess of loss expenses	-	(4,384)	(583)	(2,345)	(7,312)
Changes in Takaful Reserve	208	-	-	-	208
Other underwriting expenses	(18,526)	(5,542)	(1,778)	(8,008)	(33,854)
General, administrative, operating and selling expenses	(55,941)	(18,830)	(4,045)	(19,726)	(98,542)
Profit from Insurance Operations	44,421	2,229	8,611	4,425	59,686
Investment gains					26,770
Other income					9,566
Manafith Shared Expenses					(8,280)
Net Surplus from Insurance Operations					87,742

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13. OPERATING SEGMENTS (continued)

Operating Segments	For the three-month period ended March 31, 2014 (Unaudited)			Total
	Medical	Motor	Property & casualty	
	SR' 000			
Gross premiums written				
Compulsory	921,734	-	-	-
Non- compulsory	36,197	-	-	-
Total gross premiums written	<u>957,931</u>	<u>277,736</u>	<u>258,035</u>	<u>1,493,702</u>
Net premiums written	<u>947,811</u>	<u>277,657</u>	<u>32,314</u>	<u>1,257,782</u>
Net premiums earned	845,693	251,982	33,606	1,131,281
Reinsurance commissions	940	1,760	25,017	27,717
Claims incurred	(798,940)	(172,247)	(15,276)	(986,463)
Policy acquisition cost	(50,606)	(35,949)	(9,798)	(96,353)
Excess of loss expenses	(2,761)	(3,933)	(1,005)	(7,699)
Changes in Takaful Reserve	12	-	-	12
Other underwriting expenses	(14,659)	(1,519)	(1,782)	(17,960)
General, administrative, operating and selling expenses	(25,839)	(14,393)	(17,595)	(57,827)
Profit (Loss) from Insurance Operations	<u>(46,160)</u>	<u>25,701</u>	<u>13,167</u>	<u>(7,292)</u>
Investment gains				7,003
Other income				27,951
Net Surplus from Insurance Operations				<u>27,662</u>

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13. OPERATING SEGMENTS (continued)

Operating Segments	As at March 31, 2015 (Unaudited)				Total
	Medical	Motor	Manafeth	Property & casualty	
	SR' 000				
Assets - Insurance operations					
Reinsurer's share of unearned premium	6,408	887	-	460,737	468,032
Reinsurer's share of outstanding claims, net	317	11,758	-	1,045,311	1,057,386
Deferred policy acquisition costs	111,415	56,689	-	19,184	187,288
Investments					3,163,753
Receivables, net					1,391,339
Unallocated assets					1,214,706
Total assets					7,482,504
Liabilities and surplus - Insurance operations					
Unearned premium income	2,148,218	530,533	21,945	576,293	3,276,989
Gross outstanding claims and reserves	1,027,083	229,869	4,779	1,221,914	2,483,645
Unearned commission income	4,623	48	-	43,413	48,084
Reserve for Takaful activities	16,130	-	-	-	16,130
Unallocated liabilities and surplus					1,657,656
Total liabilities and surplus					7,482,504

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13. OPERATING SEGMENTS (continued)

Operating Segments	As at December 31, 2014			Total
	(Audited)			
	Medical	Motor	Property & casualty	
SR' 000				
Assets - Insurance operations				
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
Total assets				7,684,918
Liabilities and surplus - Insurance operations				
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
Total liabilities and surplus				7,684,918

14. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated by dividing the net income for the period ended March 31, 2015 and March 31, 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 Jumada II 26, 1436H, corresponding to April 15, 2015.